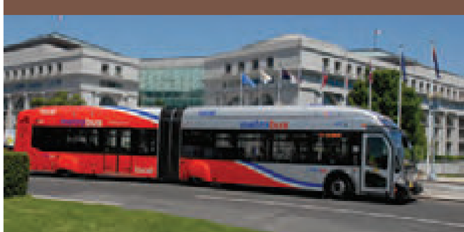
SAFETY, SERVICE AND FINANCIAL RESPONSIBILITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016



WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Washington, D.C.

SAFETY, SERVICE AND FINANCIAL RESPONSIBILITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

Dennis Anosike, Chief Financial Officer
La Toya Thomas, Comptroller
Prepared by the Office of Accounting

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WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Washington, D.C.

This Comprehensive Annual Financial Report (CAFR) was prepared by:

Office of the Chief Financial Officer

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Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2017 and 2016

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SECTION ONE - INTRODUCTORY (UNAUDITED)

8000 Series Metrobus

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October 26, 2017

Chairman and Members of the Board of Directors:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Washington Metropolitan Area Transit Authority (Authority) for the fiscal year ended June 30, 2017. The Authority's financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) as promulgated by the Governmental Accounting Standards Board and audited by a firm of independent certified public accountants retained by the Authority.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority's management. To the best of our knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary for the reader to gain an understanding of the Authority's financial activity have been included.

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The cost of internal controls should not outweigh their benefits; consequently, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the Authority's internal controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions.

RSM US LLP, a firm of licensed certified public accountants, issued an unmodified "clean" audit opinion on the Authority's fiscal year 2017 financial statements on October 20, 2017. The independent auditor's report is located in the financial section of this report.

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

Washington Metropolitan Area Transit Authority

600 Fifth Street, NW
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www.metroopensdoors.com

A District of Columbia, Maryland and Virginia Transit Partnership

Profile of the Authority

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

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

The original 103-mile Metrorail system was completed with the opening of the 6.5 miles extension of the Green Line from Anacostia to Branch Avenue on January 13, 2001. In the second quarter of fiscal year 2005, three Metrorail stations and approximately 3.1 miles of track were added to the Metrorail system resulting in a total of 86 stations, approximately 106.1 miles of track, and five Metrorail lines (Blue, Green, Orange, Yellow and Red).

On July 26, 2014, the Authority opened the first phase of a new Metrorail line (Silver) with five Metrorail stations and approximately 11.7 miles of track.

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

Organizational Structure

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

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

Budget

The Authority's annual budget serves as the foundation for its financial planning and control. The GM/CEO and staff prepare and submit the budget to the Board for approval. The annual budget includes both an operating budget and a capital budget.

Budget Process

The Authority begins planning each annual budget in August of the previous fiscal year with the development of the General Manager's Business Plan. The budget must be adopted by June 30, and the fiscal year begins on July 1. Budgeting for the fiscal year is divided into seven major phases: business plan development, budget formulation and preparation, budget review, general manager proposed budget, Board of Directors discussion/public outreach and public hearings, budget adoption, and budget implementation/amendment.

For fiscal year 2017, the Board approved an annual budget of approximately $2.8 billion with the largest portion, $1.7 billion, dedicated to operating the system. The budget also includes $950.0 million for capital improvement programs, $34.2 million for operating reimbursable programs and $52.0 million for capital reimbursable programs. The budget reflects approximately 13,032 authorized staff positions.

It is the responsibility of each department to manage its operation in such a manner as to ensure that the use of the funds is consistent with the goals and programs authorized by the Board.

Economic Condition

Local Economy

The Authority's operations are directly influenced by the economic conditions in the District of Columbia and the surrounding jurisdictions in the State of Maryland and the Commonwealth of Virginia. The metropolitan Washington, D.C. economy is currently diversifying. Industrial clusters beyond the federal government have been identified to drive economic growth over the next decade. Industries that have dominated the region's economy for a long time, professional and business services are projected to drive economic growth. Slow job growth and the future outlook of federal spending will ultimately impact the Authority's future ridership growth.

Strengths and weaknesses: The region boasts a highly educated workforce that commands above-average salaries, and employment continues to grow in non-government sectors such as technology, healthcare, and education as the region expands as a hub for the east coast of the United States. The region also benefits from a steady supply of tourists to the nation's capital, as well as convention and business visitors. However, the region has weaknesses, including relatively high business and regulatory costs as well as income inequality and a high cost of living. A primary risk facing the region is the reliance on the federal government, as described below.

Reliance on federal government: The regional economy remains tightly linked to the federal government, although that reliance is slowly decreasing as federal employment (including government contractors) stagnates or declines compared to other sectors. This reliance on the federal government affects the Authority in a number of ways:

- **Federal employment**: One of the primary reasons for creating the Metrorail system in the 1970s was to expand commuting options for federal employees and contractors, particularly from park-and-ride locations outside of the downtown core. This has remained a primary peak-hour market served by Metrorail, but as federal employee and contractor jobs have declined, ridership has also been negatively impacted.
- **Federal transit benefit**: Given Metrorail's relatively high fares, the monthly transit benefit offered by employers in the region is important in reducing the out-of-pocket commuting cost. When transit benefit was reduced to $130/month in 2014, and federal parking benefit remained at $250/month, the 'rail vs. driving' decision for some commuters changed. The transit benefit has now returned to parity with the parking benefit, but the changes and uncertainty negatively impacted Metrorail ridership, and transit benefit remains a likely target for future federal spending reductions.
- **Telecommuting**: Federal agencies have expanded telecommuting options as a benefit to their employees for many years. Recently, the federal government (through the General Services Administration and the Office of Personnel Management) has implemented more stringent telecommuting requirements on agencies in order to reduce operating and real estate costs. The telecommuting requirements reduce trip taking by employees on all modes, including Metrorail and Metrobus.

Long-term outlook: The longer-term outlook for the Washington region remains mixed. Overall, federal government spending is not expected to grow as strongly in the future as it did during the previous two decades, given the new administration's proposals for significant spending reductions. This will remove some of the insulation that the Washington region has had in the past from broader macroeconomic trends. However, healthcare, education, and technology are expected to be bright spots in the region's economy, with healthcare in particular providing a buffer to future recessions.

Other broad economic and lifestyle changes are also impacting when and how people travel, and these changes are affecting transit ridership. This includes changing cultural values, such as the importance of living closer to work (allowing for more walking and bicycling), declining auto ownership, changing housing tenure patterns and decisions about renting vs. owning; and the continued growth of online shopping and other online activities. The nature of work is also changing, with increasing self-employment and part-time employment, declining labor force participation, and new work and business environments, all suggesting a "new normal" in ridership. Finally, observers are predicting that autonomous or self-driving vehicles will become a reality on American roads in the near future, although the nature and timing of such a momentous change is highly uncertain. If that were to occur, the entire business model of public transportation could be forced to change.

As a result of the trends outlined on the previous page and above, as well as recent challenges related to service quality and reliability (which the Authority is addressing through SafeTrack and future efforts to expand preventive maintenance activities), the Authority is not projecting any significant near-term growth in rail passenger ridership. However, projected growth in population and employment, as well as the demonstrated demand for dense commercial and residential development around Metrorail stations, should provide a basis for continued ridership demand in the long term.

Long-term Financial Planning

Capital Improvement Program

The Authority and the local jurisdictions executed a comprehensive Capital Funding Agreement for supporting capital improvements between fiscal years 2011 and 2016, which was subsequently extended by the parties to cover fiscal years 2017 and 2018. The Capital Improvement Program (CIP), which is renewed and adopted each year by the Board, matches available funding sources with the capital project investments needed primarily to maintain the Authority's assets in a state of good repair. The CIP is an expenditure-based plan with the following primary investment components:

- **Railcars:** Replacement and purchase of new railcars, rehabilitation and maintenance of the railcar fleet and of railcar maintenance facilities.
- **Rail Systems:** Ongoing state of good repair efforts critical to maintaining and improving Metrorail's propulsion power and signals and communications systems.
- **Track and Structures:** Track includes steel running rail that guides the train cars, the crossties and fasteners that hold the rail in place, the ballast bed that supports the cross ties, and the third rail that provides power to the train. Structures include the retaining walls that protect the track bed and underground tunnels, the concrete pads that keep the track bed properly elevated and the bridges that span roads and bodies of water.
- **Stations & Passenger Facilities:** Facilities at the Authority's 91 Metrorail stations, including elevators, escalators, fare collection equipment, fire safety systems, bus loops, bus stops, parking garages, surface lots, access roads, bike racks, and bike lockers.
- **Bus & Paratransit**: Replacement and purchase of new buses and paratransit vehicles, rehabilitation and maintenance of these fleets and of other maintenance and customer facilities.
- **Business Support:** Facilities for collecting and storing system data, network infrastructure and other IT assets, as well as support of Metro Transit Police facilities and equipment, and the non-revenue vehicle fleet.

The CIP includes funding from Federal Transit Administration (FTA) formula grant programs and from dedicated federal funds. The dedicated federal funds were approved under the Passenger Rail Investment and Improvement Act (PRIIA) of 2008 (P.L. 110-432). PRIIA authorized $1.5 billion over ten years for the Authority's capital and preventive maintenance projects, to be matched dollar-for-dollar by the District of Columbia, Maryland, and Virginia.

Major Initiatives and Accomplishments

The Authority continues to aggressively pursue the largest capital program since the original construction of the system. Key rebuilding investments and accomplishments include:

SafeTrack

The Authority's highest priority is customer and employee safety. In June 2016, the Authority initiated the SafeTrack program to address the FTA and National Transportation Safety Board safety recommendations to rehabilitate the Metrorail system to improve safety and reliability. The SafeTrack program accelerated three years' worth of track maintenance work into approximately one year, by either continuous single-tracking or line segment shutdowns. Overall, the Authority conducted 16 SafeTrack surges between late June 2016 and June 2017, affecting the Blue, Red, Orange and Yellow line segments.

Improving Service Reliability

Significant investments were also made to replace and rehabilitate rail cars and buses; replacement of bus garages with new modern facilities; and rehabilitation of rail stations and maintenance facilities and tracks. The Authority is executing an accelerated retirement of the oldest 1000 series and most unreliable 4000 series railcars. In addition, the Authority accelerated the delivery of new 7000 series railcars from Kawasaki's Nebraska plant from eight to 20 cars per month, resulting in a total of 356 new, 7000 series train sets in passenger service as of June 30, 2017. The active fleet of 1,500 buses has been converted to 100% low-floor as an accessibility improvement for all riders.

The Authority initiated a host of features to enhance customer service during fiscal year 2017, based on customer feedback and experience. An entry/exit 15-minute grace period will result in a trip credit to customers who enter and exit the same station within 15 minutes. This helps our customers where emergencies arise or change their minds about riding the train, thus eliminating charges incurred for untraveled trips. The launch of MyTripTime, is a new function available to registered SmarTrip users, which provides our customers personalized performance information and records details about average, fastest and slowest times for commonly made journeys.

Financial Management

The Authority made investments to strengthen the financial management organization with improved financial controls and enhanced compliance monitoring. Additionally, a comprehensive review of the Authority's significant business processes is underway, which will further improve the internal control structure.

The Authority also continues to improve it's fiscal trajectory with new cost-saving measures during fiscal year 2017. These new measures primarily impacted personnel expenses, which is the Authority's largest cost category, with the elimination of 700 non-critical positions. A framework for collective bargaining agreement negotiations that protects the workforce, is more responsive to customers and delivers enhanced cost efficiencies has also been developed. Additionally, with the approval of the Fiscal Year 2018 Operating and

Capital Budgets and FY2018-2023 CIP on March 23, 2017, the Authority has committed to prioritizing safety, system reliability and customer satisfaction.

Awards

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2016. A Certificate of Achievement is valid for a period of one year only.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. We believe that this CAFR will meet the Certificate of Achievement Program's requirements and will be submitted to GFOA to determine eligibility for another certificate.

Acknowledgements

Completion of this CAFR would not have been possible without the leadership of the Comptroller, La Toya Thomas and the knowledgeable and dedicated staff of the Office of Accounting. A special note of appreciation is extended to the many diligent employees across the Authority whose time and efforts helped produce this CAFR. I would also like to thank the Board and the officers of the Authority for their continuing support in executing the financial operations of the Authority and in meeting the Authority's fiscal responsibilities to our customers and the region.

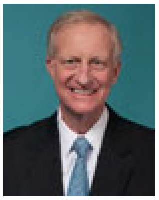
Respectfully submitted,

Paul J. Wiedefeld
General Manager and
Chief Executive Officer

Dennis Anosike
Chief Financial Officer

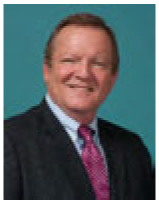
Board of Directors
As of June 30, 2017

The Washington Metropolitan Area Transit Authority is governed by a 16-member Board of Directors composed of eight Principal and eight Alternate members. The District of Columbia, Maryland, Virginia and the federal government each appoint two Principal and two Alternate members. Below are the members serving on the Board as of June 30, 2017.



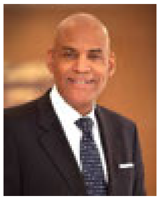
Jack Evans, Chair, was appointed to the Board as the Principal Director, representing the District of Columbia, in January 2015. Mr. Evans has served on the Council of the District of Columbia (Ward 2) since 1991.

Keturah D. Harley, First Vice Chair, was appointed to the Board in April 2016 representing Maryland. She has worked in the federal government as an Appellate Litigation Attorney at the U.S. Department of Veterans Affairs and with the District of Columbia Public Employee Relations Board (PERB), where she served as General Counsel and Executive Director (Acting).



Jim Corcoran, Second Vice Chair, was appointed to the Metro Board in February 2016, representing the Commonwealth of Virginia. Since April 2010, he has served as President & CEO of the Fairfax County Chamber of Commerce ("Fairfax Chamber"). Under his leadership the Fairfax Chamber has grown to a $2.5 million Chamber of significant influence.

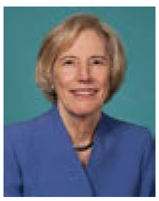
David L. Strickland was appointed to the Board in June 2016 as a Director representing the federal government. Mr. Strickland most recently served as the fourteenth Administrator of the National Highway Traffic Safety Administration (NHSTA).



Corbett A. Price was appointed to the Board in March 2015 as a Director representing the District of Columbia. He currently serves as Chairman and CEO of Quantix Health Capital, LLC.

Michael Goldman was appointed to the Board as a Principal Director, representing the State of Maryland, in June 2013. Mr. Goldman has practiced in the areas of international, antitrust, and transportation law.

Catherine Hudgins joined the Board in January 2004 as an Alternate Director. She was appointed as Principal Director in 2008 representing Fairfax County, Virginia and served as Chair in both 2011 and 2012. Mrs. Hudgins was elected to the Fairfax County Board of Supervisors in November 1999.



Carol Carmody was appointed to the Board in June 2016 as a Principal Director, representing the federal government. She served for five years as a member of the National Transportation Safety Board, was appointed Vice Chairman by President Clinton and served twice as Acting Chairman.

Tom Bulger was appointed to the Board in July 2011 as an Alternate Director for the District of Columbia. He is President of Government Relations Inc., and has been a federal advocate and policy consultant.

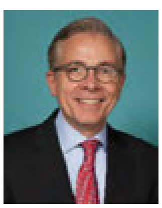
Malcom Augustine was appointed as an Alternate Director in January 2016 representing Prince George's County, Maryland. Mr. Augustine is a multi-channel marketing, sales, analytics and customer relationship executive in the direct marketing sector with specialty in higher education, non-profit, and healthcare at Intra Mail Network.

Christian Dorsey joined the Board in January 2016 as an Alternate Director representing Arlington County, Virginia. Mr. Dorsey was elected to the Arlington County Board in November 2015. He also represents Arlington on the Board of the Metropolitan Washington Council of Governments and serves as one of three Arlington commissioners of The Northern Virginia Transportation Commission (NVTC).

Anthony E. Costa joined the Board in July 2014 as an Alternate Director representing the federal government. Mr. Costa is currently Senior Advisor to the Administrator of the General Services Administration (GSA) and is leading GSA's efforts to help direct federal real estate activities to encourage the provision of environments where communities and employees live and work.

Leif A. Dormsjo joined the Board in March 2015 as an Alternate director representing the District of Columbia. In the same month, Mr. Dormsjo was confirmed as the Director of the District Department of Transportation (DDOT) after serving as an Alternate Director. He has served as Deputy Secretary of the Maryland Department of Transportation (MDOT) since 2012.

Kathy Porter joined the Board in January 2011 as an Alternate Director from Montgomery County, Maryland. Ms. Porter served as the Mayor of the City of Takoma Park, Maryland, from 1991 to 1997.



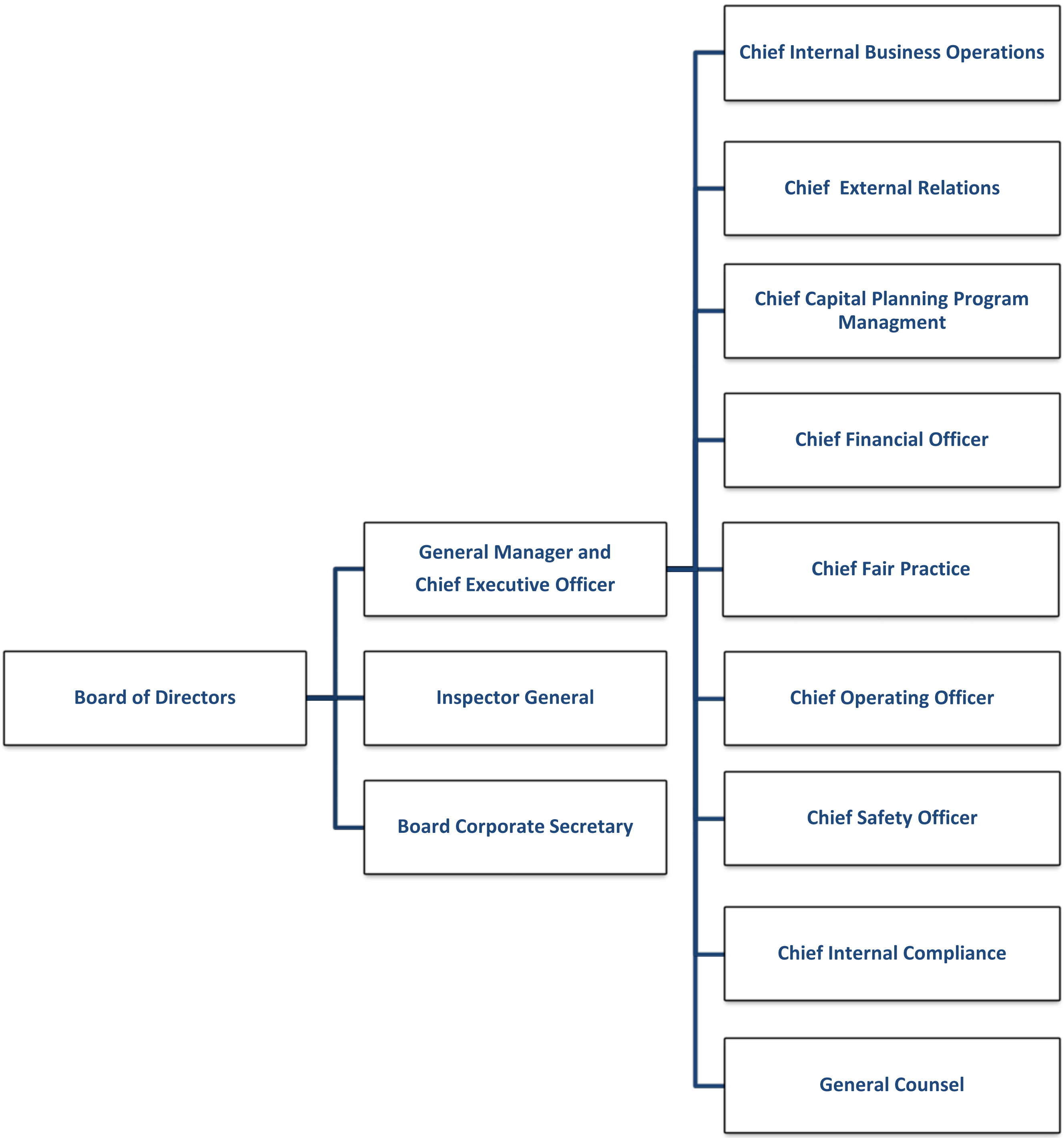
Paul C. Smedberg joined the Board in January 2016 as an Alternate Director representing the Commonwealth of Virginia. Mr. Smedberg was first elected to the Alexandria City Council in 2003 and was reelected for a fifth term in November 2015. He is currently the Vice-Chairman of the Virginia Railway Express (VRE) Operations Board and Director of Advocacy & Government Affairs at the American Academy of Physical Medicine & Rehabilitation.

Robert C. Lauby was appointed to the Board in June 2016 as an Alternate Director representing the federal government. Mr. Lauby is currently the Associate Administrator for Railroad Safety and Chief Safety Officer with the Federal Railroad Administration (FRA).

General Manager's Executive Leadership Team
As of June 30, 2017

General Manager and Chief Executive Officer	Paul J. Wiedefeld
Chief Internal Business Operations	John Kuo
Chief External Relations	Barbara Richardson
Chief Capital Planning Program Management	Craig Stewart
Chief Financial Officer	Dennis Anosike
Chief Fair Practice	Franklin Jones
Chief Operating Officer	Joseph Leader
Chief Safety Officer	Pat Lavin
Chief Internal Compliance	Eric Christensen
General Counsel	Patricia Y. Lee
Board Corporate Secretary	Jennifer Ellison
Inspector General	Geoffrey Cherrington

Organizational Chart
As of June 30, 2017



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington Metropolitan Area Transit Authority, District of Columbia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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SECTION TWO - FINANCIAL

7000 Series Railcar Commissioning Shop

Independent Auditor's Report

Management's Discussion and Analysis (Unaudited)

Basic Financial Statements

Required Supplementary Information (Unaudited)

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Independent Auditor's 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 business-type activities of the Washington Metropolitan Area Transit Authority (the Authority), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2017 and 2016, and the changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability, the schedule of employer contributions, and the schedule of funding progress for postemployment benefits other than pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

Washington, District of Columbia
October 20, 2017

Management's Discussion and Analysis
June 30, 2017 and 2016

As management of the Washington Metropolitan Area Transit Authority (Authority), we offer readers of the basic financial statements this overview and analysis of the financial activities of the Authority as of June 30, 2017 and 2016.

This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any noteworthy changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which immediately follow this section.

Fiscal Year 2017 Financial Highlights

- The assets of the Authority exceeded its liabilities as of the close of the fiscal year by $10.4 billion (net position).
- A record $1.1 billion was expended in capital-related improvements, which led to improved track infrastructure, transit facility and computer upgrades, railcar reliability, and escalator performance.
  - In June 2017, the Authority completed the SafeTrack program, which was an accelerated plan to address safety recommendations and rehabilitate the Metrorail system to improve safety and reliability with costs totaling approximately $145.2 million.
  - The Authority purchased 196 new 7000-series railcars, 41 hybrid buses, 70 compressed natural gas (CNG) buses totaling over $417.4 million, collectively.
  - The Authority retired 209 railcars totaling $121.1 million.
  - The Authority made improvements to transit infrastructure of approximately $682.9 million to upgrade its transit facilities and track structures.

Fiscal Year 2016 Financial Highlights

- The Authority's total net position increased $305.6 million, primarily due to donated assets that resulted in an increase in capital contributions.
- Net capital assets increased by $393.3 million primarily due to the following:
  - The Authority purchased 50 new state-of-the-art 7000-series railcars and 125 new hybrid buses totaling $277.0 million collectively.
  - Montgomery County, Maryland donated the Paul S. Sarbanes Transit Center (Silver Spring Transit Center) to the Authority at a value of $144.1 million. This transit center is a three level, multi-modal, fully compliant American with Disabilities Act accessible facility with a number of new customer amenities including real-time bus departure information, public restrooms, water fountains, escalators, bike racks/lockers, and enhanced neighborhood map displays.
  - MWAA donated $76.9 million in additional assets relating to Phase 1 of the Silver Line to the Authority.
- Total liabilities increased by $266.0 million, which was primarily due to the $220.0 million issuance of the Series 2016A Gross Revenue Transit Bonds to finance capital costs.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Authority's basic financial statements, which are comprised of the Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and the Notes to the Basic Financial Statements. This report also contains other required supplementary information in addition to the basic financial statements.

Basic Financial Statements. The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), as applicable to governmental entities using the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred regardless of the timing of the related cash flows.

- The **Statements of Net Position** presents financial information on all of the Authority's assets, liabilities, deferred outflows of resources and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial condition; however, the reader should also consider other indicators, such as the rate of growth of operating subsidies, passenger fares, ridership levels, general economic conditions in the metropolitan area and the age and condition of capital assets used by the Authority.
- The **Statements of Revenues, Expenses, and Changes in Net Position** reports all of the revenues, Federal and jurisdiction subsidies, and capital contributions earned and all operating and nonoperating expenses incurred during the reporting periods. This statement presents how the Authority's net position changed from the prior fiscal year.
- The **Statements of Cash Flows** provides information on cash receipts and cash payments during the reporting period. This statement allows financial statement users to assess whether the Authority's current cash flows are sufficient to pay its obligations.
- The **Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements can be found on pages 16-74 of this report.

Required Supplementary Information (RSI). In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the Authority's defined benefit pension plans and other postemployment benefit (OPEB) plans to its employees. The RSI can be found on pages 75-90 of this report.

Financial Analysis

Condensed Statements of Net Position

The following table provides an overview of the Authority's financial position as of June 30, 2017, 2016 and 2015:

Condensed Statements of Net Position
June 30, 2017, 2016 and 2015
(in thousands)

	2017	2016	2015	2017 vs 2016 Increase (decrease) Amount	2017 vs 2016 Increase (decrease) %	2016 vs 2015 Increase (decrease) Amount	2016 vs 2015 Increase (decrease) %
Current assets	$ 821,311	$ 986,191	$ 1,024,474	$ (164,880)	(16.7)	$ (38,283)	(3.7)
Capital assets, net	12,386,019	12,218,882	11,825,566	167,137	1.4	393,316	3.3
Other noncurrent assets	305,596	480,193	459,195	(174,597)	(36.4)	20,998	4.6
Total assets	13,512,926	13,685,266	13,309,235	(172,340)	(1.3)	376,031	2.8
Deferred outflows of resources	449,516	299,649	230,235	149,867	50.0	69,414	30.1
Current liabilities	983,965	768,750	818,026	215,215	28.0	(49,276)	(6.0)
Noncurrent liabilities	2,486,548	2,483,513	2,168,242	3,035	0.1	315,271	14.5
Total liabilities	3,470,513	3,252,263	2,986,268	218,250	6.7	265,995	8.9
Deferred inflows of resources	140,573	207,583	333,694	(67,010)	(32.3)	(126,111)	(37.8)
Net position:							
Net investment in capital assets	11,610,645	11,573,665	11,135,124	36,980	0.3	438,541	3.9
Restricted	17,900	17,900	30,404	-	0.0	(12,504)	(41.1)
Unrestricted	(1,277,189)	(1,066,496)	(946,020)	(210,693)	19.8	(120,476)	12.7
Total net position	$ 10,351,356	$ 10,525,069	$ 10,219,508	$ (173,713)	(1.7)	$ 305,561	3.0

Current Year

The Authority's total net position at June 30, 2017 decreased $173.7 million, or 1.7%, from June 30, 2016. The significant changes are described below:

- Current assets decreased by $164.9 million, or 16.7%, primarily due to the following:
  - Due from other governments decreased $187.6 million, or 37.3%. The majority of this decrease was due to a reduction of federal grants receivables totaling $272.6 million.
  - Cash and cash equivalents decreased $59.3 million, or 69.8%, and investments decreased $43.8 million, or 36.7%, primarily due to the use of the 2016A bond proceeds during fiscal year 2017.
  - The decreases above were offset by the current portion of the increases in accounts receivable and other assets, net of allowance of $56.4 million, and an increase in prefunded tax advantage lease contract of $65.4 million.
- Other noncurrent assets decreased by $174.6 million or 36.4%. The decrease was due primarily to the termination of one of the three remaining railcar lease agreements on June 13, 2017.

Financial Analysis (continued)

Condensed Statements of Net Position (continued)

- Current liabilities increased by $215.2 million, or 28.0%. These increases were primarily due to the following:
  - Accounts payable and accrued expenses increased $9.0 million due to an increase in accrued operating and capital costs.
  - Due to other governments, increased $104.5 million due to the timing of billings in advance as compared to expenses incurred for reimbursable projects and funds received from the disposition of federally funded assets of $12.3 million that will be utilized against future capital grant costs.
  - Current portion of bonds payable increased $50.4 million due to principal payable on the 2016A and 2009A Gross Revenue Transit Bonds.
  - Obligations under tax advantage lease agreements increased $65.4 million due to the scheduled amounts payable per the lease agreements.

<u>Prior Year</u>

Significant changes are described below:

- Current assets decreased by $38.3 million, or 3.7%. The decrease was partially due to a decrease in cash and cash equivalents of $149.2 million, or 63.7%. The decrease in cash and cash equivalents was offset by an increase in investments totaling $85.3 million, or 250.3%, which was due to the investment of the 2016A bond proceeds.
- Capital assets, net, increased by $393.3 million, or 3.3%, which primarily resulted from an increase in capital spending. The Authority purchased 196 new 7000-series railcars for $130.0 million and 125 new hybrid buses for $147.0 million. In August 2015, Montgomery County, Maryland donated the Silver Spring Transit Center to the Authority, which consisted of $9.0 million in land and $135.1 million in transit facilities. In addition, $76.9 million of assets relating to Phase 1 of the Silver Line were transferred to the Authority.
- Current liabilities decreased by $49.3 million, or 6.0%, due to a $58.8 million reduction in the line of credit and final payment of the Grant Anticipation Note (GAN) totaling $83.3 million. These decreases were offset by the following:
  - Accounts payable and accrued expenses increased $50.3 million due to an increase in accrued capital costs.
  - Due to other governments increased $18.6 million due to the timing of billings in advance as compared to expenses incurred for reimbursable projects.
  - Accrued salaries and benefits increased $11.4 million due to increases in the vacation liability totaling $5.1 million and increases in accrued salaries totaling $5.2 million.
  - Litigation and claims increased $11.6 million due to an increase in case reserves and changes in trend assumptions in the actuarial projections of the liability.
- Noncurrent liabilities increased by $315.3 million, or 14.5%, due to the issuance of bonds, and increases in OPEB and pension liabilities. On June 8, 2016, the Authority issued Series 2016A Gross Revenue Transit bonds for $220.0 million to be used to finance capital costs. The liability for OPEB and pensions increased by $57.1 million and $35.5 million, respectively, both attributed to the increase of the projected actuarial costs of the respective benefits.

Financial Analysis (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

The following table provides an overview of the revenues, expenses, and changes in net position for the years ended June 30, 2017, 2016 and 2015:

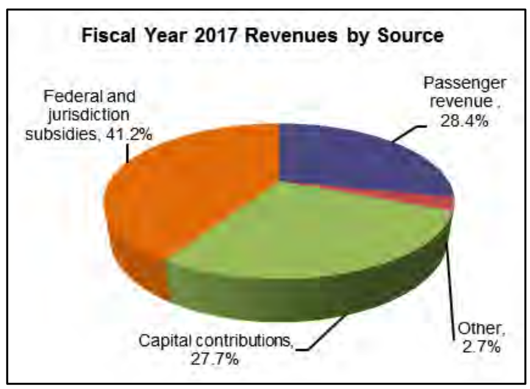
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2017, 2016 and 2015
(in thousands)

				2017 vs 2016 Increase (decrease)		2016 vs 2015 Increase (decrease)	
	2017	**2016**	**2015**	**Amount**	**%**	**Amount**	**%**
Operating and nonoperating revenues:							
Operating revenues	$ 788,813	$ 859,165	$ 898,644	$ (70,352)	(8.2)	$ (39,479)	(4.4)
Nonoperating revenues	20,365	18,532	32,446	1,833	9.9	(13,914)	(42.9)
Total operating and nonoperating revenues	809,178	877,697	931,090	(68,519)	(7.8)	(53,393)	(5.7)
Subsidies and capital contributions:							
Federal and jurisdiction subsidies	1,074,539	927,960	839,477	146,579	15.8	88,483	10.5
Capital contributions	722,213	1,153,762	4,138,387	(431,549)	(37.4)	(2,984,625)	(72.1)
Total subsidies and capital contributions	1,796,752	2,081,722	4,977,864	(284,970)	(13.7)	(2,896,142)	(58.2)
Total revenues	2,605,930	2,959,419	5,908,954	(353,489)	(11.9)	(2,949,535)	(49.9)
Operating expenses	2,756,894	2,629,972	2,547,881	126,922	4.8	82,091	3.2
Nonoperating expenses	22,749	23,886	27,160	(1,137)	(4.8)	(3,274)	(12.1)
Total expenses	2,779,643	2,653,858	2,575,041	125,785	4.7	78,817	3.1
Change in net position	(173,713)	305,561	3,333,913	(479,274)	(156.9)	(3,028,352)	(90.8)
Net position, beginning of year	10,525,069	10,219,508	6,885,595	305,561	3.0	3,333,913	48.4
Net position, end of year	$ 10,351,356	$ 10,525,069	$ 10,219,508	$ (173,713)	(1.7)	$ 305,561	3.0

Revenues

Current Year

Total fiscal year 2017 revenues decreased by $353.5 million, or 11.9%, from fiscal year 2016. Federal and jurisdiction subsidies, passenger revenue and Capital contributions account for 41.2%, 28.4%, and 27.7% of total fiscal year 2017 revenues, respectively.



Total operating revenues decreased $70.4 million, or 8.2%, from fiscal year 2016. Significant changes are described below:

- Capital contributions decreased $431.5 million, or 37.4% from fiscal year 2016. Key changes include:
  - Donations of the Silver Spring Transit Center and assets relating to Phase 1 of the Silver Line in fiscal year 2016 totaling $144.1 million and 76.9 million, respectively, compared to $36.6 million donated for the Silverline in fiscal year 2017.
  - The Authority wrote off $272.6 million in prior year uncollectible federal grant receivables during fiscal year 2017. The uncollectible amounts were written off against capital contributions and funded by nonfederal sources. The removal of the uncollectible costs created additional capacity on the grants, which were used to fund new, eligible costs.

Financial Analysis (continued)

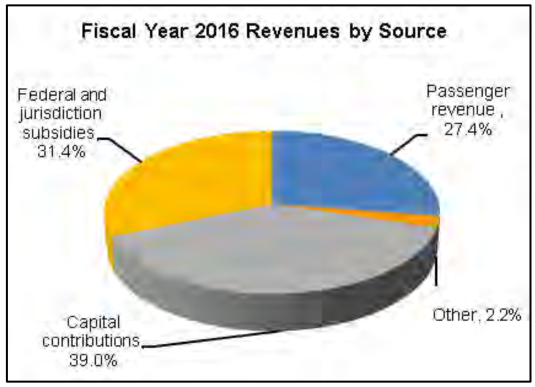
Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)

Revenues (continued)

- Passenger revenue decreased $68.4 million, or 8.4%, due to a decrease in rail and bus ridership. Additional information on passenger trips is provided on the next page.
- Federal and jurisdiction subsidies increased by $146.6 million, or 15.8%, to offset operating expenses in fiscal year 2017.

Prior Year

Total fiscal year 2016 revenues decreased by $2.9 billion, or 49.9%, from fiscal year 2015. Capital contributions, Federal and jurisdiction subsidies, and passenger revenue account for 39.0%, 31.4%, and 27.4% of total fiscal year 2016 revenues, respectively.

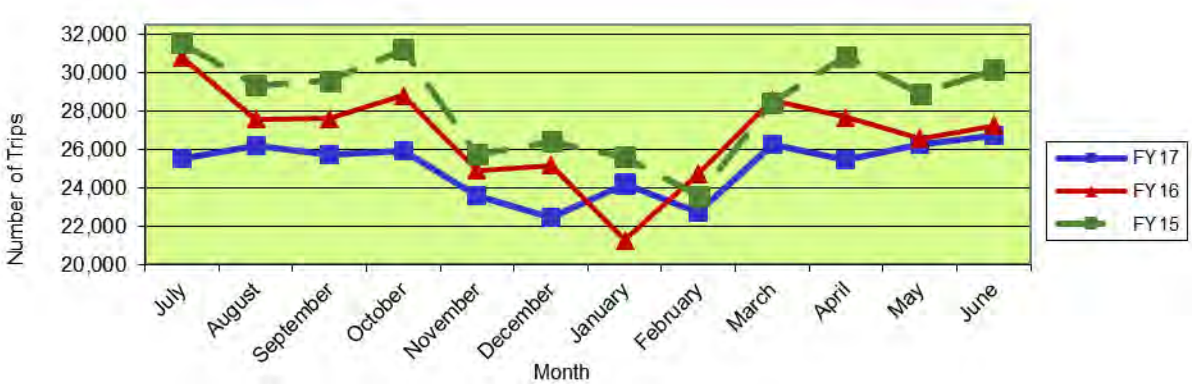


Total operating revenues for fiscal year 2016 decreased $39.5 million, or 4.4%, from fiscal year 2015. Significant changes are described below:

- Capital contributions decreased $2.9 billion, or 72.1%, primarily due to the $3.0 billion donation of Phase 1 of the Silver Line assets in fiscal year 2015.
- Passenger revenue decreased $45.0 million, or 5.3%, due to a decrease in rail and bus ridership.
- Federal and jurisdiction subsidies increased by $88.5 million to offset operating expenses in fiscal year 2016.

Passenger Trips

Below is a trend of the number of passenger trips by month for the fiscal years ended June 30, 2017, 2016 and 2015 (in thousands):



Financial Analysis (continued)

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

Passenger Trips (continued)

Passenger trips decreased in fiscal year 2017 from fiscal year 2016, by 20.0 million, or 6.2%, in large part due to service disruptions resulting from the SafeTrack program. During fiscal year 2017, the Authority completed the SafeTrack program, which rehabilitated the Metrorail system to address safety

recommendations. The Authority conducted 14 SafeTrack surges that resulted in either continuous single-tracking or line segment closures, affecting the Blue, Red, Orange and Yellow line segments.

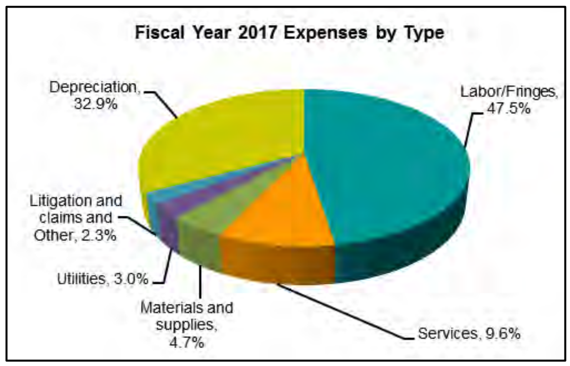
Passenger trips decreased in fiscal year 2016 by 20.4 million, or 6.0%, due to service reliability which caused baseline ridership to drop starting in August 2015.

Fiscal Year Expenses by Type

Current Year

Total operating and nonoperating expenses for fiscal year 2017, increased by $125.8 million, or 4.7%, from fiscal year 2016.

Labor and fringe benefits are consistently the Authority's largest expenses, comprising 47.5% of total expenses. Depreciation is the next largest expense, which is expected due to the Authority's large capital asset base. All other types of expenses, as compared to total expenses, has remained relatively consistent since the prior year.



A review of significant changes is described below:

- Depreciation expense increased by $79.9 million, which accounts for 32.9% of current year expenses, due primarily to an increase in depreciable assets place into service which included the purchase of 7000-series state-of-the-art railcars, buses and other assets and additional Phase 1 Silver Line costs.
- Services increased by $43.0 million, or 19.2%, due primarily to the utilization of service contracts to restore the Authority "Back2Good" as outlined by the General Manager/Chief Executive Officer's initiative pertaining to safety, service reliability and fiscal responsibility.
- Nonoperating expenses decreased $1.1 million, or 4.8%, due primarily to the termination of one railcar lease, the early retirement of the 4000-series railcars that resulted in a loss on disposition of $9.2 million and an increase in the amount of capitalized debt interest expense related to capital assets. The increase in capitalized interest expense increased the value of capital assets and decreased nonoperating expense.

Financial Analysis (continued)

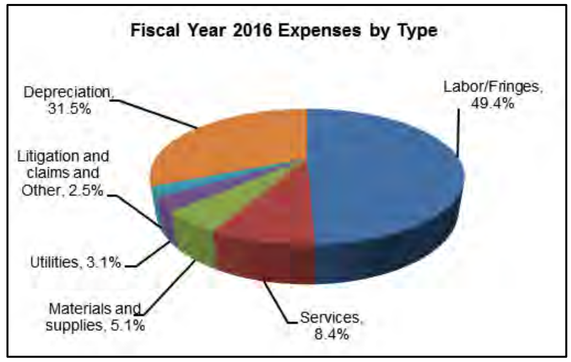
Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)

Fiscal Year Expenses by Type (continued)

Prior Year

Operating and nonoperating expenses increased by $78.8 million, or 3.1%, compared to fiscal year 2015. A review of significant changes is described below:

- Depreciation expense increased by $86.9 million, which accounts for 31.5% of current year expenses, due primarily to an increase in depreciable assets placed into service, which included the donation of the Silver Spring Transit Center; additional Phase 1 Silver Line costs; and the purchase of 7000-series railcars, buses and other assets.
- Utilities decreased by $4.5 million, or 5.2%, due primarily to the reduction of fuel prices and decreased volume consumption of electricity due to the lower-than-scheduled railcar miles.



Capital Assets and Debt Administration

Capital Assets

The following table shows the capital assets of the Authority as of June 30, 2017, 2016 and 2015:

Schedule of Capital Assets
June 30, 2017, 2016 and 2015
(in thousands)

				2017 vs 2016 Increase (decrease)		2016 vs 2015 Increase (decrease)	
	2017	**2016**	**2015**	**Amount**	**%**	**Amount**	**%**
Land	$ 534,949	$ 559,772	$ 550,934	$ (24,823)	(4.4)	$ 8,838	1.6
Buildings and improvements	1,016,203	1,015,978	941,237	225	0.0	74,741	7.9
Transit facilities	13,138,997	12,457,214	12,260,210	681,783	5.5	197,004	1.6
Revenue vehicles	4,142,731	3,695,471	3,071,269	447,260	12.1	624,202	20.3
Equipment and other	4,188,378	3,964,915	3,711,745	223,463	5.6	253,170	6.8
Construction in progress	265,813	686,686	724,669	(420,873)	(61.3)	(37,983)	(5.2)
Total capital assets	23,287,071	22,380,036	21,260,064	907,035	4.1	1,119,972	5.3
Less: accumulated depreciation	10,901,052	10,161,154	9,434,498	739,898	7.3	726,656	7.7
Capital assets, net	$ 12,386,019	$ 12,218,882	$ 11,825,566	$ 167,137	1.4	$ 393,316	3.3

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Current Year

Capital assets, net increased by $167.1 million, or 1.4%, from fiscal year 2016. Significant capital asset activity during fiscal year 2017 is as follows:

- A large portion of the increase in capital spending is attributable to the purchase of 196 new 7000-series railcars for $350.0 million, 41 new hybrid buses for $38.3 million, 70 CNG buses for $29.1 million, and $36.6 million of additional Silver Line assets donated to the Authority. These additions were offset by the retirement of 182 1000-series railcars for $54.6 million and 27 4000-series railcars for $66.5 million, with an associated loss on disposition of $9.2 million.
- Construction in progress decreased $420.9 million, or 61.3%, attributable to over $1.1 billion of new capital costs incurred, while over $1.5 billion of capitalized costs were transferred into service during fiscal year 2017.
- Equipment and other increased $223.5 million, or 5.6%, due primarily to the purchase of heavy equipment used during SafeTrack repairs, new computer servers, major computer system upgrades, and software implementation.

Prior Year

Capital assets, net increased by $393.3 million, or 3.3%, from fiscal year 2015 due to an increase of planned capital spending of $303.3 million. Significant capital asset activity during fiscal year 2017 is as follows:

- A large portion of the increase in capital spending is attributable to the purchase of 50 new 7000-series railcars for $130.0 million, 125 new hybrid buses for $147.0 million, and $76.9 million of additional Silver Line assets donated to the Authority.
- Additionally, the Silver Spring Transit Center was donated to the Authority in August 2015, which consisted of $9.0 million in land and $135.1 million in transit facilities.

The Silver Spring Transit Center is a three level, urban, multi-modal, state of the art transit facility adjacent to the Silver Spring Metro Station, which is the first station in Maryland on the eastern end of the red line, and is the second-busiest metro station in Maryland. The facility eliminates the existing traffic conflicts, increases pedestrian safety, and facilitates multi-modal transfers. Specifically, it features over 30 bus bays serving Metrobus, Montgomery County Ride-On, VanGo, and University of Maryland shuttle; direct access to Metrorail and Maryland Area Regional Commuter (MARC) trains; 26 kiss and ride and taxi spaces; bicycle access; and connections to regional hiking, biking, and local trails. The Silver Spring Transit Center opened on September 20, 2015 and is serving thousands of commuters who make transfers in downtown Silver Spring, Maryland.

Additional information on the Authority's capital assets can be found in note 7 on pages 34-35 of this report.

Capital Assets and Debt Administration (continued)

Bonds and Other Debt

A schedule of the Authority's debt activity for the years ended June 30, 2017, 2016 and 2015 is shown below:

Schedule of Outstanding Debt
June 30, 2017, 2016 and 2015
(in thousands)

				2017 vs 2016 Increase (decrease)		2016 vs 2015 Increase (decrease)	
	2017	**2016**	**2015**	**Amount**	**%**	**Amount**	**%**
Outstanding bonds	$ 467,910	$ 476,195	$ 264,095	$ (8,285)	(1.7)	$ 212,100	80.3
Net unamortized bond premium (discount)	15,731	22,683	9,992	(6,952)	(30.6)	12,691	127.0
Grant anticipation note	-	-	83,333	-	0.0	(83,333)	100.0
Lines of credit	150,000	160,000	218,750	(10,000)	(6.3)	(58,750)	(26.9)
Tax advantage lease agreement	152,081	258,649	273,054	(106,568)	(41.2)	(14,405)	(5.3)
Total debt	$ 785,722	$ 917,527	$ 849,224	$ (131,805)	(14.4)	$ 68,303	8.0

Current Year

The Authority's total debt decreased by $131.8 million, or 14.4%, from fiscal year 2016. Significant activities are described below:

- The Authority terminated one of the three remaining railcar lease agreements on June 13, 2017. The Authority removed approximately $92.5 million of obligations under tax advantage leases.
- Short-term lines of credit were renegotiated with the total amount available of $350.0 million. The outstanding balance on the lines of credit was $150.0 million as of June 30, 2017.

Prior Year

The Authority's total debt increased by $68.3 million, or 8.0%, from fiscal year 2015. Significant activities are described below:

- The Authority issued $220.0 million of the Series 2016A Gross Revenue Transit Bonds in June 2016, to finance capital costs, fund a deposit to the debt service fund and pay certain issuance costs. The uninsured ratings of the Authority's bonds were AA- from Standard and Poor's, and A1 from Moody's as of June 30, 2016.
- The Authority's short-term lines of credit were renegotiated and the issuing financial institutions were reduced from three to two with the available amount remaining at $302.5 million with the same terms. The outstanding balance on the lines of credit was $160.0 million as of June 30, 2016
- The Authority paid off the remaining $83.3 million of the GAN in October 2015.

Additional information on the Authority's short and long-term liabilities can be found in note 9 on pages 37-41 and on the tax advantage lease agreements in note 13 on pages 72-74 of the report.

Future Capital Plans

Capital Improvement Program

On June 24, 2010, the Board of Directors (Board) approved a six-year, $5.0 billion Capital Funding Agreement (CFA) with the Authority's jurisdictional partners. Effective June 30, 2017 and June 30, 2016, the Board approved a one-year extension to the existing CFA. This agreement provides the Authority with resources to procure new railcars and buses, advance safety initiatives, replace deteriorated or damaged track, repair and upgrade stations and tunnels, replace obsolete communications and train control equipment, and perform other general rehabilitation and replacement work at Authority facilities.

As part of the CFA, the Board is responsible for approving an annual capital budget and a new six-year capital plan prior to the start of each fiscal year. On March 23, 2017, the Board approved the fiscal years 2018-2023 Capital Improvement Plan (CIP) of $7.5 billion, which includes capital investments by the Authority's jurisdictional partners of $3.3 billion, and issuance of the Series 2017B Gross Revenue Transit Bonds. The fiscal year 2018-2023 Capital Improvement Program contains more than $1.3 billion in safety-enhancing, state of good repair and operating vehicle reliability investments for fiscal year 2018. The Authority updates the jurisdictions and the Board quarterly about the progress of the capital program.

Silver Line Rail Expansion

On September 14, 2007, the Authority entered into a cooperative agreement with MWAA for the Silver Line as part of the Dulles Corridor Metrorail Project. The Silver Line will expand the current system from 106.1 miles to a total of 129.4 miles in two phases.

On July 26, 2014, Phase 1 was substantially completed and transferred to the Authority and was placed into service. Phase 1 added 11.7 miles to the existing metrorail system traveling west of the East Falls Church metrorail station to Wiehle Avenue in the Reston area of Fairfax County along the Dulles Corridor. The expansion included construction of five new stations: McLean, Tysons Corner, Greensboro, Spring Hill and Wiehle-Reston, a large park-and-ride lot at Wiehle Avenue and expanded storage capacity at the West Falls Church rail yard.

Construction on Phase 2 of the project began on August 7, 2013 and will include extending the metrorail system beginning at Wiehle Avenue to Reston Town Center, Herndon, Dulles International Airport and ending in Eastern Loudoun County in Ashburn. Phase 2 is slated to be operational by the year 2020.

Economic Factors

The regional economy and job market in the Washington, D.C. metropolitan area has performed relatively well compared to other large metro areas and the nation as a whole. According to the Bureau of Labor Statistics, the Washington metro area unemployment rate of 3.9% compares favorably to the national rate of 4.4%, and the metro area job growth rate of 1.6% was similar to the national average of 1.5%. The region added over 53,000 new jobs during the twelve months ending June 30, 2017, and ranked in the top 15 among major job markets. Professional and business services comprise the region's largest employment sector and accounts for approximately 32.9% of the region's economy, according to the George Mason University Center for Regional Analysis.

Requests for Information

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

Statements of Net Position
June 30, 2017 and 2016
(in thousands)

Exhibit 1
(continued)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,657	$ 84,918
Restricted cash and cash equivalents	32,254	30,743
Investments	75,578	119,420
Due from other governments	315,311	502,907
Accounts receivable and other assets, net of allowance	159,812	103,406
Prefunded tax advantage lease defeasance contract	80,501	15,076
Materials and supplies inventory, net of obsolescence	132,198	129,721
Total current assets	821,311	986,191
Noncurrent assets:		
Due from other governments	234,016	236,620
Prefunded tax advantage lease defeasance contract	71,580	243,573
Capital assets:		
Construction in progress	265,813	686,686
Land	534,949	559,772
Buildings and improvements	1,016,203	1,015,978
Transit facilities	13,138,997	12,457,214
Revenue vehicles	4,142,731	3,695,471
Equipment and other	4,188,378	3,964,915
Less: accumulated depreciation	(10,901,052)	(10,161,154)
Total capital assets, net	12,386,019	12,218,882
Total noncurrent assets	12,691,615	12,699,075
Total assets	13,512,926	13,685,266
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivative	1,169	-
Deferred outflows from pensions	448,347	299,649
Total deferred outflows of resources	449,516	299,649
Total assets and deferred outflows of resources	$ 13,962,442	$ 13,984,915

Statements of Net Position
June 30, 2017 and 2016
(in thousands)

Exhibit 1
(concluded)

	2017	2016
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 226,015	$ 217,034
Accrued salaries and benefits	47,369	58,835
Compensated absences	69,844	64,471
Due to other governments	192,716	88,225
Accrued interest payable	11,742	7,735
Unearned revenue	89,366	92,990
Litigation and claims	47,522	44,893
Retainage on contracts	10,200	11,206
Lines of credit debt	150,000	160,000
Bonds payable	58,690	8,285
Obligations under tax advantage lease agreements	80,501	15,076
Total current liabilities	983,965	768,750
Noncurrent liabilities:		
Compensated absences	22,238	25,137
Litigation and claims	117,516	135,373
Retainage on contracts	9,015	10,936
Bonds payable	424,951	490,593
Obligations under tax advantage lease agreements	71,580	243,573
Net pension liability	1,107,305	907,602
Net OPEB obligation	733,943	670,299
Total noncurrent liabilities	2,486,548	2,483,513
Total liabilities	3,470,513	3,252,263
Deferred inflows of resources:		
Jurisdictional capital advances	4,441	3,906
Deferred inflows from pensions	135,355	195,483
Accumulated increase in fair value of hedging derivatives	-	1,629
Deferred gain on tax advantage lease	777	6,565
Total deferred inflows of resources	140,573	207,583
Total liabilities and deferred inflows of resources	3,611,086	3,459,846
NET POSITION		
Net investment in capital assets	11,610,645	11,573,665
Restricted – operating contingency	17,900	17,900
Unrestricted (deficit)	(1,277,189)	(1,066,496)
Total net position	$ 10,351,356	$ 10,525,069

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

Statements of Revenues, Expenses, and Changes in Net Position — Exhibit 2
For the Years Ended June 30, 2017 and 2016
(in thousands)

	2017	2016
OPERATING REVENUES		
Passenger	$ 741,044	$ 809,407
Advertising	21,926	22,792
Rental	25,601	26,722
Other	242	244
Total operating revenues	788,813	859,165
OPERATING EXPENSES		
Labor	728,228	752,270
Fringe benefits	593,339	558,684
Services	267,053	224,087
Materials and supplies	131,269	135,533
Utilities	83,306	83,364
Litigation and claims	26,823	27,174
Leases and rentals	7,518	6,749
Miscellaneous	4,324	6,927
Depreciation	915,034	835,184
Total operating expenses	2,756,894	2,629,972
Operating loss	(1,968,081)	(1,770,807)
NONOPERATING REVENUES (EXPENSES)		
Investment (loss) income	(98)	224
Interest income from leasing transactions	5,206	10,621
Interest expense from leasing transactions	(5,206)	(10,621)
Interest expense	(7,857)	(13,265)
Loss on disposition of assets	(9,686)	-
Other	15,257	7,687
Federal and jurisdiction subsidies:		
Federal	182,991	31,987
Jurisdictional	891,548	895,973
Total nonoperating revenues (expenses), net	1,072,155	922,606
Loss before capital contributions	(895,926)	(848,201)
Capital contributions	722,213	1,153,762
Change in net position	(173,713)	305,561
Total net position, beginning of year	10,525,069	10,219,508
Total net position, end of year	$ 10,351,356	$ 10,525,069

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

Statements of Cash Flows **Exhibit 3**
For the Years Ended June 30, 2017 and 2016 **(continued)**
(in thousands)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	$ 728,783	$ 822,507
Cash paid to suppliers	(490,191)	(453,458)
Cash paid to employees	(1,276,038)	(1,297,800)
Cash paid for operating litigation and claims	(42,051)	(4,757)
Net cash used in operating activities	(1,079,497)	(933,508)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from federal and jurisdictional subsidies	1,100,808	823,195
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to construct capital assets	(1,057,751)	(962,908)
Receipts from capital contributions	942,077	930,063
Payment of interest and fiscal charges	(9,638)	(14,785)
Principal payments on bonds and other debt	(720,237)	(255,858)
Proceeds from debt issuance and other debt	695,000	338,566
Jurisdictional receipts for debt service	12,487	12,890
Other nonoperating cash receipts	15,257	1,493
Net cash (used in) provided by capital and related financing activities	(122,805)	49,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	939,517	3,458,966
Purchases of investments	(895,911)	(3,544,158)
Interest received from operational investments	138	84
Net cash provided by (used in) investing activities	43,744	(85,108)
Net change in cash and cash equivalents	(57,750)	(145,960)
Cash and cash equivalents, beginning of year	115,661	261,621
Cash and cash equivalents, end of year	$ 57,911	$ 115,661

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016
(in thousands)

Exhibit 3 (concluded)

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (1,968,081)	$ (1,770,807)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	915,034	835,184
Accumulated increase in fair value of hedging derivatives	(2,798)	1,790
Effect of changes in operating assets and liabilities:		
Accounts receivables, net of allowance, and other assets	(56,406)	(32,173)
Materials and supplies inventory, net of obsolescence	(2,477)	(6,706)
Deferred outflows from pensions	(148,698)	(69,575)
Accounts payable and accrued expenses	8,554	8,118
Accrued salaries and benefits	(11,466)	11,366
Compensated absences	2,474	4,949
Unearned revenue	(3,624)	(4,485)
Litigation and claims	(15,228)	22,417
Net pension liability	199,703	35,538
Net OPEB obligation	63,644	57,132
Deferred inflows from pensions	(60,128)	(26,256)
Total adjustments	888,584	837,299
Net cash used in operating activities	$ (1,079,497)	$ (933,508)
Noncash operating, investing, capital and financing activities:		
Decrease in fair value of investments	$ (239)	$ (137)
Bad debt expense included in capital contributions	$ 259,505	$ -
Donated assets included in capital asset additions and capital contributions	$ 36,606	$ 220,939
Loss on disposal of equipment	$ 9,686	$ -
Capitalized interest included in capital assets	$ 9,282	$ 4,068
Capital asset additions included in accounts payable	$ 128,872	$ 128,445
Adjustment to previously recognized capital contributions	$ 25,503	$ -

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

Notes to the Basic Financial Statements
June 30, 2017 and 2016

1. Background, Governance and Reporting Entity

(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 local jurisdictions: the District of Columbia; cities of Alexandria, Falls Church, Fairfax, Manassas, and Manassas Park and counties of Arlington, Fairfax, Loudoun, and Prince William in Virginia; and the counties of Montgomery, Anne Arundel, Charles, and Prince George's in Maryland.

(b) Governance

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

The 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.

(c) Financial Reporting Entity

In accordance with the requirements of accounting principles generally accepted in the United States of America (US GAAP), as applicable to government entities, the financial statements must present the organization and its component units. The criteria used to determine whether organizations are to be included as component units within the Authority's reporting entity are as follows:

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 or,
   b. 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 Authority's financial statements due to the nature and significance of the organization's relationship with the Authority.

1. Background, Governance and Reporting Entity (continued)

(c) Financial Reporting Entity (continued)

In evaluating the Authority as a reporting entity in accordance with the criteria previously stated, 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 and has determined that the Authority does not have any component units.

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 participates in six pension plans and four other postemployment benefit (OPEB) plans, which are further described in notes 10 and 11 to the basic financial statements (collectively referred to as the Plans). The Plans are not included as fiduciary funds or component units of the Authority. The Plans are legally separate and distinct entities from the Authority and are administered by their own boards. The Authority assumes no fiduciary responsibility and has no direct authority over the Plans. Accordingly, the accounts of the Plans are not included in the accompanying basic financial statements.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with US GAAP, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Authority's significant accounting policies are described below.

(a) Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and other nonexchange transactions are recognized when all eligibility requirements imposed by the provider have been met.

(b) 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 at the date of acquisition.

(c) Restricted Cash and Cash Equivalents

The Authority's restricted cash and cash equivalents at year end consists of surcharge amounts collected at parking facilities per agreements with Fairfax County, Virginia and the counties of Montgomery and Prince George's in Maryland. These surcharge amounts are to be used for payment of expenses related to the parking structures in the respective jurisdictions.

2. Summary of Significant Accounting Policies (continued)

(d) Investments

The Authority's investments are reported at fair value using quoted market prices or other observable inputs.

(e) Accounts Receivable and Other Assets

The major components of the accounts receivable and other assets balance are payments due from governmental agencies excluding contributing jurisdiction subsidy payments, companies, other receivables, and prepaid expenses. The accounts receivable balances are reported net of allowances totaling $2.7 million and $2.6 million as of June 30, 2017 and 2016, respectively.

(f) Materials and Supplies Inventory

Materials and supplies inventory is reported using the average cost method, net of an allowance for obsolete inventory of $5.3 million and $2.7 million as of June 30, 2017 and 2016, respectively.

(g) Capital Assets

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

The Authority's capital assets are comprised of construction in progress, land, transit facilities, buildings and improvements, revenue vehicles and equipment and other. Capital assets are reported at historical costs and include labor and other ancillary costs associated with placing the capital asset into service. Donated or transferred capital assets are recognized at acquisition value.

Determinations of the cost of heavy rail assets placed in service are made with the assistance of the Authority's engineers. Such cost determinations are based upon the historical costs of the project. Interest expense related to construction and amounts expended for testing each phase of the rail system prior to commencement of revenue producing operations are capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. A full month's depreciation is calculated in the month an asset is placed in service. The useful lives employed in computing depreciation on principal classes of assets are as follows:

Buildings and improvements	10-45 years
Transit facilities	10-75 years
Revenue vehicles	4-35 years
Equipment and other	4-20 years

(h) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of amounts due to vendors and contractors.

2. Summary of Significant Accounting Policies (continued)

(i) Due to Other Governments

Due to other governments consists of payments received in advance from other government organizations for reimbursable projects, proceeds from the sale of capital assets and restricted parking lot receipts.

(j) Compensated Absences

The Authority's policy permits eligible employees to accumulate earned, but unused, sick leave and vacation benefits up to the maximum amounts shown in the table below:

Employee group	Employee Subgroup	Years of Service	Maximum Annual Leave Carryover Limit	Disposition in Excess of maximum Carryover Limit
Executive and Senior Management	Executive and Senior Management	N/A	337.5 hours	Remaining balance is forfeited
Non-Represented employees	Non-Represented – 7.5 hour workdays	0–15 years 15+ years	225.0 hours 337.5 hours	Remaining balance is forfeited
	Non-Represented – 8 hour workdays	0–15 years 15+ years	240.0 hours 360.0 hours	Remaining balance is forfeited
Local 2 employees	Local 2 – 7.5 hour workdays	0–15 years 15+ years	225.0 hours 337.5 hours	100% converted to sick
	Local 2 – 8 hour workdays	0–15 years 15+ years	240.0 hours 360.0 hours	100% converted to sick
Fraternal Order of Police	Fraternal Order of Police	N/A	400.0 hours	50% converted to sick leave
Special Police Officers	Special Police Officers	N/A	240.0 hours	Remaining balance is forfeited
Local 689 & 922 employee	Local 689 & 922	0–15 years 15+ years	240.0 hours 360.0 hours	Remaining balance is forfeited

There is no liability for accumulated sick leave since the Authority's policy does not allow payment of unused sick leave to employees when they separate from service. All unused vacation is accrued when incurred as a portion of compensated absences on the Statements of Net Position. Generally, unused vacation in excess of the maximum annual carryover limit for the current period must be used by December 31 of the following period. Depending on the employees' respective group, remaining and unused vacation amounts in excess of the Authority's carryover limit are either forfeited or converted to sick leave and no longer included as a liability to the Authority.

2. Summary of Significant Accounting Policies (continued)

(j) Compensated Absences (continued)

The Authority's policy and the related collective bargaining agreements permit certain eligible employees to accumulate compensatory time. Non-represented, exempt employees may accrue and carry-forward compensatory time up to 75 hours in a calendar year, and the other employee groups may accrue and carry forward compensatory time up to 240 hours in a calendar year. Compensatory time balances in excess of the maximum annual carryover limits as of December 31st each year can be either paid out as overtime or forfeited, as dictated by the applicable policy or collective bargaining agreement. The compensatory balances accrued at June 30, 2017 and 2016 were $2.7 million and $3.2 million, and are included in the accrued salaries and benefits liability on the Statements of Net Position.

(k) Unearned Revenue

Unearned revenues are primarily payments received in advance for unredeemed fare media.

(l) Deferred Outflows of Resources and Deferred Inflows of Resource

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 Statements 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 Statements of Net Position.

The Authority has the following items that qualify for reporting as deferred outflows of resources or deferred inflows of resources: the accumulated change in the fair value component of the master commodity swap agreement for diesel fuel; deferred lease revenue received from sale-leaseback of railcars; deferred inflows and outflows from pensions; and jurisdictional advances for operating and capital subsidies,

(m) Hedging Derivative Instrument

The Authority has entered into a contract to purchase a minimum amount of diesel fuel based upon a differential price on the New York Mercantile Exchange (NYMEX) index. At the same time, the Authority has entered into a fuel swap agreement to hedge the price of the fuel contract. The swap agreement is reported at fair value, and amounts owed by the Authority are included in deferred outflows of resources and amounts due to the Authority are included in deferred inflows of resources on the Statements of Net Position.

(n) Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating transactions. 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 fares. The Authority also recognizes as operating revenue amounts received for rental and advertisements. These amounts are recorded as revenue at the time services are performed.

2. Summary of Significant Accounting Policies (continued)

(n) Operating and Nonoperating Revenues and Expenses (continued)

Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, or investing activities. Nonoperating revenues include Federal and jurisdictional subsidies, investment income and interest income from leasing transactions. Nonoperating expenses include interest expenses and loss on disposition of assets. Investment income is generated from the following sources: advance contributions for capital and operating needs.

The Authority operates at a loss, which is fully subsidized by participating jurisdictions. Operating losses are accrued as a receivable from the local participating jurisdictions in the year the loss is incurred. Operating subsidies are recognized as revenue when the jurisdictions appropriate the amount to the Authority and the period to which the appropriation pertains has begun. The determination of the Authority's jurisdictional subsidies is based on its operating loss and nonoperating revenues, and does not include depreciation expense or the noncash amounts related to OPEB and noncash pension benefits.

(o) Capital Contributions

The Authority's capital program is supported primarily through funding from Federal agencies and the jurisdictions. Any reduction in jurisdictional support or Federal grants will have a major impact on the Authority's capital program. Capital grant revenue from Federal awards is recognized upon grant award and the incurrence of eligible expenditures. Capital grant revenue from jurisdictions is recognized in the year for which the appropriation was made. Federal grants and jurisdictional capital subsidies total $685.6 million and $932.8 million in fiscal years 2017 and 2016, respectively.

Bad debts relating to federal grant receivables are written off against capital contributions. During fiscal year 2017, the Authority wrote off $272.6 million in federal grant receivables relating to prior year disallowed costs. The deobligation relating to the uncollectible costs created additional grant capacity, which the Authority and the Federal Transit Administration used to enter into a new grant agreement to cover new, eligible program costs. During fiscal year 2017, $101.4 million was expended against the new grant award, and $61.9 million is available to spend in fiscal year 2018.

The Authority receives donated property and equipment from other governmental agencies, which represents approximately $36.6 million and $220.9 million of the Authority's capital contributions during fiscal years 2017 and 2016, respectively.

(p) Net Position

Net position represents the residual interest in the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and consists of the net investment in capital assets; restricted net position, and unrestricted net position, as follows:

- **Net investment in capital assets -** The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

2. Summary of Significant Accounting Policies (continued)

(p) Net Position (continued)

- **Restricted net position** – This category represents net position with external restrictions imposed by creditors, grantors, contributors; laws or regulations of other governments; or constraints imposed by law through constitutional provisions or enabling legislation that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted net position** - This category represents the portion of net position that is not classified as "restricted" or "net investments in capital assets". Unrestricted net position may be designated for specific purposes by action of management or the Board or may be otherwise limited by contractual agreements with outside parties. The deficit balance will require future funding.

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

(q) Reclassifications

Certain reclassifications were made to the comparative fiscal year 2016 amounts to conform to the fiscal year 2017 presentation in the basic financial statements.

(r) Use of Estimates

The preparation of the basic financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, capital contributions, 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.

(s) Adoption of New GASB Pronouncements

The Authority adopted the following GASB Statements in fiscal year 2017:

- ***GASB Statement No. 77, Tax Abatement Disclosures:*** The Statement requires governments that enter into tax abatement agreements to disclose descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. Governments should organize the disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The Authority has not entered into any tax abatement programs and therefore, the adoption of this Statement had no impact on the Authority's basic financial statements.
- ***GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pensions:*** This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of

2. Summary of Significant Accounting Policies (continued)

(s) Adoption of New GASB Pronouncements (continued)

employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Authority's employees do not participate in any cost-sharing multiple-employer defined benefit pension plans, thus the adoption of this Statement had no impact on the Authority's basic financial statements.

- ***GASB Statement No. 80, Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14:*** This statement establishes additional blending requirements for component units organized as not-for-profit corporations in which the primary government is the sole corporate member. The Authority does not have any component units, thus the adoption of this Statement had no impact on the Authority's basic financial statements.

(t) Pronouncements Issued but Not Yet Adopted

GASB has issued the following pronouncements that may affect future financial presentation or fiscal practices of the Authority upon implementation:

GASB Statement No.	GASB Statement	Adoption Required in Fiscal Year
75	*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*	2018
81	*Irrevocable Split Interest Agreements*	2018
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activities*	2020
85	*Omnibus 2017*	2018
86	*Certain Debt Extinguishment Issues*	2018
87	*Leases*	2021

GASB statements with required adoption in fiscal year 2018:

- Statement No. 75 establishes standards for recognizing and measuring expenses, liabilities, deferred outflows of resources, and deferred inflows of resources related to postemployment benefit plans other than pensions. The Authority contributes to four single-employer defined benefit healthcare plans for retirees and their dependents and, accordingly, the adoption of Statement No. 75 is expected to have a significant impact on the financial position of the Authority.
- Statement No. 81 establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts—or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements—in which a donor irrevocably transfers resources to an intermediary, and the intermediary administers

2. Summary of Significant Accounting Policies (continued)

(t) Pronouncements Issued but Not Yet Adopted (continued)

these resources for the unconditional benefit of a government and at least one other beneficiary. The Authority currently does not have any split-interest agreements, therefore the adoption of Statement No. 81 will have no impact on the Authority.

- Statement No. 85 address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits. The adoption of Statement No. 85 is not expected to have a significant impact on the Authority.
- Statement No. 86 provides accounting and financial reporting guidance for in-substance defeasance of debt in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of Statement No. 86 is not expected to have a significant impact on the Authority.

The Authority is currently evaluating the applicability and impact of GASB Statement Nos. 83, 84, and 87, which have required adoption periods subsequent to fiscal year 2018.

3. 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; subsidy payments from participating jurisdictions in the State of Maryland, Commonwealth of Virginia, and District of Columbia; and the Authority's operations, which are primarily funded by passenger farebox revenues. 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 shares of the jurisdictions' operating subsidy requirements per the approved fiscal years 2017 and 2016 budgets are as follows:

Jurisdiction	2017	2016
District of Columbia	37.3 %	37.3 %
Prince George's County, Maryland	21.5	21.4
Montgomery County, Maryland	16.7	16.6
Fairfax County, Virginia	13.7	13.6
All other jurisdictions	10.8	11.1
Total	100.0 %	100.0 %

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

4. 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 debt 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 agencies.

(a) Cash and Cash Equivalents

The Authority's bank balances as of June 30, 2017 and 2016 are as follows (in thousands):

	2017		2016	
Cash and Cash Equivalents	**Carrying Amount**	**Bank Balance**	**Carrying Amount**	**Bank Balance**
Deposits insured or collateralized	$ 11,596	$ 14,575	$ 1,456	$ 4,270
Money market account	40	40	33	33
Repurchase agreements (unrestricted)	8,334	8,334	77,065	77,065
Repurchase agreements (restricted)	32,254	32,254	30,743	30,743
Cash on hand	5,687	-	6,364	-
Total cash and deposits	$ 57,911	$ 55,203	$ 115,661	$ 112,111

The Authority's bank deposit account balances are Federal Deposit Insurance Corporation (FDIC) insured up to $250,000, and any excess amounts are secured at 102%, 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 at the Bank of New York Mellon as a custodian and collateral agent.

In addition, one depository bank has pledged an irrevocable standby letter of credit as collateral, issued by the Federal Home Loan Bank, which is held by the Authority.

The Authority's cash equivalents are valued at amortized cost.

4. Cash, Deposits and Investments (continued)

(b) Investments

i) Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities. 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 capital projects. On average, investment maturities are less than six months at June 30, 2017 and 2016.

As of June 30, 2017 and 2016, the Authority has the following investments (in thousands):

		Investment Maturities as of June 30, 2017			
Investment Type	**Fair Value June 30, 2017**	**Less than 6 Months**	**7 Months – 1 Year**	**1–3 Years**	**More than 3 Years**
United States Treasuries	$ 2,593	$ -	$ -	$ -	$ 2,593
United States Agencies	72,935	72,935	-	-	-
Total investments	75,528	72,935	-	-	2,593
Accrued interest	50	-	-	-	-
Total	$ 75,578	$ 72,935	$ -	$ -	$ 2,593

		Investment Maturities as of June 30, 2016			
Investment Type	**Fair Value June 30, 2016**	**Less than 6 Months**	**7 Months – 1 Year**	**1–3 Years**	**More than 3 Years**
United States Treasuries	$ 2,861	$ -	$ -	$ -	$ 2,861
United States Agencies	116,512	116,512	-	-	-
Total investments	119,373	116,512	-	-	2,861
Accrued interest	47	-	-	-	-
Total	$ 119,420	$ 116,512	$ -	$ -	$ 2,861

ii) Credit Risk

The Authority's Compact, Article XVI, section 69(b), signed by the governing jurisdictions, includes investments that are direct obligations of, or obligations guaranteed by, the U.S. Government as well as evidences of indebtedness issued by agencies of the U.S. Government 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.

4. Cash, Deposits and Investments (continued)

(b) Investments (continued)

ii) Credit Risk (continued)

The Authority's investments which have the implicit guarantee of the U.S. 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.

The following table summarizes the ratings of the Authority's debt securities from Moody's Investor Service as of June 30, 2017 and 2016 (in thousands):

Investment Type	Fair Value June 30, 2017	Fair Value June 30, 2016	Rating
United States Treasuries	$ 2,593	$ 2,861	Aaa
United States Agencies	72,935	116,512	Aaa
Total investments at fair value	$ 75,528	$ 119,373	

iii) Custodial Credit Risk

The Authority does not have a formal policy for custodial credit risk. The Authority is not exposed to custodial credit risk because all securities are in the Authority's name.

5. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2017 and 2016 (in thousands):

	June 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Investments by type:				
United States Treasuries	$ 2,593	$ 2,593	$ -	$ -
United States Agencies	72,935	-	72,935	-
Total investments	$ 75,528	$ 2,593	$ 72,935	$ -
Fuel swap derivative	$ (1,169)	$ -	$ (1,169)	$ -

5. Fair Value Measurements (continued)

	June 30, 2016			
	Fair Value	Level 1	Level 2	Level 3
Investments by type:				
United States Treasuries	$ 2,861	$ 2,861	$ -	$ -
United States Agencies	116,512	-	116,512	-
Total investments	$ 119,373	$ 2,861	$ 116,512	$ -
Fuel swap derivative	$ 1,629	$ -	$ 1,629	$ -

United States Treasuries are valued using prices quoted in active markets. The United States Agencies are valued using matrix pricing. The fuel swap derivative was valued using an income approach, which is a mathematical approximation of the market, derived from proprietary models that are based on certain assumptions regarding past, present and future market conditions, as well as certain financial information.

6. Due from Other Governments

Since inception, the Authority has operated at a loss, which has been fully subsidized each year by the participating jurisdictions pursuant to the Compact. For purposes of determining the current year's operating loss to be funded by the local participating jurisdictions, the Authority calculates the results of transit operations on an agreed upon basis different from that reflected in the Statements of Revenues, Expenses, and Changes in Net Position.

During fiscal year 2017, the Authority wrote off $272.6 million in prior year uncollectible federal grant receivables. The current amounts due from other governments are as follows at June 30, 2017 and 2016 (in thousands):

	June 30, 2017	June 30, 2016
Federal grants receivable	$ 218,757	$ 487,179
Jurisdiction operating subsidy	96,554	15,728
Total	$ 315,311	$ 502,907

The cumulative effects of the different agreed upon bases, which result in long term amounts due from other governments are as follows at June 30, 2017 and 2016 (in thousands):

	June 30, 2017	June 30, 2016
Agreed-upon funding of employee vacation liability and related taxes	$ 82,659	$ 79,994
Agreed-upon funding of claims for injuries and damages	151,357	156,626
Total accumulated difference	$ 234,016	$ 236,620

7. Capital Assets

Capital assets activity for the years ended June 30, 2017 and 2016 is as follows (in thousands):

	June 30, 2016	Additions	Reductions	June 30, 2017
Capital assets not being depreciated:				
Land	$ 559,772	$ 680	$ (25,503)	$ 534,949
Construction in progress	686,686	1,106,615	(1,527,488)	265,813
Total capital assets not being depreciated	1,246,458	1,107,295	(1,552,991)	800,762
Capital assets being depreciated:				
Buildings and improvements	1,015,978	225	-	1,016,203
Transit facilities	12,457,214	682,939	(1,156)	13,138,997
Revenue vehicles	3,695,471	606,006	(158,746)	4,142,731
Equipment and other	3,964,915	248,383	(24,920)	4,188,378
Total capital assets being depreciated	21,133,578	1,537,553	(184,822)	22,486,309
Less accumulated depreciation for:				
Buildings and improvements	494,921	38,829	-	533,750
Transit facilities	5,368,642	394,416	(1,156)	5,761,902
Revenue vehicles	1,868,974	210,671	(149,521)	1,930,124
Equipment and other	2,428,617	271,118	(24,459)	2,675,276
Total accumulated depreciation	10,161,154	915,034	(175,136)	10,901,052
Total capital assets being depreciated, net	10,972,424	622,519	(9,686)	11,585,257
Total capital assets, net	$ 12,218,882	$ 1,729,814	$ (1,562,677)	$ 12,386,019

During the fiscal year ended June 30, 2017, the Authority retired 182 of the 1000-series railcars and began accelerating the retirement of the 4000-Series railcars, resulting in a net loss of $9.2 million on the Statements of Revenues, Expenses, and Changes in Net Position. The 182 of the 1000-series railcars that were retired in fiscal year 2017 were at the end of their useful life and therefore no loss was recognized.

The Metropolitan Washington Airport Authority (MWAA) donated assets totaling $36.6 million relating to subsequent costs incurred for the completion of Phase I of the Dulles Corridor Metrorail Project in fiscal year 2017. These capital assets were recorded at their acquisition value and were reported as a capital contribution in the Statements of Revenues, Expenses, and Changes in Net Position.

Additions to construction in progress include capitalized labor and the related overhead of approximately $222.3 million and $210.3 million in fiscal years 2017 and 2016, respectively.

7. Capital Assets (continued)

	June 30, 2015	Additions	Reductions	June 30, 2016
Capital assets not being depreciated:				
Land	$ 550,934	$ 9,462	$ (624)	$ 559,772
Construction in progress	724,669	999,620	(1,037,603)	686,686
Total capital assets not being depreciated	1,275,603	1,009,082	(1,038,227)	1,246,458
Capital assets being depreciated:				
Buildings and improvements	941,237	74,741	-	1,015,978
Transit facilities	12,260,210	197,457	(453)	12,457,214
Revenue vehicles	3,071,269	726,556	(102,354)	3,695,471
Equipment and other	3,711,745	259,651	(6,481)	3,964,915
Total capital assets being depreciated	19,984,461	1,258,405	(109,288)	21,133,578
Less accumulated depreciation for:				
Buildings and improvements	458,063	36,858	-	494,921
Transit facilities	4,984,695	384,400	(453)	5,368,642
Revenue vehicles	1,799,485	171,843	(102,354)	1,868,974
Equipment and other	2,192,255	242,843	(6,481)	2,428,617
Total accumulated depreciation	9,434,498	835,944	(109,288)	10,161,154
Total capital assets being depreciated, net	10,549,963	422,461	-	10,972,424
Total capital assets, net	$ 11,825,566	$ 1,431,543	$ (1,038,227)	$ 12,218,882

During the fiscal year ended June 30, 2016, Montgomery County, Maryland donated the Paul S. Sarbanes Transit Center to the Authority. On August 13, 2015, land and transit facilities in the amount of $9.0 million and $135.1 million, respectively, were recorded at their acquisition value and reported as a capital contribution in the Statements of Revenues, Expenses, and Changes in Net Position.

MWAA donated $76.9 million of assets to the Authority relating to subsequent costs incurred during fiscal year 2016 to bring Phase I of the Dulles Corridor Metrorail Project to completion. These capital assets were recorded at their acquisition value and were reported as a capital contribution in the Statements of Revenues, Expenses, and Changes in Net Position.

Certain reclassifications were made to the June 30, 2015 balances by asset category to agree with the current year presentation. These reclassifications had no effect on the net capital assets reported as of June 30, 2016.

8. Due to Other Governments

The amounts in due to other governments include parking garage surcharges the Authority collects on behalf of several local jurisdictions, which total $33.4 million and $31.9 million as of June 30, 2017 and 2016, respectively.

Additional amounts in due to other governments reflect funds collected from the sale of various capital assets funded by Federal agencies and jurisdictions, which total $12.3 million as of June 30, 2017 and $24.3 thousand as of June 30, 2016. The Authority will utilize these funds to offset future capital asset acquisitions upon approval to retain the proceeds.

Also, included in due to other governments are funds the Authority receives in advance to perform reimbursable construction projects on behalf of other jurisdictions. During fiscal years 2017 and 2016, the Authority received $46.0 million and $68.3 million, respectively, and expended $24.3 million and $52.0 million, respectively, on labor, overhead, materials, and equipment to perform these services. Additionally, the Authority billed $68.6 million in advance for reimbursable projects during fiscal year 2017.

As of June 30, 2017 and 2016, the remaining advances due to jurisdictions for these reimbursable projects totaled $147.0 million and $56.7 million, respectively.

9. Short and Long-Term Liabilities

Changes in short and long term liabilities for the years ended June 30, 2017 and 2016 are as follows (in thousands):

	June 30, 2016	Additions	Reductions	June 30, 2017	Due within one year
Short-term liabilities -					
Lines of credit	$ 160,000	$ 695,000	$ (705,000)	$ 150,000	$ 150,000
Long-term liabilities:					
Bonds payable:					
Series 2009A	$ 201,195	$ -	$ (8,285)	$ 192,910	$ 8,690
Series 2009B	55,000	-	-	55,000	-
Series 2016A	220,000	-	-	220,000	50,000
Net unamortized premium (discount)	22,683	-	(6,952)	15,731	-
Total bonds payable	498,878	-	(15,237)	483,641	58,690
Compensated absences	89,608	76,776	(74,302)	92,082	69,844
Tax advantage leases	258,649	-	(106,568)	152,081	80,501
Litigation and claims liability	180,266	25,084	(40,312)	165,038	47,522
Retainage on contracts	22,142	5,220	(8,147)	19,215	10,200
Total long-term liabilities	$ 1,049,543	$ 107,080	$ (244,566)	$ 912,057	$ 266,757

	June 30, 2015	Additions	Reductions	June 30, 2016	Due within one year
Short-term liabilities:					
Grant anticipation note	$ 83,333	$ -	$ (83,333)	$ -	$ -
Lines of credit	218,750	105,000	(163,750)	160,000	160,000
Total short-term liabilities	$ 302,083	$ 105,000	$ (247,083)	$ 160,000	$ 160,000
Long-term liabilities:					
Bonds payable:					
Series 2009A	$ 209,095	$ -	$ (7,900)	$ 201,195	$ 8,285
Series 2009B	55,000	-	-	55,000	-
Series 2016A	-	220,000	-	220,000	-
Net unamortized premium (discount)	9,992	13,566	(875)	22,683	-
Total bonds payable	274,087	233,566	(8,775)	498,878	8,285
Compensated absences	84,659	75,243	(70,294)	89,608	64,471
Tax advantage leases	273,054	-	(14,405)	258,649	15,076
Litigation and claims liability	157,849	55,054	(32,637)	180,266	44,893
Retainage on contracts	20,599	9,142	(7,599)	22,142	11,206
Total long-term liabilities	$ 810,248	$ 373,005	$ (133,710)	$ 1,049,543	$ 143,931

9. Short and Long-Term Liabilities (continued)

(a) Grant Anticipation Note

A privately placed one year Grant Anticipation Note (GAN) was issued in October 2014 for $200.0 million, at an interest rate of 0.75%, 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% to 0.80% as a result of Moody's Ratings Service downgrading the Authority's credit rating. The Authority paid the final installment on the GAN's on October 22, 2015.

(b) Lines of Credit

The Authority has two "364 day" lines of credit outstanding, which are due March 26, 2018. The total amount available under the lines of credit was $350.0 million and $302.5 million in fiscal years 2017 and 2016, respectively. The availability fees and accrued interest are payable both monthly and quarterly, depending on the lender and on the terms of the agreements, commencing July 2010. Accrued interest is computed based on the London Interbank Offered Rate (LIBOR), plus a margin of less than 100 basis points.

At June 30, 2017, the Authority had $150.0 million drawn against one of the two outstanding lines of credit. The interest rate on this line of credit was 1.82%.

At June 30, 2016, the Authority had $160.0 million drawn against two outstanding lines of credit. The interest rates on the lines of credit were 1.20% and 1.36%.

(c) Bonds Payable

The Authority may issue bonds pursuant to the Compact and the Bond Resolution of the Authority. The following bonds are outstanding at June 30, 2017 and 2016 (in thousands):

	2017		
	Principal	**Unamortized premium (discount)**	**Net**
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	$ 192,910	$ 9,911	$ 202,821
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(839)	54,161
Series 2016A, 4.359% dated June 8, 2016, due semi-annually through July 1, 2019	220,000	6,659	226,659
	$ 467,910	$ 15,731	$ 483,641

9. Short and Long-Term Liabilities (continued)

(c) Bonds Payable (continued)

	2016		
	Principal	**Unamortized premium (discount)**	**Net**
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	$ 201,195	$ 10,418	$ 211,613
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(875)	54,125
Series 2016A, 4.359% dated June 8, 2016, due semi-annually through July 1, 2019	220,000	13,140	233,140
	$ 476,195	$ 22,683	$ 498,878

On June 8, 2016, the Authority issued $220.0 million of the Series 2016A Gross Revenue Transit Bonds, with an average interest rate of 4.359%, primarily to finance capital costs.

On June 9, 2009, the Authority issued $242.7 million of the Series 2009A Gross Revenue Transit Bonds, with an average interest rate of 4.677%, to retire a portion of commercial paper notes payable. The Authority also issued $55.0 million of the 2009B Gross Revenue Transit Bonds, with an average net interest rate of 4.749%. The 2009B Funds were 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 BAB program, which authorizes state and local governments (Municipal Issuers) to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt governmental bonds. The Municipal Issuers receive a direct Federal subsidy payment for a portion of their borrowing costs on BABs equal to 35% of the total coupon interest paid to investors.

The Authority is required to make semiannual payments of principal and/or interest on each series of bonds. The Authority must comply with certain covenants associated with these outstanding bonds, the more significant of which are as follows:

- 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.

9. Short and Long-Term Liabilities (continued)

(c) Bonds Payable (continued)

- The Authority must maintain certain insurance or self-insurance covering the assets and operations of the transit system at all times.
- The Authority must file Annual Financial Information with the Trustee and other entities, which includes audited financial statements, the Comprehensive Annual Financial Report (CAFR), and certain other financial information and operating data, within 120 days of the fiscal year end.

(d) Bonds Debt Service Requirements

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

	Principal	Interest
Fiscal Year:		
2018	$ 58,690	$ 21,050
2019	94,125	16,344
2020	94,580	12,465
2021	10,060	11,937
2022	10,585	11,381
2023–2027	61,865	47,495
2028–2032	79,860	28,634
2033–2035	58,145	4,192
	467,910	153,498
Net unamortized premium (discount)	15,731	-
	$ 483,641	$ 153,498

(e) Bond Covenant Noncompliance

Article I, Sections 1.2 and 1.3 of the Continuing Disclosure Agreement for the Series 2009A and 2009B bonds requires the Authority to provide, to the Trustee and to other entities as provided by law, Annual Financial Information within 120 days after the close of the fiscal year. The Annual Financial Information includes the audited financial statements, the CAFR, and certain other financial information and operating data. The fiscal year 2016 audited financial statements were filed within the 120 day reporting requirement; however, the fiscal year 2016 CAFR and certain other financial information and operating data were not filed timely. As of the date of this report, the Authority has not received notice from the Trustee or the bondholders seeking to exercise any contractual remedy. The Authority will submit the fiscal year 2017 CAFR and other required information within the 120 day reporting requirement.

(f) Pledged Revenues

The Authority has pledged certain gross revenues to repay the Series 2016A, Series 2009A, and Series 2009B Gross Revenue Transit Bonds, collectively referred to as Transit Bonds. Gross revenues are defined in the official statements of the Transit Bonds as all revenues exclusive of parking revenues, lease-related revenues, capital contributions, and federal operating subsidies, which include the Authority's operating revenues and jurisdiction operating subsidies.

9. Short and Long-Term Liabilities (continued)

(f) Pledged Revenues (continued)

Gross revenues recognized as defined by the Transit Bonds' indentures for the years ended June 30, 2017 and 2016 are as follows (in thousands):

	2017	2016
Passenger revenues	$ 699,640	$ 764,368
Other pledged revenues	62,928	57,669
Operating subsidies	891,548	895,973
Total gross revenues	$ 1,654,116	$ 1,718,010

Principal and interest payments on the Transit Bonds totaled for the years ended June 30, 2017 and 2016 are as follows (in thousands):

	2017	2016
Debt service principal and interest:		
Interest	$ 23,485	$ 14,854
Principal	8,285	7,900
Total	$ 31,770	$ 22,754
Percentage of debt service payment to gross revenue	1.92%	1.32%

The total principal and interest payments outstanding on the Transit Bonds is $621.4 million and $653.8 million as of June 30, 2017 and 2016, respectively, and are payable through July 1, 2034.

(g) Interest Expense

Interest expense incurred during the years ended June 30, 2017 and 2016 is as follows (in thousands):

	2017	2016
Grant anticipation note	$ -	$ 208
Lines of credit	1,423	2,681
Bonds	23,485	14,854
Total interest incurred	24,908	17,743
Less: capitalized interest	9,282	4,068
Total interest expense	$ 15,626	$ 13,675

10. Pension Plans

(a) Description of Pension Plans

The Authority participates in five single employer defined benefit pension plans (collectively referred to as the Plans) covering substantially all of its employees, as shown in the table below.

Name of Plan	Plan year-end	Covered Employees
WMATA Retirement Plan (Retirement Plan)	June 30	Management and non-union employees
WMATA Transit Employees' Retirement Plan (Local 689)	June 30	Full or part-time Local 689 employees
WMATA Transit Police Retirement Plan (Transit Police)	December 31	Transit police officers and officials
WMATA Local 922 Retirement Plan (Local 922)	December 31	Full or part-time Local 922 employees
WMATA Local 2 Retirement Plan (Local 2)	June 30	Full-time Local 2 employees

Each Plan is governed by a separate Board of Trustees responsible for administering the Plans. Financial statements for each Plan may be obtained by contacting the Plan administrator in writing at Washington Metropolitan Area Transit Authority, HRCB Benefits Branch, 600 Fifth Street, NW, Washington, D.C. 20001, or by calling (202) 962-1076.

The Local 689, Transit Police, Local 922, and Local 2 Plans are governed by the terms of the respective collective bargaining agreements, which are the basis by which benefit terms and contribution requirements are established and amended. Below is a summary of each respective Plan's membership for the years ended June 30, 2017 and 2016:

Plan membership	Retirement Plan	Local 689	Transit Police	Local 922	Local 2	Total
June 30, 2017:						
Active	268	9,302	417	432	73	10,492
Inactive, receiving benefits	1,191	4,610	236	236	305	6,578
Inactive, not receiving benefits	342	797	91	47	59	1,336
Total membership	1,801	14,709	744	715	437	18,406

Plan membership	Retirement Plan	Local 689	Transit Police	Local 922	Local 2	Total
June 30, 2016:						
Active	295	9,244	433	430	89	10,491
Inactive, receiving benefits	1,178	4,384	227	227	293	6,309
Inactive, not receiving benefits	348	776	81	44	63	1,312
Total membership	1,821	14,404	741	701	445	18,112

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

Below is a summary of the eligible employees, benefits, and contributions and funding policy for each Plan:

i) Retirement Plan

The Retirement Plan is administered by the Board of Trustees, which is comprised of four members including Plan Counsel. Two members are appointed by management of the Authority, Plan Counsel is hired and one member is elected.

Eligible employees

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 Authority pension plan, and Special Police Officers represented by Teamsters Local 639 are eligible to participate in the Salaried Personnel Plan.

Benefits

The normal retirement eligibility is age 65 with 5 years of credited service. The annual normal retirement benefit comprises of 1.6% of final average compensation multiplied by the number of years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit), plus 0.9% 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 after the sum of years of service plus attained age is 83 or more. The maximum normal retirement benefit is not to exceed 80% 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. After five years of service, participants are 100% vested.

Contributions and Funding Policy

The Authority is required to contribute pursuant to the Compact an amount equal to the actuarially determined contribution. Authority contributions totaled $20.3 million and $19.9 million for the years ended June 30, 2017 and 2016, respectively. Participants are not required to contribute to the Retirement Plan.

ii) Local 689

Local 689 is governed by the Retirement Allowance Committee, which consists of six members. Three members are appointed by management of the Authority and three members are appointed by Local 689.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

ii) Local 689 (continued)

Eligible employees

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 Local 689 Plan. The Plan is governed by the terms of the employees' collective bargaining agreement. After ten years of service, participants are 100% vested.

Benefits

The Plan provides for normal retirement, early retirement, disability and preretirement spouse death benefits. 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% of the highest 4-year average monthly total compensation times the number of years of continuous service up to 27 years, plus 1.95% of average compensation times continuous service in excess of 27 years of service. The minimum benefit is $600 monthly.

Contributions and Funding Policy

The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. Employee and Authority contributions totaled $22.7 million and $119.0 million, respectively, for the year ended June 30, 2017. Employee and Authority contributions totaled $22.1 million and $127.5 million, respectively, for the year ended June 30, 2016.

iii) Transit Police

The Transit Police Plan is administered by the Board of Trustees, which is comprised of four members. Two members are appointed by management of the Authority and two members are appointed by the Fraternal Order of Police.

Eligible employees

Transit Police Officers and Transit Police Officials of the Authority are eligible to participate in the Transit Police Plan. 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% vested.

Benefits

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% 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% of final average of the highest 36 months of earnings for each year of credited service.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

iii) Transit Police (continued)

Contributions and Funding Policy

Employees are required to contribute 7.27% of compensation beginning October 1, 2003. The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. The Authority may limit the amount of contribution to 17.05% 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.

Employee and Authority contributions totaled $2.4 million and $10.7 million, respectively, for the year ended June 30, 2017. Employee and Authority contributions totaled $2.4 million and $8.7 million, respectively, for the year ended June 30, 2016.

iv) Local 922

The Local 922 Plan is administered by the Board of Trustees, which is comprised of four members. Two members are appointed by management of the Authority, and two members are appointed by the Local 922.

Eligible employees

All regular full-time and part-time employees, who are members of Local 922, after a 90-day probationary period, are eligible to participate in the 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 credited service; upon completion of 27 years of credited service regardless of age; or after the sum of years of service plus attained age is 83 or more. After ten years of service, participants are 100% vested.

Benefits

Effective for employees retiring on or after November 1, 2007, the annual retirement benefits are equal to 1.85% 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% 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% 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.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

iv) Local 922 (continued)

Contributions and Funding Policy

The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. Based upon the collective bargaining agreement, employees contribute 3% of wages for periods beginning November 1, 2015 and 1% of wages for the period November 1, 2014 through October 31, 2015. Employee and Authority contributions totaled $1.0 million and $5.4 million, respectively, for the year ended June 30, 2017. Employee and Authority contributions totaled $0.7 million and $5.6 million, respectively, for the year ended June 30, 2016.

v) Local 2

The Local 2 Plan is administered by the Board of Trustees, which consists of six members including Plan Counsel. Five members are appointed by management of the Authority, and Plan Counsel is hired by the Local 2 Union.

Eligible employees

All full-time employees covered by the Local 2 bargaining agreement hired prior to January 1, 1999 and who are not covered by any other Authority 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. After five years of service, participants are 100% vested.

Benefits

The annual normal retirement benefit comprises of 1.6% 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 0.9% 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 after the sum of years of service plus attained age is 83 or more. The maximum normal retirement benefit is not to exceed 80% 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.

Contributions and Funding Policy

The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. Authority contributions totaled $4.7 million and $4.8 million for the years ended June 30, 2017 and 2016, respectively. Participants are not required to contribute to the Local 2 Plan.

10. Pension Plans (continued)

(b) Net Pension Liability

The Authority's net pension liabilities for each of the Plans were measured as of their fiscal year end dates, which were determined using actuarial valuations as of each Plan's fiscal year end.

The total pension liabilities in the actuarial valuations were determined using the following actuarial assumptions as of June 30, 2017 and 2016.

	June 30, 2017				
	Retirement Plan	Local 689	Transit Police	Local 922	Local 2
Measurement date	6/30/2016	6/30/2016	12/31/2016	12/31/2016	6/30/2016
Inflation	2.5%	2.5%	2.5%	3.0%	2.5%
Salary and wage increases	3.0% to 6.3%	3.0% to 3.5%	3.0% to 7.0%	4.0% to 4.5%	3.0% to 6.3%
Long-term rate of return, net of expense, including price inflation	7.0%	7.9%	7.5%	7.0%	7.5%

	June 30, 2016				
	Retirement Plan	Local 689	Transit Police	Local 922	Local 2
Measurement date	6/30/2015	6/30/2015	12/31/2015	12/31/2015	6/30/2015
Inflation	2.5%	2.5%	2.5%	3.0%	2.5%
Salary and wage increases	3.0% to 6.3%	3.0% to 3.5%	3.0% to 7.0%	4.0% to 4.5%	3.0% to 6.3%
Long-term rate of return, net of expense, including price inflation	7.0%	7.9%	7.5%	7.0%	7.5%

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

i) Retirement Plan

The RP-2000 Fully Generational Combined Mortality table (Projected w/Scale AA) was used for the mortality assumptions for the fiscal years ended June 30, 2016 and 2015.

The actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of an actuarial experience study conducted for the period of 2009 thru 2014.

The long term expected rate of return of pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	**2016**	**2015**	**2016**	**2015**
U.S. core fixed income	40.0%	34.0%	3.9%	4.4%
U.S. equity large cap	35.0%	37.0%	7.5%	8.9%
U.S. equity small cap	15.0%	18.0%	7.8%	12.1%
International	10.0%	0.0%	8.0%	0.0%
Developed world ex U.S.	0.0%	11.0%	0.0%	10.4%

The discount rate used to measure the total pension liability for June 30, 2016 and 2015 was 7.0%. The projection of cash flows used to determine the discount rate assumed that the employer contributions would be made at rates equal to the actuarially determined contribution rates. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

ii) Local 689

For the fiscal years ended June 30, 2016 and 2015, the RP-2000 male and female distinct rates projected to 2016 and 2015, respectively were used for the mortality assumptions.

The actuarial assumptions used in the June 30, 2016 and 2015 valuation were based on the results of an actuarial experience study conducted for the five years ending December 31, 2013.

The long term expected rate of return of pension plan investments was determined based on a weighted average of the expected real rates of return and the Plan's target asset allocation and by adding expected inflation (2.5%).

Best estimates of arithmetic real rates of return for each major asset class included in the pension Plan's target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

		Long-term expected real rate of return	
Asset class	**Target allocation**	**2016**	**2015**
Large cap equities	38.0%	6.4%	5.5%
Mid cap equities	5.0%	7.0%	6.1%
Small cap equities	5.0%	7.5%	6.7%
Non-U.S. developed equities	10.0%	5.0%	5.6%
Fixed income	15.0%	1.9%	1.2%
Global tactical assets allocation	10.0%	4.5%	4.0%
Real estate	7.0%	5.0%	4.6%
Fund of hedge funds	5.0%	3.0%	4.0%
Private equity	5.0%	9.1%	8.9%

The discount rate used to measure the total pension liability for June 30, 2016 and 2015 was 7.9%. The projection of cash flows used to determine the discount rate assumed that participant contributions would continue to be made at the rates set forth in the most recent collective bargaining agreement.

Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

iii) Transit Police

For the year ended December 31, 2016 the RP-2014 Combined Healthy Blue Collar Mortality table with generational projection by Scale MP-2015 was used for the mortality assumptions. A ten year set forward was used for post disability mortality. For the year ended December 31, 2015, the RP-2000 Combined Healthy Blue Collar Mortality table with generational projection by Scale AA was used for the mortality assumptions. A ten year set forward was used for post disability mortality.

The actuarial assumptions used in the December 31, 2016 and 2015 valuations were based on the results of an actuarial experience study conducted for the five years ending January 1, 2015.

The long term expected rate of return of pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation (2.5%).

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation is the same as of December 31, 2016 and 2015 and are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
Equity (U.S. and International)	50.0% – 70.0%	
U.S.		6.7%
International		7.2%
Fixed income	25.0% – 45.0%	
Core		2.3%
International		2.4%
Real estate	0% – 10.0%	4.5%

The discount rate used to measure the total pension liability for December 31, 2016 and 2015 was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Authority contributions will be made according to the funding method used in the annual valuation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

iv) Local 922

The RP-2000 Healthy Combined Mortality table with Blue Collar Adjustment, projected fully generational with Scale AA, was used for the mortality assumptions for the years ended December 31, 2016 and 2015.

The actuarial assumptions used in the December 31, 2016 and 2015 valuations were based on the results of an actuarial experience study conducted for the eight years ending December 31, 2014.

The long term expected rate of return of pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 and 2015 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return 2016	Long-term expected real rate of return 2015
Large cap equities	29.0%	5.8%	7.5%
Small/mid cap equities	6.0%	6.0%	7.8%
International equities	12.0%	7.3%	8.0%
Core bonds	23.0%	2.7%	4.0%
Global bonds	5.0%	8.5%	2.3%
Real estate and hedge funds	5.0%	6.0%	6.5%
Global asset allocations	20.0%	5.8%	6.9%

The discount rate used to measure the total pension liability for December 31, 2016 and 2015 was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made according to the valuation method. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

v) Local 2

The RP-2000 Fully Generational Combined Mortality Table (Projected w/Scale AA) without collar adjustment was used for the mortality assumptions for the fiscal years ended June 30, 2016 and 2015.

The actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of an actuarial experience study conducted for the six years ending June 30, 2014.

The long term expected rate of return of pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	**2016**	**2015**	**2016**	**2015**
U.S. core fixed income	35.0%	29.0%	3.9%	4.5%
U.S. equity large cap	12.5% - 20.0%	36.0%	7.5%	8.9%
U.S. equity mid cap/small cap	5.0% - 20.0%	14.0% - 17.0%	7.8%	10.9% - 12.1%
International	5.0%	0.0%	8.0%	0.0%
Developed world ex U.S.	0.0%	4.0%	0.0%	10.4%

The discount rate used to measure the total pension liability for June 30, 2016 and 2015 was 7.5%. The projection of cash flows used to determine the discount rate assumed that the employer contributions would be made at rates equal to the actuarially determined contribution rates. Based on this assumption, Local 2's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

Changes in the Authority's net pension liabilities for the fiscal years ended June 30, 2017 and 2016, based on each Plan's respective measurement dates, are as follows (in thousands):

Retirement Plan

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30, 2015	$ 525,931	$ 368,266	$ 157,665
Changes for the year:			
Service cost	1,797	-	1,797
Interest	35,549	-	35,549
Differences between expected and actual experience	(1,710)	-	(1,710)
Changes in benefit terms	736	-	736
Contributions – employer	-	19,877	(19,877)
Net investment income	-	1,896	(1,896)
Benefit payments, including refunds of employee contributions	(39,760)	(39,760)	-
Administrative expenses	-	(135)	135
Transfer of funds from Local 2	-	438	(438)
Net change	(3,388)	(17,684)	14,296
Balance at June 30, 2016	$ 522,543	$ 350,582	$ 171,961

	2016		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30, 2014	$ 533,590	$ 373,806	$ 159,784
Changes for the year:			
Service cost	1,953	-	1,953
Interest	36,104	-	36,104
Differences between expected and actual experience	(5,072)	-	(5,072)
Changes in benefit terms	(1,102)	-	(1,102)
Contributions – employer	-	20,398	(20,398)
Net investment income	-	14,698	(14,698)
Benefit payments, including refunds of employee contributions	(39,542)	(39,542)	-
Administrative expenses	-	(16)	16
Transfer of funds to Local 2	-	(1,078)	1,078
Net change	(7,659)	(5,540)	(2,119)
Balance at June 30, 2015	$ 525,931	$ 368,266	$ 157,665

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

Local 689

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30, 2015	$ 3,373,390	$ 2,742,009	$ 631,381
Changes for the year:			
Service cost	78,200	-	78,200
Interest	260,365	-	260,365
Differences between expected and actual experience	(2,484)	-	(2,484)
Contributions – employer	-	127,516	(127,516)
Contributions – employee	-	22,183	(22,183)
Net investment income	-	4,441	(4,441)
Benefit payments, including refunds of employee contributions	(171,814)	(171,814)	-
Administrative expenses	-	(873)	873
Other		(46)	46
Net change	164,267	(18,593)	182,860
Balance at June 30, 2016	$ 3,537,657	$ 2,723,416	$ 814,241

	2016		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30, 2014	$ 3,253,514	$ 2,628,691	$ 624,823
Changes for the year:			
Service cost	71,473	-	71,473
Interest	251,235	-	251,235
Differences between expected and actual experience	(29,971)	-	(29,971)
Changes in assumptions	(13,395)	-	(13,395)
Contributions – employer	-	136,075	(136,075)
Contributions – employee	-	6,894	(6,894)
Net investment income	-	130,680	(130,680)
Benefit payments, including refunds of employee contributions	(159,466)	(159,466)	-
Administrative expenses	-	(865)	865
Net change	119,876	113,318	6,558
Balance at June 30, 2015	$ 3,373,390	$ 2,742,009	$ 631,381

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

Transit Police

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at December 31, 2015	$ 239,394	$ 179,847	$ 59,547
Changes for the year:			
Service cost	6,772	-	6,772
Interest	17,469	-	17,469
Differences between expected and actual experience	(2,221)	-	(2,221)
Changes in assumptions	3,802		3,802
Contributions – employer	-	9,778	(9,778)
Contributions – employee	-	2,408	(2,408)
Net investment income	-	16,784	(16,784)
Benefit payments, including refunds of employee contributions	(12,943)	(12,943)	-
Administrative expenses	-	(250)	250
Net change	12,879	15,777	(2,898)
Balance at December 31, 2016	$ 252,273	$ 195,624	$ 56,649

	2016		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at December 31, 2014	$ 231,532	$ 186,746	$ 44,786
Changes for the year:			
Service cost	6,094	-	6,094
Interest	16,900	-	16,900
Differences between expected and actual experience	(2,726)	-	(2,726)
Contributions – employer	-	8,748	(8,748)
Contributions – employee	-	2,407	(2,407)
Net investment income	-	(5,396)	5,396
Benefit payments, including refunds of employee contributions	(12,406)	(12,406)	-
Administrative expenses	-	(252)	252
Net change	7,862	(6,899)	14,761
Balance at December 31, 2015	$ 239,394	$ 179,847	$ 59,547

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

Local 922

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at December 31, 2015	$ 209,407	$ 177,626	$ 31,781
Changes for the year:			
Service cost	4,493	-	4,493
Interest	14,717	-	14,717
Differences between expected and actual experience	347	-	347
Contributions – employer	-	5,803	(5,803)
Contributions – employee	-	963	(963)
Net investment income	-	11,553	(11,553)
Benefit payments, including refunds of employee contributions	(7,438)	(7,438)	-
Administrative expenses		(258)	258
Net change	12,119	10,623	1,496
Balance at December 31, 2016	$ 221,526	$ 188,249	$ 33,277

	2016		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at December 31, 2014	$ 195,465	$ 180,977	$ 14,488
Changes for the year:			
Service cost	4,463	-	4,463
Interest	13,757	-	13,757
Differences between expected and actual experience	213	-	213
Changes in assumptions	2,318	-	2,318
Contributions – employer	-	5,583	(5,583)
Contributions – employee	-	369	(369)
Net investment income	-	(2,275)	2,275
Benefit payments, including refunds of employee contributions	(6,809)	(6,809)	-
Administrative expenses		(219)	219
Net change	13,942	(3,351)	17,293
Balance at December 31, 2015	$ 209,407	$ 177,626	$ 31,781

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

Local 2

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30, 2015	$ 169,554	$ 142,326	$ 27,228
Changes for the year:			
Service cost	572	-	572
Interest	12,321	-	12,321
Differences between expected and actual experience	(1,952)	-	(1,952)
Changes in benefit terms	(699)	-	(699)
Contributions – employer	-	4,824	(4,824)
Net investment income	-	2,006	(2,006)
Benefit payments, including refunds of employee contributions	(11,689)	(11,689)	-
Administrative expenses	-	(99)	99
Transfer of funds from Retirement Plan	-	(438)	438
Net change	(1,447)	(5,396)	3,949
Balance at June 30, 2016	$ 168,107	$ 136,930	$ 31,177

	2016		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30, 2014	$ 168,989	$ 140,806	$ 28,183
Changes for the year:			
Service cost	676	-	676
Interest	12,300	-	12,300
Differences between expected and actual experience	(2,115)	-	(2,115)
Changes in benefit terms	1,028	-	1,028
Contributions – employer	-	5,156	(5,156)
Net investment income	-	6,684	(6,684)
Benefit payments, including refunds of employee contributions	(11,324)	(11,324)	-
Administrative expenses	-	(74)	74
Transfer of funds from Retirement Plan	-	1,078	(1,078)
Net change	565	1,520	(955)
Balance at June 30, 2015	$ 169,554	$ 142,326	$ 27,228

10. Pension Plans (continued)

(b) Net Pension Liability (continued)

Total Plans

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30 or December 31, 2015, based on each respective Plan	$ 4,517,676	$ 3,610,074	$ 907,602
Changes for the year:			
Service cost	91,834	-	91,834
Interest	340,421	-	340,421
Differences between expected and actual experience	(8,020)	-	(8,020)
Changes in assumptions	3,802	-	3,802
Changes in benefit terms	37	-	37
Contributions – employer	-	167,798	(167,798)
Contributions – employee	-	25,554	(25,554)
Net investment income	-	36,680	(36,680)
Benefit payments, including refunds of employee contributions	(243,644)	(243,644)	-
Administrative expenses	-	(1,615)	1,615
Other	-	(46)	46
Net change	184,430	(15,273)	199,703
Balance at June 30 or December 31, 2016, based on each respective Plan	$ 4,702,106	$ 3,594,801	$ 1,107,305

	2016		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance at June 30 or December 31, 2014, based on each respective Plan	$ 4,383,090	$ 3,511,026	$ 872,064
Changes for the year:			
Service cost	84,659	-	84,659
Interest	330,296	-	330,296
Differences between expected and actual experience	(39,671)	-	(39,671)
Changes in assumptions	(11,077)	-	(11,077)
Changes in benefit terms	(74)	-	(74)
Contributions – employer	-	175,960	(175,960)
Contributions – employee	-	9,670	(9,670)
Net investment income	-	144,391	(144,391)
Benefit payments, including refunds of employee contributions	(229,547)	(229,547)	-
Administrative expenses	-	(1,426)	1,426
Net change	134,586	99,048	35,538
Balance at June 30 or December 31, 2015, based on each respective Plan	$ 4,517,676	$ 3,610,074	$ 907,602

10. Pension Plans (continued)

(c) Pension Expense

Pension expense recognized by the Authority for the fiscal years ended June 30, 2017 and 2016 is as follows (in thousands):

	Pension expense	
	2017	**2016**
Plan:		
Retirement Plan	$ 11,496	$ 3,396
Local 689	117,624	84,145
Transit Police	11,502	10,228
Local 922	10,698	9,795
Local 2	206	(1,336)
Total	$ 151,526	$ 106,228

10. Pension Plans (continued)

(d) Pension Deferred Outflows and Inflows of Resources

At June 30, 2017 and 2016, the Authority reported deferred outflows and inflows of resources for the respective Plans as follows (in thousands):

	June 30, 2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Retirement Plan:		
Differences between projected and actual investment earnings	$ 12,500	$ -
Contributions made after the measurement date	20,349	-
Subtotal	32,849	-
Local 689:		
Differences between projected and actual investment earnings	211,499	92,471
Differences between expected and actual experience	40,272	25,016
Changes in assumptions	-	10,205
Contributions made after the measurement date	118,975	-
Subtotal	370,746	127,692
Transit Police:		
Differences between projected and actual investment earnings	11,607	2,732
Differences between expected and actual experience	-	4,931
Changes in assumptions	3,327	
Contributions made after the measurement date	5,257	-
Subtotal	20,191	7,663
Local 922:		
Differences between projected and actual investment earnings	11,360	-
Differences between expected and actual experience	406	-
Changes of assumptions	1,391	-
Contributions made after the measurement date	2,902	-
Subtotal	16,059	-
Local 2:		
Differences between projected and actual investment earnings	3,754	-
Contributions made after the measurement date	4,748	-
Subtotal	8,502	-
Total deferred outflows of resources and inflows of resources		
Differences between projected and actual investment earnings	250,720	95,203
Differences between expected and actual experience	40,678	29,947
Changes in assumptions	4,718	10,205
Contributions made after the measurement date	152,231	-
Total	$ 448,347	$ 135,355

10. Pension Plans (continued)

(d) Pension Deferred Outflows and Inflows of Resources (continued)

	June 30, 2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Retirement Plan:		
Differences between projected and actual investment earnings	$ -	$ 10,178
Contributions made after the measurement date	19,877	-
Subtotal	19,877	10,178
Local 689:		
Differences between projected and actual investment earnings	59,210	138,706
Differences between expected and actual experience	49,026	26,403
Changes in assumptions	-	11,800
Contributions made after the measurement date	127,516	-
Subtotal	235,752	176,909
Transit Police:		
Differences between projected and actual investment earnings	15,477	98
Differences between expected and actual experience	-	3,485
Contributions made after the measurement date	4,374	-
Subtotal	19,851	3,583
Local 922:		
Differences between projected and actual investment earnings	14,530	-
Differences between expected and actual experience	170	-
Changes of assumptions	1,854	-
Contributions made after the measurement date	2,792	-
Subtotal	19,346	-
Local 2:		
Differences between projected and actual investment earnings	-	4,813
Contributions made after the measurement date	4,823	-
Subtotal	4,823	4,813
Total deferred outflows of resources and inflows of resources		
Differences between projected and actual investment earnings	89,217	153,795
Differences between expected and actual experience	49,196	29,888
Changes in assumptions	1,854	11,800
Contributions made after the measurement date	159,382	-
Total	$ 299,649	$ 195,483

Deferred outflows of resources from contributions made after the measurement date for each of the Plans reflected in the above tables as of June 30, 2017 and 2016 will be recognized as a reduction in the net pension liability in the fiscal years ending June 30, 2018 and June 30, 2017, respectively.

10. Pension Plans (continued)

(d) Pension Deferred Outflows and Inflows of Resources (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions for the respective Plans (exclusive of the deferred outflows of resources from contributions made after the measurement date) will be recognized in pension expense based on each respective Plan's measurement dates as follows (in thousands):

	Deferred Outflows (Inflows)					
As of June 30,	Retirement Plan	Local 689	Transit Police	Local 922	Local 2	Total
2018	$ 531	$ 13,629	$ 2,870	$ 4,595	$ (171)	$ 21,454
2019	531	13,628	2,869	4,595	(171)	21,452
2020	6,796	59,862	2,902	3,727	2,417	75,704
2021	4,642	45,061	(967)	240	1,679	50,655
2022	-	(210)	(300)	-	-	(510)
Thereafter	-	(7,891)	(103)	-	-	(7,994)
	$ 12,500	$ 124,079	$ 7,271	$ 13,157	$ 3,754	$ 160,761

(e) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for each Plan, calculated using each Plan's discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as of each Plan's measurement date (in thousands):

		As of June 30, 2017		
Plan	Discount rate	1% Decrease	Current rate	1% Increase
Retirement Plan	7.00%	$ 222,448	$ 171,961	$ 128,802
Local 689	7.85%	1,258,018	814,241	442,098
Transit Police	7.50%	90,911	56,649	28,539
Local 922	7.00%	64,054	33,277	8,053
Local 2	7.50%	47,171	31,177	17,436
Total net pension liability		$ 1,682,602	$ 1,107,305	$ 624,928

10. Pension Plans (continued)

(e) Sensitivity of the Net Pension Liability to Changes in the Discount Rate (continued)

Plan	Discount rate	As of June 30, 2016 1% Decrease	Current rate	1% Increase
Retirement Plan	7.00%	$ 209,265	$ 157,665	$ 113,605
Local 689	7.85%	1,076,796	631,381	286,560
Transit Police	7.50%	91,761	59,547	32,972
Local 922	7.00%	61,248	31,781	7,664
Local 2	7.50%	43,871	27,228	12,962
Total net pension liability		$ 1,482,941	$ 907,602	$ 453,763

(f) 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% of salary, on a pretax 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.

(g) 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 four percent of the employee’s base salary into a trust. The employee is not required to contribute into the 401(a) plan; however, if the employee contributes up to three percent of base salary to the 457 Deferred Compensation plan, the Authority will contribute an additional amount of up to three percent to the 401(a) plan to equal the employee’s contribution to the 457 plan. Employees are 100% 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. This right to amend the plan is subject to the condition that all of the plan assets be used exclusively for the benefit of the participants, retired participants and their beneficiaries under the plan.

The Authority contributed $10.5 million and $9.8 million for the years ended June 30, 2017 and 2016, respectively.

11. Other Postemployment Benefits

(a) Plan Descriptions

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

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

(b) Funding Policy and Annual OPEB Cost

For the Local 689, 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 Nonrepresented plan, the Board 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 (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. 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.

11. Other Postemployment Benefits (continued)

(b) Funding Policy and Annual OPEB Cost (continued)

The Authority's annual OPEB cost for the years ended June 30, 2017 and 2016, and the related information are as follows (in thousands):

	2017				
	Local 689	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	$ 61,594	$ 9,594	$ 6,913	$ 33,333	$ 111,434
Interest on net OPEB obligation	15,495	2,770	1,728	6,819	26,812
Adjustment to annual required contribution	(14,803)	(2,646)	(1,651)	(6,514)	(25,614)
Annual OPEB costs	62,286	9,718	6,990	33,638	112,632
Contributions made	(29,555)	(3,487)	(4,635)	(11,311)	(48,988)
Increase in net OPEB obligation	32,731	6,231	2,355	22,327	63,644
Net OPEB obligation – July 1, 2016	387,379	69,255	43,192	170,473	670,299
Net OPEB obligation – June 30, 2017	$ 420,110	$ 75,486	$ 45,547	$ 192,800	$ 733,943

	2016				
	Local 689	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	$ 59,488	$ 9,242	$ 6,646	$ 31,997	$ 107,373
Interest on net OPEB obligation	14,279	2,568	1,576	6,104	24,527
Adjustment to annual required contribution	(13,641)	(2,453)	(1,506)	(5,831)	(23,431)
Annual OPEB costs	60,126	9,357	6,716	32,270	108,469
Contributions made	(29,731)	(4,300)	(2,926)	(14,380)	(51,337)
Increase in net OPEB obligation	30,395	5,057	3,790	17,890	57,132
Net OPEB obligation – July 1, 2015	356,984	64,198	39,402	152,583	613,167
Net OPEB obligation – June 30, 2016	$ 387,379	$ 69,255	$ 43,192	$ 170,473	$ 670,299

11. Other Postemployment Benefits (continued)

(b) Funding Policy and Annual OPEB Cost (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 2017, 2016 and 2015 for each of the plans are as follows (in thousands):

Plan	Fiscal year ended	Annual OPEB cost	Percentage of OPEB cost contributed
Local 689	June 30, 2017	$ 62,286	47.5%
	June 30, 2016	$ 60,126	49.4%
	June 30, 2015	$ 53,582	52.6%
Local 2	June 30, 2017	$ 9,718	35.9%
	June 30, 2016	$ 9,357	45.1%
	June 30, 2015	$ 9,399	34.9%
Transit Police	June 30, 2017	$ 6,990	66.3%
	June 30, 2016	$ 6,716	43.6%
	June 30, 2015	$ 6,801	44.4%
Non-Represented	June 30, 2017	$ 33,638	33.6%
	June 30, 2016	$ 32,270	44.6%
	June 30, 2015	$ 30,243	37.0%

(c) Funded Status and Funding Progress

The funded status of the plans, as of June 30, 2017 and 2016, are as follows (in thousands):

	2017				
	Local 689	Local 2	Transit Police	Non-Represented	Total
Actuarial accrued liability (a)	$ 1,055,542	$ 158,476	$ 109,646	$ 499,116	$ 1,822,780
Actuarial value of plan assets (b)	-	-	-	-	-
Unfunded actuarial accrued Liability (funding excess) (a)-(b)	$ 1,055,542	$ 158,476	$ 109,646	$ 499,116	$ 1,822,780
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	$ 627,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a)-(b))/(c)	N/A	N/A	N/A	N/A	290.7%

11. Other Postemployment Benefits (continued)

(c) Funded Status and Funding Progress (continued)

	2016				
	Local 689	**Local 2**	**Transit Police**	**Non-Represented**	**Total**
Actuarial accrued liability (a)	$ 1,026,115	$ 153,581	$ 105,957	$ 481,661	$ 1,767,314
Actuarial value of plan assets (b)	-	-	-	-	-
Unfunded actuarial accrued Liability (funding excess) (a)-(b)	$ 1,026,115	$ 153,581	$ 105,957	$ 481,661	$ 1,767,314
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	$ 627,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a)-(b))/(c)	N/A	N/A	N/A	N/A	281.9%

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.

(d) 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.

11. Other Postemployment Benefits (continued)

(d) Actuarial Methods and Assumptions (continued)

The Authority's significant methods and assumptions are as follows:

	Local 689	**Local 2**	**Transit Police**	**Non-Represented**
Actuarial valuation date	July 1, 2015	July 1, 2015	July 1, 2015	July 1, 2015
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay	Level percentage of pay
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
Discount rate	4.0%	4.0%	4.0%	4.0%
Projected salary increases	4.5%	4.5%	4.5%	4.5%
Inflation rate	2.1%	2.1%	2.1%	2.1%
Healthcare cost trend rate:				
Pre-65 Years old	7.6%	7.6%	7.6%	7.6%
65 Years and older	9.0%	9.0%	9.0%	9.0%

(e) Defined Contribution Plan

The Authority contributes to the 922/Employees Health Trust (the Plan), which is a cost sharing multiple employer defined contribution healthcare plan that provides healthcare, prescription drug, and life insurance benefits to retirees and their dependents who are members of the Local 922 Union. The Plan is administered by the Local 922 Union, and is governed by the terms of the Local 922 Collective Bargaining Agreement. Plan provisions may be amended through negotiation between the Authority and the Local 922 Union. Retiree health benefits are eliminated for Local 922 Union employees hired on or after January 1, 2012.

The Plan requires the Authority to contribute $800 each month for each Local 922 Union employee and each Local 922 Union retiree enrolled in the Plan under the age of 65. The Plan determines the amount of employee and retiree contributions necessary to fund the remaining cost of the benefits. The Authority's contributions were $4.4 million and $4.3 million for the fiscal years ended June 30, 2017 and 2016, respectively. Employee and retiree contributions were $1.6 million and $1.6 million for the fiscal years ended June 30, 2017 and 2016, respectively.

12. Commitments and Contingencies

(a) Litigation and Claims

The Authority is exposed to liability for third party bodily injury and property damage; injury to its employees arising out of and in the course of their employment; physical damage to and loss of its property; and liability for financial loss as a result of decisions and judgments made by the Authority. The Authority carries various types of insurance coverage with varying limits through commercial insurers for these risks, subject to the following self-insured retentions (SIRs) and deductibles. The Authority self-insures for the following:

1) Third party bodily injury and property damage liability claims up to $5.0 million per occurrence;
2) Workers compensation claims up to $2.5 million per occurrence;
3) Employment practices liability claims up to $1.0 million per occurrence;
4) First party (the Authority) property and business interruption loss up to $10.0 million for derailment, track and roadbed and $5.0 million for stations and tunnels; and up to $1.0 million for all other loss or damage;
5) Directors and Officers, Employment Practices Liability, Fiduciary Liability, Crime (including Employee Dishonesty), Pollution Liability, and Privacy/Network Security Liability claims up to $1.0 million per occurrence; and
6) Medical Facilities Liability claims up to $0.3 million per occurrence.

i) Open Liability Claims $1.0 Million and Greater

Third Party Claims

As of June 30, 2017 and 2016, there were seven and four liability claims, respectively, with open reserves greater than $1.0 million falling within the $5.0 million SIR.

Workers' Compensation

As of June 30, 2017 and 2016, there were 18 and nine, respectively, workers' compensation claims with open reserves greater than $1.0 million, with an aggregate total of $26.2 million and $11.8 million, respectively. Workers' compensation claims have a longer tail than liability claims, with the expected payout period of these nine claims ranging over the next several decades.

Directors and Officers/Employment Practices Liability

As of June 30, 2017, the Authority had one claim pending with expenses exceeding the $1.0 million SIR.

12. Commitments and Contingencies (continued)

(a) Litigation and Claims (continued)

Loss occurrences are reported to the commercial insurers when it is determined that the loss is covered by insurance and when the loss results in severe bodily injury (e.g., death, dismemberment, brain damage, paralysis, etc.) or when the loss is valued at 50% 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 for estimated losses is reserved for that claim. Estimated loss values are adjusted as the claims develop. The reserve for estimated losses is evaluated by an independent actuary who determines the total liability to be included in the Statements of Net Position. Claim settlements have not exceeded insurance coverage for each of the three most recent years.

The actuarially developed liability for the years ended June 30, 2017 and 2016 are as follows (in thousands):

	2017	2016
Estimated net present value of the liability for litigation and claims, beginning of year	$ 180,266	$ 157,849
Incurred new claims	25,084	35,626
Changes in estimate for claims of prior periods	(5,617)	19,428
Payments on claims	(34,695)	(32,637)
Estimated net present value of the liability for litigation and claims, end of year	$ 165,038	$ 180,266
Due within one year	$ 47,522	$ 44,893

The Authority is currently a party to two contractor claims that, if supported by an adverse ruling, could exceed $9.0 million.

(b) Operating Leases

The Authority has entered into various operating leases for office space within the District of Columbia, State of Maryland and Commonwealth of Virginia. The terms of the various leases have a time span ranging from four to twenty years, with various option years and escalating increases over the lease periods.

Additionally, the Authority leases space within the District of Columbia, Maryland and Virginia for various communications and testing equipment used throughout the Metro system.

Lease payments for years ended June 30, 2017 and 2016 were $4.5 million and $5.1 million, respectively.

12. Commitments and Contingencies (continued)

(b) Operating Leases (continued)

The Authority's minimum future lease payments for noncancelable operating leases, as of June 30, 2017 are as follows (in thousands):

	Total
Fiscal year:	
2018	$ 3,727
2019	3,583
2020	2,425
2021	1,941
2022	1,405
2023–2025	1,014
	$ 14,095

(c) Hedging Derivative Instrument

The Authority enters into master commodity swap agreements or contracts as a hedge against the price volatility of diesel fuel. The agreements allow the Authority to manage its diesel fuel expense, limit exposure to price volatility and improve budget stability. In fiscal years 2017 and 2016, the Authority maintained diesel fuel swap agreements (hedging derivative instruments).

Payment between the swap parties is the difference between the swap price per gallon and the unweighted arithmetic mean of the daily settlement prices for Ultra Low Sulfur Diesel – New York Harbor (NYMEX) closing price of the first nearby month.

The fair value of the swaps 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. The fair values for the swap agreements are reported as either deferred outflows of resources or deferred inflows of resources, as applicable, on the Statements of Net Position.

The following table shows the terms and a summary of the fair values of the diesel swap agreements as of June 30, 2017 and 2016:

	Per calculation effective date	Period maturity date	Monthly notional gallons	Annual notional gallons	Fair value (in thousands)
June 30, 2017	July 1, 2018	June 30, 2018	538,421 - 730,770	7,547,057	$ (1,169)
June 30, 2016	July 1, 2017	June 30, 2017	654,000	7,848,000	$ 1,629

The Authority is exposed to credit risk when swap fair values are negative. 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.

12. Commitments and Contingencies (continued)

(c) Hedging Derivative Instrument (continued)

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

(d) Labor Contracts

During fiscal year 2017, 82.1% of the Authority's labor force was covered by five labor contracts. As of June 30, 2017, four of these contracts, which represent 66.7% of the labor force have expired and currently are either in arbitration or in negotiation.

(e) Construction and Capital Commitments

Construction and capital improvement costs are funded by Federal grants, jurisdictional matching funds, third party agreements, and debt. As of June 30, 2017 and 2016, respectively, the Authority had committed to expend $47.1 million and $183.7 million on future construction, capital improvement and other miscellaneous projects.

13. Tax Advantage Lease Agreements

(a) Historical Information

During fiscal year 1999, the Authority entered into 13 contracts to lease the Authority's interest in 680 railcars and simultaneously subleased the railcars back. At settlement, these railcars had a fair value of $1.2 billion and a net book value of $226.3 million. During fiscal year 2003, the Authority entered into two additional contracts to sublease 78 railcars valued at $194.1 million and had a net book value of $66.8 million.

Trusts were created coincident to these transactions to serve as the lessee/sublessor. Under the sublease agreements, the Authority retains the right to use the railcars and is responsible for their continued maintenance and insurance. The Authority's sublease arrangements have been recorded at present value of the future lease payments and has been recognized on the Statements of Net Position as obligations under tax advantage lease agreements.

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 equity payment undertakers (EPU's) in accordance with the terms of contractual obligations known as debt and equity payment undertaking agreements. These agreements constitute commitments by the EPU's to pay the Authority's sublease and buy-out options under the terms of the subleases. The EPU's 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 EPU's as a prefunded tax advantage lease defeasance contract on the Statements of Net Position.

13. Tax Advantage Lease Agreements (continued)

(b) Future Minimum Lease Requirements

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

The following table sets forth the aggregate future minimum payment amounts due under the sublease agreements as of June 30, 2017 (in thousands):

	Total
Fiscal year:	
2018	$ 85,072
2019	13,106
2020	13,106
2021	13,106
2022	4,984
2023–2027	17,142
2028–2032	26,669
2033–2034	15,803
Total future minimum payments	188,988
Less imputed interest	36,907
Present value of minimum lease payments	$ 152,081

The deferred gain on the tax advantage lease (i.e., excess of the prepayments received over the prepayment paid to the EPU's) recorded as a deferred inflow of resources on the Statements of Net Position, will be recognized by the Authority over the life of the lease.

(c) Additional Leasing Disclosures

The tax advantage lease agreements allow the equity investors to replace the EPU's in the event that their 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 lease agreements. To date, the Authority has terminated 14 of the original 16 lease agreements (one of which occurred during the fiscal year ended June 30, 2017, as described below).

On June 13, 2017, the Authority entered into an agreement to terminate one of the three remaining lease agreements. In accordance with the provisions of the termination agreement, the Authority received proceeds totaling approximately $0.9 million from the EPU, and paid legal fees totaling $7.3 thousand, which released the Authority from any further liability. The Authority removed approximately $92.5 million of assets restricted for the prefunded tax advantage leases and approximately $92.5 million of obligations under tax advantage leases. The Authority recognized a gain totaling approximately $4.9 million, which was recorded as a capital contribution.

13. Tax Advantage Lease Agreements (continued)

(c) Additional Leasing Disclosures (continued)

Of the two remaining leases, two equity investors waived the Authority's obligation to replace the defeasance provider and the one remaining equity investor has granted an extension, with an approved extension date to June 30, 2018. The remaining period of these lease agreements ranges from approximately four to 16 years.

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.

14. Subsequent Events

(a) Issuance of Series 2017A Refunding Bonds

On July 12, 2017, the Authority issued the Washington Metropolitan Area Transit Authority Gross Revenue Transit Refunding Bonds Series 2017A-1 totaling $148.5 million, and Series 2017A-2 totaling $48.9 million (collectively referred to as the Series 2017A Refunding Bonds).

The Series 2017A-1 Bonds were issued to refund a portion of the Series 2009A Gross Revenue Transit Bonds. Proceeds from the sale of the 2017A-1 bonds were placed into an irrevocable trust that is used to service the future debt requirements of the old debt. The difference in cash flows between the old debt and the new debt was $28.1 million, which resulted in an economic gain totaling $23.5 million.

The Series 2017A-2 bonds were issued as a crossover refunding of the Series 2009B bonds, which will not be legally defeased until July 1, 2019. Proceeds from the sale of the 2017A-2 bonds were placed in a crossover escrow fund to be invested in certain authorized investments. Such investments will be structured to pay the price of the Series 2009B Bonds when called on July 1, 2019 (the crossover date) and the interest coming due on the principal amount of the 2017A-2 bonds on the crossover date.

The Series 2017A Refunding Bonds will be repaid with the gross revenues of the Authority, and were issued with an average interest rate of 5.00%, payable semi-annually on January 1, and July 1 each year. Principal payments are due annually from July 1, 2020 through July 1, 2034. The uninsured ratings of the bonds were AA- from Standard and Poor's and AA- from Fitch as of July 12, 2017.

(b) Issuance of Series 2017B Bonds

On August 17, 2017, the Authority issued the Washington Metropolitan Area Transit Authority Gross Revenue Transit Bonds Series 2017B totaling $496.5 million.

The Series 2017B Bonds were issued primarily to finance capital costs. The uninsured ratings of the bonds were AA- from Standard and Poor's and AA- from Fitch as of August 17, 2017.

Schedule of Changes in the Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

WMATA Retirement Plan:	**2017**	**2016**	**2015**
Total pension liability:			
Service cost	$ 1,797	$ 1,953	$ 1,815
Interest	35,549	36,104	37,268
Changes of benefit terms	736	(1,102)	477
Differences between expected and actual experience	(1,710)	(5,072)	(2,896)
Changes of assumptions	-	-	53,908
Benefit payments, including refunds of member contributions	(39,760)	(39,542)	(42,032)
Net change in total pension liability	(3,388)	(7,659)	48,540
Total pension liability – beginning	525,931	533,590	485,050
Total pension liability – ending	$ 522,543	$ 525,931	$ 533,590
Plan fiduciary net position	$ 350,582	$ 368,266	$ 373,806
Net pension liability	$ 171,961	$ 157,665	$ 159,784
Plan fiduciary net position as a percentage of the total pension liability	67.09%	70.02%	70.05%
Covered employee payroll	$ 21,492	$ 23,265	$ 23,674
Net pension liability as a percentage of covered employee payroll	800.12%	677.69%	674.93%

* Data reported for fiscal years 2017, 2016 and 2015 is based on the WMATA Retirement Plan's measurement dates of June 30, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of June 30, 2014, were not available and accordingly, not included in the schedule.

Schedule of Changes in the Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

WMATA Transit Employees Retirement (Local 689) Plan:	**2017**	**2016**	**2015**
Total pension liability:			
Service cost	$ 78,200	$ 71,473	$ 66,090
Interest	260,365	251,235	234,275
Differences between expected and actual experience	(2,484)	(29,971)	66,534
Changes of assumptions	-	(13,395)	-
Benefit payments, including refunds of member contributions	(171,814)	(159,466)	(146,158)
Net change in total pension liability	164,267	119,876	220,741
Total pension liability – beginning	3,373,390	3,253,514	3,032,773
Total pension liability – ending	$ 3,537,657	$ 3,373,390	$ 3,253,514
Plan fiduciary net position	$ 2,723,416	$ 2,742,009	$ 2,628,691
Net pension liability	$ 814,241	$ 631,381	$ 624,823
Plan fiduciary net position as a percentage of the total pension liability	76.98%	81.28%	80.80%
Covered employee payroll	$ 762,642	$ 745,231	$ 710,331
Net pension liability as a percentage of covered employee payroll	106.77%	84.72%	87.96%

* Data reported for fiscal years 2017, 2016 and 2015 is based on the Local 689 Plan's measurement dates of June 30, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of June 30, 2014, were not available and accordingly, not included in the schedule.

Schedule of Changes in the Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

WMATA Transit Police Retirement Plan:	**2017**	**2016**	**2015**
Total pension liability:			
Service cost	$ 6,772	$ 6,094	$ 5,824
Interest	17,469	16,900	16,250
Differences between expected and actual experience	(2,221)	(2,726)	(1,415)
Changes of assumptions	3,802	-	-
Benefit payments, including refunds of member contributions	(12,943)	(12,406)	(11,573)
Net change in total pension liability	12,879	7,862	9,086
Total pension liability – beginning	239,394	231,532	222,446
Total pension liability – ending	$ 252,273	$ 239,394	$ 231,532
Plan fiduciary net position	$ 195,624	$ 179,847	$ 186,746
Net pension liability	$ 56,649	$ 59,547	$ 44,786
Plan fiduciary net position as a percentage of the total pension liability	77.54%	75.13%	80.66%
Covered employee payroll	$ 34,265	$ 34,122	$ 35,412
Net pension liability as a percentage of covered employee payroll	165.33%	174.51%	126.47%

∗ Data reported for fiscal years 2017, 2016 and 2015 is based on the WMATA Transit Police Retirement Plan's measurement dates of December 31, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of December 31, 2014, were not available and accordingly, not included in the schedule.

Schedule of Changes in the Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

WMATA Local 922 Retirement (Local 922) Plan:	**2017**	**2016**	**2015**
Total pension liability:			
Service cost	$ 4,493	$ 4,463	$ 4,767
Interest	14,717	13,757	12,832
Differences between expected and actual experience	347	213	-
Changes of assumptions	-	2,318	-
Benefit payments, including refunds of member contributions	(7,438)	(6,809)	(6,092)
Net change in total pension liability	12,119	13,942	11,507
Total pension liability – beginning	209,407	195,465	183,958
Total pension liability – ending	$ 221,526	$ 209,407	$ 195,465
Plan fiduciary net position	$ 188,249	$ 177,626	$ 180,977
Net pension liability	$ 33,277	$ 31,781	$ 14,488
Plan fiduciary net position as a percentage of the total pension liability	84.98%	84.82%	92.59%
Covered employee payroll	$ 31,066	$ 30,251	$ 32,324
Net pension liability as a percentage of covered employee payroll	107.12%	105.06%	44.82%

* Data reported for fiscal years 2017, 2016 and 2015 is based on the Local 922 Plan's measurement dates of December 31, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of December 31, 2014, were not available and accordingly, not included in the schedule.

Schedule of Changes in the Net Pension Liability **Exhibit 4**
Last Ten Fiscal Years * **(concluded)**
(in thousands)

WMATA Local 2 Retirement (Local 2) Plan:	**2017**	**2016**	**2015**
Total pension liability:			
Service cost	$ 572	$ 676	$ 664
Interest	12,321	12,300	11,780
Changes in benefit terms	(699)	1,028	(446)
Differences between expected and actual experience	(1,952)	(2,115)	5,817
Changes of assumptions	-	-	10,168
Benefit payments, including refunds of member contributions	(11,689)	(11,324)	(11,153)
Net change in total pension liability	(1,447)	565	16,830
Total pension liability – beginning	169,554	168,989	152,159
Total pension liability – ending	$ 168,107	$ 169,554	$ 168,989
Plan fiduciary net position	$ 136,930	$ 142,326	$ 140,806
Net pension liability	$ 31,177	$ 27,228	$ 28,183
Plan fiduciary net position as a percentage of the total pension liability	81.45%	83.94%	83.32%
Covered employee payroll	$ 7,290	$ 9,052	$ 9,954
Net pension liability as a percentage of covered employee payroll	427.67%	300.80%	283.13%

* Data reported for fiscal years 2017, 2016 and 2015 is based on the Local 2 Plan's measurement dates of June 30, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of June 30, 2014, were not available and accordingly, not included in the schedule.

Schedule of Employer Contributions
Last Ten Fiscal Years *
(in thousands)

	2017	2016	2015	2014	2013
WMATA Retirement Plan:					
Actuarially determined contribution	$ 20,349	$ 19,877	$ 20,398	$ 20,585	$ 19,998
Contributions in relation to the actuarially determined contribution	20,349	19,877	20,398	20,585	19,998
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	Not Available	$ 21,492	$ 23,265	$ 23,674	$ 25,327
Contributions as a percentage of covered-employee payroll	Not Available	92.49%	87.68%	86.95%	78.96%
WMATA Transit Employees' Retirement Plan (Local 689):					
Actuarially determined contribution	$ 118,975	$ 127,516	$ 136,075	$ 123,234	$ 95,552
Contributions in relation to the actuarially determined contribution	118,975	127,516	136,075	123,234	99,581
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (4,029)
Covered-employee payroll	$ 771,693	$ 762,642	$ 745,231	$ 710,331	$ 634,996
Contributions as a percentage of covered-employee payroll	15.42%	16.72%	18.26%	17.35%	15.68%
WMATA Transit Police Retirement Plan:					
Actuarially determined contribution	$ 11,067	$ 9,263	$ 8,742	$ 8,594	$ 7,944
Contributions in relation to the actuarially determined contribution	10,662	8,747	8,742	8,594	$ 7,944
Contribution deficiency (excess)	$ 405	$ 516	$ -	$ -	$ -
Covered-employee payroll	$ 34,485	$ 34,243	$ 35,412	$ 34,086	$ 32,976
Contributions as a percentage of covered-employee payroll	30.92%	25.54%	24.69%	25.21%	24.09%

* Contribution data reported represents the amounts the Authority contributed to each respective Plan during the Authority's fiscal years ended June 30, which was obtained from the Plans' most recent actuarial valuations. Covered payroll in fiscal year 2017 was not available in the most recent actuarial valuations for the WMATA Retirement and Local 2 Plans.

Exhibit 5
(continued)

2012	2011	2010	2009	2008	
					WMATA Retirement Plan:
$ 18,416	$ 17,884	$ 17,716	$ 16,177	$ 11,327	Actuarially determined contribution
15,469	20,832	17,718	16,139	11,733	Contributions in relation to the actuarially determined contribution
$ 2,947	$ (2,948)	$ (2)	$ 38	$ (406)	Contribution deficiency (excess)
$ 26,551	$ 27,200	$ 29,321	$ 31,343	$ 33,497	Covered-employee payroll
58.26%	76.59%	60.43%	51.49%	35.03%	Contributions as a percentage of covered-employee payroll
					WMATA Transit Employees' Retirement Plan (Local 689):
$ 71,717	$ 56,721	$ 48,386	$ 33,231	$ 20,167	Actuarially determined contribution
72,149	61,129	48,440	30,280	20,193	Contributions in relation to the actuarially determined contribution
$ (432)	$ (4,408)	$ (54)	$ 2,951	$ (26)	Contribution deficiency (excess)
$ 578,278	$ 557,491	$ 547,005	$ 515,245	$ 483,010	Covered-employee payroll
12.48%	10.97%	8.86%	5.88%	4.18%	Contributions as a percentage of covered-employee payroll
					WMATA Transit Police Retirement Plan:
$ 7,954	$ 7,843	$ 7,503	$ 5,422	$ 5,612	Actuarially determined contribution
$ 7,954	$ 7,843	$ 7,503	$ 5,422	$ 5,612	Contributions in relation to the actuarially determined contribution
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 30,351	$ 31,507	$ 31,083	$ 28,017	$ 24,950	Covered-employee payroll
26.21%	24.89%	24.14%	19.35%	22.49%	Contributions as a percentage of covered-employee payroll

Schedule of Employer Contributions
Last Ten Fiscal Years *
(in thousands)

	2017	2016	2015	2014	2013
WMATA Local 922 Retirement Plan:					
Actuarially determined contribution	$ 6,318	$ 5,694	$ 5,194	$ 6,920	$ 5,583
Contributions in relation to the actuarially determined contribution	5,430	5,558	$ 5,194	$ 6,920	$ 5,583
Contribution deficiency (excess)	$ 888	$ 136	$ -	$ -	$ -
Covered-employee payroll	$ 32,578	$ 31,066	$ 30,251	$ 32,324	$ 29,593
Contributions as a percentage of covered-employee payroll	16.67%	17.89%	17.17%	21.41%	18.87%
WMATA Local 2 Retirement Plan:					
Actuarially determined contribution	$ 4,748	$ 4,824	$ 5,156	$ 4,758	$ 4,822
Contributions in relation to the actuarially determined contribution	4,748	4,824	5,156	4,758	4,822
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	Not Available	$ 7,290	$ 9,052	$ 9,954	$ 10,583
Contributions as a percentage of covered-employee payroll	Not Available	66.17%	56.96%	47.80%	45.56%

* Contribution data reported represents the amounts the Authority contributed to each respective Plan during the Authority's fiscal years ended June 30, which was obtained from the Plans' most recent actuarial valuations. Covered payroll in fiscal year 2017 was not available in the most recent actuarial valuations for the WMATA Retirement and Local 2 Plans.

Exhibit 5
(concluded)

2012	2011	2010	2009	2008	
					WMATA Local 922 Retirement Plan:
$ 6,203	$ 5,363	$ 5,868	$ 4,127	$ 3,647	Actuarially determined contribution
6,203	5,363	5,868	4,127	3,647	Contributions in relation to the actuarially determined contribution
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 27,065	$ 26,543	$ 25,400	$ 25,498	$ 23,787	Covered-employee payroll
22.92%	20.20%	23.10%	16.19%	15.33%	Contributions as a percentage of covered-employee payroll
					WMATA Local 2 Retirement Plan:
$ 4,966	$ 5,103	$ 5,456	$ 4,982	$ 4,037	Actuarially determined contribution
4,093	5,975	5,456	4,968	4,027	Contributions in relation to the actuarially determined contribution
$ 873	$ (872)	$ -	$ 14	$ 10	Contribution deficiency (excess)
$ 11,521	$ 12,852	$ 13,764	$ 14,933	$ 16,533	Covered-employee payroll
35.53%	46.49%	39.64%	33.27%	24.36%	Contributions as a percentage of covered-employee payroll

Schedule of Funding Progress **Exhibit 6**
Historical Trend Information –
Postemployment Benefits Other Than Pensions
(in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a))/c
Fiscal Year 2017:							
Local 689	7/1/2015	$ -	$ 1,055,542	$ 1,055,542	0.0%	N/A	N/A
Local 2	7/1/2015	-	158,476	158,476	0.0%	N/A	N/A
Transit Police	7/1/2015	-	109,646	109,646	0.0%	N/A	N/A
Non-Represented	7/1/2015	-	499,116	499,116	0.0%	N/A	N/A
Fiscal Year 2017 Total [1]		$ -	$ 1,822,780	$ 1,822,780	0.0%	$ 627,000	290.7%
Fiscal Year 2016:							
Local 689	7/1/2015	$ -	$ 1,026,115	$ 1,026,115	0.0%	N/A	N/A
Local 2	7/1/2015	-	153,581	153,581	0.0%	N/A	N/A
Transit Police	7/1/2015	-	105,957	105,957	0.0%	N/A	N/A
Non-Represented	7/1/2015	-	481,661	481,661	0.0%	N/A	N/A
Fiscal Year 2016 Total		$ -	$ 1,767,314	$ 1,767,314	0.0%	$ 627,000	281.9%
Fiscal Year 2015:							
Local 689	7/1/2013	$ -	$ 853,454	$ 853,454	0.0%	N/A	N/A
Local 2	7/1/2013	-	136,286	136,286	0.0%	N/A	N/A
Transit Police	7/1/2013	-	95,267	95,267	0.0%	N/A	N/A
Non-Represented	7/1/2013	-	397,255	397,255	0.0%	N/A	N/A
Fiscal Year 2015 Total [2]		$ -	$ 1,482,262	$ 1,482,262	0.0%	$ 734,000	201.9%

[1] The Actuarial Accrued Liability is based on the census as of July 1, 2015 and on updated actuarial assumptions.

[2] The Actuarial Accrued Liability is based on the census as of July 1, 2013 and on updated actuarial assumptions.

Notes to the Required Supplementary Information

1. Schedule of Changes in the Net Pension Liability

The changes in the net pension liability for years prior to the fiscal years ending June 30, 2015 were not available and accordingly, were not included in the schedule.

2. Schedule of Employer Contributions

Following are the significant assumptions used to determine the actuarially required contributions for each defined benefit single employer pension plan.

WMATA Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Assumed Rate of Return	Inflation Rate	Salary Increases
2017	7/1/2016	Entry age	Smoothed market	Level dollar	14 years open	7.00%	2.50%	3.00% to 6.30%
2016	7/1/2015	Entry age	Smoothed market	Level dollar	14 years open	7.00%	2.50%	3.00% to 6.30%
2015	7/1/2014	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2014	7/1/2013	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2013	7/1/2012	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2012	7/1/2011	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2011	7/1/2010	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2010	7/1/2009	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2009	7/1/2008	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2008	7/1/2007	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%

The mortality table used for all fiscal years was the RP-2000 Fully Generational Combined Mortality table (Projected w/Scale AA).

2. Schedule of Employer Contributions (continued)

Local 689 Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Assumed Rate of Return	Inflation Rate	Salary Increases
2017	1/1/2016	Aggregate Cost	Smoothed market	Level dollar	30 years	7.85%	2.50%	3.00% to 3.50%
2016	1/1/2015	Aggregate Cost	Smoothed market	Level dollar	30 years	7.85%	2.50%	3.00% to 3.50%
2015	1/1/2014	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.85%	3.00%	3.50%
2014	1/1/2013	Aggregate Cost	Smoothed market	N/A	N/A	7.85%	3.00%	3.50%
2013	1/1/2012	Aggregate Cost	5-yr assumed yield	N/A	N/A	7.85%	3.00%	3.50%
2012	1/1/2011	Aggregate Cost	3-yr assumed yield	N/A	N/A	7.85%	3.00%	3.50%
2011	1/1/2010	Aggregate Cost	3-yr assumed yield	N/A	N/A	8.00%	3.00%	3.50%
2010	1/1/2009	Aggregate Cost	3-yr assumed yield	N/A	N/A	8.00%	3.00%	3.50%
2009	1/1/2008	Aggregate Cost	3-yr assumed yield	N/A	N/A	8.00%	3.00%	3.50%
2008	1/1/2007	Aggregate Cost	3-yr assumed yield	N/A	N/A	8.00%	3.00%	3.50%

The mortality table used for fiscal years 2017 and 2016 was the RP-2000 male and female distinct rates projected to 2016 and 2015. The mortality table used for fiscal years 2008 through 2015 was the 1983 Group Annuity Mortality Tables, males set back two years and females unadjusted.

2. Schedule of Employer Contributions (continued)

Transit Police Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Assumed Rate of Return	Inflation Rate	Salary Increases
2017	1/1/2017	Aggregate Cost	Smoothed market	Level percentage of payroll	5 years	7.50%	2.50%	3.00% to 7.00%
2016	1/1/2016	Aggregate Cost	Smoothed market	Level percentage of payroll	5 years	7.50%	2.50%	3.00% to 7.00%
2015	1/1/2015	Aggregate Cost	Smoothed market	Level percentage of payroll	10 years	7.50%	2.50%	3.00% to 6.00%
2014	1/1/2014	Aggregate Cost	Smoothed market	N/A	N/A	8.00%	3.00%	4.75% to 9.0%
2013	1/1/2012	Aggregate Cost	Smoothed market	N/A	N/A	7.50%	2.50%	4.75% to 9.0%
2012	1/2/2011	Aggregate Cost	Smoothed market	N/A	N/A	8.00%	2.50%	4.75% to 9.0%
2011	1/1/2010	Aggregate Cost	Smoothed market	N/A	N/A	8.00%	2.50%	4.75% to 9.0%
2010	1/1/2009	Aggregate Cost	Smoothed market	N/A	N/A	8.00%	2.50%	4.75% to 9.0%
2009	1/1/2008	Aggregate Cost	Smoothed market	N/A	N/A	8.00%	2.50%	4.75% to 9.0%
2008	1/1/2007	Aggregate Cost	Smoothed market	N/A	N/A	8.00%	2.50%	4.75% to 9.0%

The mortality table used for fiscal years 2017 and 2016 was the RP-2014 Combined Healthy Blue Collar Mortality table with generational projection by Scale MP-2015. The mortality table used for the fiscal years 2008 through 2015 was the RP-2000 Combined Healthy with Blue Collar adjustment set forward ten years with generational projection by Scale AA.

2. Schedule of Employer Contributions (continued)

Local 922 Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Assumed Rate of Return	Inflation Rate	Salary Increases
2017	1/1/2017	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.0% to 4.5%
2016	1/1/2016	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.0% to 4.5%
2015	1/1/2015	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.50%
2014	1/1/2014	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2013	1/1/2012	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2012	1/1/2012	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2011	1/1/2011	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2010	1/1/2009	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2009	1/1/2008	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2008	1/1/2007	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%

The mortality table used for fiscal years 2008 through 2017 was the RP-2000 Healthy Combined Mortality table with Blue Collar Adjustment, projected fully generational with Scale AA, which was updated in fiscal year 2016 for active and healthy retirees to use a fully generational mortality improvement scale.

2. Schedule of Employer Contributions (continued)

Local 2 Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Assumed Rate of Return	Inflation Rate	Salary Increases
2017	7/1/2016	Entry age	Smoothed market	Level dollar	9 years open	7.50%	2.50%	3.00% to 6.30%
2016	7/1/2015	Entry age	Smoothed market	Level dollar	9 years open	7.50%	2.50%	3.00% to 6.30%
2015	7/1/2014	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2014	7/1/2013	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2013	7/1/2012	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2012	7/1/2011	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2011	7/1/2010	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2010	7/1/2009	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2009	7/1/2008	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2008	7/1/2007	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%

The mortality table used for all of the fiscal years was the RP-2000 Healthy Combined Mortality table with Blue Collar Adjustment, projected fully generational with Scale AA.

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SECTION THREE - STATISTICAL (UNAUDITED)

MetroAccess vehicle

Financial Trends
Trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity
Information to help the reader assess the Authority's most significant local revenue source, passenger revenue.

Debt Capacity
Information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information
Demographic and economic indicators to help the reader to understand the environment within which the Authority's financial activities take place.

Operating Information
Service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and activities it performs.

Net Position by Component *
Last Ten Fiscal Years
(in thousands)

	2017	2016	2015	2014	2013
Net investment in capital assets	$ 11,610,645	$ 11,573,665	$ 11,135,124	$ 8,211,764	$ 8,088,386
Restricted	17,900	17,900	30,404	195,842	273,671
Unrestricted	(1,277,189)	(1,066,496)	(946,020)	(475,900)	(326,221)
Total net position	$ 10,351,356	$ 10,525,069	$ 10,219,508	$ 7,931,706	$ 8,035,836

* Certain reclassifications were made to the fiscal year 2008 through fiscal year 2015 financial statements to conform to the fiscal year 2016 financial statement presentation. The reclassifications did not have an effect on the net position or changes thereto

Source: The Authority's Audited Financial Statements.

Exhibit 7
(concluded)

2012	2011	2010	2009	2008	
$ 8,377,565	$ 8,360,891	$ 7,982,687	$ 7,755,314	$ 7,708,754	Net investment in capital assets
88,641	177,228	144,700	180,708	32,686	Restricted
(390,381)	(160,554)	(57,434)	12,373	113,404	Unrestricted
$ 8,075,825	$ 8,377,565	$ 8,069,953	$ 7,948,395	$ 7,854,844	Total net position

Changes in Net Position
Last Ten Fiscal Years
(in thousands)

	2017	2016	2015	2014	2013
Operating revenues	$ 788,813	$ 859,165	$ 898,644	$ 854,580	$ 856,829
Nonoperating revenues	20,365	18,532	32,446	35,870	50,054
Total revenues	809,178	877,697	931,090	890,450	906,883
Operating expenses	2,756,894	2,629,972	2,547,881	2,337,911	2,290,062
Nonoperating expenses	22,749	23,886	27,160	34,566	48,050
Total expenses	2,779,643	2,653,858	2,575,041	2,372,477	2,338,112
Jurisdictional subsidies, capital grants, and capital subsidies	1,796,752	2,081,722	4,977,864	1,377,897	1,391,240
Increase (decrease) in net position	$ (173,713)	$ 305,561	$ 3,333,913	$ (104,130)	$ (39,989)

Source: The Authority's Audited Financial Statements.

Exhibit 8
(concluded)

2012	2011	2010	2009	2008	
$ 816,670	$ 804,504	$ 727,832	$ 745,303	$ 690,572	Operating revenues
55,003	54,964	76,013	74,924	102,198	Nonoperating revenues
871,673	859,468	803,845	820,227	792,770	Total revenues
2,122,748	2,079,881	2,004,945	1,905,047	1,803,396	Operating expenses
51,377	56,390	59,694	61,473	90,335	Nonoperating expenses
2,174,125	2,136,271	2,064,639	1,966,520	1,893,731	Total expenses
1,000,712	1,584,415	1,382,352	1,239,844	850,143	Jurisdictional subsidies, capital grants, and capital subsidies
$ (301,740)	$ 307,612	$ 121,558	$ 93,551	$ (250,818)	Increase (decrease) in net position

Revenue Base
Last Ten Fiscal Years
(in thousands)

	2017	2016	2015	2014	2013
Operating revenues:					
Passenger revenue	$741,044	$809,407	$854,392	$811,628	$817,615
Charter and contract revenue	-	-	-	-	-
Advertising revenue	21,926	22,792	22,422	19,846	16,732
Rental revenue	25,601	26,722	21,601	22,826	22,246
Other revenue	242	244	229	280	236
Total operating revenues	788,813	859,165	898,644	854,580	856,829
Nonoperating revenues:					
Investment (loss) income	(98)	224	769	585	818
Interest income from leasing transactions	5,206	10,621	11,407	19,053	32,936
Other	15,257	7,687	20,270	16,232	16,300
Total nonoperating revenues	20,365	18,532	32,446	35,870	50,054
Total revenues	$809,178	$877,697	$931,090	$890,450	$906,883

Source: The Authority's Audited Financial Statements.

Exhibit 9
(concluded)

2012	2011	2010	2009	2008	
					Operating revenues:
$ 777,528	$ 763,900	$ 660,319	$ 683,302	$ 625,607	Passenger revenue
-	-	-	255	8,047	Charter and contract revenue
18,284	17,518	42,104	38,319	35,296	Advertising revenue
20,604	22,335	24,161	22,179	20,451	Rental revenue
254	751	1,248	1,248	1,171	Other revenue
816,670	804,504	727,832	745,303	690,572	Total operating revenues
					Nonoperating revenues:
1,309	1,377	1,578	2,494	5,068	Investment (loss) income
34,882	38,452	40,114	52,430	80,802	Interest income from leasing transactions
18,812	15,135	34,321	20,000	16,328	Other
55,003	54,964	76,013	74,924	102,198	Total nonoperating revenues
$ 871,673	$ 859,468	$ 803,845	$ 820,227	$ 792,770	Total revenues

Passenger Fare Structure
Last Ten Fiscal Years

Exhibit 10
(continued)

	Metrobus			Metrorail							
	Peak/Off Peak			Peak			Off Peak				
Fiscal Year	DC Base	MD Base	VA Base	Boarding Charge	Each Additional Composite Mile		Boarding Charge		Each Additional Composite Mile		
2017 [1]	$2.00	$2.00	$2.00	$2.25	$0.33	(3-6 miles)	$2.00	(0-3 miles)	$0.24	(3-6 miles)
					$0.29	(6+ miles)			$0.22	(6+ miles)
					$6.00	(Max. fare)			$3.85	(Max. fare)
2017	$1.75	$1.75	$1.75	$2.15	$0.33	(3-6 miles)	$1.75	(0-3 miles)	$0.24	(3-6 miles)
					$0.29	(6+ miles)			$0.22	(6+ miles)
					$5.90	(Max. fare)			$3.60	(Max. fare)
2016	$1.75	$1.75	$1.75	$2.15	$0.33	(3-6 miles)	$1.75	(0-3 miles)	$0.24	(3-6 miles)
					$0.29	(6+ miles)			$0.22	(6+ miles)
					$5.90	(Max. fare)			$3.60	(Max. fare)
2015	$1.75	$1.75	$1.75	$2.15	$0.33	(3-6 miles)	$1.75	(0-3 miles)	$0.24	(3-6 miles)
					$0.29	(6+ miles)			$0.22	(6+ miles)
					$5.90	(Max. fare)			$3.60	(Max. fare)
2014	$1.60	$1.60	$1.60	$2.10	$0.32	(3-6 miles)	$1.70	(0-3 miles)	$0.24	(3-6 miles)
					$0.28	(6+ miles)			$0.21	(6+ miles)
					$5.75	(Max. fare)			$3.50	(Max. fare)
2013	$1.60	$1.60	$1.60	$2.10	$0.32	(3-6 miles)	$1.70	(0-3 miles)	$0.24	(3-6 miles)
					$0.28	(6+ miles)			$0.21	(6+ miles)
					$5.75	(Max. fare)			$3.50	(Max. fare)
2012	$1.50	$1.50	$1.50	$1.95	$0.30	(3-6 miles)	$1.60	(0-7 miles)	n/a	
					$0.27	(6+ miles)	$2.15	(7-10 miles)	n/a	
					$5.00	(Max. fare)	$2.75	(10+ miles)	n/a	
2011	$1.50	$1.50	$1.50	$1.95	$0.30	(3-6 miles)	$1.60	(0-7 miles)	n/a	
					$0.27	(6+ miles)	$2.15	(7-10 miles)	n/a	
					$5.00	(Max. fare)	$2.75	(10+ miles)	n/a	
2010	$1.35	$1.35	$1.35	$1.75	$0.26	(3-6 miles)	$1.45	(0-7 miles)	n/a	
					$0.23	(6+ miles)	$1.95	(7-10 miles)	n/a	
					$4.60	(Max. fare)	$2.45	(10+ miles)	n/a	

Passenger Fare Structure
Last Ten Fiscal Years

Exhibit 10
(concluded)

	Metrobus Peak/Off Peak			Metrorail Peak			Metrorail Off Peak		
Fiscal Year	DC Base	MD Base	VA Base	Boarding Charge	Each Additional Composite Mile		Boarding Charge		Each Additional Composite Mile
2009	$1.25	$1.25	$1.25	$1.65	$0.26	(3-6 miles)	$1.35	(0-7 miles)	n/a
					$0.23	(6+ miles)	$1.85	(7-10 miles)	n/a
					$4.50	(Max. fare)	$2.35	(10+ miles)	n/a
2008	$1.25	$1.25	$1.25	$1.65	$0.26	(3-6 miles)	$1.35	(0-7 miles)	n/a
					$0.23	(6+ miles)	$1.85	(7-10 miles)	n/a
					$4.50	(Max. fare)	$2.35	(10+ miles)	n/a

[1] Tariff No. 37 of the Washington Metropolitan Area Transit Authority effective June 25, 2017

Source: Tariff of the Washington Metropolitan Area Transit Authority. For more details on the Authority's fare structure, refer to www.wmata.com.

Ratios of Oustanding Debt By Type
Last Ten Fiscal Years
(in thousands)

	2017	2016	2015	2014	2013
Transit bonds	$ 483,641	$ 498,878	$ 274,087	$ 287,755	$ 309,104
Grant anticipation note	-	-	83,333	-	-
Tax advantage leases	152,081	258,649	273,054	296,973	427,955
Total debt [1]	$ 635,722	$ 757,527	$ 630,474	$ 584,728	$ 737,059
Total personal income [2]	$ 395,632,173	$ 395,632,173	$ 395,632,173	$ 377,032,086	$ 362,272,713
Outstanding debt ratio	0.2%	0.2%	0.2%	0.2%	0.2%
Service area population [3]	6,098	6,098	6,098	6,034	5,964
Outstanding debt per capita	$ 104	$ 124	$ 103	$ 97	$ 124
Total annual passenger unlinked trips	379,142	379,142	405,267	406,063	407,927
Total debt ratio as a percentage of annual passenger unlinked trips [4]	167.7%	199.8%	155.6%	144.0%	180.7%

[1] Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

[2] Total personal income information for the Authority is obtained from the Bureau of Economic Analysis, 2017 and 2016 based on 2015 available data.

[3] Census Bureau midyear population estimates. Estimates for 2010 – 2015 reflect county population estimates available as of March 2016. Estimates for 2017 and 2016 based on population estimates available as of March 2016.

[4] Annual Passenger Unlinked trip data can be found in Exhibit 16, Operating Indicators in the statistical section.

Source: The Authority's Audited Financial Statements and Bureau of Economic Analysis: Metropolitan Statistical Area.

Exhibit 11
(concluded)

2012	2011	2010	2009	2008	
$ 337,847	$ 370,589	$ 406,935	$ 435,871	$ 153,126	Transit bonds
-	-	-	-	-	Grant anticipation note
523,580	576,644	670,754	840,118	1,375,610	Tax advantage leases
$ 861,427	$ 947,233	$ 1,077,689	$ 1,275,989	$ 1,528,736	Total debt [1]
$ 366,884,692	$ 352,431,040	$ 329,497,452	$ 314,320,686	$318,718,599	Total personal income [2]
0.2%	0.3%	0.3%	0.4%	0.5%	Outstanding debt ratio
5,873	5,778	5,667	5,548	5,445	Service area population [3]
$ 147	$ 164	$ 190	$ 230	$ 281	Outstanding debt per capita
418,279	414,046	413,529	432,739	422,601	Total annual passenger unlinked trips
205.9%	228.8%	260.6%	294.9%	361.7%	Total debt ratio as a percentage of annual passenger unlinked trips [4]

Pledged-Revenue Coverage
Last Ten Fiscal Years
(in thousands)

	2017	2016	2015	2014	2013
Pledged Revenues					
Operating revenues	$ 747,409	$ 814,126	$ 852,131	$ 807,966	$ 811,189
Other	15,159	7,911	21,039	16,817	17,118
Jurisdictional operating subsidies	891,548	895,973	826,096	743,875	711,103
Total pledged revenue	$ 1,654,116	$ 1,718,010	$ 1,699,266	$ 1,568,658	$ 1,539,410
Debt Service Requirements					
Principal - revenue bonds	$ 8,285	$ 7,900	$ 13,240	$ 20,335	$ 27,360
Interest payments	23,485	14,854	12,748	14,764	15,113
Net debt service	$ 31,770	$ 22,754	$ 25,988	$ 35,099	$ 42,473
Coverage Ratio	1.92%	1.32%	1.53%	2.24%	2.76%

Source: The Authority's Audited Financial Statements.

Exhibit 12
(concluded)

2012	2011	2010	2009	2008	
					Pledged Revenues
$ 771,116	$ 761,207	$ 682,243	$ 697,885	$ 646,163	Operating revenues
20,121	16,512	35,899	22,494	21,396	Other
680,385	679,880	682,545	654,293	610,001	Jurisdictional operating subsidies
$1,471,622	$1,457,599	$1,400,687	$1,374,672	$1,277,560	Total pledged revenue
					Debt Service Requirements
$ 31,210	$ 34,705	27,815	$ 26,380	$ 25,025	Principal - revenue bonds
16,495	17,938	19,580	7,244	7,654	Interest payments
$ 47,705	$ 52,643	$ 47,395	$ 33,624	$ 32,679	Net debt service
3.24%	3.61%	3.38%	2.45%	2.56%	Coverage Ratio

Demographic and Economic Statistics **Exhibit 13**
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Population [1]	Personal Income	Per Capital Personal Income [2]	Unemployment Rate [3]
2017	6,098	$ 395,632,173	$ 65	3.9%
2016	6,098	$ 395,632,173	$ 65	4.0%
2015	6,098	$ 395,632,173	$ 65	4.7%
2014	6,034	$ 377,032,086	$ 62	5.3%
2013	5,964	$ 362,272,713	$ 61	6.0%
2012	5,873	$ 366,884,692	$ 62	6.1%
2011	5,778	$ 352,431,040	$ 61	6.5%
2010	5,667	$ 329,497,452	$ 58	6.5%
2009	5,548	$ 314,320,686	$ 57	6.3%
2008	5,445	$ 318,718,599	$ 59	3.8%

1 Census Bureau midyear population estimates. Estimates for 2010 — 2015 reflect county population estimates available as of March 2016. Estimates for 2017 and 2016 are based on population estimates available as of March 2016.

2 Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2017 and 2016 are based on per capita personal income as of March 2016.

3 Unemployment rates are as of June 30 of the indicated fiscal years.

Source: Bureau of Economic Analysis; Metropolitan Statistical Area, last updated November 17, 2016.

Major Private Employers
Current Fiscal Year and Nine Years Ago

Exhibit 14

	2017			2008		
Employer	**Rank**	**Area Employees**	**Percentage of Total Employment**	**Rank**	**Area Employees**	**Percentage of Total Employment**
MedStar Health	1	16,789	0.5%			
Inova Health System	2	16,000	0.5%			
Marriott International Inc.	3	15,204	0.5%			
Booz Allen Hamilton Inc.	4	11,507	0.3%			
Giant Food LLC	5	11,431	0.3%			
CSRA Inc.	6	9,123	0.3%			
Deloitte LLP and subsidiaries	7	8,778	0.3%			
Verizon Communications Inc.	8	8,300	0.3%			
Lockheed Martin Corp.	9	8,043	0.2%			
General Dynamics Corp.	10	8,000	0.2%			
McDonald's Corp.				1	33,993	1.2%
Lockheed Martin Corp.				2	22,600	0.8%
Northrop Grumman Corp.				3	21,100	0.7%
Verizon Communications Inc.				4	17,800	0.6%
Science Applications International Corp.				5	16,120	0.6%
Inova Health System				6	15,871	0.5%
Wal-Mart Stores Inc.				7	15,400	0.5%
Marriott International Inc.				8	14,512	0.5%
Booz Allen Hamilton Inc.				9	13,000	0.4%
Medstar Health				10	13,000	0.4%
		113,175	3.4%		183,396	6.2%

Sources: Washington Business Journal, Book of Lists 2017 - Largest Employers — Ranked by Nonfederal Public and Private Metro-Area Employees in 2016, Volume 35, Issue 36.

Washingtonpost.com - 2008 Post 200 Top DC-Area Employers.

Authorized Employee Positions
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Non-Represented [1]	2,339	2,286	2,233	2,124	2,012
Office & Professional Employees International Union, Local - 2, American Federation of Labor-Congress of Industrial Organizations	1,229	1,210	1,137	1,028	980
International Brotherhood of Teamsters, Local - 639	138	138	136	165	164
Amalgamated Transit Union, Local - 689	8,562	8,591	8,603	8,593	8,408
International Brotherhood of Teamsters, Local - 922	379	374	382	383	378
Faternal Order of Police, Transit Police	385	396	414	396	390
Total Authority Positions	13,032	12,995	12,905	12,689	12,332

1 Non-represented positions are salaried positions in the management and administrative work force that have been excluded from union participation.

Sources: The Authority's annual Approved Budgets (FY 2002 — 2009).

The Authority's Office of Management and Budget Services (FY 2010 — 2017).

Exhibit 15
(concluded)

2012	2011	2010	2009	2008	
1,814	1,650	1,633	1,718	1,669	Non-Represented [1]
879	740	730	771	778	Office & Professional Employees International Union, Local - 2, American Federation of Labor-Congress of Industrial Organizations
126	126	102	89	89	International Brotherhood of Teamsters, Local - 639
7,768	7,731	7,650	7,911	8,203	Amalgamated Transit Union, Local - 689
375	370	370	367	385	International Brotherhood of Teamsters, Local - 922
357	357	368	376	359	Faternal Order of Police, Transit Police
11,319	10,974	10,853	11,232	11,483	Total Authority Positions

Operating Indicators **Exhibit 16**
Last Ten Fiscal Years **(continued)**

Fiscal Year	Vehicle Operated In Maximum Service	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Unlinked Passenger Trips	Passenger Miles Traveled
2017 [1]					
Metrobus	1,301	39,363,678	3,878,258	127,687,553	399,016,612
Metrorail	954	77,967,424	3,169,676	249,173,213	1,475,685,198
MetroAccess	919	20,734,461	1,988,992	2,281,047	18,903,138
Total	3,174	138,065,563	9,036,926	379,141,813	1,893,604,948
2016 [2]					
Metrobus	1,301	39,363,678	3,878,258	127,687,553	399,016,612
Metrorail	954	77,967,424	3,169,676	249,173,213	1,475,685,198
MetroAccess	919	20,734,461	1,988,992	2,281,047	18,903,138
Total	3,174	138,065,563	9,036,926	379,141,813	1,893,604,948
2015					
Metrobus	1,300	38,258,564	3,867,179	132,870,013	421,925,287
Metrorail	954	85,523,746	3,424,083	270,162,145	1,590,762,766
MetroAccess	902	20,644,376	1,952,356	2,235,295	18,062,120
Total	3,156	144,426,686	9,243,618	405,267,453	2,030,750,173
2014					
Metrobus	1,294	39,158,562	3,788,792	134,407,528	425,698,966
Metrorail	878	74,078,897	3,020,971	269,529,019	1,519,705,315
MetroAccess	840	19,399,839	1,844,436	2,126,461	17,059,877
Total	3,012	132,637,298	8,654,199	406,063,008	1,962,464,158
2013					
Metrobus	1,293	39,176,488	3,750,556	132,064,874	413,821,534
Metrorail	878	75,884,602	3,094,597	273,828,461	1,552,619,378
MetroAccess	846	18,912,706	1,784,166	2,033,299	16,375,823
Total	3,017	133,973,796	8,629,319	407,926,634	1,982,816,735

Operating Indicators **Exhibit 16**
Last Ten Fiscal Years **(concluded)**

Fiscal Year	Vehicle Operated In Maximum Service	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Unlinked Passenger Trips	Passenger Miles Traveled
2012					
Metrobus	1,281	39,226,293	3,714,074	130,889,914	408,162,738
Metrorail	868	70,867,572	2,883,528	285,306,675	1,584,631,040
MetroAccess	800	19,537,817	1,896,856	2,082,882	16,655,420
Total	2,949	129,631,682	8,494,458	418,279,471	2,009,449,198
2011					
Metrobus	1,260	38,397,186	3,579,459	125,089,229	382,103,348
Metrorail	860	67,234,252	2,731,796	286,620,549	1,624,750,032
MetroAccess	729	22,387,399	2,101,395	2,336,219	19,334,010
Total	2,849	128,018,837	8,412,650	414,045,997	2,026,187,390
2010					
Metrobus	1,242	37,647,546	3,465,216	123,847,193	394,906,087
Metrorail	850	66,699,259	2,653,498	287,304,340	1,635,967,269
MetroAccess	1,071	22,734,212	2,086,624	2,377,423	19,247,346
Total	3,163	127,081,017	8,205,338	413,528,956	2,050,120,702
2009					
Metrobus	1,273	41,168,424	3,797,304	133,773,567	418,038,773
Metrorail	850	71,803,305	2,823,870	296,857,158	1,667,899,731
MetroAccess	996	19,476,367	1,833,296	2,107,775	17,192,565
Total	3,119	132,448,096	8,454,470	432,738,500	2,103,131,069
2008					
Metrobus	1,261	38,875,286	3,555,114	132,848,806	445,952,733
Metrorail	830	69,792,997	2,749,921	288,039,725	1,639,628,551
MetroAccess	452	17,332,239	1,452,709	1,712,537	20,036,683
Total	2,543	126,000,522	7,757,744	422,601,068	2,105,617,967

[1] Preliminary Data

[2] Revised: Close-out data

Source: National Transit Database

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metro System Map

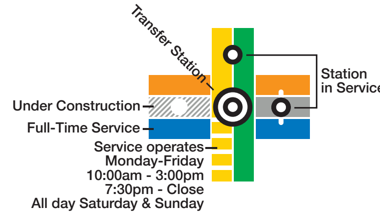
wmata.com
Customer Information Service: 202-637-7000
TTY Phone: 202-962-2033
Metro Transit Police: 202-962-2121

Legend

- RD **Red Line** • Glenmont / Shady Grove
- OR **Orange Line** • New Carrollton / Vienna
- BL **Blue Line** • Franconia-Springfield / Largo Town Center
- GR **Green Line** • Branch Ave / Greenbelt
- YL **Yellow Line** • Huntington / Mt Vernon Sq / Fort Totten
- SV **Silver Line** • Wiehle-Reston East / Largo Town Center

Station Features
- Bus to Airport
- P Parking
- H Hospital
- Airport

Connecting Rail Systems
AMTRAK VRE MARC



♿ Metro is accessible.

No Smoking | No Eating or Drinking | No Animals (except service animals) | No Audio (without earphones) | No Littering or Spitting | No Dangerous or Flammable Items

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

202-962-2033

www.wmata.com

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