ENHANCING SAFETY, RELIABILITY AND FINANCIAL RESPONSIBILITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

Washington Metropolitan Area Transit Authority

Washington, D.C.

ENHANCING SAFETY, RELIABILITY AND FINANCIAL RESPONSIBILITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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

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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Special thanks to all Office of Accounting and support personnel whose inputs contributed to the preparation of this document.

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2018 and 2017

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SECTION ONE - INTRODUCTORY (UNAUDITED)

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October 25, 2018

Chairman and Members of the Board of Directors:

We are 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, 2018. 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 2018 financial statements on October 22, 2018. 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
Washington, D.C. 20001
202/962-1234

By Metrorail:
Judiciary Square-Red Line
Gallery Place-Chinatown
Red, Green and
Yellow Lines

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 Washington Metropolitan Area Transit Zone (Transit Zone). 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) adding 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 U.S. Secretary of Transportation.

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 Process

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.

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 2018, the Board approved an annual budget of approximately $3.1 billion with the largest portion, $1.8 billion, dedicated to operating the system. The budget also includes $1.3 billion for capital improvement and reimbursable programs and reflects approximately 12,232 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 ridership and overall financial outlook are directly influenced by the population, economic conditions, and employment growth in the District of Columbia and the surrounding jurisdictions in Maryland and Virginia.

Changing Federal Presence: The regional economy remains tightly linked to the federal government. The Federal Government is the largest employer in the region. More than half of Metrorail stations serve federal facilities, and over 40% of peak service Metrorail trips on an average weekday are taken by federal employees. Since 2000, between 11% and 13% of employment in the Washington, D.C. metropolitan area has been federal, but the structure of the regional economy is changing. The Metropolitan Washington Council of Governments' (COGS) regional econometric model projects that the portion of federal employment to total employment will decline from 12% in 2015 to 8% by 2045. The Center for Regional Analysis at George Mason University projects that federal salaries and procurements are projected to decline from 40% of the region's economy to just under 30% by 2020.

Ridership: Slow job growth and future expectations related to federal government spending impact the Authority's forecast for Metrorail and Metrobus ridership. The Washington, D.C. metropolitan area is currently making efforts to diversify and grow the economy and reduce reliance on the federal government by attracting additional industries, such as professional and business services, over the next decade. Additionally, reliability challenges, on-going track maintenance programs, recent fare increases and service reductions, low gas prices, and competition from other modes of transportation like Uber and Lyft, have impacted passenger ridership.

While the Authority estimates that some of the riders who reduced their trips on Metrorail due to challenges related to service quality and reliability are returning (which the Authority has addressed through SafeTrack and continued efforts to expand preventive maintenance activities), the overall trends are still challenging; and it will take time to rebuild customer trust and confidence. Metrobus is not experiencing the same stabilization. Consistent with regional and national trends, bus ridership has been declining in recent years.

Benefits to the Region: Despite the challenges of delivering safer, more reliable service after decades of chronic underinvestment, the Authority remains a powerful economic engine that drives the region's economy. Nearly 30% of the region's tax base and more than half of the jobs are located within a half-mile of either a Metrorail station or a Metrobus stop. Approximately 6.8% more property value is added to residential, 9.4% to multi-family, and 8.9% to commercial office properties located within a half-mile of a rail station.

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, 2018 and 2019. 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 the Federal Transit Administration (FTA) formula grant programs and from dedicated federal funds approved under the Passenger Rail and Investment and Improvement Act (PRIIA) of 2008. 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.

The fiscal year 2019-2024 CIP assumes that federal formula funding will continue, PRIIA grant funding ends in fiscal year 2020, and jurisdictional investment increases significantly to address more of the system's safety, state of good repair, and reliability needs. Of the total $8.5 billion in funding required over the six years, $6.3 billion will come in the form of state and local government contributions, including local match for grants and system performance funding.

Major Initiatives and Accomplishments

Securing Dedicated Capital Funding

In recognition of the Authority's importance as a transportation and economic asset, regional funding partners came together in fiscal year 2018 to create the first dedicated capital revenue program in the Authority's history. New legislation in Maryland, District of Columbia, and Virginia will provide $500 million annually for a Capital Trust Fund. This fund will help the Authority launch a vital 10-year $15.5 billion capital investment program.

Ensuring Safety and Service Reliability

The Authority continues to aggressively pursue the largest capital program since the original construction of the system. Safety remains the Authority's highest priority, while ensuring that the full capacity of the transit system is utilized.

The Authority's goal is to ensure that it never returns to a time when the system is not maintained at current safety and reliability standards. This includes adding more trains; reducing crowding; adding faster buses; maintaining brighter, safer, easier-to-navigate Metrorail stations; and providing customers information when and where it is needed. There will be increased capacity throughout the system, enabling future expansion, and reducing congestion on the region's roadways.

During fiscal year 2018, the Authority successfully concluded the SafeTrack program, which accelerated three years' worth of track maintenance work into approximately one year. In addition, it initiated an Improved Roadway Worker Protection Program, which included updating the Roadway Access Guide, and introducing Advanced Mobile Flagger procedures. The Authority also implemented a major safety enhancement with the development of the third rail mat protection program for workers in close proximity to a de-energized third rail.

The Authority continues the rehabilitation of 225 vehicles annually to correct defects, address performance issues and to ensure the safety and reliability of railcars. It completed four Internal Safety and Security Reviews on the 7000-series railcars and over 30 additional safety audits for bus and rail.

In 2018, the Metrorail Safety Commission (MSC) was created by the District of Columbia, Maryland, and Virginia to serve as the State Safety Oversight Agency for the Metrorail system. The MSC will assume safety oversight of the Authority from the FTA, which took over the Authority's safety oversight back in 2015. The three jurisdictions, the District of Columbia, Maryland, and Virginia, are in the process of naming Board members and working with the FTA on standing up the MSC.

Strengthening Financial Management

The Authority made investments to strengthen its financial management with improved financial controls and enhanced compliance monitoring. The Authority implemented numerous process improvements, closed out all corrective actions required from FTA's 2014 Financial Management Oversight Report, and restored the Authority's ability to access funding up front for all Federal grants.

Long-term debt was issued during fiscal year 2018 for $496.5 million to provide resources to continue to fund the capital improvement plan. Parking revenue initiatives, including expanded non-rider fees, earlier operating hours, marketing of under-utilized parking lots for leases, and a pilot program for weekend parking fees were also implemented in an effort to boost revenues.

Additionally, with the approval of the fiscal year 2019 Operating and Capital Budgets and fiscal year 2019-2024 CIP, the Authority has committed to prioritizing safety and customer service improvements. The $3.2 billion budget does not raise fares or reduce service. In addition, the budget provides funding to improve the Authority's on-time performance and customer experience, including the Rush Hour Promise guarantee – the only one of its kind in the industry – which automatically credits rail customers for trips that are delayed more than 15 minutes; a culmination of progress achieved through the Back2Good Program.

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, 2017. The Authority has received this prestigious award for thirty years.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both US GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that this current CAFR will meet the Certificate of Achievement Program's requirements and we are submitting it 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. We 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,

Barbara Richardson for

Paul J. Wiedefeld
General Manager and
Chief Executive Officer

Dennis Anosike
Chief Financial Officer

Board of Directors
As of June 30, 2018

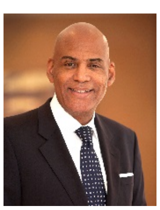
The Washington Metropolitan Area Transit Authority is governed by a 16-member Board of Directors composed of eight Principal and eight Alternate members. The District of Columbia, Maryland, Virginia and the federal government each appoint two Principal and two Alternate members. Below are the members serving on the Board as of June 30, 2018.

Jack Evans, Chair, was appointed to the Board as a 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.

Clarence Crawford, First Vice Chair, was appointed to the Board as a Principal Director in April 2018 representing Maryland. Mr. Crawford currently serves as the Senior Vice President for Corporate Solutions with the Addx Corporation. He is also the founder and President of the Teach ‘em to Fish Community Development Corporation that helps to transform disadvantage people into entrepreneurs.

Jim Corcoran, Second Vice Chair, was appointed to the Board as a Principal Director in February 2016, representing the Commonwealth of Virginia. From April 2010 to June 2018, he served as President and CEO of the Northern Virginia Chamber of Commerce. Under his leadership the Chamber grew to a $2.5 million Chamber of significant influence.

David Horner was appointed to the Board in June 2017 as a Principal Director representing the federal government. Mr. Horner is a partner with the law firm of Hunton & Williams LLP. Mr. Horner served as the Deputy Assistant Secretary for Transportation Policy at the U.S. Department of Transportation and as Chief Counsel of the Federal Transit Administration.



Corbett A. Price was appointed to the Board as a Principal Director in March 2015 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.

Christian Dorsey joined the Board in January 2016 as an Alternate Director representing Arlington County, Virginia. He was appointed as Principal Director in June 2018. 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).

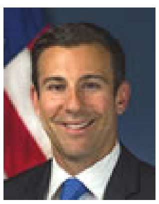
Steve McMillin was appointed to the Board as a Principal Director representing the Federal Government in July 2017. Mr. McMillin is currently a partner in the economic and public policy consulting firm US Policy Metrics LLC. He has 19 years of federal government service as a fiscal policy specialist, in both the legislative and executive branches.

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.

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.

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.

Anthony E. Costa joined the Board in July 2014 as an Alternate Director representing the federal government. Mr. Costa is currently the Associate Executive Director of the Office of Real Property and acting Associate Executive Director for the Office of Planning for the Veterans' Administration. He previously served as the General Services Administration's Chief Human Capital Officer and Associate Administrator in the Office of the Administrator.



Jeff Marootian joined the Board in September 2017 as an Alternate director representing the District of Columbia. Mr. Marootian is the Director of the District of Columbia's Department of Transportation (DDOT), Prior to joining DDOT, Jeff served under Transportation Secretary Anthony Foxx at the U.S. Department of Transportation from 2013 to 2017.

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.

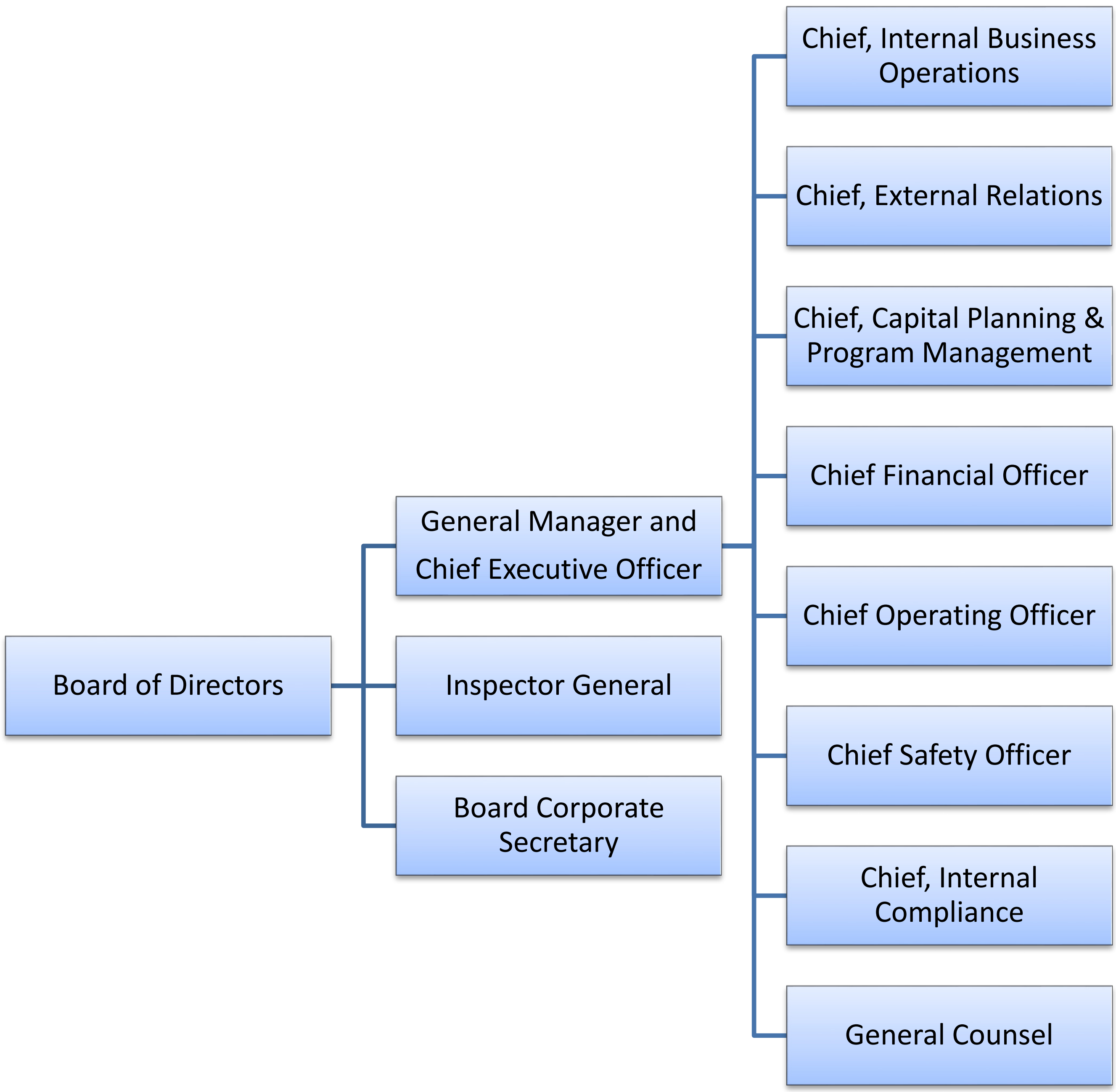
Paul C. Smedberg joined the Board in January 2016 as an Alternate Director representing the Commonwealth of Virginia. Mr. Smedberg was first elected to the Alexandria City Council in 2003 and was reelected for a fifth term in November 2015. He is currently the Vice-Chairman of the Virginia Railway Express (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, 2018

General Manager and Chief Executive Officer	Paul J. Wiedefeld
Chief, Internal Business Operations	John T. Kuo
Chief, External Relations	Barbara Richardson
Chief, Capital Planning & Program Management	Thomas Webster
Chief Financial Officer	Dennis Anosike
Chief Operating Officer	Joseph Leader
Chief Safety Officer	Patrick J. 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, 2018



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington Metropolitan Area Transit District, District of Columbia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

SECTION TWO - FINANCIAL

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matters
As discussed in Note 2 to the accompanying financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. Accordingly, the net position of the Authority has been restated as of July 1, 2016.

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, the schedule of changes in total OPEB liability, the schedule of employer required contributions Teamsters Local 922 employees, and the notes to the Required Supplementary Information 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 22, 2018

Management's Discussion and Analysis
June 30, 2018 and 2017
(Unaudited)

As management of the Washington Metropolitan Area Transit Authority (Authority or WMATA), we offer readers of the basic financial statements this overview and analysis of the financial activities of the Authority as of June 30, 2018 and 2017.

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 the Authority's 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 2018 Financial Highlights

- The assets of the Authority exceeded its liabilities as of the close of the fiscal year by $8.7 billion (net position), of which, over $11.3 billion, or 129.5%, represents the Authority's net investment in capital assets.
- The Authority spent $990.7 million in capital improvements. This included the upgrade of its transit facilities and track; construction of radio and wireless communications infrastructure; and replacement of old buses, railcars, and paratransit vehicles.
- In July 2017, the Authority issued Gross Revenue Transit Refunding Bonds Series 2017A1 totaling $148.5 million, and Series 2017A2 totaling $48.9 million. The Series 2017A1 Bonds were issued to refund a portion of the Series 2009A Gross Revenue Transit Bonds, while the Series 2017A2 bonds were issued as a crossover refunding of the Series 2009B bonds, which will not be legally defeased until July 1, 2019.
- In August 2017, the Authority issued Gross Revenue Transit Bond Series 2017B totaling $496.5 million to finance capital costs.
- The Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB). Net position, as of July 1, 2016, was restated, resulting in a decrease of approximately $1.2 billion to reflect the cumulative retrospective effect of the implementation of GASB Statement No. 75.
- In April 2018, the Authority established the WMATA Postemployment Benefits Trust and transferred $3.0 million to begin accumulating assets to fund OPEB, which will be accounted for in the June 30, 2018 valuation for the fiscal year ended June 30, 2019.

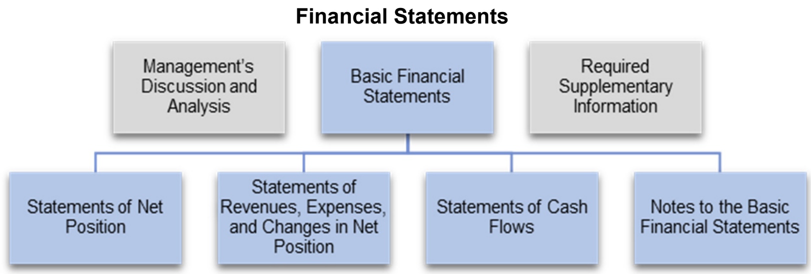
Fiscal Year 2017 Financial Highlights

- The assets of the Authority exceeded its liabilities as of the close of the fiscal year by $8.7 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.

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 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** present 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 Washington, D.C. metropolitan area and the age and condition of capital assets used by the Authority.
- The **Statements of Revenues, Expenses, and Changes in Net Position** report all of the revenues, Federal and jurisdiction subsidies, and capital contributions earned and all operating and nonoperating expenses incurred during the reporting period. This statement presents how the Authority's net position changed from the prior fiscal year.
- The **Statements of Cash Flows** provide 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 18-82 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 83-100 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, 2018, 2017 and 2016:

Condensed Statements of Net Position
June 30, 2018, 2017 and 2016
(in thousands)

				2018 vs 2017 Increase (decrease)		2017 vs 2016 Increase (decrease)	
	2018	**2017**	**2016**	**Amount**	**%**	**Amount**	**%**
Current assets	$ 871,422	$ 821,311	$ 986,191	$ 50,111	6.1	$ (164,880)	(16.7)
Capital assets, net	12,486,960	12,386,019	12,218,882	100,941	0.8	167,137	1.4
Other noncurrent assets	281,656	305,596	480,193	(23,940)	(7.8)	(174,597)	(36.4)
Total assets	13,640,038	13,512,926	13,685,266	127,112	0.9	(172,340)	(1.3)
Deferred outflows of resources	591,216	686,125	299,649	(94,909)	(13.8)	386,476	129.0
Current liabilities	848,028	983,965	768,750	(135,937)	(13.8)	215,215	28.0
Noncurrent liabilities	4,113,964	4,018,923	2,483,513	95,041	2.4	1,535,410	61.8
Total liabilities	4,961,992	5,002,888	3,252,263	(40,896)	(0.8)	1,750,625	53.8
Deferred inflows of resources	520,779	474,243	207,583	46,536	9.8	266,660	128.5
Net position:							
Net investment in capital assets	11,327,174	11,610,645	11,573,665	(283,471)	(2.4)	36,980	0.3
Restricted	2,600	17,900	17,900	(15,300)	(85.5)	-	0.0
Unrestricted	(2,581,291)	(2,906,625)	(1,066,496)	325,334	(11.2)	(1,840,129)	172.5
Total net position	$ 8,748,483	$ 8,721,920	$ 10,525,069	$ 26,563	0.3	$ (1,803,149)	(17.1)

Current Year

The Authority's total net position in the amount of $8.7 billion at June 30, 2018 increased by $26.6 million, or 0.3%, from June 30, 2017. The significant changes are described below:

- Current assets increased by $50.1 million, or 6.1%, primarily due to the following:
  - Cash and cash equivalents and investments increased by $271.7 million and $10.2 million, respectively, primarily due to the collection of amounts due from other governments and accounts receivables.
  - Restricted cash and cash equivalents increased $95.7 million, or 268.8%, due to the remaining proceeds from the Series 2017B Transit bonds that are restricted for financing capital costs.
  - The increases above were offset by:
    - Due from other governments decreased by $131.9 million, or 41.8%, due to reductions in federal grants receivables and jurisdiction operating subsidy receivables of $85.0 million and $46.9 million respectively.

Financial Analysis (continued)

Condensed Statements of Net Position (continued)

Current Year (continued)

- Accounts receivable and other assets, net of allowance decreased by $106.3 million, or 66.5% due mainly to the receipt of $95.2 million against invoices for reimbursable projects billed in advance during fiscal year 2017.
- Prefunded tax advantage lease defeasance contract which decreased by the full balance of $80.5 million as a result of terminating the remaining two leases during fiscal year 2018.

- Other noncurrent assets decreased by $23.9 million, or 7.8%. The decrease was due primarily to the termination of the two remaining prefunded tax advantage leases.
- Deferred outflows of resources decreased by $94.9 million, or 13.8%, primarily due to the net differences between the projected and actual investment earnings for the pension plans.
- Current liabilities decreased by $135.9 million, or 13.8%, primarily due to the following:
  - Lines of credit debt decreased by $150.0 million from fiscal year 2017 as the authority paid off the outstanding balances during fiscal year 2018.
  - Due to other governments decreased by $99.1 million, or 51.4%, due to the timing of billings received in advance of eligible costs incurred for reimbursable projects.
  - Tax advantage lease agreements decreased by the outstanding balance of $80.5 million due to the termination of the two remaining leases.
  - The decreases above were offset by the following:
    - The current portion of bonds payable, which increased by $120.4 million due to scheduled principal payments on the Series 2016A and 2009A Gross Revenue Transit Bonds.
    - An increase in accrued salaries and benefits in the amount of $40.7 million, or 85.9%, due to accrued wage and vacation payouts from the settlement of the Local 2 and Local 689 labor union contracts that occurred after the close of the fiscal year in the amount of $22.1 million and estimated retroactive wage increases in the amount of $16.9 million for all other employee groups. Additional information for the settled labor contracts can be found in Note 14, Subsequent Events, to the basic financial statements.
- Restricted net assets decreased by $15.3 million, or 85.5%, due to the jurisdictions authorizing the Authority to use a portion of the operating contingency to offset the current year operating deficit.

Prior Year

Total net position in the amount of $8.7 billion decreased by $1.8 billion, or 17.1% from fiscal year 2016. 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 writing off $272.6 million in uncollectible federal grants receivables.
  - 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.

Financial Analysis (continued)

Condensed Statements of Net Position (continued)

Prior Year (continued)

- – The decreases above were offset by 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 tax advantage lease agreements on June 13, 2017.
- Current liabilities increased by $215.2 million, or 28.0%. These increases were primarily due to the following:
  - – Due to other governments increased $104.5 million due to the timing of advance billings collected compared to eligible expenses incurred for reimbursable projects and federal interest owed 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 scheduled principal payments 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.
- Increases in deferred outflows of resources of $386.5 million, or 129.0%, and deferred inflows of resources of $266.7 million, or 128.5%, were largely attributed to the adoption of GASB Statement No. 75. Deferred outflows of resources were recorded for differences between expected and actual experience and contributions after the measurement date of $236.6 million, and deferred inflows of resources were recorded for changes in assumptions of $333.7 million.
- Noncurrent liabilities increased by $1.5 billion or 61.8% and unrestricted net position decreased by $1.8 billion, or 172.5%, from June 30, 2016. These changes were primarily due to the restatement of net position in the amount of $1.2 billion as of July 1, 2016. This restatement was due to the adoption of GASB Statement No. 75 and resulted in the reporting of total OPEB liabilities and deferred outflows of resources related to contributions made after the measurement date.

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, 2018, 2017 and 2016:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2018, 2017, and 2016
(in thousands)

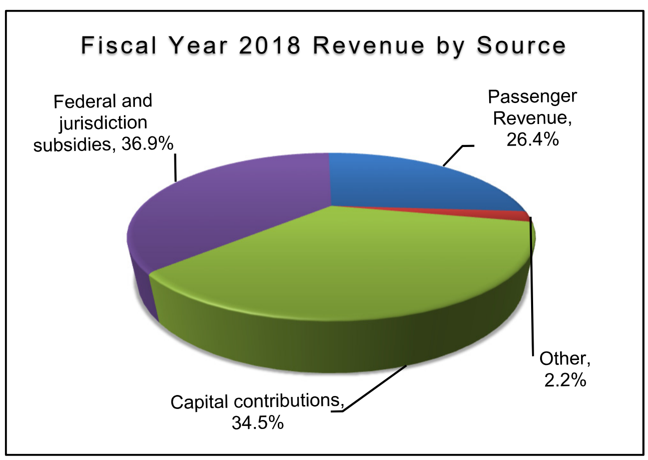
				2018 vs 2017 Increase (decrease)		2017 vs 2016 Increase (decrease)	
	2018	**2017**	**2016**	**Amount**	**%**	**Amount**	**%**
Operating and nonoperating revenues:							
Operating revenues	$ 800,523	$ 788,813	$ 859,165	$ 11,710	1.5	$ (70,352)	(8.2)
Nonoperating revenues	14,400	19,202	18,532	(4,802)	(25.0)	670	3.6
Total operating and nonoperating revenues	814,923	808,015	877,697	6,908	0.9	(69,682)	(7.9)
Subsidies and capital contributions:							
Federal and jurisdiction subsidies	1,054,047	1,074,539	927,960	(20,492)	(1.9)	146,579	15.8
Capital contributions	983,574	722,213	1,153,762	261,361	36.2	(431,549)	(37.4)
Total subsidies and capital contributions	2,037,621	1,796,752	2,081,722	240,869	13.4	(284,970)	(13.7)
Total revenues	2,852,544	2,604,767	2,959,419	247,777	9.5	(354,652)	(12.0)
Operating expenses	2,772,642	3,162,623	2,629,972	(389,981)	(12.3)	532,651	20.3
Nonoperating expenses	53,339	21,586	23,886	31,753	147.1	(2,300)	(9.6)
Total expenses	2,825,981	3,184,209	2,653,858	(358,228)	(11.3)	530,351	20.0
Change in net position	26,563	(579,442)	305,561	606,005	(104.6)	(885,003)	(289.6)
Net position, beginning of year	8,721,920	10,525,069	10,219,508	(1,803,149)	(17.1)	305,561	3.0
Restatement due to the adoption of GASB 75	-	(1,223,707)	-	-	(100.0)	-	100.0
Net position, beginning of year, as restated	8,721,920	9,301,362	10,219,508	(579,442)	(6.2)	(918,146)	(9.0)
Net position, end of year	$ 8,748,483	$ 8,721,920	$ 10,525,069	$ 26,563	0.3	$ (1,803,149)	(17.1)

Revenues

Current Year

Total fiscal year 2018 revenues in the amount of $2.9 billion increased by $247.8 million, or 9.5%, from fiscal year 2017. Federal and jurisdiction subsidies, passenger revenue and capital contributions account for 36.9%, 26.4%, and 34.5% of total fiscal year 2018 revenues, respectively.

- Total operating revenues increased nominally by $11.7 million, or 1.5%, from fiscal year 2017 primarily due to an increase in passenger revenue in the amount of $12.7 million, or 1.7%, from fare increases in fiscal year 2018. Additional information on passenger trips is provided on page 12.
- Capital contributions increased $261.4 million, or 36.2% from fiscal year 2017 largely due to $272.6 million in uncollectible federal grants that occurred during the prior fiscal year.



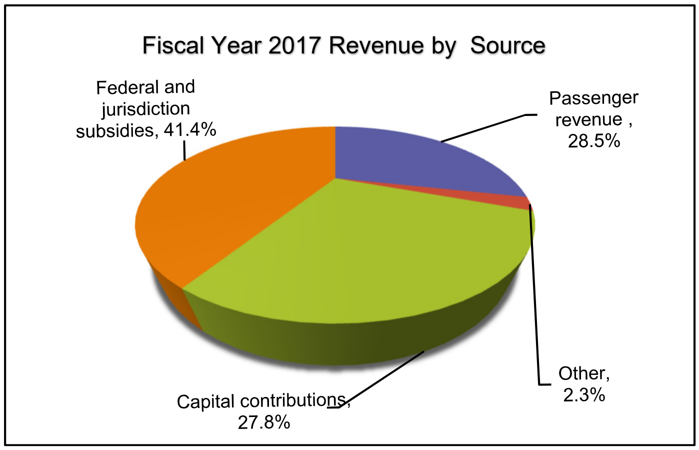
Financial Analysis (continued)

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

Revenues (continued)

Prior Year

Total fiscal year 2017 revenues totaling $2.6 billion decreased by $354.6 million, or 12.0%, from fiscal year 2016. Federal and jurisdiction subsidies, passenger revenue and Capital contributions account for 41.4%, 28.5%, and 27.8% of total fiscal year 2017 revenues, respectively.



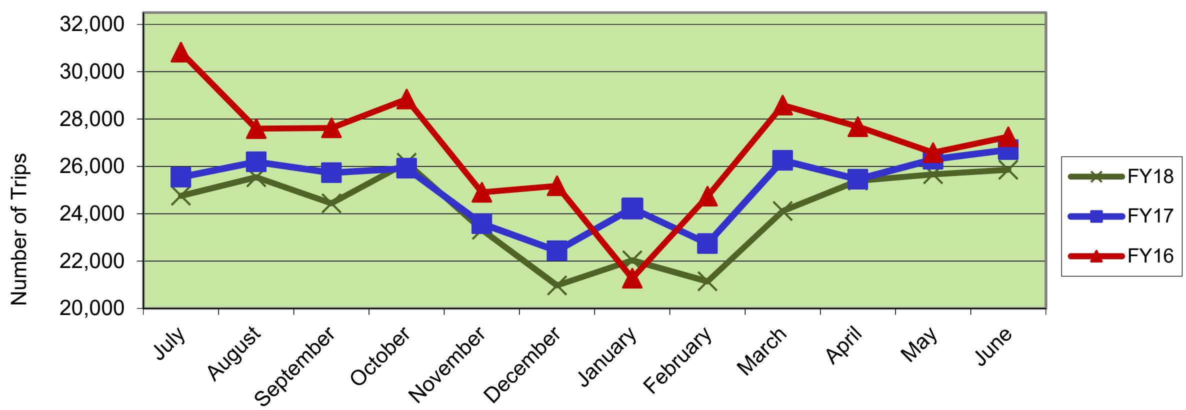
- Total operating revenues decreased $70.4 million, or 8.2%, from fiscal year 2016 primarily from passenger revenue, which decreased $68.4 million, or 8.4%, due to a decline in rail and bus ridership.
- Federal and jurisdiction subsidies increased by $146.6 million, or 15.8%, to offset operating expenses.
- Capital contributions decreased $431.5 million, or 37.4% from fiscal year 2016. Key changes include:
  - Montgomery County, Maryland donated the Paul S. Sarbanes Transit Center (Silver Spring Transit Center) and the Metropolitan Washington Airport Authority (MWAA) donated 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 Silver Line 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.

Financial Analysis (continued)

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

Passenger Trips

Below is a trend of the number of passenger trips by month for the fiscal years ended June 30, 2018, 2017 and 2016 (in thousands):



Passenger trips decreased in fiscal year 2018 from fiscal year 2017, by 11.7 million, or 3.9%, primarily due to weather related closes during the winter months, as well as planned rail station closures for repairs and maintenance. These weather events impacted rail and bus ridership equally.

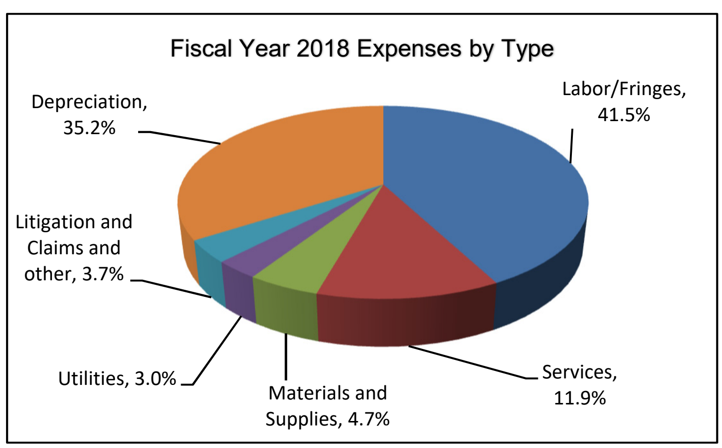
Passenger trips decreased in fiscal year 2017 from fiscal year 2016, by 20.0 million, or 6.2%, in large part due to service disruptions resulting from the SafeTrack program. During fiscal year 2017, the Authority completed the SafeTrack program, which rehabilitated the Metrorail system to address safety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

Expenses

Current Year

Total expenses for fiscal year 2018, in the amount of $2.8 billion, decreased by $358.2 million, or 11.3%, from fiscal year 2017.

Labor and fringe benefits are consistently the Authority's largest expenses, comprising 41.5% of total expenses. Depreciation is the next largest expense, which is expected due to the Authority's large capital asset base.



Financial Analysis (continued)

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

Expenses (continued)

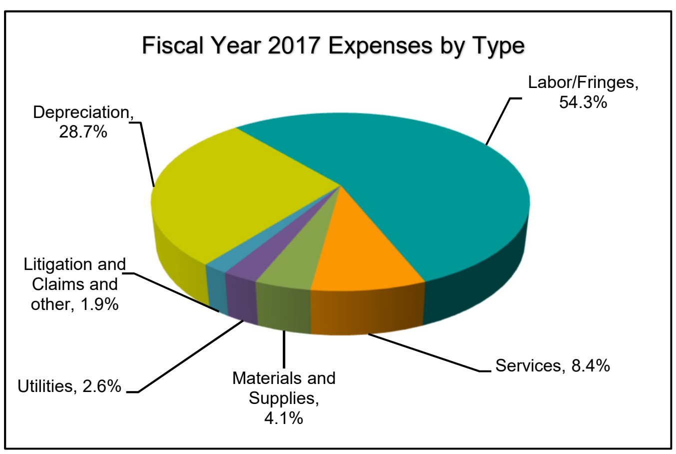
Current Year (continued)

All other types of expenses, as compared to total expenses, have marginally increased from the prior year. A review of significant changes is described below:

- Operating expenses decreased by $390.0 million, or 12.3%, primarily due to the following:
  - Fringe benefits decreased by $599.5 million, or 60.0%. This decrease is largely due to the increase in fiscal year 2017 fringe benefits of $405.7 million, and the subsequent decrease in fiscal year 2018 fringe benefits of $149.4 million, which were both attributed to the adoption of GASB Statement No. 75 and the impact of recording the actuarial developed estimates of the total OPEB liability, deferred outflows of resources and deferred inflows of resources on the fringe benefits expense.
  - Services increased by $70.5 million, or 26.4%, from fiscal year 2017 due primarily to increases in MetroAccess service provider costs, legal services, and engineering contracts.
- Nonoperating expenses increased $31.8 million, or 147.1%, due primarily to the following:
  - Early retirement of the 4000-series railcars resulted in a loss on disposition of $23.2 million.
  - Debt interest expense increased $26.7 million due to the issuance of the Series 2017A and 2017B Bonds and the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* during fiscal year 2018, which now requires that interest incurred during the construction period be expensed as incurred.

Prior Year

Total expenses in the amount of $3.2 billion increased by $530.4 million, or 20.0%, compared to fiscal year 2016 primarily due to an increase in operating expenses in the amount of $532.7 million, or 20.3%. This increase was largely due from the following:



- Due to the adoption of GASB Statement No. 75, fringe benefits increased by $440.4 million, or 78.8%.
- Depreciation expense, which accounts for 28.7% of fiscal year 2017 expenses, increased by $79.9 million 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.

Capital Assets and Debt Administration

Capital Assets

The following table shows the capital assets of the Authority as of June 30, 2018, 2017 and 2016:

Schedule of Capital Assets
June 30, 2018, 2017 and 2016
(in thousands)

				2018 vs 2017 Increase (decrease)		2017 vs 2016 Increase (decrease)	
	2018	**2017**	**2016**	**Amount**	**%**	**Amount**	**%**
Land	$ 534,636	$ 534,949	$ 559,772	$ (313)	(0.1)	$ (24,823)	(4.4)
Buildings and improvements	1,016,339	1,016,203	1,015,978	136	0.0	225	0.0
Transit facilities	13,396,178	13,138,997	12,457,214	257,181	2.0	681,783	5.5
Revenue vehicles	4,548,552	4,142,731	3,695,471	405,821	9.8	447,260	12.1
Equipment and other	4,221,117	4,188,378	3,964,915	32,739	0.8	223,463	5.6
Construction in progress	468,550	265,813	686,686	202,737	76.3	(420,873)	(61.3)
Total capital assets	24,185,372	23,287,071	22,380,036	898,301	3.9	907,035	4.1
Less: accumulated depreciation	11,698,412	10,901,052	10,161,154	797,360	7.3	739,898	7.3
Capital assets, net	$ 12,486,960	$ 12,386,019	$ 12,218,882	$ 100,941	0.8	$ 167,137	1.4

Current Year

Capital assets, net increased by $100.9 million, or 0.8%, from fiscal year 2017. Significant capital asset activity during fiscal year 2018 is as follows:

- Revenue vehicles increased by $405.8 million, or 9.8%. A large portion of the asset additions is mostly attributed to the following:
  - Purchase of 126 new 7000-series railcars for $241.4 million; 71 new compressed natural gas (CNG) buses totaling $43.3 million, and 271 MetroAccess vans totaling $17.9 million.
  - The Authority received a donation of 64 new 7000-series railcars in the amount of $127.0 million from MWAA.
  - The Authority invested $93.2 million in overhauling existing buses and railcars during the fiscal year.
- Transit Facilities increased by $257.2 million, or 2.0%, due in part to the replacement and improvement of the rail tracks, and the system wide upgrades and implementation of new information technology infrastructure.
- Construction in progress increased by $202.7 million, or 76.3%, attributable to approximately $1.0 billion of new capital costs incurred, of which $788.0 million was placed into service during fiscal year 2018.
- Accumulated depreciation increased by $797.4 million, or 7.3%, due to current year depreciation expense totaling $994.2 million. This was offset by $221.1 million in assets being removed from service, of which, $196.8 million was fully depreciated.

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Prior 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 series-1000 railcars for $54.6 million and 27 series-4000 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.

Additional information on the Authority's capital assets can be found in Note 7 to the basic financial statements.

Bonds and Other Debt

A schedule of the Authority's debt activity for the years ended June 30, 2018, 2017 and 2016 is shown below:

Schedule of Outstanding Debt
June 30, 2018, 2017 and 2016
(in thousands)

				2018 vs 2017 Increase (decrease)		2017 vs 2016 Increase (decrease)	
	2018	2017	2016	Amount	%	Amount	%
Outstanding bonds	$ 937,575	$ 467,910	$ 476,195	$ 469,665	100.4	$ (8,285)	(1.7)
Net unamortized bond premium (discount)	130,244	15,731	22,683	114,513	727.9	(6,952)	(30.6)
Lines of credit	-	150,000	160,000	(150,000)	(100.0)	(10,000)	(6.3)
Tax advantage lease agreements	-	152,081	258,649	(152,081)	(100.0)	(106,568)	(41.2)
Total debt	$ 1,067,819	$ 785,722	$ 917,527	$ 282,097	35.9	$ (131,805)	(14.4)

Capital Assets and Debt Administration (continued)

Bonds and Other Debt (continued)

Current Year

The Authority's total debt increased by $282.1 million, or 35.9%, from fiscal year 2017. Significant activities are described below:

- The Authority issued Series 2017A1 Gross Revenue Transit Refunding Bonds totaling $148.5 million, including a premium of $30.6 million and Series 2017A2 Gross Revenue Transit Refunding Bonds totaling $48.9 million, including a premium of $9.8 million on July 12, 2017.
- The Authority issued Series 2017B Gross Revenue Transit Bonds totaling $496.5 million including a premium of $94.4 million on August 17, 2017.
- The Authority terminated the two remaining railcar lease agreements on January 4, 2018 and November 16, 2017, which removed approximately $113.5 million of obligations under tax advantage leases.
- The outstanding balances on the lines of credit were repaid during the fiscal year.

Prior 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, which 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.

Additional information on the Authority's bonds and other debt can be found in Note 9, Short and Long-Term Liabilities, and Note 13, Tax Advantage Lease Agreements, to the basic financial statements.

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, 2018, the Board approved an additional 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 22, 2018, the Board approved the fiscal years 2019-2024 Capital Improvement Program of $8.5 billion, which includes capital investments by the Authority's jurisdictional partners of $6.3 billion, and issuance of the Series 2018 Gross Revenue Transit Bonds.

Future Capital Plans (continued)

Capital Improvement Program (continued)

The fiscal year 2019 Capital Improvement Program contains more than $1.3 billion in safety-enhancing, state of good repair and operating vehicle reliability investments. The Authority updates the jurisdictions and the Board quarterly about the progress of the capital program.

In March 2018, Maryland lawmakers joined the governments of Washington, D.C., and Virginia in a final approval to jointly provide up to $500.0 million annually to support funding the Authority's Capital Improvement Program beginning in fiscal year 2020. The joint provision marks the first time the Authority has had a dedicated source of capital funding since it was established in 1967.

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.

Phase 1 was transferred to the Authority and placed into service on July 26, 2014, adding 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 metropolitan areas and the nation as a whole. According to the Bureau of Labor Statistics, the Washington D.C. metropolitan area had an unemployment rate of 3.7% compared to the national rate of 4.2%, while the metropolitan area's job growth rate was the same as the national average at 1.6% as of June 30, 2018. The region added over 52,900 new jobs during the twelve months ending June 30, 2018.

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, 2018 and 2017
(in thousands)

Exhibit 1
(continued)

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 297,320	$ 25,657
Restricted cash and cash equivalents	127,993	32,254
Investments	85,815	75,578
Due from other governments	183,396	315,311
Accounts receivable, net of allowance, and other assets	53,474	159,812
Prefunded tax advantage lease defeasance contract	-	80,501
Materials and supplies inventory, net of obsolescence	123,424	132,198
Total current assets	871,422	821,311
Noncurrent assets:		
Restricted investments held with fiscal agent	57,329	-
Due from other governments	224,327	234,016
Prefunded tax advantage lease defeasance contract	-	71,580
Capital assets:		
Construction in progress	468,550	265,813
Land	534,636	534,949
Buildings and improvements	1,016,339	1,016,203
Transit facilities	13,396,178	13,138,997
Revenue vehicles	4,548,552	4,142,731
Equipment and other	4,221,117	4,188,378
Less: accumulated depreciation	(11,698,412)	(10,901,052)
Total capital assets, net	12,486,960	12,386,019
Total noncurrent assets	12,768,616	12,691,615
Total assets	13,640,038	13,512,926
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivative	-	1,169
Deferred loss on debt defeasance	3,843	-
Deferred outflows from pensions	377,041	448,347
Deferred outflows from OPEB	210,332	236,609
Total deferred outflows of resources	591,216	686,125
Total assets and deferred outflows of resources	$ 14,231,254	$ 14,199,051

Statements of Net Position
June 30, 2018 and 2017
(in thousands)

Exhibit 1
(concluded)

	2018	2017
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 257,822	$ 226,015
Accrued salaries and benefits	88,038	47,369
Compensated absences	58,477	69,844
Due to other governments	93,605	192,716
Accrued interest payable	23,564	11,742
Unearned revenue	91,027	89,366
Litigation and claims	48,815	47,522
Retainage on contracts	7,555	10,200
Lines of credit debt	-	150,000
Bonds payable	179,125	58,690
Tax advantage lease agreements	-	80,501
Total current liabilities	848,028	983,965
Noncurrent liabilities:		
Compensated absences	18,359	22,238
Litigation and claims	140,397	117,516
Retainage on contracts	18,609	9,015
Bonds payable	888,694	424,951
Tax advantage lease agreements	-	71,580
Net pension liability	899,356	1,107,305
Total OPEB liability	2,148,549	2,266,318
Total noncurrent liabilities	4,113,964	4,018,923
Total liabilities	4,961,992	5,002,888
Deferred inflows of resources:		
Jurisdictional capital advances	-	4,441
Deferred inflows from pensions	241,940	135,355
Deferred inflows from OPEB	275,741	333,670
Accumulated increase in fair value of hedging derivatives	3,098	-
Deferred gain on tax advantage lease	-	777
Total deferred inflows of resources	520,779	474,243
Total liabilities and deferred inflows of resources	5,482,771	5,477,131
NET POSITION		
Net investment in capital assets	11,327,174	11,610,645
Restricted – operating contingency	2,600	17,900
Unrestricted (deficit)	(2,581,291)	(2,906,625)
Total net position	$ 8,748,483	$ 8,721,920

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, 2018 and 2017
(in thousands)

	2018	2017
OPERATING REVENUES		
Passenger	$ 753,699	$ 741,044
Advertising	22,590	21,926
Rental	23,994	25,601
Other	240	242
Total operating revenues	800,523	788,813
OPERATING EXPENSES		
Labor	774,203	728,228
Fringe benefits	399,599	999,068
Services	337,587	267,053
Materials and supplies	133,738	131,269
Utilities	83,381	83,306
Litigation and claims	34,457	26,823
Leases and rentals	7,818	7,518
Miscellaneous	7,654	4,324
Depreciation	994,205	915,034
Total operating expenses	2,772,642	3,162,623
Operating loss	(1,972,119)	(2,373,810)
NONOPERATING REVENUES (EXPENSES)		
Investment income (loss)	1,827	(98)
Interest income from leasing transactions	2,049	5,206
Interest expense from leasing transactions	(2,049)	(5,206)
Interest expense and fiscal charges	(34,579)	(7,857)
Net loss on disposition of assets	(16,711)	(8,523)
Other	10,524	14,094
Federal and jurisdiction subsidies:		
Federal	61,851	182,991
Jurisdictional	992,196	891,548
Total nonoperating revenues (expenses), net	1,015,108	1,072,155
Loss before capital contributions	(957,011)	(1,301,655)
Capital contributions	983,574	722,213
Change in net position	26,563	(579,442)
Total net position, beginning of year	8,721,920	10,525,069
Restatement due to the adoption of GASB 75	-	(1,223,707)
Total net position, beginning of year, as restated	8,721,920	9,301,362
Total net position, end of year	$ 8,748,483	$ 8,721,920

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

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017
(in thousands)

Exhibit 3
(continued)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	$ 908,522	$ 728,783
Cash paid to suppliers	(555,075)	(490,191)
Cash paid to employees	(1,327,858)	(1,276,038)
Cash paid for operating litigation and claims	(10,283)	(42,051)
Net cash used in operating activities	(984,694)	(1,079,497)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from federal and jurisdictional subsidies	928,906	1,100,808
Other nonoperating cash receipts	10,524	14,094
Net cash provided by noncapital financing activities	939,430	1,114,902
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to construct capital assets	(953,596)	(1,057,751)
Receipts from capital contributions	1,005,698	942,077
Payment of interest and fiscal charges	(47,619)	(9,638)
Principal payments on bonds and other debt	(374,205)	(720,237)
Proceeds from debt issuance and other debt	828,625	695,000
Jurisdictional receipts for debt service	12,495	12,487
Proceeds from sale of capital assets	7,007	1,163
Net cash provided by (used in) capital and related financing activities	478,405	(136,899)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	4,702,388	939,517
Purchases of investments	(4,770,674)	(895,911)
Interest received from operational investments	2,547	138
Net cash (used in) provided by investing activities	(65,739)	43,744
Net change in cash and cash equivalents	367,402	(57,750)
Cash and cash equivalents, beginning of year	57,911	115,661
Cash and cash equivalents, end of year	$ 425,313	$ 57,911

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017
(in thousands)

Exhibit 3 (concluded)

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (1,972,119)	$ (2,373,810)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	994,205	915,034
Accumulated increase (decrease) in fair value of hedging derivatives	4,267	(2,798)
Effect of changes in operating assets and liabilities:		
Decrease (increase) in accounts receivables, net of allowance, and other assets	106,338	(56,406)
Decrease (increase) in materials and supplies inventory, net of obsolescence	8,774	(2,477)
Decrease (increase) in deferred outflows from pensions	71,306	(148,698)
Decrease (increase) in deferred outflows from OPEB	26,277	(287,946)
Increase in accounts payable and accrued expenses	2,062	8,554
Increase (decrease) in accrued salaries and benefits	40,669	(11,466)
Decrease (increase) in compensated absences	(15,246)	2,474
Increase (decrease) in unearned revenue	1,661	(3,624)
Increase (decrease) in litigation and claims	24,174	(15,228)
(Decrease) increase in net pension liability	(207,949)	199,703
(Decrease) increase in total OPEB liability	(117,769)	423,649
Increase (decrease) in deferred inflows from pensions	106,585	(60,128)
(Decrease) increase in deferred inflows from OPEB	(57,929)	333,670
Total adjustments	987,425	1,294,313
Net cash used in operating activities	$ (984,694)	$ (1,079,497)
Noncash operating, investing, capital and financing activities:		
Decrease in fair value of investments	$ (720)	$ (239)
Bad debt expense included in capital contributions	$ -	$ 259,505
Donated assets included in capital asset additions and capital contributions	$ 128,574	$ 36,606
Loss on disposal of equipment	$ 23,718	$ 9,686
Capitalized interest included in capital assets	$ -	$ 9,282
Capital asset additions included in accounts payable	$ 158,617	$ 128,872
Adjustment to previously recognized capital assets	$ 15,452	$ 25,503

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

Notes to the Basic Financial Statements
June 30, 2018 and 2017

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 (Transit Zone). The Transit 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 U.S. Secretary of Transportation.

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:

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

    b. 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 Transit Zone 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 a single employer postemployment benefit (OPEB) plan, which are further described in notes 10 and 11, respectively, 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 non-exchange 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 proceeds from the issuance of Series 2017B Gross Revenue Transit Bonds that are restricted for capital costs and 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. Unspent amounts are reported as due to other governments on the Statements of Net Position.

2. Summary of Significant Accounting Policies (continued)

(d) Investments

The Authority's investments are reported at fair value, as defined by GASB Statement No. 72, *Fair Value Measurements*, 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 $4.1 million and $2.7 million as of June 30, 2018 and 2017, 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 $8.4 million and $5.3 million as of June 30, 2018 and 2017, respectively.

(g) Investments with Fiscal Agent

Investments with fiscal agent include $57.3 million of proceeds held in escrow from the Series 2017A2 Gross Revenue Transit Refunding Bonds to legally defease the Series 2009B Gross Revenue Transit Bonds when called on the crossover refunding date, July 1, 2019.

(h) 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 (e.g., stations, track, tunnels), buildings and improvements, revenue vehicles, equipment and other assets. 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 recorded at acquisition value.

Determinations of the cost of rail assets placed in service are based upon the historical costs of the project. The Authority adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and expensed interest related to capital funding in fiscal year 2018. Interest expense related to capital funding prior to the adoption of this Statement was 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

2. Summary of Significant Accounting Policies (continued)

(i) Accounts Payable and Accrued Expenses

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

(j) Due to Other Governments

Due to other governments consists of payments received in advance from other government organizations for reimbursable projects, the federal interest in proceeds from the sale of capital assets and parking lot receipts that are received on behalf of the jurisdictions.

(k) Compensated Absences

The Authority's policy permits eligible employees to accumulate earned, but unused, sick, annual and compensatory leave benefits. Annual leave may be accumulated up to the maximum amounts shown in the table below:

Employee Group	Years of Service	Maximum Annual Leave Carryover Limit	Disposition in Excess of maximum Carryover Limit
Executive and Senior	Not applicable	337.5 hours	Remaining balance is forfeited
Non-Represented:			
7.5 hour workdays	0–15 years 15+ years	225.0 hours 337.5 hours	Remaining balance is forfeited
8 hour workdays	0–15 years 15+ years	240.0 hours 360.0 hours	Remaining balance is forfeited
Local 2:			
7.5 hour workdays	0–15 years 15+ years	225.0 hours 337.5 hours	100% converted to sick leave
8 hour workdays	0–15 years 15+ years	240.0 hours 360.0 hours	100% converted to sick leave
Fraternal Order of Police	Not applicable	400.0 hours	50% converted to sick leave
Special Police Officers	Not applicable	240.0 hours	Remaining balance is forfeited
Local 689			
Fiscal year 2017 and prior	0–15 years 15+ years	240.0 hours 360.0 hours	Remaining balance is forfeited
Effective fiscal year 2018	Not applicable	0 hours	Full remaining balance at June 30, 2018 is paid out to employees. Unused balances no longer carry forward to the next year.
Local 922	0–15 years 15+ years	240.0 hours 360.0 hours	Remaining balance is forfeited

2. Summary of Significant Accounting Policies (continued)

(k) Compensated Absences (continued)

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.

Depending on the employees' respective group, remaining and unused vacation amounts in excess of the Authority's maximum carryover limit must be used by December 31 or June 30, or they are either forfeited, converted to sick leave, or paid out to employees and are no longer included as a compensated absence liability to the Authority.

The Authority's policy and the related collective bargaining agreements permit certain eligible employees to accumulate compensatory time. Non-represented, exempt employees may accrue compensatory time up to 75 hours in a calendar year. Remaining balances at December 31 are forfeited. 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 31 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, 2018 and 2017 were $2.3 million and $2.7 million, respectively, and are included in compensated absences on the Statements of Net Position.

(l) Unearned Revenue

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

(m) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense) until that time. These items are reported as a category below 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 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 the sale-leaseback of railcars; deferred inflows and outflows from pensions and OPEB as a result of contributions made after the measurement date and differences between projections and experience expectations; and jurisdictional advances for subsidies made prior to the period that they apply.

2. Summary of Significant Accounting Policies (continued)

(n) 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.

(o) Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating transactions. Operating revenues and expenses are those that generally 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 parking and transportation that result in passenger fares. The Authority also recognizes as operating revenue amounts received for rental advertisements, and other services. These amounts are recorded as revenue at the time services are performed. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating.

Nonoperating revenues include Federal and jurisdictional subsidies, investment income, interest income from leasing transactions, non-passenger parking, non-capital surplus sales, fines, inspections, and other miscellaneous collections. Nonoperating expenses include interest expenses and loss on disposition of assets. Investment income is generated from 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.

(p) 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. Bad debts relating to federal grant receivables are written off against capital contributions. Federal grants, jurisdictional capital subsidies, and other miscellaneous capital contributions totaled $855.0 million and $685.6 million in fiscal years 2018 and 2017, respectively.

The Authority received donated property and equipment from other governmental agencies, which represented approximately $128.6 million and $36.6 million of the Authority's capital contributions during fiscal years 2018 and 2017, respectively.

2. Summary of Significant Accounting Policies (continued)

(q) 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.
- **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. 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.

(r) Reclassifications

Certain reclassifications were made to the comparative fiscal year 2017 amounts to conform to the fiscal year 2018 presentation in the basic financial statements.

(s) 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 restricted assets and contingent 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.

2. Summary of Significant Accounting Policies (continued)

(t) Adoption of New GASB Pronouncements

The Authority adopted the following GASB Statements in fiscal year 2018:

- **GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions:*** This Statement 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 one single-employer defined benefit healthcare plan for retirees and their dependents.

  The adoption of this Statement resulted in the restatement of the Authority's basic financial statements as of July 1, 2016 to reflect the reporting of total OPEB liability and deferred outflows of resources related to contributions made after the measurement date. Net position as of July 1, 2016 was decreased by approximately $1.2 billion to reflect the cumulative retrospective effect of adoption.

- **GASB Statement No. 81*, Irrevocable Split Interest Agreements*:** This Statement 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 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 thus the adoption of this Statement had no impact on the Authority's basic financial statements.

- **GASB Statement No. 85*, Omnibus 2017:*** This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. In addition, it 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 this Statement resulted in additional note disclosures and required supplementary information related to the Teamsters Local 922 Employers Health Trust other post-employment benefit plan on the Authority's basic financial statements.

- **GASB Statement No. 86*, Certain Debt Extinguishment Issues:*** This Statement 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 Authority did not have an in-substance defeasance of debt using only existing resources, therefore the adoption of this Statement had no impact on the Authority's basic financial statements.

- **GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*:** This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This Statement is effective for reporting periods beginning after December 15, 2019 and is required to be applied prospectively. The Authority early implemented the Statement and as a result, beginning July 1, 2017, interest expense incurred during the construction period will no longer be capitalized in the Authority's basic financial statements.

2. Summary of Significant Accounting Policies (continued)

(u) 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
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activities*	2020
87	*Leases*	2021
88	*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*	2019
90	*Majority Equity Interests*	2020

GASB statements with required adoption in fiscal year 2019:

- **GASB Statement No. 83, *Certain Asset Retirement Obligations*:** This Statement establishes accounting and financial reporting standards for certain asset retirement obligations (AROs). An ARO for the purposes of applying this statement is a legally enforceable liability associated with the retirement of a tangible capital asset that is permanently removed from service. This Statement requires that a liability must be recognized when incurred and reasonably estimated. The determination of when a liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The adoption of GASB Statement No. 83 is not expected to have a significant impact on the Authority's basic financial statements.
- **GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*:** This Statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of defaults with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separate from other debt. The adoption of GASB Statement No. 88 is not expected to have a significant impact on the Authority.

The Authority is currently evaluating the applicability and impact of GASB Statement No. 84, *Fiduciary Activities*; No. 87, *Leases*; and No. 90, *Majority Equity Interest*, which have required adoption periods subsequent to fiscal year 2019.

3. Plans of Financing

The planning, development and operation of the transit facilities serving the Transit Zone 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 fare box 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 2018 and 2017 budgets are as follows:

Jurisdiction	2018	2017
District of Columbia	37.5 %	37.3 %
Prince George's County, Maryland	20.8	21.5
Montgomery County, Maryland	16.6	16.7
Fairfax County, Virginia	13.5	13.7
All other jurisdictions	11.6	10.8
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 primarily by Federal grants; substantial capital contributions provided by participating jurisdictions; 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.

4. Cash, Deposits and Investments (continued)

(a) Cash and Cash Equivalents

The Authority's bank balances as of June 30, 2018 and 2017 are as follows (in thousands):

Cash and Cash Equivalents	June 30, 2018 Carrying Amount	June 30, 2018 Bank Balance	June 30, 2017 Carrying Amount	June 30, 2017 Bank Balance
Deposits insured or collateralized (unrestricted)	$ 283,903	$ 287,995	$ 11,596	$ 14,575
Deposits insured or collateralized (restricted)	93,721	93,721	-	-
Money market account	-	-	40	40
Repurchase agreements (unrestricted)	9,297	9,297	8,334	8,334
Repurchase agreements (restricted)	34,272	34,272	32,254	32,254
Cash on hand	4,120	-	5,687	-
Total cash and cash equivalents	$ 425,313	$ 425,285	$ 57,911	$ 55,203

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.

Under the terms of the parking surcharge agreements, the amounts received from parking surcharges (restricted repurchase agreements) are to be used for payment of the expenses related to the parking structures in each of the respective jurisdictions, including lease and financing payments. Proceeds from the issuance of the Series 2017B Gross Revenue Transit Bonds (restricted deposits insured or collateralized) are to be used to finance capital costs.

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

(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, 2018 and 2017.

4. Cash, Deposits and Investments (continued)

(b) Investments (continued)

i) Interest Rate Risk (continued)

As of June 30, 2018 and 2017, the Authority has the following investments (in thousands):

Investment Type	Fair Value June 30, 2018	Investment Maturities as of June 30, 2018: Less than 6 Months	7 Months – 1 Year	1–3 Years	More than 3 Years
United States Treasuries	$ 4,062	$ 1,626	$ -	$ -	$ 2,436
United States Agencies	138,316	83,023	-	55,293	-
Total investments	142,378	84,649	-	55,293	2,436
Accrued interest	766	-	-	-	-
Total	$ 143,144	$ 84,649	$ -	$ 55,293	$ 2,436

As of June 30, 2018, $57.3 million included in United States Treasuries and Agencies investments held in escrow for defeasing the Series 2009B bonds on the crossover refunding date of July 1, 2019 was not available for use in the current period. Accordingly, these amounts are reported as noncurrent restricted investments with fiscal agent on the Statements of Net Position.

Investment Type	Fair Value June 30, 2017	Investment Maturities as of 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

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, 2018 and 2017 (in thousands):

Investment Type	Fair Value June 30, 2018	Fair Value June 30, 2017	Rating
United States Treasuries	$ 4,062	$ 2,593	Aaa
United States Agencies	138,316	72,935	Aaa
Total investments at fair value	$ 142,378	$ 75,528	

iii) Custodial Credit Risk

The Authority does not have a formal policy for custodial credit risk. The Authority's investments are held by third party custodians. All individual securities are held in the name of the authority.

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, 2018 and 2017 (in thousands):

	June 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
Investments by Type:				
United States Treasuries	$ 4,062	$ 4,062	$ -	$ -
United States Agencies	138,316	-	138,316	-
Total investments	$ 142,378	$ 4,062	$ 138,316	$ -
Fuel swap derivative	$ 3,098	$ -	$ 3,098	$ -

5. Fair Value Measurements (continued)

	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)	$ -

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

The current amounts due from other governments are as follows at June 30, 2018 and 2017 (in thousands):

	June 30, 2018	June 30, 2017
Federal grants receivable	$ 133,772	$ 218,757
Jurisdiction operating subsidy	49,624	96,554
Total	$ 183,396	$ 315,311

Federal grants receivable represents amounts due from grantor agencies for the unreimbursed eligible program costs.

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.

6. Due from Other Governments (continued)

The cumulative effects of the different agreed upon bases, which result in long-term amounts due from the participating jurisdictions, are as follows at June 30, 2018 and 2017 (in thousands):

	June 30, 2018	June 30, 2017
Agreed-upon funding of employee vacation liability and related taxes	$ 67,477	$ 82,659
Agreed-upon funding of claims for injuries and damages	156,850	151,357
Total accumulated difference	$ 224,327	$ 234,016

7. Capital Assets

Capital assets activity for the years ended June 30, 2018 and 2017 is as follows (in thousands):

	June 30, 2017	Additions	Reductions	June 30, 2018
Capital assets not being depreciated:				
Land	$ 534,949	$ -	$ (313)	$ 534,636
Construction in progress	265,813	990,748	(788,011)	468,550
Total capital assets not being depreciated	800,762	990,748	(788,324)	1,003,186
Capital assets being depreciated:				
Buildings and improvements	1,016,203	1,897	(1,761)	1,016,339
Transit facilities	13,138,997	306,207	(49,026)	13,396,178
Revenue vehicles	4,142,731	520,972	(115,151)	4,548,552
Equipment and other	4,188,378	87,923	(55,184)	4,221,117
Total capital assets being depreciated	22,486,309	916,999	(221,122)	23,182,186
Less accumulated depreciation for:				
Buildings and improvements	533,750	36,100	(1,201)	568,649
Transit facilities	5,761,902	444,152	(49,028)	6,157,026
Revenue vehicles	1,930,124	272,385	(91,440)	2,111,069
Equipment and other	2,675,276	241,568	(55,176)	2,861,668
Total accumulated depreciation	10,901,052	994,205	(196,845)	11,698,412
Total capital assets being depreciated, net	11,585,257	(77,206)	(24,277)	11,483,774
Total capital assets, net	$ 12,386,019	$ 913,542	$ (812,601)	$ 12,486,960

7. Capital Assets (continued)

	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. 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 Authority retired the remaining 4000-series railcars in fiscal year 2018, resulting in a net loss of $23.2 million.

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 (Silver Line) in fiscal year 2017. During fiscal year 2018, MWAA donated 64 railcars totaling $127.0 million for Phase 2 of the Silver Line. These donated 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 of approximately $187.8 million and $222.3 million in fiscal years 2018 and 2017, respectively.

7. Capital Assets (continued)

(a) Change in Estimate

During fiscal year 2018, the Authority approved an accelerated retirement of the 5000-series railcars. The 5000-series railcars will continue to be used in service until disposition. Accordingly, the Authority reevaluated the estimated useful life of the 5000-series railcars on a prospective basis. This change resulted in reducing the estimated remaining useful life of these railcars, which ranged from 19 to 22 years, to 36 months.

The financial impact of this change in estimate resulted in an increase of depreciation expense of $50.6 million in fiscal year 2018 and will result in depreciation expense of approximately $59.3 million and $59.3 million in fiscal years 2019 and 2020, respectively.

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. Also, included in due to other governments are funds the Authority receives in advance to perform reimbursable construction projects on behalf of other jurisdictions. The amounts due to other governments reflects the remaining advances, which are in excess of the costs to perform these reimbursable services.

Additional amounts in due to other governments reflect funds collected from the sale of various capital assets funded by federal agencies. The Authority will utilize these funds to offset future capital asset acquisitions upon approval to retain the proceeds.

The current amounts due to other governments as of June 30, 2018 and June 30, 2017 are as follows (in thousands):

	June 30, 2018	June 30, 2017
Due to Jurisdictions:		
Parking garage surcharges	$ 35,446	$ 33,379
Reimbursable advances	42,348	147,034
Federal share of capital assets	15,811	12,303
Total due to other governments	$ 93,605	$ 192,716

9. Short and Long-Term Liabilities

Changes in short and long-term liabilities for the years ended June 30, 2018 and 2017 are as follows (in thousands):

	June 30, 2017	Additions	Reductions	June 30, 2018	Due within one year
Short-term liabilities:					
Lines of credit	$ 150,000	$ -	$ (150,000)	$ -	$ -
Long-term liabilities:					
Bonds payable:					
Series 2009A	$ 192,910	$ -	$ (174,205)	$ 18,705	$ 9,125
Series 2009B	55,000	-	-	55,000	-
Series 2016A	220,000	-	(50,000)	170,000	170,000
Series 2017A1	-	148,515	-	148,515	-
Series 2017A2	-	48,855	-	48,855	-
Series 2017B	-	496,500	-	496,500	-
Net unamortized premium (discount)	15,731	134,755	(20,242)	130,244	-
Total bonds payable	483,641	828,625	(244,447)	1,067,819	179,125
Compensated absences	92,082	70,812	(86,058)	76,836	58,477
Tax advantage lease agreements	152,081	-	(152,081)	-	-
Litigation and claims liability	165,038	57,717	(33,543)	189,212	48,815
Retainage on contracts	19,215	13,867	(6,918)	26,164	7,555
Total long-term liabilities	$ 912,057	$ 971,021	$ (523,047)	$ 1,360,031	$ 293,972

9. Short and Long-Term Liabilities (continued)

	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 lease agreements	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

(a) Lines of Credit

At June 30, 2017, the Authority had two "364 day" lines of credit outstanding, which were due March 26, 2018. The total amount available under the lines of credit was $350.0 million in fiscal year 2017. The availability fees and accrued interest were payable both monthly and quarterly, depending on the lender and on the terms of the agreements. Accrued interest was computed based on the one-month London Interbank Offered Rate (LIBOR), plus a margin of less than 100 basis points. The lines of credit are collateralized by security interests in all of the Authority's gross revenues.

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

During fiscal year 2018, the Authority entered into four "364 day" lines of credit, which expire on May 28, 2019. The total amount available under the lines of credit is $350.0 million. The availability fees and accrued interest are payable both monthly and quarterly, depending on the lender and on the terms of the agreements. Accrued interest is computed based on the one-month LIBOR, plus a margin of less than 50 basis points, on average. The lines of credit were collateralized by security interests in all of the Authority's gross revenues.

At June 30, 2018, there was no outstanding balance on the four lines of credit.

9. Short and Long-Term Liabilities (continued)

(b) 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, 2018 and 2017 (in thousands):

	June 30, 2018		
	Principal	**Unamortized premium (discount)**	**Net**
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	$ 18,705	$ 704	$ 19,409
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(791)	54,209
Series 2016A, 4.359% dated June 8, 2016, due semi-annually through July 1, 2019	170,000	1,751	171,751
Series 2017A1, 5.000% dated July 12, 2017, due semi-annually through July 1, 2032	148,515	27,725	176,240
Series 2017A2, 5.000% dated July 12, 2017, due semi-annually through July 1, 2034	48,855	9,350	58,205
Series 2017B, 5.000% dated August 17, 2017 due semi-annually through July 1, 2042	496,500	91,505	588,005
	$ 937,575	$ 130,244	$ 1,067,819

9. Short and Long-Term Liabilities (continued)

(b) Bonds Payable (continued)

	June 30, 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

i) Series 2009 Bonds

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 35.0% of the total coupon interest paid to investors.

ii) Series 2016A Bonds

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. The Authority is required to make semi-annual payments of principal and interest on these bonds.

9. Short and Long-Term Liabilities (continued)

(b) Bonds Payable (continued)

iii) Series 2017 Bonds

On July 12, 2017, the Authority issued the Washington Metropolitan Area Transit Authority Gross Revenue Transit Refunding Bonds Series 2017A1 totaling $148.5 million, and Series 2017A2 totaling $48.9 million (collectively referred to as the Series 2017A Refunding Bonds).

The Series 2017A Refunding Bonds will be repaid with the gross revenues of the Authority, and were issued with a 5.000% coupon, payable semi-annually on January 1, and July 1 each year. Principal payments on the 2017A1 and 2017A2 bonds are due annually from July 1, 2020 through July 1, 2032 and July 1, 2020 through July 1, 2034, respectively. The uninsured ratings of the bonds were AA- from Standard and Poor's and AA- from Fitch as of July 12, 2017.

Series 2017A1 Advance Refunding

The Series 2017A1 Bonds were issued to refund a portion of the Series 2009A Gross Revenue Transit Bonds. Proceeds from the sale of the 2017A1 bonds were placed into an irrevocable trust that will be used to defease $165.5 million of the old debt, resulting in $4.1 million in deferred loss on debt defeasance and the liability being removed from the Statements of Net Position. 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.

As of June 30, 2018, $165.5 million of principal remained outstanding on the defeased Series 2009A Bonds.

Series 2017A2 Crossover Advance Refunding

The Series 2017A2 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 2017A2 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 2017A2 bonds on the crossover date.

As of June 30, 2018, $57.3 million held in escrow to defease the Series 2009B Bonds when called on the crossover refunding date is reported as investments held with fiscal agent on the Statements of Net Position.

Series 2017B Gross Revenue Transit Bonds

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

The Series 2017B Bonds will be repaid with the gross revenues of the Authority, and were issued with a 5.000% coupon, payable semi-annually on January 1, and July 1 each year. Principal payments are due annually from July 1, 2019 through July 1, 2042. The uninsured ratings of the bonds were AA- from Standard and Poor's and AA- from Fitch as of August 17, 2017.

9. Short and Long-Term Liabilities (continued)

(c) Bond Covenants

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.
- The Authority must maintain certain insurance or self-insurance covering the assets and operations of the transit system at all times.
- For the Series 2009A bonds, the Authority must file annual financial information with the Trustee and other entities, which includes audited financial statements, the CAFR, and certain other financial information and operating data, within 120 days of the fiscal year end. For all subsequent bond issues, the Authority must file annual financial information with the Trustee by December 31 following the end of the fiscal year.

(d) Bonds Debt Service Requirements

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

	Principal	Interest
Fiscal Year:		
2019	$ 179,125	$ 44,776
2020	75,550	38,284
2021	20,700	33,628
2022	21,740	32,567
2023	22,835	31,452
2024–2028	132,745	138,468
2029–2033	169,980	100,816
2034–2038	157,730	56,992
2039–2043	157,170	20,432
	937,575	497,415
Net unamortized premium (discount)	130,244	-
	$ 1,067,819	$ 497,415

9. Short and Long-Term Liabilities (continued)

(e) Pledged Revenues

Gross Revenues

The Authority has pledged certain gross revenues to repay the Series 2017A Refunding bonds, and the Series 2017B, 2016A, 2009A, and 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 which include the Authority's operating revenues and jurisdiction operating subsidies and exclusive of parking revenues, lease-related revenues, capital contributions, and federal operating subsidies.

Gross revenues recognized as defined by the Transit Bonds' indentures for the years ended June 30, 2018 and 2017 are as follows (in thousands):

	2018	2017
Passenger revenues	$ 711,257	$ 699,640
Other pledged revenues	59,175	61,765
Operating subsidies	992,196	891,548
Total gross revenues	$ 1,762,628	$ 1,652,953

Debt Service

Principal and interest payments on the Transit Bonds for the years ended June 30, 2018 and 2017 are as follows (in thousands):

	2018	2017
Debt service principal and interest:		
Interest	$ 43,655	$ 23,485
Principal	58,690	8,285
Total	$ 102,345	$ 31,770
Percentage of debt service payment to gross revenue	5.81%	1.92%

The total principal and interest payments outstanding on the Transit Bonds is $1.4 billion and $621.4 million as of June 30, 2018 and 2017, respectively, and are payable from July 1, 2018 through July 1, 2042.

9. Short and Long-Term Liabilities (continued)

(f) Interest Expense

Interest expense incurred during the years ended June 30, 2018 and 2017 is as follows (in thousands):

	2018	2017
Lines of credit	$ 926	$ 1,423
Bonds	43,655	23,485
Total interest incurred	44,581	24,908
Less: capitalized interest	-	9,282
Total interest expense	$ 44,581	$ 15,626

Debt interest expense increased $26.7 million due to the issuance of the Series 2017A and 2017B Bonds and the implementation of GASB Statement No. 89 during fiscal year 2018, which requires that interest incurred during the construction period be expensed as incurred.

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

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

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 as of June 30, 2018 and 2017:

Plan membership	Retirement Plan	Local 689	Transit Police	Local 922	Local 2	Total
June 30, 2018:						
Active	226	9,139	412	411	49	10,237
Inactive, receiving benefits	1,219	4,803	250	251	332	6,855
Inactive, not receiving benefits	340	1,349	91	50	48	1,878
Total membership	1,785	15,291	753	712	429	18,970

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	1,299	91	47	59	1,838
Total membership	1,801	15,211	744	715	437	18,908

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 three members. Two members are appointed by management of the Authority, 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 $20.8 million and $20.3 million for the years ended June 30, 2018 and 2017, respectively. Participants are not required to contribute to the Retirement Plan.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

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.

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 $21.6 million and $116.7 million, respectively, for the year ended June 30, 2018. Employee and Authority contributions totaled $22.7 million and $119.0 million, respectively, for the year ended June 30, 2017.

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.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

iii) Transit Police (continued)

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.

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 $2.5 million and $14.0 million, respectively, for the year ended June 30, 2018. Employee and Authority contributions totaled $2.4 million and $10.7 million, respectively, for the year ended June 30, 2017.

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 $0.9 million and $7.8 million, respectively, for the year ended June 30, 2018. Employee and Authority contributions totaled $1.0 million and $5.4 million, respectively, for the year ended June 30, 2017.

v) Local 2

The Local 2 Plan is administered by the Board of Trustees, which consists of five members. Three members are appointed by management of the Authority, and two members are appointed 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 $4.7 million for the years ended June 30, 2018 and 2017, respectively. Participants are not required to contribute to the Local 2 Plan.

10. Pension Plans (continued)

(b) Measurement of Net Pension Liability

The Authority's net pension liabilities reported at June 30, 2018 and 2017 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 each of the Plan's respective measurement dates:

	June 30, 2018				
	Retirement Plan	Local 689	Transit Police	Local 922	Local 2
Measurement date	6/30/2017	6/30/2017	12/31/2017	12/31/2017	6/30/2017
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%	7.0%	7.0%	7.5%

	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%

10. Pension Plans (continued)

(b) Measurement of 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 Plan fiscal years ended June 30, 2017 and 2016.

The actuarial assumptions used in the Plan's June 30, 2017 and 2016 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, 2017 and 2016 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	2017	2016	2017	2016
U.S. core fixed income	40.0%	40.0%	4.0%	3.9%
U.S. equity large cap	35.0%	35.0%	7.5%	7.5%
U.S. equity small cap	15.0%	15.0%	7.8%	7.8%
International	10.0%	10.0%	7.8%	8.0%

The discount rate used to measure the Plan's total pension liability for June 30, 2017 and 2016 was 7.0%. The projection of cash flows used to determine the discount rate assumed that the Authority 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) Measurement of Net Pension Liability (continued)

ii) Local 689

For the Plan fiscal years ended June 30, 2017 and 2016, the RP-2000 male and female distinct rates projected to 2017 and 2016, respectively were used for the mortality assumptions.

The actuarial assumptions used in the Plan's June 30, 2017 and 2016 valuations 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, 2017 and 2016 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return 2017	2016
Large cap equities	38.0%	6.7%	6.4%
Mid cap equities	5.0%	7.3%	7.0%
Small cap equities	5.0%	7.8%	7.5%
Non-U.S. developed equities	10.0%	4.9%	5.0%
Fixed income	15.0%	2.3%	1.9%
Global tactical assets allocation	10.0%	4.6%	4.5%
Real estate	7.0%	5.5%	5.0%
Fund of hedge funds	5.0%	3.3%	3.0%
Private equity	5.0%	9.2%	9.1%

The discount rate used to measure the total pension liability for June 30, 2017 and 2016 was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and Authority 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) Measurement of Net Pension Liability (continued)

iii) Transit Police

For the Plan years ended December 31, 2017 and 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.

The actuarial assumptions used in the Plan's December 31, 2017 and 2016 valuations were based on the results of an actuarial experience study conducted for the five years ending January 1, 2015.

The salary improvement assumption was revised to be based on years of service rather than employee age. Salary improvement is assumed to be 7.0% for employees with under 10 years of services, 4.5% after 10 years of service, and 3.0% after 20 years of service. The administrative expense load assumption was updated from $180,000 to the average of actual annual expenses for the two years preceding the valuation date.

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 Plan's target asset allocation is the same as of December 31, 2017 and 2016 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	0.0% – 10.0%	4.5%

The discount rate used to measure the total pension liability was 7.0% for December 31, 2017 and 7.5% for December 31, 2016. The projection of cash flows used to determine the discount rate assumed that employee 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) Measurement of 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 Plan years ended December 31, 2017 and 2016.

The actuarial assumptions used in the Plan's December 31, 2017 and 2016 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, 2017 and 2016 are summarized in the following table:

		Long-term expected real rate of return	
Asset class	**Target allocation**	**2017**	**2016**
Large cap equities	29.0%	5.8%	5.8%
Small/mid cap equities	6.0%	6.0%	6.0%
International equities	12.0%	7.3%	7.3%
Core bonds	23.0%	2.7%	2.7%
Global bonds	5.0%	1.0%	8.5%
Real estate and hedge funds	5.0%	6.0%	6.0%
Global asset allocations	20.0%	6.0%	5.8%

The discount rate used to measure the total pension liability for December 31, 2017 and 2016 was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee 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) Measurement of 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 Plan fiscal years ended June 30, 2017 and 2016.

The actuarial assumptions used in the Plan's June 30, 2017 and 2016 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 Plan's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	**2017**	**2016**	**2017**	**2016**
U.S. core fixed income	35.0%	35.0%	4.0%	3.9%
U.S. equity large cap	12.5% – 20.0%	12.5% – 20.0%	7.5%	7.5%
U.S. equity mid cap/small cap	5.0% – 15.0%	5.0% – 20.0%	7.8%	7.8%
International	5.0%	5.0%	7.8%	8.0%

The discount rate used to measure the total pension liability for June 30, 2017 and 2016 was 7.5%. The projection of cash flows used to determine the discount rate assumed that Authority 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)

(c) Changes in Net Pension Liability

Changes in the Authority's net pension liabilities reported for the fiscal years ended June 30, 2018 and 2017, based on each Plan's respective measurement dates, are as follows (in thousands):

Retirement Plan

	2018		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	$ 522,543	$ 350,582	$ 171,961
Changes for the year:			
Service cost	1,670	-	1,670
Interest	35,249	-	35,249
Differences between expected and actual experience	1,814	-	1,814
Transfer of liability from Local 2	362	-	362
Contributions – employer	-	20,349	(20,349)
Net investment income	-	42,042	(42,042)
Benefit payments, including refunds of employee contributions	(41,306)	(41,306)	-
Administrative expenses	-	(123)	123
Transfer of funds from Local 2	-	249	(249)
Net change	(2,211)	21,211	(23,422)
Balance, end of year	$ 520,332	$ 371,793	$ 148,539

	2017		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	$ 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)
Transfer of liability from Local 2	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, end of year	$ 522,543	$ 350,582	$ 171,961

10. Pension Plans (continued)

(c) Changes in Net Pension Liability (continued)

Local 689

	2018		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 3,537,657	$ 2,723,416	$ 814,241
Changes for the year:			
Service cost	80,611	-	80,611
Interest	272,852	-	272,852
Differences between expected and actual experience	6,783	-	6,783
Contributions – employer	-	118,975	(118,975)
Contributions – employee	-	22,777	(22,777)
Net investment income	-	373,693	(373,693)
Benefit payments, including refunds of employee contributions	(183,562)	(183,562)	-
Administrative expenses	-	(869)	869
Other	-	(2)	2
Net change	176,684	331,012	(154,328)
Balance, end of year	$ 3,714,341	$ 3,054,428	$ 659,913

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 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, end of year	$ 3,537,657	$ 2,723,416	$ 814,241

10. Pension Plans (continued)

(c) Changes in Net Pension Liability (continued)

Transit Police

	2018		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	$ 252,273	$ 195,624	$ 56,649
Changes for the year:			
Service cost	7,949	-	7,949
Interest	17,175	-	17,175
Differences between expected and actual experience	2,792	-	2,792
Changes in assumptions	17,870	-	17,870
Contributions – employer	-	12,355	(12,355)
Contributions – employee	-	2,446	(2,446)
Net investment income	-	36,453	(36,453)
Benefit payments, including refunds of employee contributions	(13,846)	(13,846)	-
Administrative expenses	-	(261)	261
Net change	31,940	37,147	(5,207)
Balance, end of year	$ 284,213	$ 232,771	$ 51,442

	2017		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	$ 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, end of year	$ 252,273	$ 195,624	$ 56,649

10. Pension Plans (continued)

(c) Changes in Net Pension Liability (continued)

Local 922

	2018		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 221,526	$ 188,249	$ 33,277
Changes for the year:			
Service cost	4,670	-	4,670
Interest	15,553	-	15,553
Differences between expected and actual experience	3,400	-	3,400
Contributions – employer	-	6,833	(6,833)
Contributions – employee	-	938	(938)
Net investment income	-	30,712	(30,712)
Benefit payments, including refunds of employee contributions	(8,159)	(8,159)	-
Administrative expenses	-	(176)	176
Net change	15,464	30,148	(14,684)
Balance, end of year	$ 236,990	$ 218,397	$ 18,593

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 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, end of year	$ 221,526	$ 188,249	$ 33,277

10. Pension Plans (continued)

(c) Changes in Net Pension Liability (continued)

Local 2

	2018		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 168,107	$ 136,930	$ 31,177
Changes for the year:			
Service cost	464	-	464
Interest	12,166	-	12,166
Differences between expected and actual experience	(577)	-	(577)
Transfer of liability to Retirement Plan	(348)	-	(348)
Contributions – employer	-	4,748	(4,748)
Net investment income	-	17,581	(17,581)
Benefit payments, including refunds of employee contributions	(12,702)	(12,702)	-
Administrative expenses	-	(67)	67
Transfer of funds to Retirement Plan	-	(249)	249
Net change	(997)	9,311	(10,308)
Balance, end of year	$ 167,110	$ 146,241	$ 20,869

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 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)
Transfer of liability to Retirement Plan	(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 to Retirement Plan	-	(438)	438
Net change	(1,447)	(5,396)	3,949
Balance, end of year	$ 168,107	$ 136,930	$ 31,177

10. Pension Plans (continued)

(c) Changes in Net Pension Liability (continued)

Total Plans

	2018		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 4,702,106	$ 3,594,801	$ 1,107,305
Changes for the year:			
Service cost	95,364	-	95,364
Interest	352,995	-	352,995
Differences between expected and actual experience	14,212	-	14,212
Changes in assumptions	17,870	-	17,870
Transfer of liability from Retirement Plan	14	-	14
Contributions – employer	-	163,260	(163,260)
Contributions – employee	-	26,161	(26,161)
Net investment income	-	500,481	(500,481)
Benefit payments, including refunds of employee contributions	(259,575)	(259,575)	-
Administrative expenses	-	(1,496)	1,496
Other	-	(2)	2
Net change	220,880	428,829	(207,949)
Balance, end of year	$ 4,922,986	$ 4,023,630	$ 899,356

	2017		
	Total pension liability	**Plan fiduciary net position**	**Net pension liability**
Balance, beginning of year	$ 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
Transfer of liability from Retirement Plan	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, end of year	$ 4,702,106	$ 3,594,801	$ 1,107,305

10. Pension Plans (continued)

(d) Pension Expense

Pension expense recognized by the Authority for the fiscal years ended June 30, 2018 and 2017 is as follows (in thousands):

	Pension Expense	
	2018	**2017**
Plan:		
Retirement Plan	$ 12,032	$ 11,496
Local 689	102,437	117,624
Transit Police	10,496	11,502
Local 922	8,068	10,698
Local 2	362	206
Total	$ 133,395	$ 151,526

10. Pension Plans (continued)

(e) Pension Deferred Outflows and Inflows of Resources

At June 30, 2018 and 2017, the Authority reported deferred outflows and inflows of resources for the respective Plans as follows (in thousands):

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Retirement Plan:		
Differences between projected and actual investment earnings	$ -	$ 2,606
Contributions made after the measurement date	20,778	-
Subtotal	20,778	2,606
Local 689:		
Differences between projected and actual investment earnings	154,923	176,332
Differences between expected and actual experience	37,453	21,145
Changes in assumptions	-	8,610
Contributions made after the measurement date	116,653	-
Subtotal	309,029	206,087
Transit Police:		
Differences between projected and actual investment earnings	7,738	20,220
Differences between expected and actual experience	2,394	4,156
Changes in assumptions	18,168	-
Contributions made after the measurement date	6,876	-
Subtotal	35,176	24,376
Local 922:		
Differences between projected and actual investment earnings	-	6,703
Differences between expected and actual experience	3,014	-
Changes of assumptions	927	-
Contributions made after the measurement date	3,417	-
Subtotal	7,358	6,703
Local 2:		
Differences between projected and actual investment earnings	-	2,168
Contributions made after the measurement date	4,700	-
Subtotal	4,700	2,168
Total deferred outflows of resources and inflows of resources		
Differences between projected and actual investment earnings	162,661	208,029
Differences between expected and actual experience	42,861	25,301
Changes in assumptions	19,095	8,610
Contributions made after the measurement date	152,424	-
Total	$ 377,041	$ 241,940

10. Pension Plans (continued)

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

	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

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, 2018 and 2017 will be recognized as a reduction in the net pension liability in the fiscal years ending June 30, 2019 and June 30, 2018, respectively.

10. Pension Plans (continued)

(e) 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
2019	$ (3,112)	$ (18,048)	$ 1,274	$ 1,764	$ (1,694)	$ (19,816)
2020	3,152	28,186	1,307	896	893	34,434
2021	998	13,385	(2,562)	(2,591)	156	9,386
2022	(3,644)	(31,886)	(1,896)	(2,831)	(1,523)	(41,780)
2023	-	(4,618)	2,651	-	-	(1,967)
Thereafter	-	(730)	3,150	-	-	2,420
	$ (2,606)	$ (13,711)	$ 3,924	$ (2,762)	$ (2,168)	$ (17,323)

(f) 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, 2018		
Plan	Discount rate	1% Decrease	Current rate	1% Increase
Retirement Plan	7.0%	$ 197,739	$ 148,539	$ 106,422
Local 689	7.9%	1,124,824	659,913	271,615
Transit Police	7.0%	91,409	51,442	18,789
Local 922	7.0%	51,206	18,593	(8,166)
Local 2	7.5%	36,297	20,869	7,589
Total net pension liability		$ 1,501,475	$ 899,356	$ 396,249

10. Pension Plans (continued)

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

Plan	Discount rate	As of June 30, 2017 1% Decrease	Current rate	1% Increase
Retirement Plan	7.0%	$ 222,448	$ 171,961	$ 128,802
Local 689	7.9%	1,258,018	814,241	442,098
Transit Police	7.5%	90,911	56,649	28,539
Local 922	7.0%	64,054	33,277	8,053
Local 2	7.5%	47,171	31,177	17,436
Total net pension liability		$ 1,682,602	$ 1,107,305	$ 624,928

(g) 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.

(h) Defined Contribution Retirement Plan

The Authority offers a defined contribution retirement plan, Washington Metropolitan Area Transit Authority (WMATA) Defined Contribution Retirement Plan and Trust, for salaried employees under the terms of the Internal Revenue Code 401(a). The 401(a) plan, adopted on December 10, 1998 for employees hired on or after January 1, 1999, provides for the Authority to contribute an amount equivalent to 4% 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 3% of base salary to the 457 Deferred Compensation plan, the Authority will contribute an additional amount of up to 3% percent to the 401(a) plan to equal the employee's contribution to the 457 plan.

Employees are 100% 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 $10.0 million and $10.5 million for the years ended June 30, 2018 and 2017, respectively.

11. Other Postemployment Benefits

(a) Description of OPEB Plans

The Authority participates in a single-employer defined benefit OPEB plan (WMATA Healthcare Plan) which provides medical, dental, life insurance, accidental death, short-term disability, and long-term disability to management, union and non-represented active and inactive employees and their dependents. The WMATA Healthcare Plan is administered on a pay-as-you-go basis.

The Authority's Board of Trustees have the authority to establish and amend benefit terms and contribution requirements for management and non-represented employees. The collective bargaining agreements govern the benefit terms and contribution requirements for Local 689, Transit Police, Special Police, and Local 2 employees, and are the basis by which benefit terms and contribution requirements are established and amended. Below is a summary of the WMATA Healthcare Plan's membership as of June 30, 2018 and 2017:

Plan Membership	June 30, 2018	June 30, 2017
Active	18,176	18,567
Inactive, receiving benefits	11,492	10,413
Total membership	29,668	28,980

Benefits

Authority employees, dependent children, and surviving spouses are eligible to continue in the Authority's group insurance coverage upon retirement. The Authority's contributions towards the premiums, participant deductibles, participant copayments, and participant out-of-pocket maximum costs depends on the group insurance plan offered under the collective bargaining agreement, and the type of group insurance plan selected by the employee. The surviving spouse and dependent children who are covered under any of the Authority sponsored health plans have the right to continue coverage upon the death of the Authority employee or retiree. The life insurance benefit for Local 2, Transit Police, Special Police, and the non-represented employees is half of the base salary upon retirement, with a maximum benefit of $50,000. Beginning on the retiree's 66th birthday, the life insurance benefit is reduced by 10% each year. The life insurance benefit for Local 689 employees is a flat $10,000 after retirement.

Local 689 and Local 2 employees hired on or after January 1, 2010 and non-represented employees hired on or after January 1, 2017 are not entitled to receive retiree health benefits.

The amount of benefits paid by the Authority for the WMATA Healthcare Plan during the fiscal years ended June 30, 2018 and 2017 was $59.2 million and $53.8 million, respectively.

11. Other Postemployment Benefits (continued)

(b) Measurement of Total OPEB Liability

The Authority's total OPEB liability for the WMATA Healthcare Plan was determined using the following measurement dates and actuarial assumptions as of June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
Measurement date	6/30/2017	6/30/2016
Actuarial valuation date	6/30/2017	6/30/2015
Salary and wage increases	4.5%	4.5%
Health care cost trend rate:		
Pre-65 years old	7.9%	7.6%
65 years and older	8.5%	9.0%
Discount rate	3.58%	2.85%
Mortality tables used	RP2014 Blue Collar Mortality Table, fully generational projected using Scale MP-2015	RP2014 Blue Collar Mortality Table, fully generational projected using Scale MP-2015
Date of experience study on which significant assumptions were based	4/4/2018	4/4/2018

The changes in the assumptions during the fiscal year ended June 30, 2018 reflect the changes in the discount rate, which was increased from 2.85% to 3.58%. The changes in the benefit terms during the fiscal year ended June 30, 2018 reflect reduction in coverage for the Local 2 and non-represented employees from 80% to 75%. The health care cost trend rate assumptions were based on the national average information available from the Standard and Poor's Healthcare Economic Index, National Health Expenditure data, plan renewal data and vendor prescription reports, with adjustments based on provisions of the benefits provided with the Authority. Multiple healthcare cost trend rate assumptions were used for different benefit components and participant groups (pre-65 and post 65 age groups).

The current rates used to calculate the total OPEB liability as of June 30, 2018 and 2017 are as follows:

Year	Pre-65	Post-65
2017 to 2018	7.9%	8.5%
2018 to 2019	7.8%	8.4%
2019 to 2020	7.4%	8.0%
2020 to 2021	7.0%	7.5%
2021 to 2022	6.6%	7.0%
2022 to 2023	6.2%	6.6%
2023 to 2024	5.8%	6.1%
2024 to 2025	5.4%	5.6%
2025 to 2026	4.9%	5.0%
2026 to 2027+	4.5%	4.5%

11. Other Postemployment Benefits (continued)

(b) Measurement of Total OPEB Liability (continued)

As of the measurement date, June 30, 2017, the Authority did not have any assets accumulated in a trust that was dedicated to providing benefits to WMATA Healthcare Plan members.

In April 2018, the Authority established the WMATA Postemployment Benefits Trust and transferred $3.0 million to begin accumulating assets to fund OPEB, which will be accounted for in the June 30, 2018 valuation for the fiscal year ended June 30, 2019.

(c) Changes in Total OPEB Liability

Changes in the WMATA Healthcare Plan total OPEB liability for the fiscal years ended June 30, 2018 and 2017, based on the measurement date, are as follows (in thousands):

	2018
Balance, beginning of year	$ 2,266,318
Changes for the year:	
Service cost	74,229
Interest	66,012
Differences between expected and actual experience	182,842
Changes in benefit terms	(58,194)
Benefit payments	(48,988)
Changes in assumptions	(333,670)
Net change	(117,769)
Balance, end of year	$ 2,148,549

	2017
Balance, beginning of year	$ 1,842,669
Changes for the year:	
Service cost	54,562
Interest	72,064
Differences between actual and expected experience	348,360
Benefit payments	(51,337)
Net change	423,649
Balance, end of year	$ 2,266,318

11. Other Postemployment Benefits (continued)

(d) OPEB Expense

OPEB expense recognized by the Authority for the fiscal years ended June 30, 2018 and 2017 was $55.9 million and $187.1 million, respectively.

(e) OPEB Deferred Outflows and Inflows of Resources

At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	June 30, 2018	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between projected and actual experience	$ 151,099	$ -
Contributions after measurement date	59,233	-
Changes in assumptions	-	275,741
Subtotal	$ 210,332	$ 275,741

	June 30, 2017	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between projected and actual experience	$ 182,842	$ -
Contributions after measurement date	53,767	-
Changes in assumptions	-	333,670
Subtotal	$ 236,609	$ 333,670

11. Other Postemployment Benefits (continued)

(e) OPEB Deferred Outflows and Inflows of Resources (continued)

Contributions after the measurement date will be recognized in OPEB expense in its entirety in the subsequent year. All other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (in thousands):

As of June 30,	Deferred Outflows (Inflows)
2019	$ (26,186)
2020	(26,186)
2021	(26,186)
2022	(26,186)
2023	(19,898)
	$ (124,642)

(f) Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate

i) Health Care Cost Trend Sensitivity

The following presents the total OPEB liability for the WMATA Healthcare Plan, calculated using health care cost trend rates as of June 30, 2018 and 2017, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as of the WMATA Healthcare Plan's measurement date (in thousands):

	Total OPEB Liability *		
	1% Decrease	Current Rate	1% Increase
As of June 30, 2018	$ 1,817,183	$ 2,148,549	$ 2,578,471
As of June 30, 2017	$ 1,877,846	$ 2,266,318	$ 2,778,831

* Multiple health care cost trend rates were used to calculate the total OPEB liability. See page 71 for the rates.

11. Other Postemployment Benefits (continued)

(f) Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate (continued)

ii) Discount Rate Sensitivity

The discount rate used was obtained from the yield or index rate for a 20-year tax exempt general obligation municipal bond with an average rating of AA/Aa or higher from the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

The following presents the total OPEB liability for the WMATA Healthcare Plan, calculated using the WMATA Healthcare Plan's discount rate, as well as what the total OPEB 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 the Plan's measurement date (in thousands):

	Discount	Total OPEB Liability		
	Rate	1% Decrease	Current Rate	1% Increase
As of June 30, 2018	3.58%	$ 2,547,541	$ 2,148,549	$ 1,835,597
As of June 30, 2017	2.85%	$ 2,714,201	$ 2,266,318	$ 1,917,958

11. Other Postemployment Benefits (continued)

(g) Defined Benefit Plan

The Authority contributes to the Teamsters Local 922 Employers Health Trust (the Plan), which is a cost-sharing multiple-employer defined benefit health and welfare plan that provides life insurance, hospitalization, surgical, medical disability, dental, vision care, pharmaceutical care, and major medical benefits to eligible participants and their qualified dependents. All active employees, retirees age 52 or older with at least 15 years of service, and disabled retirees with at least 10 years of service are eligible to participate in the Plan, if employed by a Local 922 participating employer. The benefits under the Plan terminate when the participant is eligible for Medicare.

The Plan is administered by a Joint Board of Trustees consisting of two Local 922 union representatives and two employer representatives, 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 were discontinued for the Authority's Local 922 Union employees hired on or after January 1, 2012.

At June 30, 2018 and 2017, the Authority had 43 and 70 participants, respectively, covered under the Plan.

The Plan provides benefits to both employees of government and nongovernment employers has no predominant government employer. Accordingly, the Plan is subject to the Employee Retirement Income and Security Act of 1974 and follows accounting standards promulgated by the Financial Accounting Standards Board. The Plan issues a publicly available financial report which may be obtained by contacting the Plan administrator in writing at 7130 Columbia Gateway Drive, Suite A, Columbia, MD 21046, or by calling (410) 872-9500.

For the fiscal years ending June 30, 2018 and 2017, the Authority was required to contribute $800 per month for each participant. The Authority's contributions were $0.4 million and $0.3 million for the fiscal years ended June 30, 2018 and 2017, respectively.

The Local 922 Collective Bargaining Agreement expired on October 31, 2016. The Authority and Teamsters Local 922 are currently in negotiations for a new agreement. Per the Plan agreement, the Authority shall cease to be an employer within the meaning of the agreement when there is no contractual obligation, pursuant to a collective bargaining agreement or a signed stipulation, to make contributions to the Plan or when the Trustees determine that participation as a contributing Employer shall terminate. The Authority's intent is to continue to fund the plan.

12. Commitments and Contingencies

(a) Litigation and Claims

i) Insured 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, pollution, 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), and Privacy/Network Security Liability claims up to $1.0 million per occurrence; and
6) Medical Facilities Liability claims up to $0.1 million per occurrence.

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 or deductible. 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 established for that claim. Estimated loss values are adjusted as the claims develop. The reserve for estimated losses is evaluated annually 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, 2018 and 2017, discounted at 1.25%, is as follows (in thousands):

	2018	2017
Estimated net present value of the liability for litigation and claims, beginning of year	$ 165,038	$ 180,266
Incurred new claims	57,717	25,084
Changes in estimate for claims of prior periods	7,356	(5,617)
Payments on claims	(40,899)	(34,695)
Estimated net present value of the liability for litigation and claims, end of year	$ 189,212	$ 165,038
Due within one year	$ 48,815	$ 47,522

12. Commitments and Contingencies (continued)

(a) Litigation and Claims (continued)

ii) Insured Claims $1.0 Million and Greater

Third Party Claims

As of June 30, 2018 and 2017, there were 10 and seven liability claims, respectively, with estimated losses greater than $1.0 million falling within the $5.0 million SIR.

Workers' Compensation

As of June 30, 2018 and 2017, there were six and seven, respectively, workers' compensation claims with estimated losses greater than $1.0 million, with an aggregate total of $8.4 million and $8.9 million, respectively.

Directors and Officers/Employment Practices Liability

As of June 30, 2018, the Authority had no claims pending with estimated losses exceeding the $1.0 million SIR.

iii) Uninsured Claims $1.0 Million and Greater

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

Rent expense for years ended June 30, 2018 and 2017 was $5.9 million and $4.5 million, respectively.

12. Commitments and Contingencies (continued)

(b) Operating Leases (continued)

The Authority's minimum future lease payments for non-cancelable operating leases, as of June 30, 2018 are as follows (in thousands):

		Total
Fiscal year:		
2019	$	5,798
2020		3,793
2021		2,661
2022		1,970
2023		979
2024–2025		125
	$	15,326

(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 2018 and 2017, 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, 2018 and 2017:

	Per Calculation Effective Date	Period Maturity Date	Monthly Notional Gallons	Annual Notional Gallons	Fair Value (in thousands)	
June 30, 2018	July 1, 2019	June 30, 2019	545,411 - 740,298	7,645,460	$	3,098
June 30, 2017	July 1, 2018	June 30, 2018	538,421 - 730,770	7,547,057	$	(1,169)

The Authority is exposed to credit risk when swap fair values are positive (deferred inflows). 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

As of June 30, 2018 and 2017, 82.0% and 82.1% of the Authority's labor force were covered by five labor contracts, all of which were expired and were either in arbitration or in negotiation.

As of June 30, 2018, accrued salaries and benefits on the Statements of Net Position included an estimated $23.3 million related to settlement of these expired contracts. No liabilities were accrued as of June 30, 2017.

(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, 2018 and 2017, respectively, the Authority had committed to expend $221.8 million and $47.1 million on future construction, capital improvement and other miscellaneous projects.

The Authority's federal grants are subject to review and audit by the grantor agencies. Construction and capital improvement costs funded with these resources are generally conditioned upon compliance with the terms and conditions of the grant agreements and federal regulations. Any disallowance of such costs is not expected to be material.

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. During fiscal year 2004, the Authority entered into a contract to sublease 48 railcars valued at $130.8 million and had a net book value of $78.8 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.

13. Tax Advantage Lease Agreements (continued)

(a) Historical Information (continued)

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.

(b) 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.

As of June 30, 2018, the Authority has terminated all of the original 16 lease agreements. Two of these terminations occurred during the fiscal year ended June 30, 2018, and one 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.
- On January 4, 2018 and on November 16, 2017, the Authority entered into agreements to terminate the two remaining lease agreements. In accordance with the provisions of the termination agreements, the Authority did not receive any proceeds or pay any legal fees. The Authority removed approximately $113.5 million of assets restricted for the prefunded tax advantage leases and approximately $113.5 million of obligations under tax advantage leases. The Authority recognized a gain totaling approximately $0.5 million, which was recorded as a capital contribution.

14. Subsequent Events

(a) Settlement of Labor Contracts

Local 2

The fiscal years 2012-2016 collective bargaining agreement between Local 2 and the Authority expired on June 30, 2016. On July 20, 2018, the Authority and Local 2 agreed to the terms of a new collective bargaining agreement for fiscal years 2017-2020, which included a 1.5% wage increase effective July 1, 2017. The Board approved the new collective bargaining agreement on September 27, 2018.

At June 30, 2018, the accrued salaries and benefits liability on the Statements of Net Position includes an estimated $1.6 million relating to the retroactive wage increases.

Local 689

The fiscal years 2012-2016 Collective Bargaining Agreement between Local 689 and the Authority expired on June 30, 2016. The Authority and Local 689 attempted to negotiate the terms of a new collective bargaining agreement for fiscal years 2017-2020. Negotiations were unsuccessful. Local 689 declared impasse and the dispute was submitted to binding interest arbitration. On August 14, 2018, the Arbitration Panel issued its Award, which included the Authority paying a 1.0% wage increase effective July 1, 2017 and paying out all unused, accumulated annual leave as of June 30, 2018. The Board approved the Award on September 27, 2018.

At June 30, 2018, the accrued salaries and benefits liability on the Statements of Net Position includes an estimated $6.7 million relating to the retroactive wage increase and $13.8 million relating to the annual leave payout.

15. Prior Period Adjustment

The Authority implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2016. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

In accordance with the provisions of GASB Statement No. 75, net position was restated to reflect the balance of the total OPEB liability and the deferred outflows of resources for contributions made after the measurement date, as of July 1, 2016. Other amounts adjusted as a result of the implementation of GASB Statement No. 75 at June 30, 2017 are as follows (in thousands):

June 30, 2017	Net Position, Beginning of Year	OPEB Liability	Deferred Outflows	Deferred Inflows
Balance, as previously reported	$ 10,525,069	$ 733,943	$ -	$ -
Adjustment due to implementation of GASB Statement No. 75	(1,223,707)	1,532,375	236,609	333,670
Balance, as restated	$ 9,301,362	$ 2,266,318	$ 236,609	$ 333,670

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

Exhibit 4 (continued)

WMATA Retirement Plan:	2018	2017	2016	2015
Total pension liability:				
Service cost	$ 1,670	$ 1,797	$ 1,953	$ 1,815
Interest	35,249	35,549	36,104	37,268
Changes of benefit terms	362	736	(1,102)	477
Differences between expected and actual experience	1,814	(1,710)	(5,072)	(2,896)
Changes of assumptions	-	-	-	53,908
Benefit payments, including refunds of employee contributions	(41,306)	(39,760)	(39,542)	(42,032)
Net change in total pension liability	(2,211)	(3,388)	(7,659)	48,540
Total pension liability – beginning	522,543	525,931	533,590	485,050
Total pension liability – ending	$ 520,332	$ 522,543	$ 525,931	$ 533,590
Plan fiduciary net position	$ 371,793	$ 350,582	$ 368,266	$ 373,806
Net pension liability	$ 148,539	$ 171,961	$ 157,665	$ 159,784
Plan fiduciary net position as a percentage of the total pension liability	71.45%	67.09%	70.02%	70.05%
Covered employee payroll	$ 17,899	$ 21,492	$ 23,265	$ 23,674
Net pension liability as a percentage of covered employee payroll	829.87%	800.12%	677.69%	674.93%

* Data reported for fiscal years 2018, 2017, 2016 and 2015 is based on the WMATA Retirement Plan's measurement dates of June 30, 2017, 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 Net Pension Liability — Exhibit 4
Last Ten Fiscal Years * — (continued)
(in thousands)

WMATA Transit Employees Retirement (Local 689) Plan:	**2018**	**2017**	**2016**	**2015**
Total pension liability:				
Service cost	$ 80,611	$ 78,200	$ 71,473	$ 66,090
Interest	272,852	260,365	251,235	234,275
Differences between expected and actual experience	6,783	(2,484)	(29,971)	66,534
Changes of assumptions	-	-	(13,395)	-
Benefit payments, including refunds of employee contributions	(183,562)	(171,814)	(159,466)	(146,158)
Net change in total pension liability	176,684	164,267	119,876	220,741
Total pension liability – beginning	3,537,657	3,373,390	3,253,514	3,032,773
Total pension liability – ending	$ 3,714,341	$ 3,537,657	$ 3,373,390	$ 3,253,514
Plan fiduciary net position	$ 3,054,428	$ 2,723,416	$ 2,742,009	$ 2,628,691
Net pension liability	$ 659,913	$ 814,241	$ 631,381	$ 624,823
Plan fiduciary net position as a percentage of the total pension liability	82.23%	76.98%	81.28%	80.80%
Covered employee payroll	$ 775,487	$ 762,642	$ 745,231	$ 710,331
Net pension liability as a percentage of covered employee payroll	85.10%	106.77%	84.72%	87.96%

* Data reported for fiscal years 2018, 2017, 2016 and 2015 is based on the Local 689 Plan's measurement dates of June 30, 2017, 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 Net Pension Liability — Exhibit 4 (continued)
Last Ten Fiscal Years *
(in thousands)

WMATA Transit Police Retirement Plan:	2018	2017	2016	2015
Total pension liability:				
Service cost	$ 7,949	$ 6,772	$ 6,094	$ 5,824
Interest	17,175	17,469	16,900	16,250
Differences between expected and actual experience	2,792	(2,221)	(2,726)	(1,415)
Changes of assumptions	17,870	3,802	-	-
Benefit payments, including refunds of employee contributions	(13,846)	(12,943)	(12,406)	(11,573)
Net change in total pension liability	31,940	12,879	7,862	9,086
Total pension liability – beginning	252,273	239,394	231,532	222,446
Total pension liability – ending	$ 284,213	$ 252,273	$ 239,394	$ 231,532
Plan fiduciary net position	$ 232,771	$ 195,624	$ 179,847	$ 186,746
Net pension liability	$ 51,442	$ 56,649	$ 59,547	$ 44,786
Plan fiduciary net position as a percentage of the total pension liability	81.90%	77.54%	75.13%	80.66%
Covered employee payroll	$ 35,853	$ 34,265	$ 34,122	$ 35,412
Net pension liability as a percentage of covered employee payroll	143.48%	165.33%	174.51%	126.47%

* Data reported for fiscal years 2018, 2017, 2016 and 2015 is based on the WMATA Transit Police Retirement Plan's measurement dates of December 31, 2017, 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.

* The salary improvement assumption was revised to be based on years of service rather than employee age. Salary improvement is assumed to be 7.0% for employees with under 10 years of services, 4.5% after 10 years of service, and 3.0% after 20 years of service.

* The administrative expense load assumption was updated from $180,000 to the average of actual annual expenses for the two years preceding the valuation date.

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

WMATA Retirement (Local 922) Plan:	2018	2017	2016	2015
Total pension liability:				
Service cost	$ 4,670	$ 4,493	$ 4,463	$ 4,767
Interest	15,553	14,717	13,757	12,832
Differences between expected and actual experience	3,400	347	213	-
Changes of assumptions	-	-	2,318	-
Benefit payments, including refunds of employee contributions	(8,159)	(7,438)	(6,809)	(6,092)
Net change in total pension liability	15,464	12,119	13,942	11,507
Total pension liability – beginning	221,526	209,407	195,465	183,958
Total pension liability – ending	$ 236,990	$ 221,526	$ 209,407	$ 195,465
Plan fiduciary net position	$ 218,397	$ 188,249	$ 177,626	$ 180,977
Net pension liability	$ 18,593	$ 33,277	$ 31,781	$ 14,488
Plan fiduciary net position as a percentage of the total pension liability	92.15%	84.98%	84.82%	92.59%
Covered employee payroll	$ 32,578	$ 31,066	$ 30,251	$ 32,324
Net pension liability as a percentage of covered employee payroll	57.07%	107.12%	105.06%	44.82%

* Data reported for fiscal years 2018, 2017, 2016 and 2015 is based on the Local 922 Plan's measurement dates of December 31, 2017, 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 Net Pension Liability — Exhibit 4
Last Ten Fiscal Years * — (concluded)
(in thousands)

WMATA Retirement (Local 2) Plan:	2018	2017	2016	2015
Total pension liability:				
Service cost	$ 464	$ 572	$ 676	$ 664
Interest	12,166	12,321	12,300	11,780
Changes in benefit terms	(348)	(699)	1,028	(446)
Differences between expected and actual experience	(577)	(1,952)	(2,115)	5,817
Changes of assumptions	-	-	-	10,168
Benefit payments, including refunds of member contributions	(12,702)	(11,689)	(11,324)	(11,153)
Net change in total pension liability	(997)	(1,447)	565	16,830
Total pension liability – beginning	168,107	169,554	168,989	152,159
Total pension liability – ending	$ 167,110	$ 168,107	$ 169,554	$ 168,989
Plan fiduciary net position	$ 146,241	$ 136,930	$ 142,326	$ 140,806
Net pension liability	$ 20,869	$ 31,177	$ 27,228	$ 28,183
Plan fiduciary net position as a percentage of the total pension liability	87.51%	81.45%	83.94%	83.32%
Covered employee payroll	$ 4,930	$ 7,290	$ 9,052	$ 9,954
Net pension liability as a percentage of covered employee payroll	423.31%	427.67%	300.80%	283.13%

See accompanying notes to the required supplementary information.

* Data reported for fiscal years 2018, 2017, 2016 and 2015 is based on the Local 2 Plan's measurement dates of June 30, 2017, 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 – Pension Plans *
Last Ten Fiscal Years
(in thousands)

	2018	2017	2016	2015	2014
WMATA Retirement Plan:					
Actuarially determined contribution	$ 20,778	$ 20,349	$ 19,877	$ 20,398	$ 20,585
Contributions in relation to the actuarially determined contribution	20,778	20,349	19,877	20,398	20,585
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	Not Available	$ 17,899	$ 21,492	$ 23,265	$ 23,674
Contributions as a percentage of covered-employee payroll	Not Available	113.69%	92.49%	87.68%	86.95%
WMATA Transit Employees' Retirement (Local 689) Plan:					
Actuarially determined contribution	$ 116,653	$ 118,975	$ 127,516	$ 136,075	$ 123,234
Contributions in relation to the actuarially determined contribution	116,653	118,975	127,516	136,075	123,234
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	Not Available	$ 775,487	$ 762,642	$ 745,231	$ 710,331
Contributions as a percentage of covered-employee payroll	Not Available	15.34%	16.72%	18.26%	17.35%
WMATA Transit Police Retirement Plan:					
Actuarially determined contribution	$ 12,501	$ 11,067	$ 9,263	$ 8,742	$ 8,594
Contributions in relation to the actuarially determined contribution	13,974	10,662	8,747	8,742	8,594
Contribution deficiency (excess)	$ (1,473)	$ 405	$ 516	$ -	$ -
Covered-employee payroll	$ 35,853	$ 34,485	$ 34,243	$ 35,412	$ 34,086
Contributions as a percentage of covered-employee payroll	38.98%	30.92%	25.54%	24.69%	25.21%

* 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 2018 was not available in the most recent actuarial valuations for the WMATA Retirement and Local 689 Plans.

Exhibit 5
(continued)

2013	2012	2011	2010	2009	
					WMATA Retirement Plan:
$ 19,998	$ 18,416	$ 17,884	$ 17,716	$ 16,177	Actuarially determined contribution
19,998	15,469	20,832	17,718	16,139	Contributions in relation to the actuarially determined contribution
$ -	$ 2,947	$ (2,948)	$ (2)	$ 38	Contribution deficiency (excess)
$ 25,327	$ 26,551	$ 27,200	$ 29,321	$ 31,343	Covered-employee payroll
78.96%	58.26%	76.59%	60.43%	51.49%	Contributions as a percentage of covered-employee payroll
					WMATA Transit Employees' Retirement (Local 689) Plan:
$ 95,552	$ 71,717	$ 56,721	$ 48,386	$ 33,231	Actuarially determined contribution
99,581	72,149	61,129	48,440	30,280	Contributions in relation to the actuarial determined contribution
$ (4,029)	$ (432)	$ (4,408)	$ (54)	$ 2,951	Contribution deficiency (excess)
$ 634,996	$ 578,278	$ 557,491	$ 547,005	$ 532,313	Covered-employee payroll
15.68%	12.48%	10.97%	8.86%	5.69%	Contributions as a percentage of covered-employee payroll
					WMATA Transit Police Retirement Plan:
$ 7,944	$ 7,954	$ 7,843	$ 7,503	$ 5,422	Actuarially determined contribution
7,944	7,954	7,843	7,503	5,422	Contributions in relation to the actuarially determined contribution
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 32,976	$ 30,351	$ 31,507	$ 31,083	$ 28,017	Covered-employee payroll
24.09%	26.21%	24.89%	24.14%	19.35%	Contributions as a percentage of covered-employee payroll

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

	2018	2017	2016	2015	2014
WMATA Local 922 Retirement Plan:					
Actuarially determined contribution	$ 6,487	$ 6,318	$ 5,694	$ 5,194	$ 6,920
Contributions in relation to the actuarially determined contribution	7,832	5,430	5,558	5,194	6,920
Contribution deficiency (excess)	$ (1,345)	$ 888	$ 136	$ -	$ -
Covered-employee payroll	$ 31,915	$ 32,578	$ 31,066	$ 30,251	$ 32,324
Contributions as a percentage of covered-employee payroll	24.54%	16.67%	17.89%	17.17%	21.41%
WMATA Local 2 Retirement Plan:					
Actuarially determined contribution	$ 4,700	$ 4,748	$ 4,824	$ 5,156	$ 4,758
Contributions in relation to the actuarially determined contribution	4,700	4,748	4,824	5,156	4,758
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	Not Available	$ 4,930	$ 7,290	$ 9,052	$ 9,954
Contributions as a percentage of covered-employee payroll	Not Available	96.31%	66.17%	56.96%	47.80%

See accompanying notes to the required supplementary information.

* 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 2018 was not available in the most recent actuarial valuation for the Local 2 Plan.

Exhibit 5
(concluded)

2013	2012	2011	2010	2009	
					WMATA Local 922 Retirement Plan:
$ 5,583	$ 6,203	$ 5,363	$ 5,868	$ 4,127	Actuarially determined contribution
5,583	6,203	5,363	5,868	4,127	Contributions in relation to the actuarially determined contribution
$ -	$ -	$ -	$ -	$ -	Contribution deficiency (excess)
$ 29,593	$ 27,065	$ 26,543	$ 25,400	$ 25,498	Covered-employee payroll
18.87%	22.92%	20.20%	23.10%	16.19%	Contributions as a percentage of covered-employee payroll
					WMATA Local 2 Retirement Plan:
$ 4,822	$ 4,966	$ 5,103	$ 5,456	$ 4,982	Actuarially determined contribution
4,822	4,093	5,975	5,456	4,968	Contributions in relation to the actuarially determined contribution
$ -	$ 873	$ (872)	$ -	$ 14	Contribution deficiency (excess)
$ 10,583	$ 11,521	$ 12,852	$ 13,764	$ 14,933	Covered-employee payroll
45.56%	35.53%	46.49%	39.64%	33.27%	Contributions as a percentage of covered-employee payroll

Schedule of Changes in Total OPEB Liability — Exhibit 6
Last Ten Fiscal Years *
(in thousands)

WMATA Healthcare Plan:	2018	2017
Total OPEB liability:		
Service cost	$ 74,229	$ 54,562
Interest	66,012	72,064
Changes of benefit terms	(58,194)	-
Differences between expected and actual experience	182,842	348,360
Changes of assumptions	(333,670)	-
Benefit payments	(48,988)	(51,337)
Net change in total OPEB liability	(117,769)	423,649
Total OPEB liability – beginning	2,266,318	1,842,669
Total OPEB liability – ending	$ 2,148,549	$ 2,266,318
Covered employee payroll	$ 558,000	$ 627,000
Total OPEB liability as a percentage of covered employee payroll	385.04%	361.45%

See accompanying notes to the required supplementary information.

* Data reported for fiscal years 2018 and 2017 is based on the WMATA Healthcare Plan's measurement dates of June 30, 2017 and 2016, respectively. Changes in the total OPEB liability for the fiscal years prior to 2017, or prior to the measurement date of June 30, 2016, were not available and accordingly, not included in the schedule.

* Local 689 and Local 2 employees hired on or after January 1, 2010, and Non-represented employees hired on or after January 1, 2017 are not entitled to retiree health benefits and therefore, are not included in the covered employee payroll as of July 1, 2017.

Schedule of Employer Required Contributions – Teamsters Local 922 Employers Health Trust Last Ten Fiscal Years * Exhibit 7

Fiscal Year Ending	Required Contribution	
June 30, 2018	$	413,600
June 30, 2017	$	300,800

See accompanying notes to the required supplementary information.

* Employer contributions for fiscal years prior to 2017 were not available and therefore not included in the schedule.

Notes to the Required Supplementary Information

1. Pension Plans

Ten-year historical trend information of the pension plans are presented as required supplementary information. This information is intended to help users assess each plan's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and enhance the comparability of the information with other pension plans. This information is reported as of the measurement date.

Analysis of the dollar amounts of plan fiduciary net position, total pension liability, and net pension liability in isolation can be misleading. Expressing plan net position as a percentage of the total pension liability provides one indication of each system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the system.

Trends in the net pension liability and covered employee payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered employee payroll approximately adjusts for the effects of inflation and aids in the analysis of the systems' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage is, the stronger the system.

Additional information pertaining to the retirement systems can be found in Note 10 to the basic financial statements.

(a) Schedule of Changes in Net Pension Liability

The Schedule of Changes in Net Pension Liability and related ratios illustrates whether each plan's net position is increasing or decreasing over time relative to the total pension liability and the net pension liability as it relates to covered employee payroll.

This schedule is intended to show information for 10 years. The changes in the net pension liability for years prior to the fiscal year ending June 30, 2015 were not available and accordingly, were not included in the schedule. Additional years will be displayed as they become available.

(b) Schedule of Employer Contributions – Pension Plans

The Schedule of Employer Contributions provides the actuarially determined contribution for each plan. The actuarially determined contribution rates are calculated as of the respective plans' fiscal year end, one year prior to the beginning of the fiscal year in which contributions are reported. For example, the Authority's actuarially determined contribution for the fiscal year ending June 30, 2018 is based on the July 1, 2017 funding valuation provided by the Authority's actuary.

On the following pages are the significant assumptions used to determine the actuarially determined contributions for each defined benefit single employer pension plan.

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (continued)

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
2018	7/1/2017	Entry age	Smoothed market	Level dollar	14 years open	7.00%	2.50%	3.00% to 6.30%
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%

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

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (continued)

Local 689 Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Assumed Rate of Return	Inflation Rate	Salary Increases
2018	1/1/2017	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	2.50%	3.00% to 3.50%
2017	1/1/2016	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	2.50%	3.00% to 3.50%
2016	1/1/2015	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	2.50%	3.00% to 3.50%
2015	1/1/2014	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	3.00%	3.50%
2014	1/1/2013	Aggregate Cost	Smoothed market	Not Available	Not Available	7.90%	3.00%	3.50%
2013	1/1/2012	Aggregate Cost	5-yr assumed yield	Not Available	Not Available	7.90%	3.00%	3.50%
2012	1/1/2011	Aggregate Cost	3-yr assumed yield	Not Available	Not Available	7.90%	3.00%	3.50%
2011	1/1/2010	Aggregate Cost	3-yr assumed yield	Not Available	Not Available	8.00%	3.00%	3.50%
2010	1/1/2009	Aggregate Cost	3-yr assumed yield	Not Available	Not Available	8.00%	3.00%	3.50%
2009	1/1/2008	Aggregate Cost	3-yr assumed yield	Not Available	Not Available	8.00%	3.00%	3.50%

The mortality table used for fiscal year 2018 was the RP2014 Blue Collar Projected with Scale MP 2015. 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.

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (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
2018	1/1/2018	Aggregate Cost	Smoothed market	Level percentage of payroll	5 years	7.00%	2.50%	3.00% to 7.00%
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	Not Available	Not Available	8.00%	3.00%	4.75% to 9.0%
2013	1/1/2012	Aggregate Cost	Smoothed market	Not Available	Not Available	7.50%	2.50%	4.75% to 9.0%
2012	1/2/2011	Aggregate Cost	Smoothed market	Not Available	Not Available	8.00%	2.50%	4.75% to 9.0%
2011	1/1/2010	Aggregate Cost	Smoothed market	Not Available	Not Available	8.00%	2.50%	4.75% to 9.0%
2010	1/1/2009	Aggregate Cost	Smoothed market	Not Available	Not Available	8.00%	2.50%	4.75% to 9.0%
2009	1/1/2008	Aggregate Cost	Smoothed market	Not Available	Not Available	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.

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (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
2018	1/1/2018	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.0% to 4.5%
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%

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.

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (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
2018	7/1/2017	Entry age	Smoothed market	Level dollar	9 years open	7.50%	2.50%	3.00% to 6.30%
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%

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.

2. Other Postemployment Benefits (OPEB)

Ten-year historical trend information is presented as required supplementary information for the Authority's OPEB plans. Additional information pertaining to the OPEB plans can be found in Note 11 to the basic financial statements.

(a) Schedule of Changes in Total OPEB Liability – WMATA Healthcare Plan

The data reported in the Schedule of Changes in the Total OPEB Liability for the WMATA Healthcare Plan for the Authority's fiscal years ending June 30, 2018 and 2017 are based upon the measurement dates of June 30, 2017 and 2016, respectively. The changes in the assumptions during the fiscal year ended June 30, 2018 reflect the changes in the discount rate, which was increased from 2.85% to 3.58%. The changes in the benefit terms during the fiscal year ended June 30, 2018 reflect reduction in coverage for the Local 2 and non-represented employees from 80% to 75%.

This schedule is intended to show information for 10 years. The changes in the total OPEB liability for years prior to the fiscal year ending June 30, 2017 were not available and accordingly, were not included in the schedule. Additional years will be displayed as they become available.

(b) Schedule of Employer Required Contributions – Teamsters Local 922 Employers Health Trust

The data reported in the Schedule of Employer Required Contributions consists of the total amount of contributions the Authority makes to the Teamsters Local 922 Employers Health Trust for retirees during the Authority's respective fiscal year-end. The Authority is required to make a fixed contribution per retiree in accordance with the collective bargaining agreement, which has been $800 per retiree per month for the last ten fiscal years.

This schedule is intended to show information for 10 years. The employer required contributions for years prior to the fiscal years ending June 30, 2017 were not available and accordingly, were not included in the schedule. Additional years will be displayed as they become available.

SECTION THREE - STATISTICAL

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)

	2018	2017 [1]	2016	2015	2014
Net investment in capital assets	$ 11,327,174	$ 11,610,645	$ 11,573,665	$ 11,135,124	$ 8,211,764
Restricted	2,600	17,900	17,900	30,404	195,842
Unrestricted	(2,581,291)	(2,906,625)	(1,066,496)	(946,020)	(475,900)
Total net position	$ 8,748,483	$ 8,721,920	$ 10,525,069	$ 10,219,508	$ 7,931,706

[1] Fiscal year 2017 unrestricted net position was restated due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Source: The Authority's fiscal years 2009 – 2018 Comprehensive Annual Financial Reports (CAFRs).

Exhibit 8
(concluded)

2013	2012	2011	2010	2009	
$ 8,088,386	$ 8,377,565	$ 8,360,891	$ 7,982,687	$ 7,755,314	Net investment in capital assets
273,671	88,641	177,228	144,700	180,708	Restricted
(326,221)	(390,381)	(160,554)	(57,434)	12,373	Unrestricted
$ 8,035,836	$ 8,075,825	$ 8,377,565	$ 8,069,953	$ 7,948,395	Total net position

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

	2018	2017 [1]	2016	2015	2014
Operating revenues	$ 800,523	$ 788,813	$ 859,165	$ 898,644	$ 854,580
Nonoperating revenues	14,400	19,202	18,532	32,446	35,870
Total revenues	814,923	808,015	877,697	931,090	890,450
Operating expenses	2,772,642	3,162,623	2,629,972	2,547,881	2,337,911
Nonoperating expenses	53,339	21,586	23,886	27,160	34,566
Total expenses	2,825,981	3,184,209	2,653,858	2,575,041	2,372,477
Jurisdictional subsidies, capital grants, and capital subsidies	2,037,621	1,796,752	2,081,722	4,977,864	1,377,897
Increase (decrease) in net position	$ 26,563	$ (579,442)	$ 305,561	$ 3,333,913	$ (104,130)

[1] Certain reclassifications were made to the fiscal year 2017 financial statement to conform to the fiscal year 2018 financial statement presentation.

Source: The Authority's fiscal years 2009 – 2018 CAFRs.

Exhibit 9
(concluded)

2013	2012	2011	2010	2009	
$ 856,829	$ 816,670	$ 804,504	$ 727,832	$ 745,303	Operating revenues
50,054	55,003	54,964	76,013	74,924	Nonoperating revenues
906,883	871,673	859,468	803,845	820,227	Total revenues
2,290,062	2,122,748	2,079,881	2,004,945	1,905,047	Operating expenses
48,050	51,377	56,390	59,694	61,473	Nonoperating expenses
2,338,112	2,174,125	2,136,271	2,064,639	1,966,520	Total expenses
1,391,240	1,000,712	1,584,415	1,382,352	1,239,844	Jurisdictional subsidies, capital grants, and capital subsidies
$ (39,989)	$ (301,740)	$ 307,612	$ 121,558	$ 93,551	Increase (decrease) in net position

Revenue Base
Last Ten Fiscal Years
(in thousands)

	2018	2017 [1]	2016	2015	2014
Operating revenues:					
Passenger revenue	$ 753,699	$ 741,044	$ 809,407	$ 854,392	$ 811,628
Charter and contract revenue	-	-	-	-	-
Advertising revenue	22,590	21,926	22,792	22,422	19,846
Rental revenue	23,994	25,601	26,722	21,601	22,826
Other revenue	240	242	244	229	280
Total operating revenues	800,523	788,813	859,165	898,644	854,580
Nonoperating revenues:					
Investment income (loss)	1,827	(98)	224	769	585
Interest income from leasing transactions	2,049	5,206	10,621	11,407	19,053
Other	10,524	14,094	7,687	20,270	16,232
Total nonoperating revenues	14,400	19,202	18,532	32,446	35,870
Total revenues	$ 814,923	$ 808,015	$ 877,697	$ 931,090	$ 890,450

1 Certain reclassifications were made to the fiscal year 2017 financial statement to conform to the fiscal year 2018 financial statement presentation.

Source: The Authority's fiscal years 2009 – 2018 CAFRs.

Exhibit 10
(concluded)

2013	2012	2011	2010	2009	
					Operating revenues:
$ 817,615	$ 777,528	$ 763,900	$ 660,319	$ 683,302	Passenger revenue
-	-	-	-	255	Charter and contract revenue
16,732	18,284	17,518	42,104	38,319	Advertising revenue
22,246	20,604	22,335	24,161	22,179	Rental revenue
236	254	751	1,248	1,248	Other revenue
856,829	816,670	804,504	727,832	745,303	Total operating revenues
					Nonoperating revenues:
818	1,309	1,377	1,578	2,494	Investment (loss) income
32,936	34,882	38,452	40,114	52,430	Interest income from leasing transactions
16,300	18,812	15,135	34,321	20,000	Other
50,054	55,003	54,964	76,013	74,924	Total nonoperating revenues
$ 906,883	$ 871,673	$ 859,468	$ 803,845	$ 820,227	Total revenues

Passenger Fare Structure
Last Ten Fiscal Years

Exhibit 11
(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	
2018 [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 [2]	$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	

Passenger Fare Structure
Last Ten Fiscal Years

Exhibit 11
(concluded)

	Metrobus Peak/Off Peak			Metrorail					
				Peak			Off Peak		
Fiscal Year	DC Base	MD Base	VA Base	Boarding Charge	Each Additional Composite Mile		Boarding Charge		Each Additional Composite Mile
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
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

[1] Tariff No. 38 of the Washington Metropolitan Area Transit Authority effective February 5, 2018.

[2] 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 Outstanding Debt By Type
Last Ten Fiscal Years
(in thousands)

	2018	2017	2016	2015	2014
Transit bonds	$ 1,067,819	$ 483,641	$ 498,878	$ 274,087	$ 287,755
Tax advantage leases	-	152,081	258,649	273,054	296,973
Total debt [1]	$ 1,067,819	$ 635,722	$ 757,527	$ 547,141	$ 584,728
Total personal income	$ 409,203,181	$ 409,203,181	$ 396,039,729	$ 376,576,397	$ 362,272,713
Outstanding debt ratio	0.3%	0.2%	0.2%	0.1%	0.2%
Service area population	6,217	6,151	6,092	6,030	5,963
Outstanding debt per capita	$ 172	$ 103	$ 124	$ 91	$ 98
Total annual unlinked passenger trips	351,246	352,546	379,142	405,267	406,063
Total debt ratio as a percentage of annual unlinked passenger trips	304.0%	180.3%	199.8%	135.0%	144.0%

[1] Details regarding the Authority's outstanding debt can be found in note 9 to the basic financial statements.

Source:

- Total debt: The Authority's fiscal years 2009 – 2018 CAFRs.
- Total personal income: U.S. Bureau of Economic Analysis. Total personal income information for the fiscal years 2010 – 2016 are based on 2009 – 2015 data, and fiscal years 2017 – 2018 are based on 2016 latest available data updated November 2017.
- Service area population: U.S. Census Bureau, Population Division. Estimates for 2011 – 2018 reflect midyear population estimates as of July 1, 2010 – 2017 available as of March 2018.
- Total annual unlinked passenger trips: Exhibit 17, Operating Indicators in the statistical section.

Exhibit 12
(concluded)

2013	2012	2011	2010	2009	
$ 309,104	$ 337,847	$ 370,589	$ 406,935	$ 435,871	Transit bonds
427,955	523,580	576,644	670,754	840,118	Tax advantage leases
$ 737,059	$ 861,427	$ 947,233	$ 1,077,689	$ 1,275,989	Total debt [1]
$ 366,884,692	$ 352,431,040	$ 329,497,452	$ 314,320,686	$ 318,718,599	Total personal income
0.2%	0.2%	0.3%	0.3%	0.4%	Outstanding debt ratio
5,872	5,776	5,666	5,548	5,445	Service area population
$ 126	$ 149	$ 167	$ 194	$ 234	Outstanding debt per capita
407,927	418,279	414,046	413,529	432,739	Total annual unlinked passenger trips
180.7%	205.9%	228.8%	260.6%	294.9%	Total debt ratio as a percentage of annual unlinked passenger trips

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

	2018	2017 [1]	2016	2015	2014
Pledged Revenues					
Operating revenues	$ 758,081	$ 747,409	$ 814,126	$ 852,131	$ 807,966
Other	12,351	13,996	7,911	21,039	16,817
Jurisdictional operating subsidies	992,196	891,548	895,973	826,096	743,875
Total pledged revenue	$ 1,762,628	$ 1,652,953	$ 1,718,010	$ 1,699,266	$ 1,568,658
Debt Service Requirements					
Principal - revenue bonds	$ 58,690	$ 8,285	$ 7,900	$ 13,240	$ 20,335
Interest payments	43,655	23,485	14,854	12,748	14,764
Net debt service	$ 102,345	$ 31,770	$ 22,754	$ 25,988	$ 35,099

[1] Certain reclassifications were made to the fiscal year 2017 financial statement to conform to the fiscal year 2018 financial statement presentation.

Source: The Authority's fiscal years 2009 – 2018 CAFRs.

Exhibit 13
(concluded)

2013	2012	2011	2010	2009	
					Pledged Revenues
$ 811,189	$ 771,116	$ 761,207	$ 682,243	$ 697,885	Operating revenues
17,118	20,121	16,512	35,899	22,494	Other
711,103	680,385	679,880	682,545	654,293	Jurisdictional operating subsidies
$ 1,539,410	$ 1,471,622	$ 1,457,599	$ 1,400,687	$ 1,374,672	Total pledged revenue
					Debt Service Requirements
$ 27,360	$ 31,210	$ 34,705	27,815	$ 26,380	Principal - revenue bonds
15,113	16,495	17,938	19,580	7,244	Interest payments
$ 42,473	$ 47,705	$ 52,643	$ 47,395	$ 33,624	Net debt service

Demographic and Economic Statistics **Exhibit 14**
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate
2018	6,217	$ 409,203,181	$ 66	3.7%
2017	6,151	$ 409,203,181	$ 67	3.9%
2016	6,092	$ 396,039,729	$ 65	4.1%
2015	6,030	$ 376,576,397	$ 62	4.7%
2014	5,963	$ 362,272,713	$ 61	5.3%
2013	5,872	$ 366,884,692	$ 62	6.0%
2012	5,776	$ 352,431,040	$ 61	6.1%
2011	5,666	$ 329,497,452	$ 58	6.5%
2010	5,548	$ 314,320,686	$ 57	6.5%
2009	5,445	$ 318,718,599	$ 59	6.3%

Source:

- Population: U.S. Census Bureau, Population Division. Estimates for 2011 – 2018 reflect midyear population estimates as of July 1, 2010 – 2017 available as of March 2018.

- Total personal income: U.S. Bureau of Economic Analysis. Total personal income information for the fiscal years 2010 – 2016 are based on 2009 – 2015 data, and fiscal years 2017 – 2018 are based on 2016 latest available data updated November 2017.

- Unemployment rate: U.S. Bureau of Labor Statistics. Unemployment rates are as of June 30 of the indicated fiscal years.

Major Private Employers
Current Fiscal Year and Nine Years Ago

Exhibit 15

	2018			2009		
Employer	**Rank**	**Area Employees**	**Percentage of Total Employment**	**Rank**	**Area Employees**	**Percentage of Total Employment**
MedStar Health	1	17,419	0.5%			
Marriott International Inc.	2	16,773	0.5%			
Inova Health System	3	16,000	0.5%			
Booz Allen Hamilton Inc.	4	15,210	0.5%			
Giant Food LLC	5	10,751	0.3%			
Deloitte LLP and subsidiaries	6	9,530	0.3%			
CSRA Inc.	7	9,053	0.3%			
Leidos Holdings Inc.	8	9,013	0.3%			
Verizon Communications Inc.	9	8,300	0.2%			
Hilton Worldwide Holdings Inc.	10	8,243	0.2%			
McDonald's Corp.				1	33,050	1.1%
Northrop Grumman Corp.				2	20,700	0.7%
Science Applications International Corp.				3	17,425	0.6%
Verizon Communications Inc.				4	16,100	0.6%
Safeway				5	11,500	0.4%
Ahold USA				6	11,452	0.4%
Wal-Mart Stores Inc.				7	10,602	0.4%
Macy's				8	8,000	0.3%
Citigroup				9	7,700	0.3%
United Parcel Service				10	5,185	0.2%
		120,292	3.6%		141,714	5.0%

Source:

- Washington Business Journal, Book of Lists 2018 - Largest Employers — Ranked by Nonfederal Public and Private Metro-Area Employees in 2017, Volume 36, Issue 35.
- Washingtonpost.com - 2009 Post 200 Top DC-Area Employers.

Authorized Employee Positions
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Non-Represented [1]	2,205	2,339	2,286	2,233	2,124
Office & Professional Employees International Union, Local - 2, American Federation of Labor-Congress of Industrial Organizations	1,102	1,229	1,210	1,137	1,028
International Brotherhood of Teamsters, Local - 639	121	138	138	136	165
Amalgamated Transit Union, Local - 689	8,038	8,562	8,591	8,603	8,593
International Brotherhood of Teamsters, Local - 922	378	379	374	382	383
Faternal Order of Police, Transit Police	388	385	396	414	396
Total Authority Positions	12,232	13,032	12,995	12,905	12,689

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

Source:

- The Authority's fiscal year 2009 Approved Budget.
- The Authority's Office of Management and Budget Services for fiscal years 2010 — 2018.

Exhibit 16
(concluded)

2013	2012	2011	2010	2009	
2,012	1,814	1,650	1,633	1,718	Non-Represented [1]
980	879	740	730	771	Office & Professional Employees International Union, Local - 2, American Federation of Labor-Congress of Industrial Organizations
164	126	126	102	89	International Brotherhood of Teamsters, Local - 639
8,408	7,768	7,731	7,650	7,911	Amalgamated Transit Union, Local - 689
378	375	370	370	367	International Brotherhood of Teamsters, Local - 922
390	357	357	368	376	Faternal Order of Police, Transit Police
12,332	11,319	10,974	10,853	11,232	Total Authority Positions

Operating Indicators
Last Ten Fiscal Years

Exhibit 17
(continued)

Fiscal Year	Vehicle Operated In Maximum Service	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Unlinked Passenger Trips	Passenger Miles Traveled
2018 [1]					
Metrobus	1,278	37,061,070	3,767,231	119,681,096	366,498,831
Metrorail	888	81,751,483	3,537,625	229,233,254	1,314,002,629
MetroAccess	962	21,830,112	2,189,461	2,331,185	25,618,933
Total	3,128	140,642,665	9,494,317	351,245,535	1,706,120,393
2017 [2]					
Metrobus	1,290	40,026,923	3,949,021	123,124,352	369,020,804
Metrorail	954	78,379,605	3,208,614	227,053,037	1,326,262,650
MetroAccess	885	21,330,012	2,037,988	2,368,549	22,768,393
Total	3,129	139,736,540	9,195,623	352,545,938	1,718,051,847
2016					
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

Operating Indicators
Last Ten Fiscal Years

Exhibit 17
(concluded)

Fiscal Year	Vehicle Operated In Maximum Service	Annual Vehicle Revenue Miles	Annual Vehicle Revenue Hours	Annual Unlinked Passenger Trips	Passenger Miles Traveled
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
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

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

Transfer Station
Station in Service
Under Construction
Full-Time Service
Service operates Monday-Friday 10:00am - 3:00pm 7:30pm - Close All day Saturday & Sunday

♿ 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

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