WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
WASHINGTON, DC

FINANCIAL STATEMENTS
June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Washington Metropolitan Area Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington Metropolitan Area Transit Authority (the Authority) as of June 30, 2013, which collectively comprise the statements of net position and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended.

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 an opinion on these financial statements based on our audit. 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 auditors consider 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2013, 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.

Emphasis of Matter

The previously issued June 30, 2013 financial statements have been restated for the correction of material misstatements in the respective period. Notes 13 and 14 of these reissued financial statements provide additional information. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Funding Progress – Pension Plan and Post Retirement Benefits Other Than Pensions on pages 43 and 44 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Baltimore, Maryland
October 15, 2013
(except for Notes 4, 7, 12, 13 and 14, as to which the date is August 6, 2015)

Statement of Net Position

June 30, 2013

(in thousands)

	2013
ASSETS	
Current assets:	
Cash and deposits (note 3)	$ 94,663
Investments (note 3)	103,598
Contributions receivable (note 4)	135,149
Accounts receivable and other assets	53,396
Current portion of prefunded lease commitments (notes 10 and 11)	44,357
Materials and supplies inventory (net of allowance of $3,688 in 2013)	117,399
Total current assets	548,562
Noncurrent assets:	
Long-term portion of contributions receivable (note 4)	180,780
Net pension asset (note 7)	172,734
Prefunded lease commitments (notes 10 and 11)	383,598
Capital assets (note 5):	
Construction in progress	303,068
Land	456,727
Transit facilities and equipment, net	7,972,753
Total noncurrent assets	9,469,660
Total assets	$ 10,018,222

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

Statement of Net Position (Continued)

June 30, 2013

(in thousands)

		2013
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$	274,307
Accrued salaries and benefits		119,628
Accrued interest payable		8,092
Unearned revenue		171,166
Current portion of estimated liability for injury and damage claims (notes 9 and 11)		39,857
Current portion of retainage on contracts (note 11)		803
Current portion of unearned lease revenue (note 11)		2,445
Current portion of bonds payable and other debt (notes 6 and 11)		20,335
Current portion of obligations under lease agreements (notes 10 and 11)		44,357
Total current liabilities		680,990
Noncurrent liabilities:		
Estimated liability for injury and damage claims (notes 9 and 11)		97,373
Retainage on contracts (note 11)		23,057
Unearned lease revenue (note 11)		9,761
Bonds payable and other debt (notes 6 and 11)		288,769
Obligations under lease agreements (notes 10 and 11)		383,598
Unfunded OPEB liability (note 8)		496,154
Total noncurrent liabilities		1,298,712
Total liabilities		1,979,702
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		8,088,386
Restricted		
Capital projects		199,473
Contingency		60,899
Smart card reserve		12,540
Other		759
Unrestricted		(323,420)
Total net position	$	8,038,637

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

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2013

(in thousands)

	2013
OPERATING REVENUES	
Passenger	$ 817,615
Advertising	16,732
Rental	22,246
Other	236
Total operating revenues	856,829
OPERATING EXPENSES	
Labor	655,141
Fringe benefits	524,383
Services	227,379
Materials and supplies	145,155
Utilities	81,561
Casualty and liability costs	26,461
Leases and rentals	4,969
Miscellaneous	2,604
Depreciation and amortization	619,608
Total operating expenses	2,287,261
Operating loss	(1,430,432)
NONOPERATING REVENUES (EXPENSES)	
Investment income	818
Interest income from leasing transactions	32,936
Interest expense from leasing transactions	(32,936)
Interest expense	(15,114)
Other	16,300
Jurisdiction subsidies:	
Operations	711,103
Interest	15,087
Total nonoperating revenues (expenses), net	728,194
Loss before capital contributions	(702,238)
Capital contributions	665,050
Change in net position	(37,188)
Total net position, beginning of year, as restated	8,075,825
Total net position, ending of year	$ 8,038,637

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

Statements of Cash Flows

For the Year Ended June 30, 2013

(in thousands)

	2013
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from operations	$ 806,975
Cash paid to suppliers	(422,959)
Cash paid to employees	(1,095,925)
Cash paid for operating claims	(29,584)
Net cash used in operating activities	(741,493)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from jurisdictional subsidies	716,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Construction of capital assets	(851,108)
Capital contributions	773,602
Interest paid on bonds and other debt	(15,787)
Principal paid on bonds, commercial paper and other debt	(27,360)
Interest subsidy for revenue bonds	15,087
Net cash used in capital and related financing activities	(105,566)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale and maturities of investments	9,331,844
Purchases of investments	(9,261,225)
Interest received from operational investments	17,539
Net cash provided by (used in) investing activities	88,158
Net change in cash and deposits	(42,901)
Cash and deposits, beginning of year	137,564
Cash and deposits, ending of year	$ 94,663

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

Statements of Cash Flows (Continued)

For the Year Ended June 30, 2013

(in thousands)

	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (1,430,432)
Adjustments to reconcile operating loss to net cash used in Operating activities:	
Depreciation and amortization expense	619,608
Bond premium accretion	(1,680)
Effect of changes in operating assets and liabilities	
Accounts receivables (net) and other assets	(1,476)
Accumulated fair value of hedging derivatives	(199)
Materials and supplies inventory	(4,817)
Net pension asset	(15,726)
Accounts payable and accrued expenses	45,491
Accrued salaries and benefits	5,281
Unearned revenue: Operating	(48,178)
Estimated liability for injury and damage claims	(3,123)
Retainage on contracts	(285)
OPEB obligation	94,043
Total adjustments	688,939
Net cash used in operating activities	$ (741,493)

Noncash operating, investing, capital and financing activities:

Increase (decrease) in fair value of investments	$ (389)
Interest expense from leasing transaction	$ (32,936)
Interest income from leasing transaction	$ 32,936
Capital contributions	$ (108,552)

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

Notes to Basic Financial Statements

June 30, 2013

(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

(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

(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

(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.

(l) Grants and Jurisdictional Subsidy

Capital grants and operating grants, are recognized as revenue when all applicable eligibility requirements on incurred expenditures have been met on awarded grants.

The determination of the Authority’s jurisdictional subsidies is based on its operating loss and non-operating revenues, and does not include depreciation expense or the non-cash amount related to other postemployment benefits (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 related to 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

(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

(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.

(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

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

	2013	
Cash and Deposits	Carrying Amount	Bank Balance
Deposits insured or collateralized	$ 88,077	$ 89,814
Cash on hand	6,586	-
Total cash and deposits	$ 94,663	$ 89,814

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

(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

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.

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

(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 (in thousands):

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

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

	2013
Agreed-upon funding of employee vacation liability and related taxes	$ 63,801
Agreed-upon funding of claims for injuries and damages	116,979
Total accumulated difference	$ 180,780

The current portion of contributions receivable at June 30, 2013 of $135,149 is related primarily to federal grants.

Notes to Basic Financial Statements

June 30, 2013

(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

(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 (in thousands):

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

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

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

Notes to Basic Financial Statements

June 30, 2013

(6) Bonds Payable and Other Debt (Continued)

(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.

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

Notes to Basic Financial Statements

June 30, 2013

(6) Bonds Payable and Other Debt (Continued)

(d) Lines of Credit (Continued)

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 for June 30, 2013. For the year ending June 30, 2013, there was no outstanding debt balance on the Lines of Credit.

(e) Interest Expense

Interest expense on bonds for the year ended June 30, 2013 was $15,087,000.

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

Notes to Basic Financial Statements

June 30, 2013

(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

(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

(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.

(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

(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

(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	$ 78,482	$ 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

(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	81,062	5,698	4,822	119,465
Interest on net pension assets	(148)	-	(11,978)	(136)	(25)	(12,287)
Adjustment to annual required contribution	217	-	9,398	146	36	9,797
Annual pension cost	20,067	7,885	78,482	5,708	4,833	116,975
Contributions made	(19,998)	(7,885)	(94,299)	(5,698)	(4,822)	(132,702)
Decrease (Increase) in net Pension Asset	69	-	(15,817)	10	11	(15,727)
Net pension asset, beginning of year	(1,859)	(307)	(152,590)	(1,944)	(307)	(157,007)
Net pension assets, end of year	$ (1,790)	$ (307)	$ (168,407)	$ (1,934)	$ (296)	$ (172,734)

(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	6/30/13	$ 20,067	99.7%	$ (1,790)
	6/30/12	$ 18,416	84.0%	$ (1,859)
	6/30/11	$ 17,884	116.5%	$ (4,878)
Transit Police Plan	6/30/13	$ 7,885	100.0%	$ (307)
	6/30/12	$ 7,719	100.0%	$ (307)
	6/30/11	$ 7,862	100.0%	$ (307)
Union Local 689	6/30/13	$ 78,482	120.2%	$ (168,407)
	6/30/12	$ 61,788	87.1%	$ (131,952)
	6/30/11	$ 61,481	87.2%	$ (140,527)
Union Local 922	6/30/13	$ 5,709	99.8%	$ (1,934)
	6/30/12	$ 5,937	99.8%	$ (1,945)
	6/30/11	$ 5,385	100.0%	$ (1,955)
Union Local 2	6/30/13	$ 4,833	99.8%	$ (296)
	6/30/12	$ 4,966	82.4%	$ (307)
	6/30/11	$ 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

(7) Pension Plans (Continued)

(d) Defined Contribution Retirement Plan (Continued)

The Authority contributed $6,808,000 for the year ended June 30, 2013.

(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

(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

(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

(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

(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 for the years ended June 30, 2013.

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

(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 Metrorail 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 year ended June 30, 2013 is as follows (in thousands):

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

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

(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 year ended June 30, 2013 were $1,327,000.

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

(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

(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

(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	$ 44,357
2015	69,718
2016	75,251
2017	24,941
2018	91,226
2019-2023	83,577
2024-2028	53,829
2029-2031	59,287
Total future minimum payments	502,186
Less imputed interest	74,231
Present value of minimum lease payments	$ 427,955

(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

(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 year ended June 30, 2013, was as follows (in thousands):

	Injury & Damage Claims	Retainage on Contracts	Deferred Lease Revenue	Bonds Payable	Obligations Under Lease Agreements
Beginning balance, July 1, 2012	$ 140,353	$ 24,145	$ 14,651	$ 337,847	$ 448,584
Additions	53,577	14,074	-	297 *	
Reductions	(56,700)	(14,359)	(2,445)	(29,040) **	(20,629)
Ending balance, June 30, 2013	$ 137,230	$ 23,860	$ 12,206	$ 309,104	$ 427,955
Due within one year	$ 39,857	$ 803	$ 2,445	$ 20,335	$ 44,357
Noncurrent portion	$ 97,373	$ 23,057	$ 9,761	$ 288,769	$ 383,598

*This amount includes amortization of bond premiums of $297,000 for the year ended June 30, 2013.

**This amount includes bond debt principal payments of $27,360,000 and accretion of bond discounts of $1,680,000 for the year ended June 30, 2013.

Notes to Basic Financial Statements

June 30, 2013

(12) Subsequent Events

(a) Silver Line Operations

On July 26, 2014, the Authority opened the first phase of Silver Line rail operations. The Silver Line rail extension represents the largest expansion of Metrorail and the first time a new color line has been added to the Metro map since the Green Line opened in 1991.

The Authority's Board of Directors had previously amended the Authority's Adopted Regional System (ARS) to incorporate a 23.1 mile Dulles Metrorail Extension into the ARS. The construction of this extension has been undertaken in two phases under the direction of the Metropolitan Washington Airports Authority (MWAA). MWAA has transferred the constructed assets of the first phase to the Authority. The asset value of the first phase is approximately $3.0 billion.

(b) Collective Bargaining Settlement

As disclosed in note 9(d) – Commitments and Contingencies: Labor Contracts, at June 30, 2014 the Authority had two labor contracts that were expired and currently either in arbitration or negotiation.

On September 24, 2014, the Authority's Board of Directors approved a seven-year collective bargaining agreement with the Fraternal Order of Police/Metro Transit Police Labor Committee covering the period of October 1, 2010 through September 30, 2017. This agreement included wage increases.

(c) Issuance of Grant Anticipation Note

A privately-placed one-year Grant Anticipation Note (GAN) was issued in October 2014 in the amount of $200 million at an interest rate of 0.75 percent and was fully drawn to support the short term cash flow needs of the capital program. Levels of unrestricted cash for the Authority's capital program were impacted by timing delays of federal grant reimbursements due to restrictions imposed by the Federal Transit Administration resulting from findings identified in a June, 2014 Financial Management Oversight Review report. In March 2015, the interest rate increased from 0.75 percent to 0.80 percent as a result of Moody's Ratings Service downgrading the Authority's credit rating. The Authority has executed several optional repayments totaling $150.1 million as of August 3, 2015 on the outstanding GAN balance.

(d) January 12, 2015 Yellow Line Incident

On January 12, 2015, there was an incident in which a Metrorail train carrying passengers filled with smoke. 8Several passengers were injured and one passenger died. The matter is under investigation by the National Transportation Safety Board. As a result of the incident, the Authority is the defendant in three separate lawsuits and has received over 185 claims. The Authority carries insurance to cover risk of this sort. The Authority and its insurance carriers are investigating the matter and will either vigorously defend or will settle each suit based on the facts discovered and what is in the best interests of the Authority.

(e) Tax Advantage Rail Car Lease

As disclosed in note 10(b) – Leasing Transactions: Leasing Disclosure, at June 30, 2013 the Authority had four active railcar lease agreements.

In December 2014, the Authority terminated one lease agreement by exercising its Early Purchase Option for the WMATA 1998-COM-B4 Trust LILO transaction using funds in the existing defeasance agreement. The termination value of the terminated lease agreement was $7.8 million in December 2014.

Notes to Basic Financial Statements

June 30, 2013

(12) Subsequent Events (Continued)

(f) Bond Rating

On March 27, 2015, Moody's Rating Service announced a one-step downgrade to the credit rating of Washington Metropolitan Area Transit Authority's $264 million of long-term debt from Aa3 to A1 and changed the outlook from stable to negative. The ratings downgrade was due to the Authority's ramp-up of short-term debt as a tool to support capital projects spending and bridge the restrictions placed upon its federal funds drawdown process. The A1 rating is still within the investment grade quality range.

Moody's outlook revision from stable to negative was based on the Authority's reduced liquidity position, the liquidity risk posed by the June, 2015 Letters of Credit (LOC) renewal dates, and the Authority's intent to use financing to reduce the LOC balances and provide funding for its capital needs.

(g) Line of Credit

During fiscal year 2014 the Authority entered into a fourth "364-day" line of credit in the amount of $75 million and increased its capacity on two lines of credit by $77.5 million, reflecting an increase in the total amount available under the four lines of credit from $150.0 million to $302.5 million. As of September 2014 the four lines of credit were fully drawn. During the second half of fiscal year 2015 two lines of credit were renewed and two were extended on substantially the same terms.

On June 1, 2015, the Authority paid down $83.8 million, or 28 percent of its $302.5 million lines of credit.

13) Restatement of Beginning Net Position

The financial statements at June 30, 2013 have been restated to correct for errors in accounting as follows:

Grant Receivable

The Authority's financial statements originally reported approximately $231.2 million related to amounts associated with federal share of capital contributions. Historically the Authority recognized grant revenues upon award. Upon review of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* the Authority determined that there existed certain eligibility requirements and as such, contributions should be recognized on a cost incurred basis.

Accounts Payable (Railcars)

The Authority identified an accounts payable item in the amount of $19,186,000 which had been liquidated in prior years.

Net Pension Asset

It was determined that as a result of a modification made to the actuarial method used for the Local 689 pension plan; the net asset was improperly stated. This resulted in an increase in the net pension asset of $33.6 million.

Reimbursable Projects

The Authority previously accounted for reimbursable projects as voluntary non-exchange transactions under the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Upon review, it was determined that these projects were exchange transactions, resulting in an increase in unearned revenue and a decrease in net assets of $37.6 million.

Notes to Basic Financial Statements

June 30, 2013

(13) Restatement of Beginning Net Position (Continued)

Prefunded Lease Commitments - Railcars

The short and long-term portions of the prefunded lease commitments in both assets and the offsetting liabilities were adjusted to eliminate the effects of a previously terminated lease agreement. The effect of this adjustment was to reduce both assets and liabilities in the amount of $69,524,000. This adjustment did not affect net position or changes therein.

The following table sets forth the effect of the adjustments outlined above on the previously reported financial statements:

	Net Position, June 30, 2012	Change in Net Position	Net Position June 30, 2013
Balance as previously reported	$ 8,265,240	$ (10,666)	$ 8,254,574
Grants Receivable	(181,147)	(50,040)	(231,187)
Accounts Payable (Railcars)	19,186	-	19,186
Net Pension Asset	20,638	12,978	33,616
Reimbursable Projects	(48,092)	10,540	(37,552)
Total Net Position Adjustments	(189,415)	(26,522)	(215,937)
Balance as restated/reissued	$ 8,075,825	$ (37,188)	$ 8,038,637

Certain reclassifications were made to the net position of the fiscal year 2013 financial statements as a part of this restatement. The reclassifications did not have an effect on total net position as of June 30, 2013.

(14) Reissuance

These financial statements are a single year reissuance for the fiscal year ended June 30, 2013. The comparative June 30, 2013 and 2012 financial statements were originally issued on October 15, 2013. The restated areas affected by the reissuance on August 6, 2015 are described in Notes 4, 7, 12 and 13 herein.

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.