marta | METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Comprehensive Annual Financial Report

Year Ended June 30, 2011 • Atlanta, Georgia

marta | METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Comprehensive Annual Financial Report

Year Ended June 30, 2011

Prepared by the Department of Finance
Davis Allen, Assistant General Manager/CFO

2424 Piedmont Road, NE, Atlanta, Georgia 30324

www.itsmarta.com 404-848-5000 TTY: 404-848-5665 Accessible Format: 404-848-4037

Table of Contents

Table of Contents

Introductory Section

2424 Piedmont Rd., N.E.
Atlanta, GA 30324-3330
404-848-5000

March 12, 2012

Board of Directors
Metropolitan Atlanta Rapid Transit Authority

Ladies and Gentlemen:

We are pleased to respectfully submit the Metropolitan Atlanta Rapid Transit Authority's (MARTA's) 18th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 to the MARTA Board of Directors, the citizens of this area and all interested in its financial condition. MARTA is a public body corporate and joint public instrumentality of the City of Atlanta and the counties of Fulton, DeKalb, Cobb, Clayton and Gwinnett by action of the General Assembly of the State of Georgia for the purposes of planning, constructing, financing and operating a public transportation system. This report is published to fulfill the financial reporting requirements of the MARTA Act.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MARTA for its CAFR for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

This endeavor is our continued commitment to MARTA's Standard of Excellence and this report consists of management's representations concerning the financial position of MARTA. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of MARTA has established a comprehensive internal control framework that is designed both to protect MARTA's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of MARTA's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, MARTA'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. As management, we assert that, to the best of our knowledge and belief, the financial report is complete and reliable in all material respects. Overall, the CAFR is presented in four sections: introductory, financial, statistical, and single audit.

The goal of an independent audit is to provide reasonable assurance that the financial statements of MARTA for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that MARTA's financial statements for the fiscal year ended June 30, 2011 are presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

MARTA is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this single audit is included in the Single Audit Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A which can be found immediately following the report of the independent auditors in the Financial Section of this report.

ORGANIZATION AND MANAGEMENT

The government of MARTA is vested in a Board of Directors (the Board) previously composed of 18 members until House Bill 277 terminated the Board of Directors on December 31, 2010 and reconstituted eleven voting members and one non-voting member. Three members are appointed by Fulton County, four members by DeKalb County, three members by the City of Atlanta In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority (non-voting) serve as ex officio members of the Board.

The administration of MARTA is directed by the General Manager/CEO who is appointed by the Board. A listing of the members of the Board of Directors and General Manager/CEO and Executive Staff is presented in the Introductory Section. An organizational chart is also included.

THE RAPID TRANSIT SYSTEM

The Metropolitan Rapid Transit Plan (the Plan), an engineering report summarizing the Comprehensive Transit Plan for the Atlanta Metropolitan Area, was adopted by the MARTA Board on August 9, 1971, and structured the development of the Rapid Rail System (System). The major components of the System, as presently described in the Plan, are a fixed-rail system and a bus system providing both local and express bus services.

Rail

MARTA's rail system consists of 47.6 miles of operational double track and 38 fully functioning stations. The fixed rail system, which consists of steel-wheel trains, operates at speeds up to 70 M.P.H. on steel rails using an electrified "third rail" as the power source. The rail transit system consists of 318 air-conditioned vehicles operating as any combination of two vehicle trains, up to a maximum of eight vehicle trains.

The rail system has lines running in east-west and north-south directions. The main lines intersect at the Five Points Station, located in Atlanta's Downtown Business District. The design and construction of the fixed-rail system are divided into phases. Phases A, B, C, D and E are complete and in full revenue service. The last segment, Phase E, added three stations and extended the rail system an additional 3.3 miles. The Dunwoody station was placed in revenue service in 1996, while the Sandy Springs and North Springs stations were completed in December 2000. Phase E also added 56 vehicles to the fleet. Currently, the fleet consists of 100 CQ312 BREDA vehicles, 120 CQ311 vehicles and 98 CQ310 vehicles. The rail vehicle rehabilitation program, now complete, overhauled 218 CQ310 and CQ311 vehicles.

Bus

The Atlanta Transit System, Inc., a privately owned bus company, was acquired in February, 1972, by MARTA to provide extensive bus transportation services throughout Fulton and DeKalb and a small portion of Cobb, Clayton, and Gwinnett Counties. MARTA's bus fleet and facilities consists of 531 diesel and compressed natural gas buses; a heavy maintenance facility and three operating garages; several park-and-ride lots and an extensive system of patron bus shelters and stops. MARTA operates 92 different bus routes providing approximately 27.0 million annual vehicle miles.

Mobility
MARTA Mobility is for persons with disabilities who are unable to negotiate the MARTA fixed route system for some or all of their travel. Passengers must be certified as eligible through a two-part application (client and health care provider). Trips can be delivered curb-to-curb within ¾ mile of MARTA fixed route service in Fulton and DeKalb counties. Mobility services outside of the MARTA service area will be governed by intergovernmental agreement and adhere to federal guidelines. MARTA maintains a fleet size of 172 Lift Vans and 15 Sedans from a designated operating facility to provide this service which is offered during the same hours and days as the regular bus and rail service.

Budget
MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. Budgets are allocated to monthly spending levels and a monthly Budget Performance Report is prepared. The monthly Budget Performance Report analyzes expenditures by office relative to monthly and total budgets, and revenues anticipated for the reporting period. For 2011, the Authority had an approved budget of $725.1 million with $404.3 million allocated to operating expenses and $320.8 million allocated to the capital improvement program and debt service expenses.

FINANCIAL RESULTS
For 2011, MARTA's total net assets were $1.682 billion. Net assets decreased by $167 million from the previous fiscal year when net assets were $1.849 billion. Details to all financial results can be found in the accompanying Management's Discussion and Analysis, financial statements and associated notes.

ECONOMIC CONDITION AND OUTLOOK
In his Forecast of the Nations dated August 2011, Dr. Rajeev Dhawan indicates that real GDP Growth continues to slow, and while not technically entering a new recession, there will be a quarter of subpar growth over the next 12-18 months. The crisis in Europe and political dysfunction on the home front are keeping investments in small businesses at a sub-par level. Over the last twelve months, consumers responded to the stimuli from the Federal Government and retailers. Unfortunately, these incentives were not sustainable. It is anticipated that the cycle of price cuts and demand will begin again and may go through several cycles before fully taking hold.

For Georgia and Atlanta, Dr. Dhawan's prognosis for the coming 12 to 18 months shows gradual to moderate recovery. Employment numbers for 2011 did not increase in the Atlanta region. Slow growth of .9% is anticipated in 2012. Personal income is expected to rise by 2.8% in 2012. Bank failures coupled with high unemployment and the plunge in the housing market has bled Georgia's economy so dry that any moderate recovery will be delayed until late 2012.

The state and local governments will see good levels of total tax collections for 2012, but not in the magnitude of the 7.8% increase in 2011. MARTA is currently seeing slight growth in tax collections as compared to prior year collections but slightly lower than forecasts for fiscal year 2012.

For more detailed information, please refer to the MD&A in the Financial Section of this report.

Debt Administration
As of June 30, 2011, MARTA had a total of $1,589,205,000 bonds outstanding and issued under three debt indentures. Bonds issued under the first indenture bear credit ratings of Aa2 by Moody's Investors Service and AAA by Standard & Poor's; bonds issued under the second and third indentures bear underlying ratings of Aa2/Aa3 by Moody's and AA+ by Standard & Poor's. During FY 2009 MARTA issued an additional $75,000,000 in commercial paper bond anticipation notes increasing the aggregate amount of commercial paper issued to $225,000,000. The notes bear underlying ratings of P-1 by Moody's and A-1 by Standard & Poor's.

Legally, MARTA's estimated sales tax receipts must be at least twice the total debt service. The debt ratio for fiscal year 2011 was 2.43. MARTA's Board has placed an additional restriction on the debt service coverage requirement, limiting the maximum estimated annual debt service to no more than 45% of the corresponding year's estimated sale tax receipts. The debt service percentage for fiscal year 2011 was 41.2%.

Major Initiatives

MARTA's major initiatives are in keeping with MARTA's proud tradition of environmental stewardship. MARTA adopted a sustainability policy that supports "green" awareness and reduces the Authority's environmental footprint. As part of this effort, MARTA concentrates on its significant contribution to improve the environment and our quality of life in the region.

- MARTA was recognized as a pioneer and Industry Leader and was awarded Lifetime Appreciation Award by the Department of Energy. MARTA initiated Research and Development with the first set of specifications for CNG buses and helped lead the way for the CNG industry nationwide. MARTA was the first transit agency to procure a low-floor CNG bus in 1995. MARTA helped the industry's technology development as a testing & evolution partner since 1996. Many countries continue sending their delegates to MARTA to learn about CNG technology. MARTA's state-of-the-art Compressed Natural Gas bus fleet saves 7,000,000 gallons of equivalent petroleum each year. Due to lower carbon dioxide and nitrogen oxides emissions, CNG buses help mitigate greenhouse gas emissions.

- MARTA washes water with carbon. MARTA has hundreds of buses and rail cars. It is important to keep them washed and looking good, but that takes a lot of water. MARTA uses 200 gallons to wash a single bus, and 1500 gallons to wash a 6-car train. But MARTA does not let the precious water go down the drain. MARTA captures the wash water and washes the water with carbon filters. The filters removed dirt, impurities, and chemicals. Then new chemicals are added to the reclaimed water and it's ready to be used again, and again, and again. MARTA reclaims up to 90% of the water. The other 10% is lost during the reclamation process.

- MARTA's new Buckhead Station North Entrance & Bridge project is designed to meet Leadership in Energy and Environmental Design (LEED) into new and retrofit projects. Goals of the LEED construction include water efficiency, energy, & atmosphere, sustainable sites, materials and resources, and indoor environment quality.

- MARTA implemented an authoritywide recycling program on January 1, 2010 with a goal to reduce landfill waste. After the first four months there was a 365% increase in tonnage diverted away from landfill.

- MARTA has seen the light on the benefits of using Light Emitting Diode (LED) rather than traditional fluorescent and incandescent lighting. LEDs have a longer life span, consume less energy, and produce a brighter quality of light than traditional lighting. By upgrading to LED lights MARTA's energy savings will return the cost of investment in less than three years while enjoying increased safety, less maintenance, and a smaller carbon footprint. The various replacement efforts are being adopted throughout MARTA.

This year also brought together regional transportation and transit stakeholders to craft a project list for the July 2012 transportation sales tax referendum. Proposed projects would help support MARTA's aging transit infrastructure and invest in an expanded and integrated regional transit network.

Long-Term Financial Planning

MARTA continues to emphasize how it significantly benefits quality of life, economic impact, mobility and access for the region and the state. However, if the region and state fail to adequately fund and expand transit, those benefits could be lost. MARTA's current funds allow it to focus only on system safety, regulatory, and state of good repair priorities for the foreseeable future. While there has been a slight increase in sales tax collections, there has still been a net loss of transit service which equates to the loss of economic growth, new jobs and businesses that keep the region thriving. The diminution of transit will also hurt the environment and make this region a less attractive place to live, work or to locate a business.

The fate and future of MARTA and regional transit throughout the greater Atlanta region is at a critical juncture. The MARTA system is aging and in need of significant re-investment. Over the last several years, MARTA re-focused its commitment to the Capital Improvement Program. An even greater commitment will be required during the planning years ahead. MARTA general funds now pay for preservation of capital infrastructure that at one time received federal funding. Because of the aging of our assets and the projected limited growth in our capital revenue, a more comprehensive capital planning process was needed to address the state of good repair of MARTA's capital assets. MARTA adopted its fiscal year 2011 Operating and Capital Budgets which are the most austere ever implemented at the Authority. Included are major service reductions and pass price increases, in addition to the continuation of significant cost containment measures.

With House Bill 277, the Transportation Investment Act signed on June 2, 2010, MARTA received some much needed temporary assistance as a result of the removal of obsolete financial restrictions for the next three years. Beyond this temporary financial flexibility for MARTA, HB 277 opens the opportunity in 2012 for people across the state and region to approve a much needed, one-cent transportation sales tax that can be used to significantly boost public transit investment.

Going forward, MARTA recognizes that transportation enhancement will become central to metro Atlanta's continued economic growth and success. As such, it continues to emphasize the need for the region and the state to join MARTA as funding partners in order to continue to provide these important benefits.

AWARDS

MARTA received the following awards and recognition during fiscal year 2011:

- GFOA Award for Distinguished Budget Preparation for the fiscal year Beginning July 1, 2010.
- GFOA Certificate of Achievement for Excellence in Financial Reporting for the fiscal year 2010 Comprehensive Annual Financial Report.
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for fiscal year 2010.

ACKNOWLEDGEMENTS

Special thanks go to the Office of Accounting without whom this report could not have been completed, the Office of Marketing and all the MARTA staff who assisted in this endeavor.

Sincerely,

Davis Allen
Assistant General Manager Finance/CFO

Beverly A. Scott, Ph.D.
General Manager/ Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Atlanta Rapid Transit Authority

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

Board of Directors

Officers	**Chairman**	Jim Durrett *Dekalb County*
	Vice Chair	Barbara Babbit Kaufman *Fulton County*
	Secretary	Juanita Jones Abernathy *City of Atlanta*
	Treasurer	Frederick L. Daniels, Jr., *Dekalb County*
Directors	**City of Atlanta**	Robert L. Ashe III Roderick E. Edmond
	DeKalb County	Harold Buckley, Sr. Wendy Butler
	Fulton County	Adam D. Orkin Noni Ellison-Southall

*** STATE OF GEORGIA** *(Ex-Officio members while holding state office)*

Department of Transportation	* Keith Golden
Georgia Regional Transportation Authority *(GRTA)*	* Jannine Miller

General Manager/CEO and Executive Staff

General Manager/CEO Beverly A. Scott, Ph.D.

Executive Staff

Deputy General Manager/COO
Dwight A. Ferrell

Chief, Business Support Services
Theodore J. Basta, Jr.

Assistant General Manager
of Finance /CFO
Davis Allen

Assistant General Manager
of Internal Audit
Jonnie T. Keith

Assistant General Manager
of Legal Services
Elizabeth O'Neill

Assistant General Manager
of Bus Operations
Mary Ann Jackson

Assistant General Manager
of Rail Operations
Richard Krisak

Assistant General Manager
of Police/Chief of Police
Wanda Dunham

Assistant General Manager
of Technology/CIO
Ben Graham

Assistant General Manager
of External Affairs
Ryland McClendon

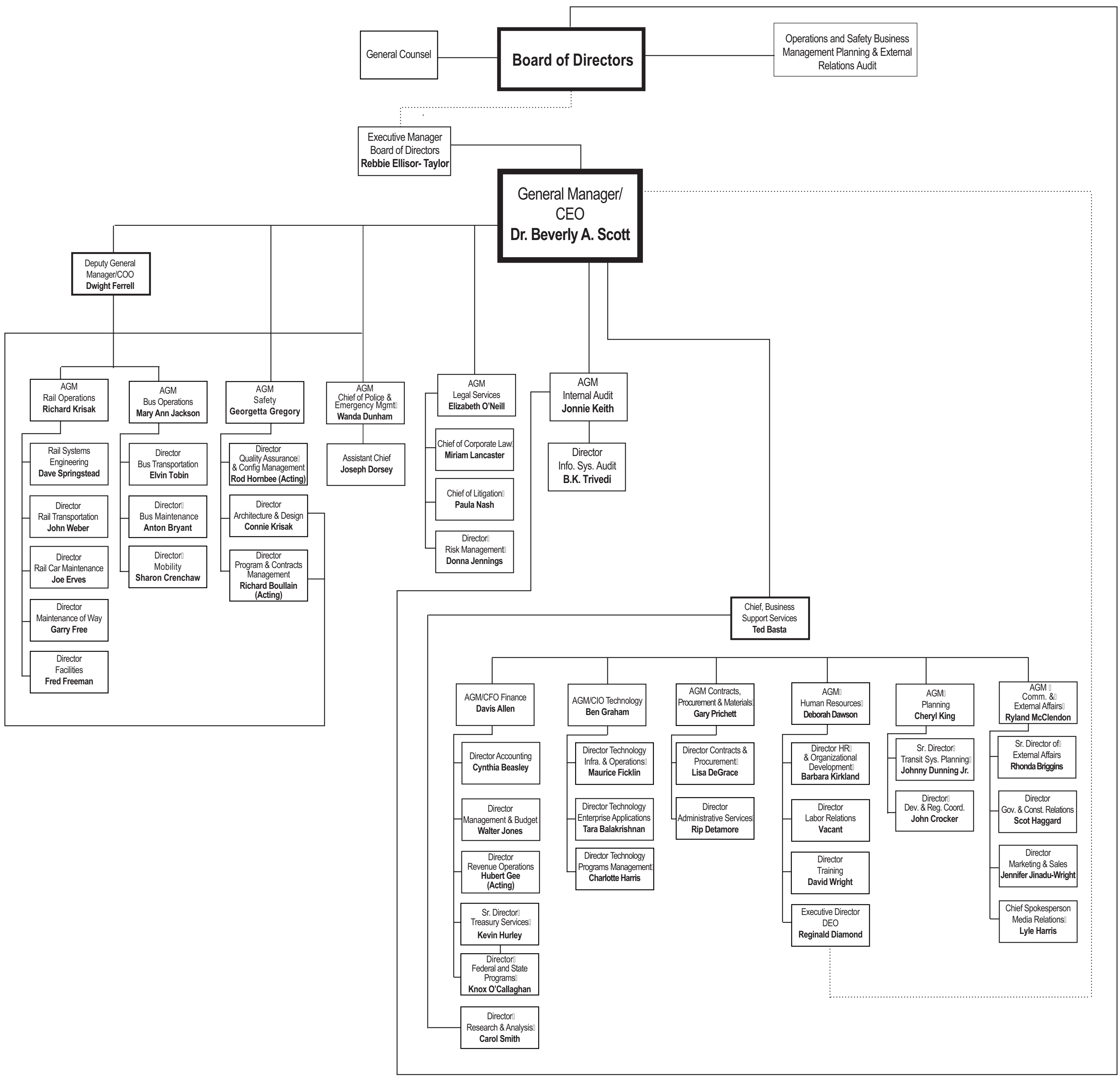
Assistant General Manager
of Planning
Cheryl King

Assistant General Manager
of Safety & Quality Assurance
Georgetta Gregory

Assistant General Manager
of Human Resources
Deborah Dawson

Assistant General Manager
of Contracts and Procurement
/Material
Gary Pritchett

Organizational Chart




marta
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
RAIL MAP
N
W
E
S
Red Line
Gold Line
Green Line
Blue Line
North Springs
Sandy Springs
Dunwoody
Medical Center
Buckhead
Lindbergh Center
Arts Center
Midtown
North Avenue
Civic Center
Peachtree Center
Five Points
Garnett
West End
Oakland City
Lakewood/ Ft. McPherson
East Point
College Park
Airport
Doraville
Chamblee
Brookhaven/Oglethorpe
Lenox
Bankhead
Hamilton E. Holmes
West Lake
Ashby
Vine City
Dome/GWCC/Philips Arena/CNN Center
Georgia State
King Memorial
Inman Park/Reynoldstown
Edgewood/Candler Park
East Lake
Decatur
Avondale
Kensington
Indian Creek
Legend
Red Line
Red Line
Gold Line
Blue Line
Interstate Highways
Green Line
Green Line
Stations with free daily parking
Stations with long-term and free daily parking
Stations with restrooms
Q:Express & Limited (Bus Rapid Transit)
MARTA RideStore
• Airport Station
• Five Points Station
Reduced Fare Office
• Lindbergh Center Station
• Five Points Station
Lost & Found
• Five Points Station
Regional Connections
Cobb Community Transit
(770) 427-4444
Stations served:
Gwinnett County Transit
Stations served:
GRTA Xpress
(404) 463-4782
Stations served:
Zipcar
Amtrak
Greyhound Bus Lines/Southeastern Stages
Hartsfield-Jackson Atlanta International Airport
www.itsmarta.com 404-848-5000 TTY: 404-848-5665 Accessible Format: 404-848-5202

Financial Section

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Members of the Board and
General Manager / Chief Executive Officer
Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

We have audited the accompanying basic financial statements of the **Metropolitan Atlanta Rapid Transit Authority** (the "Authority") as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of June 30, 2010, were audited by other auditors whose report dated January 21, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Atlanta Rapid Transit Authority as of June 30, 2011 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 12, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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 inquires 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Metropolitan Atlanta Rapid Transit Authority. The Supplemental Schedule of Revenues and Expenses – Budget vs. Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) Dollars in Thousands

As management of the Metropolitan Atlanta Rapid Transit Authority (MARTA or the Authority), we offer readers of MARTA's basic financial statements this narrative overview and analysis of the financial activities of MARTA for the fiscal years ended June 30, 2011 and 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

MARTA was formed as a joint public instrumentality of the City of Atlanta and the counties of Fulton, DeKalb, Cobb, Clayton, and Gwinnett by action of the General Assembly of the State of Georgia (the MARTA Act) to design and implement a rapid transit system for the Atlanta metropolitan area. MARTA operates a bus and rapid rail transportation system and continues to develop and construct further improvements to its integrated bus/rail transportation system.

Overview of Financial Statements

MARTA's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). MARTA is structured as a single enterprise fund with revenues recognized when earned and measurable, not when they are received. Expenses are recognized when they are incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their useful lives. Many cash amounts are restricted for debt service and by state and federal regulations. See the notes to the financial statements for a summary of MARTA's significant accounting policies.

Included in MARTA's financial statements are the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, the Statements of Cash Flows, and the related notes.

The Statement of Net Assets presents information on all of MARTA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MARTA is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how MARTA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected sales taxes and earned but unused vacation leave).

The Statement of Cash Flows allows financial statement users to assess MARTA's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Fiscal Year 2010 Restatement

MARTA management concluded that the Authority's financial statements for the year ended June 30, 2010 should be restated to reflect the correction of the accounting treatment for some investment securities. Therefore, all references and comparisons to the 2010 financials in the accompanying financial statements will be to the restated financials. The restatement of the 2010 financial statements was required to properly record fair market value of investment in securities. It was determined that accrued interest was overstated by $22,266 as of June 30, 2010. As a result, the Authority's assets were overstated by $ 22,266, restricted net assets were overstated by the same amount, and non-operating income was overstated by $4,185. The restatement does not affect cash.

Financial Position Summary

Net assets may serve over time as a useful indicator of MARTA's financial position. MARTA's assets exceed liabilities by $1.7 billion at June 30, 2011, a $167 million decrease from June 30, 2010 when assets exceed liabilities by $1.8 billion.

The largest portion of MARTA's net assets each year, 54% and 53% as of June 30, 2011 and 2010, respectively, represents its investment in capital assets (e.g., land, rail system, buildings and transportation equipment); less any related outstanding debt used to acquire those assets. MARTA uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although MARTA's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

(Unaudited) Dollars in Thousands

The following table presents a condensed summary of net assets:

	2011	Restated 2010	2009
ASSETS:			
Current and Other Assets	$ 981,904	$ 1,083,778	$ 903,671
Capital Assets	3,158,340	3,272,708	3,360,487
Total Assets	4,140,244	4,356,486	4,264,158
LIABILITIES			
Long-term Debt	1,630,427	1,691,104	1,482,386
Current and Other Liabilities	827,251	815,870	810,531
Total Liabilities	2,457,678	2,506,974	2,292,917
NET ASSETS			
Invested in Capital Assets, Net of Debt	914,578	987,068	1,307,142
Restricted	717,411	709,606	620,778
Unrestricted	50,577	152,838	43,321
TOTAL NET ASSETS	$ 1,682,566	$ 1,849,512	$ 1,971,241

An additional portion of MARTA's net assets, 43% and 39%, as of June 30, 2011 and 2010, respectively, represents resources that are subject to external restrictions on how they can be used under bond resolutions, lease agreements, and State and Federal regulations. The remaining unrestricted net assets, 3% and 8%, as of June 30, 2011 and 2010, respectively, may be used to meet any of MARTA's ongoing obligations.

At the end of the current fiscal year, MARTA is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal years.

Financial Operations Highlights

MARTA is a single enterprise fund providing public transportation. MARTA provides direct benefits to its users as well as substantial indirect benefits to the public at large (e.g., decreased traffic congestion, decreased need for road construction and maintenance, decreased need for parking, decreased air pollution levels, increased availability of transportation for low-income citizens). Therefore, the user charges are intended to finance only a portion of the cost of providing these services with additional proceeds obtained from the collections of sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton and DeKalb, and Federal Subsidies. The tax is levied at a rate of 1% until June 30, 2047 and .5% thereafter. See note 4 of the notes to the financial statements.

The MARTA Act places certain requirements on the rates that MARTA can charge for transportation services provided. The rates charged to the public for transportation services must be such that the total transit related revenues are no less than 35% of the operating costs, exclusive of depreciation and amortization, and other costs and charges as provided in the Act, of the preceding or prior fiscal year.

(Unaudited) Dollars in Thousands

Under provisions of amendments to the MARTA Act, revenues, except the sales and use tax, are included in transit related revenues for purposes of this calculation. Transit related revenues were 53.4% and 74.4% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2011 and 2010, respectively.

The following table presents the summary of changes in net assets:

	2011	2010	2009
Operating Revenues	$ 127,229	$ 122,291	$ 113,798
Operating Expenses	632,766	630,392	617,027
Operating Loss	(505,537)	(508,101)	(503,229)
Non-operating Revenues (Expenses) - net	311,838	370,261	313,118
Capital Grants	26,753	34,192	80,373
Decrease in Net Assets	$ (166,946)	$ (103,648)	$ (109,738)

In fiscal year 2011, operating revenues increased by $4.9 million and operating expenses had a slight increase of .4%, which resulted in an overall decrease in the operating loss of $2.5 million from the previous year.

Since 2001, Management has used measured steps to reign in controllable labor costs and expenses through administrative wage freezes and furloughs; increased benefit cost sharing and lastly, service cutbacks and modifications. The use of these measures varies each year as MARTA works to keep its base of customers and employees. In 2010, MARTA implemented numerous service modifications. The service modifications are one of several measures MARTA implemented to address an extremely challenging financial period. The service adjustments represent one of the largest service modifications ever implemented by the Authority. In 2011, MARTA implemented reductions in bus service, rail service (waits for trains increased up to five minutes), and customer service call center hours. MARTA also closed Ridestores and reduced the availability of restrooms to the public. With cost reductions, new avenues to generate additional revenue were also implemented in 2011. MARTA introduced new beverage and vending machines at numerous stations. The concessions and vending program will provide customers with new amenities to enjoy and will help MARTA generate additional revenue.

(Unaudited) Dollars in Thousands

The following table presents a summarized breakout of MARTA's revenues, expenses and changes in net assets:

Summary of Revenues	2011	Restated 2010	2009
Operating			
Fare Revenues	$ 115,828	$ 109,546	$ 105,235
Other Revenues	11,401	12,745	8,563
Total Operating Revenues	127,229	122,291	113,798
Nonoperating			
Sales and Use Tax	319,850	307,525	312,704
Federal Revenues	85,777	100,960	52,313
Investment Income	1,272	2,181	6,933
Net Capital Lease Transaction Activity	(11,820)	50,561	2,903
Other Revenues	12,799	10,829	48,443
Loss on Sale of Property and Equipment	(1,260)	(171)	(1,611)
Total Nonoperating Revenues	406,618	471,885	421,685
Total Revenues	533,847	594,176	535,483
Summary of Expenses			
Operating			
Transportation	183,875	180,360	177,869
Maintenance and Garage Operations	146,844	146,875	141,438
General and Administrative	79,743	76,125	71,616
Depreciation	222,304	227,032	226,104
Total Operating Expenses	632,766	630,392	617,027
Nonoperating			
Interest Expense	73,381	74,205	72,568
Interest Expense Capitalized	(305)	(241)	(356)
Amortization of Financing Related Charges and Income from Derivative Activity	(5,426)	(4,880)	(2,310)
Gain (Loss)on Investment Derivatives	(7,569)	(6,429)	6,056
Other Nonoperating Expenses	34,699	38,969	32,609
Total Nonoperating Expenses	94,780	101,624	108,567
Total Expenses	727,546	732,016	725,594
Loss Before Capital Contributions	(193,699)	(137,840)	(190,111)
Capital Grants	26,753	34,192	80,373
Decrease in Net Assets	(166,946)	(103,648)	(109,738)
Net Assets, July 1	1,849,512	1,971,241	2,108,678
Cumulative effect of restatement		(18,081)	(27,699)
Net Assets, June 30	$ 1,682,566	$ 1,849,512	$ 1,971,241

Net assets decreased by $167 million in 2011 after decreasing by $122 million in 2010. Both operating and nonoperating expenses continue to exceed incoming revenues. As a result, management used cash reserves to cover the gap.

MARTA had a 6% increase in passenger revenue from 2010 to 2011 and a 4% increase between 2009 and 2010. The growth in 2011 is directly related to the fare increase implemented in October 2010. The high gas prices had a moderate positive effect on MARTA ridership.

(Unaudited) Dollars in Thousands

In 2011, MARTA's other operating revenues decreased by $1.3 million or 10.5%. Included in other operating revenues are advertising, Transit Oriented Development Lease (TOD), and alternative fuel tax revenues.

In 2011, MARTA's largest component to nonoperating revenues, sales and use tax, was up from 2010 by $12 million or 4%. Overall, nonoperating revenues were down by $65 million or 14% change from 2010.

The 2011 operating expenses increased by $2.3 million from 2010; this increase was a result of additional healthcare and pension costs. The 2011 nonoperating expenses decreased by $6.8 million from 2010; this was primarily due to a loss recognized from the decline in fair value of investment derivatives and the decline in general and administrative expenses related to capital projects.

Capital Acquisitions and Construction Activities

In 2011, MARTA expended $109,318 on capital activities. The expenditures were primarily for the rehabilitation of railcars, facilities and infrastructure, procurement of passenger buses and information technology upgrades. The net change in capital assets, including changes in accumulated depreciation and retirements was $(114,368), $(87,779) and $(32,710) as of June 30, 2011, 2010 and 2009, respectively. Additional information on MARTA's debt and capital asset activity and commitments can be found in notes 6 and 7 to the financial statements.

The following table summarizes MARTA's investment in capital assets, net of related debt:

	2011	2010	2009
Capital Assets			
Property & Equipment - Net	$ 3,158,340	$ 3,272,708	$ 3,360,487
Capital Debt			
Current maturities of Bonds and Notes	287,860	283,370	279,930
Noncurrent maturities of Bonds	1,567,567	1,632,734	1,427,456
Capital Lease Obligations	388,335	369,536	345,959
	2,243,762	2,285,640	2,053,345
Capital Assets, Net of Debt	$ 914,578	$ 987,068	$ 1,307,142

Long Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds and Bond Anticipation Notes Commercial Paper to raise capital funds for construction and expansion, and rehabilitation of the transit system. During fiscal year 2005 MARTA initiated its commercial paper program, in the form of Bond Anticipation Notes, to provide flexibility and optimization to the issuance of debt. MARTA management believes this will provide for the timelier issuance of long-term debt. The bonds and notes are payable from and secured by a first, second and third lien on sales and use tax receipts.

The Bonds carry debt ratings of Aa3 by Moody's Investors Service and AA+ by Standard and Poor's. The notes bear underlying ratings of P-1 by Moody's and A-1 by Standard & Poor's. MARTA's total bond debt outstanding was $1,855,427, $1,916,104 and $1,707,386 as of June 30, 2011, 2010 and 2009, respectively.

Economic Condition and Outlook

The current economy in the State of Georgia is similar to the economy throughout the rest of the country, but with a lag period. Unemployment has decreased slightly but is bouncing between nine and ten percent; the housing market is still rather unstable and economists are unsure of when foreclosures will level off. Housing prices have fallen to 2000 levels and small businesses that use home equity as a source of capital is being heavily impacted.

Consumer confidence, which drives consumer spending, has increased slightly, but continues to fluctuate. MARTA's largest revenue source, sales tax revenue, is directly related to consumer spending. MARTA's 2011 Sales Tax Revenue was up from 2010 by $12 million or 4%. Current sales tax forecasts show positive growth of 6.2% in 2012 and 4.2% in 2013. 2012 actual collections to date are slightly lower than forecast by $2.1 million or 1.8%.

The prognosis for the next 12 to 18 months is somewhat better than in the previous year, and while the recession may be over, the recovery has been atypical. The downgrade of the United States debt rating has investors skittish and consumers more calculated in their purchasing which directly contributes to the very slow recovery. From a national perspective, the job sector reports have shown some movement, the metro Atlanta region lags behind the national improvement in unemployment and is in need of a catalyst to provide relief.

Request for Information

This financial report is designed to provide a general overview of MARTA's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Atlanta Rapid Transit Authority, 2424 Piedmont Road, N.E., Atlanta, GA 30324-3330.

Metropolitan Atlanta Rapid Transit Authority
Statements of Net Assets
June 30, 2011 and 2010
Dollars in Thousands

Assets	2011	2010 As Restated (Note 1)
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 47,250	$ 21,527
Investments (Note 2)	86,202	201,039
Material and Supplies Inventories	35,132	34,289
Sales Tax Receivables, Prepayments and Other	68,291	85,985
Total Unrestricted Current Assets	236,875	342,840
Restricted Investments (Notes 2 and 3)	62,860	95,027
Current portion, Investment held to pay Capital Lease (Notes 2 and 3)	6,266	3,421
Total Restricted Current Assets	69,126	98,448
Total Current Assets	306,001	441,288
Noncurrent Assets:		
Restricted Investments (Notes 2 and 3)	243,737	218,319
Investment held to pay Capital Lease Obligations (Notes 2 and 3)	424,447	420,313
Investment Derivatives (Notes 1 -3 and 8)	(19,757)	(27,326)
Total Restricted Non Current Assets	648,427	611,306
Capital Assets: (Note 6)		
Land, non-depreciable	553,356	553,327
Rail System and Buildings	3,225,958	3,180,486
Transportation Equipment	1,212,392	1,224,945
Other	1,030,395	997,415
	6,022,101	5,956,173
Less Accumulated Depreciation	(3,139,102)	(2,951,124)
	2,882,999	3,005,049
Construction in Progress, non-depreciable	275,341	267,659
Capital Assets - Net	3,158,340	3,272,708
Other Noncurrent Investments (Note 2)	10,000	10,000
Bond Issue Costs - Net	8,300	9,134
Deferred Outflow of Resources from Hedging (Notes 1 and 8)	7,606	11,130
Derivative Asset (Notes 1 and 8)	680	-
Other	890	920
Total Noncurrent Assets	3,834,243	3,915,198
Total Assets	$ 4,140,244	$ 4,356,486

The accompanying Notes to Financial Statements are an integral part of these statements.

Metropolitan Atlanta Rapid Transit Authority
Statements of Net Assets - Continued
June 30, 2011 and 2010
Dollars in Thousands

Liabilities and Net Assets	**2011**	**2010**
		As Restated (Note1)
Current Liabilities:		
Payable from NonRestricted Assets:		
Accounts and Contracts Payable	$ 42,519	$ 43,894
Salaries and Employee Benefits (Notes 11 and 12)	19,232	19,081
Self-Insurance Accruals (Note 13)	13,581	12,748
Other Current Liabilities	3,845	3,138
Total Current Liabilities Payable from NonRestricted Assets	79,177	78,861
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds (Note 7)	62,860	58,370
Commercial Papers (Note 7)	225,000	225,000
Accrued Interest	34,950	36,657
Due to Federal Transportation Administration	142	148
Current Maturities of Obligations Under Capital Leases (Note 10)	6,086	3,263
Total Current Liabilities Payable from Restricted Assets	329,038	323,438
Total Current Liabilities	408,215	402,299
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Discount and Deferred Loss on Refunding (Note 7)	1,567,567	1,632,734
Noncurrent Self Insurance Accruals (Note 13)	17,419	11,637
Deferred Revenue (Note 14)	73,942	82,901
Obligations Under Capital Leases (Note 10)	382,249	366,273
Deferred Inflows of Resources from Hedging (Note 1 and 8)	680	-
Derivative Liability - Interest Rate Swap (Note 1 and 8)	7,606	11,130
Total Noncurrent Liabilities	2,049,463	2,104,675
Total Liabilities	2,457,678	2,506,974
Net Assets		
Invested in Capital Assets, net of Related Debt	914,578	987,068
Restricted for debt service	156,927	151,914
Restricted for Investment Derivative	(19,757)	(27,326)
Restricted for other projects	37,859	49,602
Restricted for capital projects	111,669	111,682
Restricted for capital leases	430,713	423,734
Unrestricted	50,577	152,838
Total Net Assets	1,682,566	1,849,512
Total Liabilities and Net Assets	$ 4,140,244	$ 4,356,486

The accompanying Notes to Financial Statements are an integral part of these statements.

Metropolitan Atlanta Rapid Transit Authority
Statements of Revenues, Expenses And Changes in Net Assets
For the Years Ended June 30, 2011 and 2010
Dollars in Thousands

	2011	2010 As Restated (Note 1)
Operating Revenues:		
Fare Revenues (Note 5)	$ 115,828	$ 109,546
Other Revenues	11,401	12,745
Total Operating Revenues	127,229	122,291
Operating Expenses:		
Transportation	183,875	180,360
Maintenance and Garage Operations	146,844	146,875
General and Administrative	79,743	76,125
Depreciation	222,304	227,032
Total Operating Expenses	632,766	630,392
Operating Loss	(505,537)	(508,101)
Nonoperating Revenues (Expenses):		
Sales and Use Tax (Notes 1 and 4)	319,850	307,525
Federal Revenues	85,777	100,960
Investment Income	1,272	2,181
Net Capital Lease Transaction Activity (Note 10)	(11,820)	50,561
Other Revenues	12,799	10,829
Gain (Loss) on Sale of Property and Equipment	(1,260)	(171)
Interest Expense	(73,381)	(74,205)
Interest Expense Capitalized	305	241
Amortization of Financing Related Charges and Income from Derivative Activity	5,426	4,880
Other NonOperating Expenses	(34,699)	(38,969)
Gain (Loss) on Investment Derivatives (Note 1)	7,569	6,429
	311,838	370,261
Loss Before Capital Contributions	(193,699)	(137,840)
Capital Grants	26,753	34,192
Net Assets		
Decrease in Net Assets	(166,946)	(103,648)
Net Assets, July 1 as previously reported	-	1,971,241
Cumulative effect of restatement (Note 1)	-	(18,081)
Net Assets, July 1 as restated	1,849,512	1,953,160
Net Assets, June 30	$ 1,682,566	$ 1,849,512

The accompanying Notes to Financial Statements are an integral part of these statements.

Metropolitan Atlanta Rapid Transit Authority
Statement of Cash Flows
For the Years Ended June 30, 2011 and 2010
Dollars in Thousands

	2011	2010
Cash Flows from Operating Activities:		
Cash Received from Providing Services	$ 122,709	$ 125,780
Cash Paid to Suppliers	(209,783)	(223,512)
Cash Paid to Employees	(221,530)	(231,879)
Net Cash Used by Operating Activities	(308,604)	(329,611)
Cash Flows From Noncapital Financing Activities:		
Sales and Use Tax Collections	319,229	317,776
Federal Operating Subsidy	103,851	102,411
Net Cash Provided by Noncapital Financing Activities	423,080	420,187
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Bond and Debt Related Derivative Receipts	3,953	267,659
Repayment of Bond Payable	(58,370)	(54,930)
Capital Contributions	26,753	34,192
Interest Paid on Revenue Bonds	(75,088)	(69,532)
Acquisition and Construction of Capital Assets	(108,861)	(138,179)
Net Cash Used by Capital and Related Financing Activities	(211,614)	39,210
Cash Flows from Investing Activities:		
Purchases of Investments	(1,971,475)	(1,665,167)
Proceeds from Sales and Maturities of Investments	2,093,062	1,547,166
Interest Received on Investments	1,272	2,181
Net Cash Provided (Used) by Investing Activities	122,860	(115,820)
Net Increase (Decrease) in Cash and Cash Equivalents	25,723	13,966
Cash and Cash Equivalents, Beginning of Year	21,527	7,561
Cash and Cash Equivalents, End of Year	$ 47,250	$ 21,527
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Loss	$ (505,537)	$ (508,101)
Other Revenues and (Expenses)	(21,900)	(28,140)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	222,304	227,032
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(844)	1,692
Prepayments and Other	241	(2,114)
Current Liabilities and Due Federal Transportation Administration	6,092	(11,692)
Deferred Revenue	(8,960)	(8,288)
Net Cash Used by Operating Activities	$ (308,604)	$ (329,611)
Noncash Investing, Capital and Financing Activities:		
Amortization of Bond Issuance Costs and Other Related Expenses	$ 5,426	$ 4,880
Increase (Decrease) in Fair Value of Investments	332	44,878
Net Noncash Investing, Capital and Financing Activities	$ 5,758	$ 49,758

The accompanying Notes to Financial Statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Metropolitan Atlanta Rapid Transit Authority (MARTA or the Authority) was formed as a joint public instrumentality of the City of Atlanta and the counties of Fulton, DeKalb, Cobb, Clayton, and Gwinnett by action of the General Assembly of the State of Georgia (the MARTA Act) to design and implement a rapid transit system for the Atlanta metropolitan area. MARTA operates a bus and rapid rail transportation system and continues to develop and construct further improvements to its integrated bus/rail transportation system.

In order to measure the costs of providing mass transportation services, the revenues from those services and required subsidies, MARTA has adopted the accounting principles and methods appropriate for a governmental enterprise fund. In accordance with accounting standards applicable to enterprise funds, MARTA has elected not to apply pronouncements issued by the Financial Accounting Standards Board after November 30, 1989. This complies with the MARTA Act and Sales Tax Bond Trust Indenture legal requirements that all accounting systems and records, auditing procedures and standards, and financial reporting shall conform to generally accepted principles of governmental accounting. The following is a summary of the more significant accounting policies of the Authority:

Reporting Entity - MARTA is a municipal corporation governed by a twelve member board of directors. As defined by the Governmental Accounting Standards Board (GASB), the financial reporting entity is comprised of the primary government and its component units. The primary government includes all departments and operations of MARTA, which are not legally separate organizations. Component units are legally separate organizations, which are fiscally dependent on MARTA or for which MARTA is financially accountable, or which raises and holds economic resources for the direct benefit of MARTA. An organization is fiscally dependent if it must receive MARTA's approval for its budget, levying of taxes or issuance of debt. MARTA is financially accountable for an organization if it appoints a majority of the organization's board, and either a) has the ability to impose its will on the organization or b) there is the potential for the organization to provide a financial benefit to or impose a financial burden on MARTA. The reporting entity of MARTA consists solely of the primary government. MARTA has no component units.

MARTA is a jointly governed organization. Of its twelve member board, three members are appointed by Fulton County, four members by DeKalb County, three members by the City of Atlanta. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority serve as *ex-officio* members of the Board. None of the participating governments appoint a majority of MARTA's Board and none has an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2011 or 2010.

Basis of Accounting - The accompanying basic financial statements are reported using the *economic resources measurement focus* on the *accrual basis of accounting*, under which revenues are recognized when earned and measurable and expenses are recognized when they are incurred, if measurable.

Cash and Cash Equivalents - MARTA considers all highly liquid debt securities with an original maturity of no more than three months at date of purchase to be cash equivalents except repurchase agreements and restricted investments, which are classified as investments.

Investments - MARTA carries all investments at fair value based on quoted market prices. Guaranteed investment contracts, which are considered non-participating, are reported at amortized cost, U.S. Treasury and Agency obligations are reported at amortized cost if MARTA acquires them within one year of maturity. Investments in the State of Georgia Fund 1, a local government investment pool managed by the State of Georgia Office of the State Treasurer, represent ownership of a portion of a large pool of investments. The pooled investments are not registered with the Securities and Exchange Commission ("SEC") but are managed in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, MARTA's investment in the Georgia Fund 1 has been determined based on the pool's share price as adjusted to market.

Investments Held to Pay Capital Lease Obligations – To fund certain future obligations under capital leases resulting from various Lease-in/Lease-out ("LILO") transactions MARTA has invested funds in government agency bonds and notes, and guaranteed investment contracts. The maturities of these investments have been tied to the payment dates identified in the underlying LILO agreements.

Derivative Financial Instruments – Derivative financial instruments are carried at fair value on the statements of net assets. A hedging derivative instrument significantly reduces financial risk by substantially offsetting the changes in cash flows or fair values of the item the derivative is associated with. The annual changes in the fair value of a hedging derivative instrument are reported as deferred inflows and deferred outflows on the statements of net assets if meeting the requirements of an effective hedge. Derivative instruments not designated as an accounting hedge are classified as an investment derivative. Changes in fair values of investment derivative instruments, including hedging derivative instruments that are determined to be ineffective, are reported as nonoperating revenues (expenses) on the statements of revenues, expenses and changes in net assets. See Note 8 for further information on these instruments.

Inventories - Materials (principally maintenance parts) and supplies inventories are stated at average cost and accounted for on the consumption method.

Capital Assets – Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful lives of the related assets, as follows:

Rail system and buildings	5-50 years
Transportation equipment	5-20 years
Other property and equipment	4-20 years

MARTA uses a three hundred-dollar capitalization threshold for its capital assets. Donated properties are stated at their fair value on the date donated. When assets are sold or retired, the cost of the asset and related accumulated depreciation is removed from the accounts and the resulting gain or loss, if any, is charged to non-operating revenue or expense. Ordinary maintenance and repairs are charged to expense as incurred, while property additions and betterments are capitalized. MARTA capitalizes, as a cost of its constructed assets, the interest expense based upon the weighted average cost of borrowings of MARTA.

Dollars in Thousands

Deferred Revenue - Includes the remaining unamortized balance of the deferred amounts from the lease/leaseback arrangements in 2002, 2003, 2004, 2005, 2006 and 2007 and the sale/leaseback arrangements in 1987 and 1988 of certain rail cars and buses. The deferred gains are being amortized over the remaining lives of the respective leases on a straight-line basis. It also includes the upfront cash received from the 2004 interest basis swap agreements, the upfront cash received from the 2007 forward delivery agreement and the remediation net benefit in 2009, all of which are being amortized over the life of the related agreements.

Restatement of Previously Issued Financial Statements – Certain amounts have been reclassified from prior years to conform to current year presentation. Additionally, MARTA management concluded that the Authority's financial statements for the year ended June 30, 2010 should be restated to reflect the correction of the accounting treatment for some investment securities. Therefore, all references and comparisons to the 2010 financials in the accompanying financial statements will be to the restated financials. The restatement of the 2010 financial statements was required to properly record fair market value of investment in securities. It was determined that accrued interest was overstated by $22,266 as of June 30, 2010. As a result, the Authority's assets were overstated by $22,266, restricted net assets were overstated by the same amount, and non-operating income was overstated by $4,185. The restatement does not affect cash. The effect of the correction as of and for the year ended June 30, 2010 financial statements are presented in the following tables:

Statement of Net Assets
June 30, 2010

		As Originally Reported	Restated	Effect of Change
Assets				
	Current and Other Assets	$ 1,106,044	$ 1,083,778	$ (22,266)
	Capital Assets	3,272,708	3,272,708	
Total Assets		$ 4,378,752	$ 4,356,486	$ (22,266)
Liabilities				
	Long-term Debt Outstanding	$ 1,691,104	$ 1,691,104	$ -
	Other Liabilities	815,870	815,870	-
Total Liabilities		$ 2,506,974	$ 2,506,974	$ -
Net Assets				
	Invested in Capital Assets, Net of Debt	$ 987,068	$ 987,068	$ -
	Restricted	731,872	709,606	(22,266)
	Unrestricted	152,838	152,838	
Total Net Assets		$ 1,871,778	$ 1,849,512	$ (22,266)
Total Liabilities & Net Assets		$ 4,378,752	$ 4,356,486	$ (22,266)

Dollars in Thousands

Statement of Revenues, Expenses and Changes in Net Assets
June 30, 2010

	As Originally Reported	Restated	Effect of Change
Operating Revenues	$ 122,291	$ 122,291	$ -
Operating Expenses	630,392	630,392	-
Operating Loss	(508,101)	(508,101)	-
Non-operating Revenues (Expenses) - net	374,446	370,261	(4,185)
Capital Grants	34,192	34,192	-
			-
Increase (Decrease) in Net Assets	$ (99,463)	$ (103,648)	$ (4,185)

Statement of Cash Flows
June 30, 2010

	As Originally Reported	Restated	Effect of Change
Net Cash used by Operating Activities	$ (329,611)	$ (329,611)	$ -
Net Cash Provided by Non-Capital Financing Activities	420,187	420,187	-
Net Cash Provided by Capital and Related Financing Activities	39,210	39,210	-
Net Cash Provided (used by) by Investing Activities	(115,820)	(115,820)	-
Net Increase(Decrease) in Cash and Cash Equivalents	13,966	13,966	-
Cash and Cash Equivalents, Beginning of Year	7,561	7,561	-
Cash and Cash Equivalents, End of Year	$ 21,527	$ 21,527	$ -
Net Cash Provided by Operating Activities			
Operating Loss	$ 508,101	$ 508,101	$ -
Change in Operating Assets and Liabilities	178,490	178,490	-
Net Cash Used by Operating Activities	$ 329,611	$ 329,611	$ -
Noncash Investing, Capital and Financing Activities			
Amortization of Bond Issuance Costs	$ 4,880	$ 4,880	$ -
Increase(Decrease) in Fair Value of Investments	44,878	44,878	-
	$ 49,758	$ 49,758	$ -

Bond Proceeds, Discount, Issue Costs, and Losses on Refundings - Proceeds from the issuance of Sales Tax Revenue Bonds are initially deposited with the Bond Trustee in a Construction Fund as required by the Trust Indenture between MARTA and the Trustee. MARTA requisitions the funds as needed for construction of the transit system.

Bond discount and issue costs are amortized using the bond outstanding method, over the term of the related debt. Losses on debt refundings are deferred and amortized over the shorter of the life of the refunded debt or the new debt, principally using the bond outstanding method.

Fare Revenues - Passenger fares are recorded as revenue at the time services are performed.

Subsidies and Grants - MARTA receives grant funds from the Federal Transportation Administration (FTA) for a substantial portion of its capital acquisitions. Assets acquired in connection with capital grant funds are included in capital assets. These grants generally require a local funding match by MARTA at a stipulated percentage of total project costs. Capital grant agreements with FTA provide for FTA holding a continuing interest in properties acquired and restricting the use of such properties to providing mass transportation services.

Grants for capital asset acquisition, facility development, and rehabilitation are reported in the statements of revenues, expenses and changes in net assets, after non-operating revenues and expenses as capital grants.

Net Assets - Net assets present the difference between assets and liabilities in the statements of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors. Unrestricted net assets may be designated for specific purposes at the option of the MARTA Board of Directors. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Budgetary Controls - An annual operating and capital budget is developed by MARTA's Management. After a public hearing the proposed budget is revised, if necessary, finalized and adopted by MARTA's Board of Directors.

The budget is prepared on the same basis of accounting as the financial statements except that depreciation, interest expense, gains (losses) on sale of property, unrealized gains (losses) on investments and other non-operating expenses are not budgeted. Management control for the operating budget is maintained at expenditure category levels. Management has flexibility of reprogramming funds in respective cost centers with approval of budget staff as long as the total budget authorization is not exceeded. Capital expenditures are controlled at the budget line item.

Cost Allocation - MARTA allocates certain general and administrative expenses to transit operations and also capitalizes certain of these expenses in construction in progress based on its cost allocation plan prepared in accordance with FTA guidelines. General and administrative expenses not allocable to either transit operations or construction in progress under FTA guidelines are reflected as non-operating general and administrative expense in the accompanying statements of revenues,expenses and changes in net assets.

Operating Revenues and Expenses – Fare and parking revenue from transporting passengers, concessions, and advertising are reported as operating revenues.
Transactions that are capital, financing or investing related, or which cannot be attributed to MARTA's transportation focus, are reported as non-operating revenues. All expenses related to operating the bus and rail system are reported as operating expenses. Interest expenses, financing costs, and planning costs are reported as non-operating expenses.

Compensated Absences - MARTA employees are granted annual paid time off in varying amounts. A liability is recognized for amounts of accrued annual paid time off leave and related benefits attributable to services already rendered and for which it is probable that compensation will be paid. A liability for accumulated unused sick leave is not recognized since it is not paid upon termination or retirement. Upon retirement, unused accumulated sick leave may be counted as credited service for pension benefit calculation purposes.

2. CASH AND INVESTMENTS

Cash - At June 30, 2011 and 2010, the carrying amounts of MARTA's total cash on hand were $1,145 and $1,249, respectively.

At June 30, 2011 and 2010 the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $46,105 and $20,278 respectively.

The bank balances were $45,227 and $18,938 respectively. Of the bank balances at June 30, 2011 and 2010, $463 and $464, respectively, were covered by federal depository insurance and $44,764 and $19,059, respectively, were collateralized by government securities held by the pledging financial institution's trust department or agent in MARTA's name.

Investments - Georgia statutes authorize MARTA to invest in U.S. Government obligations, U.S. Government agency obligations, obligations of any instrumentality of the U.S. Government, or in repurchase agreements collateralized by any of the aforesaid securities, prime Bankers' Acceptances or in State of Georgia obligations, or in the State of Georgia sponsored investment pool or in other obligations or instruments as allowed by Georgia Law. MARTA's code, policy and guidelines mandate no deviation from the highest credit quality – only AAA and A1/P1.

Under the terms of MARTA's Sales Tax Revenue Bond Trust Indenture, the Authority may not invest in securities with a remaining term to maturity greater than 5 years from the purchase date. In addition, MARTA requires that repurchase agreement collateral must have a market value ranging from 101% to 104% of the cost of the repurchase agreement, depending upon the maturity date and type of security. MARTA's policy states that collateral pledged for repurchase agreements and not delivered to MARTA's safekeeping agent must be held by the pledging bank's trust department in MARTA's name. Investments held and managed by an independent trustee are not subject to these restrictions.

Dollars in Thousands

As of June 30, 2011, MARTA had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	$ 92,196	$ 92,196	$ -	$ -	$ -
U.S. Treasuries	142,257	97,727	4,457	206	39,867
U.S. Agencies	220,562	10,798	20,487	49,042	140,235
State of Georgia GA Fund 1	68,000	68,000	-	-	-
FDIC Public Funds	48,500	48,500	-	-	-
Corporate-BAC Prime BA	68,369	68,369	-	-	-
Certificate of deposit (CDAR)	16,000	16,000	-	-	-
Guaranteed Inv Contracts	177,628	26,683	-	-	150,945
Investment Derivatives	(19,757)	-	-	-	(19,757)
Total	$ 813,755	$ 428,273	$ 24,944	$ 49,248	$ 311,290

Interest Rate Risk – is the risk that changes in interest rates will adversely affect the fair value of financial instruments or cash flows. As a means of limiting its exposure to this, MARTA's investment policy prohibits investments in U.S. Treasuries and Agencies and State Obligations with maturities greater than five years and six months at the date of purchase. The policy also limits Repurchase Agreements to three months from the date of purchase. Investments held and managed by an independent trustee are not subject to these restrictions.

Credit Quality Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of MARTA's debt securities to credit quality risk as of June 30, 2011 is as follows:

Investment Type	Fair Value	Credit Rating	Rating Agency
Repurchase Agreements	$ 92,196	AAA/AAA	
U.S. Government Treasuries	142,257	AA+/AAA	
U.S. Government Agencies	220,562	AA+/AAA	
State of Georgia GA Fund 1	68,000	AAAm	S&P
FDIC Public Funds	48,500	AAA/AAA	S&P
Corporate-BAC Prime BA	68,369	A1/P1	S&P/Moody's
Certificate of Deposit (CDAR)	16,000	AAA/AAA	
Guaranteed Inv Contracts	177,628	A-	
Investment Derivatives	(19,757)		
Total	$ 813,755		

Concentration of Credit Risk - is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. MARTA does not hold more than 5% in any single issuer, other than investments related to the U.S. Government.

Dollars in Thousands

Custodial Credit Risk - for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MARTA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of MARTA's investment at June 30, 2011 and 2010 of $813,755 and $920,793, respectively, $10,354 and $10,319, respectively, are securities held by a trustee, not in the name of MARTA. These investments are the only securities not held in MARTA's name as per the terms of a trust agreement between MARTA and a Railroad company.

Foreign Currency Risk – is the risk that changes in exchange rates will adversely impact the fair value of an investment. MARTA is not exposed to this risk and its investment policy does not provide for investments in foreign currency denominated securities.

3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30:

	2011	2010
Restricted Cash and Investments:		
Sinking Fund	$ 156,922	$ 151,892
Railroad Trust Fund Agreement	10,000	10,000
Capital Asset Purposes	63,194	63,193
Proceeds From Real Estate Sales	36,661	36,661
Investment Held to Pay Capital Lease Obligation	430,713	423,734
Investment Derivatives	(19,757)	(27,326)
Other	39,820	51,600
Total Restricted Cash and Investments	717,553	709,754
Due to FTA	142	148
Total Restricted, Net of Related Debt	$ 717,411	709,606

The amounts held in Sinking Funds are restricted for the payment of bond principal and interest as they become due and to the maintenance of the required reserve amounts (see Note 7).

Under the terms of the railroad trust fund agreement between MARTA and a railroad company (the "Railroad"); MARTA has agreed to pay certain costs of purchasing insurance to protect the Railroad against the risk of liability from injury or damage to MARTA's passengers, employees, and property which may result from the Railroad's operations. At June 30, 2011 and 2010, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

Included in restricted cash and investments are certain investments which, under the MARTA Act and certain grant agreements, are held for repairing, rebuilding, or replacing capital assets and for a Georgia Department of Transportation project. Proceeds from sales of certain real estate and the interest earned thereon through June 30, 1988 have been restricted until the year 2012. For the period from July 1, 1988 to June 30, 2011, interest earned on these funds is unrestricted.

Investment held to pay capital lease obligations represent investment held by trustees to be used for capital lease payments under the Authority's LILO arrangements.

Restricted net assets of $717,411 and $709,606 at June 30, 2011 and 2010, respectively, are reported in the statements of net assets and are restricted by law or binding agreements with outside parties.

4. SALES AND USE TAX

MARTA receives proceeds from the collections of sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton and DeKalb. The tax is levied at a rate of 1% until June 30, 2047 and .5% through 2057.

Under the law authorizing the levy of the sales and use tax, as amended April 27, 2006, MARTA is restricted as to its use of the tax proceeds as follows:

1) No more than 50% of the annual sales and use tax proceeds can be used to subsidize the net operating costs, as defined, of the system, exclusive of depreciation and amortization, and other costs and charges as defined in Section 25(l) of the MARTA Act.

2) If more than the legislative provided percentage of the annual sales and use tax proceeds is used to subsidize the net operating costs in any one year, the deficit in operations must be made up during a period not to exceed the three succeeding years.

3) If less than the legislative provided percentage of the annual sales and use tax proceeds is used to subsidize the net operating costs in any one year, the excess may, at the discretion of MARTA's Board of Directors, be reserved and later used to provide an additional subsidy for operations in any future fiscal year or years.

In April 2010 the Georgia General Assembly voted to suspend the 50/50 restriction on MARTA's expenditures for a three year period (the cash flow made available from this suspension can not be used for salary and wage increases). MARTA implemented this amendment on July 1, 2010.

During the years ended June 30, 2011 and 2010, MARTA used 61% and 57% of the sales and use tax proceeds to subsidize the net operating costs.

5. FARE REVENUES

The MARTA Act places certain requirements on the rates that MARTA is to charge for transportation services provided.

The rates charged to the public for transportation services must be such that the total transit related revenues are no less than 35% of the operating costs, exclusive of depreciation and amortization, and other costs and charges as provided in the Act, of the preceding fiscal year.

Dollars in Thousands

Under provisions of amendments to the MARTA Act, all revenues, except the sales and use taxes, are included in transit related revenues for purposes of this calculation.
Transit related revenues for the years ended June 30, 2011 and 2010 were 53.4% and 74.4%, respectively, of operating costs of the previous fiscal year as defined under the MARTA Act.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30,2010	Additions	Decreases	Balance June 30,2011
Capital Assets, not being depreciated:				
Land	$ 553,327	$ 29	$ -	$ 553,356
Construction in progress	267,659	109,318	(101,636)	275,341
Total capital assets not being depreciated	820,986	109,347	(101,636)	828,697
Capital Assets being depreciated:				
Rail systems & buildings	3,180,486	45,472	-	3,225,958
Transportation equipment	1,224,945	1,251	(13,804)	1,212,392
Other	997,415	54,848	(21,868)	1,030,395
Total capital assets being depreciated	5,402,846	101,571	(35,672)	5,468,745
Less accumulated depreciation for:				
Rail systems & buildings	(1,571,322)	(89,231)	-	(1,660,553)
Transportation equipment	(650,633)	(61,160)	12,450	(699,343)
Other	(729,169)	(71,913)	21,876	(779,206)
Total accumulated depreciation	(2,951,124)	(222,304)	34,326	(3,139,102)
Total capital assets being depreciated, net	2,451,722	(120,733)	(1,346)	2,329,643
Capital Assets, net	$ 3,272,708	$ (11,386)	$ (102,982)	$ 3,158,340

Dollars in Thousands

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30,2009	Additions	Decreases	Balance June 30,2010
Capital Assets, not being depreciated:				
Land	$ 552,323	$ 1,004	-	$ 553,327
Construction in progress	231,030	140,234	(103,605)	267,659
Total capital assets not being depreciated	783,353	141,238	(103,605)	820,986
Capital Assets being depreciated:				
Rail systems & buildings	3,174,347	6,139	-	3,180,486
Transportation equipment	1,179,013	60,557	(14,625)	1,224,945
Other	962,595	36,909	(2,089)	997,415
Total capital assets being depreciated	5,315,955	103,605	(16,714)	5,402,846
Less accumulated depreciation for:				
Rail systems & buildings	(1,480,551)	(90,771)	-	(1,571,322)
Transportation equipment	(600,549)	(62,803)	12,719	(650,633)
Other	(657,721)	(73,465)	2,017	(729,169)
Total accumulated depreciation	(2,738,821)	(227,039)	14,736	(2,951,124)
Total capital assets being depreciated, net	2,577,134	(123,434)	(1,978)	2,451,722
Capital Assets, net	$ 3,360,487	$ 17,804	$ (105,583)	$ 3,272,708

Dollars in Thousands

7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2011, was as follows:

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2010	Outstanding Additions	Principal Retirements	Balance June 30, 2011
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2018	4.60% - 6.25%	$ 57,545	$ -	$ (4,920)	$ 52,625
P*	1992	296,755	2020	3.30% - 6.25%	164,775	-	(16,240)	148,535
1998A*	1998	144,535	2010	5.50% - 6.250%	27,715	-	(27,715)	-
2000A	2000	100,000	2025	Variable	100,000	-	-	100,000
2000B	2000	100,000	2025	Variable	100,000	-	-	100,000
2003A*	2003	103,075	2020	3.00% - 5.00%	61,675	-	(8,115)	53,560
2005A*	2005	190,490	2020	5.00%	190,490	-	-	190,490
2006A*	2006	163,890	2020	5.00%	159,820	-	(1,380)	158,440
2007A*	2007	145,725	2032	5.25%	145,725	-	-	145,725
2007B	2008	389,830	2037	5.00%	389,830	-	-	389,830
2009A	2009	250,000	2039	4.25% - 5.25%	250,000	-	-	250,000
Subtotal					1,647,575	-	(58,370)	1,589,205
Less portion due within one year					(58,370)	(4,490)		(62,860)
Plus unamortized premium (discount)					67,765		(5,245)	62,520
Less unamortized deferred loss on refunding					(24,236)	-	2,938	(21,298)
Sales Tax Revenue Bonds total long-term portion					1,632,734	(4,490)	(60,677)	1,567,567

* Refunding bonds

Metropolitan Atlanta Rapid Transit Authority
Notes to the Financial Statements
June 30, 2011 and 2010
Dollars in Thousands

Long-term debt activity for the year ended June 30, 2010, was as follows:

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2009	Outstanding Principal Additions	Outstanding Principal Retirements	Balance June 30, 2010
Sales Tax Revenue Bonds:								
N*	1992	$122,245	2018	4.60% - 6.25%	$ 62,170	$ -	$ (4,625)	$ 57,545
P*	1992	296,755	2020	3.30% - 6.25%	180,030	-	(15,255)	164,775
1998A*	1998	144,535	2010	5.50% - 6.250%	53,735	-	(26,020)	27,715
2000A	2000	100,000	2025	Variable	100,000	-	-	100,000
2000B	2000	100,000	2025	Variable	100,000	-	-	100,000
2003A*	2003	103,075	2020	3.00% - 5.00%	69,390	-	(7,715)	61,675
2005A*	2005	190,490	2020	5.00%	190,490	-	-	190,490
2006A*	2006	163,890	2020	5.00%	161,135	-	(1,315)	159,820
2007A*	2007	145,725	2032	5.25%	145,725	-	-	145,725
2007B	2008	389,830	2037	5.00%	389,830	-	-	389,830
2009A	2009	250,000	2039	4.25-5.25%		250,000	-	250,000
Subtotal					1,452,505	250,000	(54,930)	1,647,575
Less portion due within one year					(54,930)	(3,440)		(58,370)
Plus unamortized premium (discount)					57,389	15,612	(5,236)	67,765
Less unamortized deferred loss on refunding					(27,508)	-	3,272	(24,236)
Sales Tax Revenue Bonds total long-term portion					1,427,456	262,172	(56,894)	1,632,734

* Refunding bonds

Sales Tax Revenue Bonds – Principal on all the Sales Tax Revenue Bonds (the “Bonds”) is payable in an annual installment on July 1; interest is payable semi-annually on January 1 and July 1 on all Bonds except the Series 2000A and 2000B Bonds, which interest is payable on the first day of each month for the previous month. Series N and P Bonds are payable from and secured by a first lien on sales and use tax receipts. Series 1996A, 1998A, 1998B, 2000A, 2000B, 2002 and 2003A Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A, 2007B, and 2009A are payable from and secured by a third lien on sales and use tax receipts (Note 4).

The Series 2000A and 2000B Bonds are variable-rate sales tax revenue bonds. Each series was issued in the aggregate principal amount of $100,000 each and was initially issued in the weekly mode. Interest in the weekly mode is payable on the first business day of each month, for the previous month. The bonds may bear interest at daily rates, weekly rates, commercial paper rates, or term rates for periods selected from time to time by the Authority. In addition, the bonds may be converted to bear interest at a fixed rate. The rate of interest to be borne during any particular interest period will be determined by the remarketing agents. The interest rate at June 30, 2011 on the Series 2000A and 2000B Bonds was 0.06% and 0.06%, respectively. There are a variety of operational and financial covenants associated with the Bonds. Management believes that MARTA is in compliance with all such covenants.

Approximately half of the currently outstanding Bonds, except the Series 2000A and 2000B Bonds are redeemable at the discretion of MARTA within ten years from their issue date at redemption prices above par. The Series 2000A and 2000B Bonds are redeemable at par upon 30 days notice.

Dollars in Thousands

Annual debt service requirements on the Bonds outstanding at June 30, 2011 are as follows:

Year Ending June 30	Principal	Interest	Total
2012	$ 62,860	$ 63,576	$ 126,436
2013	51,035	66,631	117,666
2014	53,815	63,930	117,745
2015	56,745	61,081	117,826
2016	59,840	58,073	117,913
2017 to 2021	351,255	240,522	591,777
2022 to 2026	217,920	187,545	405,465
2027 to 2031	201,595	158,710	360,305
2032 to 2036	249,755	103,339	353,094
2037 to 2040	284,385	30,262	314,647
	$ 1,589,205	$ 1,033,669 *	$ 2,622,874

* Variable rate bond interest requirement computed at year-end rates.

In January 2007, MARTA's bonding authority was revalidated by the Superior Court of Fulton County to increase its bonding capacity. Under the revalidated terms of this Third Trust Indenture, MARTA is limited to issue an additional $1,060,065 of Sales Tax Revenue Bonds. MARTA's Board established a debt limit for the Sales Tax Revenue Bonds. The total annual debt service on such bonds is limited to no more than 45% of projected sales tax receipts for each year.

MARTA has pledged future sales tax revenues to repay $1,792,567 in sales tax revenue bonds issued in 1992, 1996, 1998, 2000, 2002, 2003, 2005, 2006, 2007, 2008, and 2009. Proceeds from the bonds were used for rehabilitation or expansion of MARTA's rail and bus systems. Principal and interest on the bonds are payable through 2039, solely from the sales tax revenues. Annual principal and interest on the bonds are expected to require no more than 45 percent of such net revenues. Principal and interest paid for in the years ended June 30, 2011 and 2010 were $131,767 and $122,552, respectively.

Sales and use tax revenues are initially deposited into a Sinking Fund held by the bond trustee as required by the Bond Trust Indentures. At June 30, 2011 and 2010, the amounts held in the Sinking Funds exceeded the amounts required to be held pursuant to the Bond Trust Indentures. All such amounts are classified as restricted cash and investments in the statements of net assets.

Dollars in Thousands

Following is a summary of the activity in the Sinking Funds for the years ended June 30, 2011 and 2010:

	2011	2010
Balance, beginning of year	$ 151,892	$ 106,592
Sales and use tax proceeds	126,386	123,471
Investment income	151	477
Principal and interest payments on Bonds	(131,767)	(122,552)
Excess sales tax withheld refunded	6,892	42,857
Trustee fees	3,368	1,047
Balance, end of year	$ 156,922	$ 151,892

Sales Tax Revenue Commercial Paper Notes – On June 30, 2011 and 2010 MARTA had outstanding $225,000 of Sales Tax Revenue Commercial Paper Notes (the "Notes"), Series 2007C and 2007D. The effective interest rate paid on the Notes outstanding ranged from 0.25% to 0.38% with an average of .33% for the year ended June 30, 2011. The proceeds of such Notes are being used to finance certain transit improvement projects. The accrued interest is payable as each Note matures solely from a third lien on the sales tax receipts. The notes mature in fiscal year 2012 and have been classified as short-term although MARTA intends to refinance the notes with long-term sales tax revenue bonds.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2011 and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2011, was as follows:

	Fiscal Year Change		Year End Fair Value	
Hedging derivatives:	**Classification**	**Amount**	**Amount**	**Notional**
Series 2000A & 200B Interest Rate Swaps	Deferred outflow of resources	3,524	$ (7,606)	$ 200,000
Natural Gas Commodity Swaps	Deferred outflow of resources	(64)	(64)	284,684
Diesel Commodity Swaps	Deferred outflow of resources	744	744	1,284
		$ 4,204	$ (6,926)	
Investment derivatives:				
Series 1996A, 1998B & 2002 Interest Rate Swaps	Gain on Investment derivatives	$ 7,131	$ (14,640)	$ 518,310
Forward delivery arrangements	Gain on Investment derivatives	438	(5,117)	$ 300,000
		$ 7,569	$ (19,757)	

Dollars in Thousands

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2010 and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2010, was as follows:

	Fiscal Year Change		Year End Fair Value	
Hedging derivatives:	**Classification**	**Amount**	**Amount**	**Notional**
Series 2000A & 200B Interest Rate Swap	Deferred outflow of resources	2,279	$ (11,130)	$ 200,000
Natural Gas Commodity Swap	Deferred outflow of resources	3,445	-	1,068
Diesel Commodity Swap	Deferred outflow of resources	(2,793)	-	2,580
		$ 2,931	$ (11,130)	
Investment derivatives:				
Series 1996A, 1998B & 2002 Interest Rate Swap	Gain on Investment derivatives	$ 4,493	$ (21,772)	$ 518,310
Forward delivery arrangements	Gain on Investment derivatives	1,936	(5,554)	30,000
		$ 6,429	$ (27,326)	

Interest Rate Swap Agreements – As a means of interest rate management, to expand bonding capacity and to provide immediately available funds, MARTA entered into interest rate swap agreements in November 2004 with two counterparties in connection with its fixed rate outstanding bond issues, including the Series 1996A, Series 1998B, and Series 2002 Bonds, and its variable rate Series 2000A and Series 2000B Bonds. A summary of those agreements are as follows:

Date of Execution	Termination Date	Payment	Counterparty Payment	Counterparty & Credit Rating
Series 1996A, 1998B, & 2002:				
11/05/2004	07/01/2032	USD-SIFMA [1]	65% of one-month LIBOR[2] + 11 basis points	Goldman Sachs Capital Markets A+
Series 2000A & 2000B:				
11/05/2004	07/01/2025	USD-SIFMA [1]	61% of one-month LIBOR + 30 basis points	Merrill Lynch Capital Services A+

[1] Securities Industry and Financial Market Association
[2] London Interbank Offered Rate.
Payment for both are USD-SIFMA

At the inception of the interest rate swap agreements MARTA received $19,250 and $10,790 of upfront cash from the Series 1996A, 1998B & 2002 and the Series 2000A & 2000B interest rate swaps, respectively. The cash received at the inception of the interest rate swap agreements was deferred and is being amortized over the life of the agreements.

Deferred revenue in the Statements of Net Assets related to these interest rate swaps was $14,917 and $16,925 at June 30, 2011 and 2010, respectively.

Hedging derivative instruments must meet annual effectiveness tests. MARTA assessed whether the hedging derivatives were highly effective in offsetting changes in fair value or cash flows of hedged items. MARTA's interest rate swap related to the Series 2000A & 2000B bonds with a $200 million notional amount met the effectiveness conditions of the dollar offset method again in fiscal year 2011, while the interest rate swap related to the Series 1996A, 1998B & 2002 bonds with a notional amount of $518,310 did not meet the effectiveness test in fiscal year 2010 and was not reconsidered.

A derivative is effective if changes in hedgeable item divided by changes in derivative is within a range of 80% to 125% in absolute terms. The test is also met if changes in derivative divided by changes in hedgeable item falls within range of 80 to 125. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported as deferred inflows and outflows in the statements of net assets. The gain or loss of the ineffective portion is recognized immediately in the statement of revenues, expenses, and changes in net assets.

The interest rate swap exposes MARTA to basis risk when the interest rates on the transactions are reset. MARTA pays a tax-exempt interest rate, while the counterparty pays a taxable interest rate. Tax-exempt interest rates can change without a corresponding change in the 30 day LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. MARTA will be exposed to basis risk under the basis swap to the extent that SIFMA trades at greater than expected percentages of LIBOR for extended periods of time and/or in a high interest rate environment. MARTA would also be exposed to tax risk stemming from changes in marginal income tax rates or those caused by a reduction or elimination in the benefits of tax exemption for municipal bonds.

MARTA is exposed to termination risk if the interest rate swap could be terminated while valued in the favor of a counterparty as a result of any of several events, which may include a ratings downgrade for MARTA or the counterparty, covenant violation by either party, bankruptcy of either party, swap payment default of either party, and other default events as defined by the agreements. Any such termination may require MARTA to make significant termination payments in the future.

MARTA is exposed to Counterparty credit risk where the Counterparty will not perform pursuant to the contract's terms. This risk could require MARTA to make a termination payment. MARTA mitigated the credit risk associated with its swaps by having entered into transactions with highly-rated counterparties. MARTA also mitigated its concentration of credit risk by having diversified its swap transactions across two different counterparties.

Dollars in Thousands

MARTA is exposed to interest rate risk when a generally adverse move in variable rates increases the overall cost of borrowing or if credit concerns relating to MARTA have the same impact. MARTA currently has $425,000 exposure to variable rates (VRDB's and Commercial Paper) and the basis swaps will not increase that exposure.

However, some variable rate exposure is introduced by the basis swaps. This relates to the fact that MARTA's obligations to pay a variable rate and receive variable rate (basis differential) under the basis swap will vary with market conditions and will not be fixed. The basis differential could be a positive or a negative cash flow event, if these two variable legs do not have the same relationship to each other as expected. Since 2004, the swaps have performed largely as expected. Variability is associated with the absolute level of interest rates as well as the relationship between SIFMA and LIBOR.

MARTA is exposed to amortization risk and is the potential cost to MARTA of servicing debt and honoring swap obligations resulting from a mismatch of outstanding bonds and the notional amount of an outstanding swap. Amortization risk occurs to the extent bond and swap notional amounts become mismatched over the life of a transaction.

Commodity Swap Agreements – In order to help plan its diesel and natural gas costs for the fiscal year and to protect itself against price volatility in the market prices of the commodities, MARTA has entered into contracts to hedge diesel (using low sulfur diesel) and natural gas. It is possible that the index prices may be lower than the price at which MARTA committed to in the contracts. This would reduce the value of the contract and MARTA could sell the contract at a loss, or likewise if the index prices are higher, the value of the contracts would increase and MARTA could sell the contracts at a profit. If MARTA continues to hold the contract until maturity, MARTA may make or receive termination payments to or from the counterparty to settle the obligation under the contract. Two contracts terminated on June 30, 2010 and five new contracts were entered into during fiscal year 2011, although only three remain in effect at year-end. A summary of those agreements are as follows:

Date of Execution	Termination Date	Fixed Price	Counterparty	Net Settlement In FY 2011	
Natural Gas:					
10/19/2010	6/30/2012	$4.39 per MMBTU	Citigroup Energy, Inc.	$	(81)
8/24/2010	6/30/2011	$4.43 per MMBTU	Canadian Imperial Bank of Commerce	$	(50)
Diesel:					
8/24/2010	7/8/2011	$2.063 per gallon	Canadian Imperial Bank of Commerce	$	205
10/19/2010	6/30/2012	$2.338 per gallon	Deutsche Bank AG London Branch	$	361
9/18/2008	7/8/2010	$2.9425 cents per gallon	JP Morgan Ventures	$	(189)

MARTA assessed at the inception, and as of year-end, of the commodity swap agreements whether these derivatives were highly effective in offsetting changes in fair value or cash flows of hedged items. Based on the annual assessment, the commodity swap agreements met the effectiveness conditions of the consistent critical terms method.

MARTA is exposed to the failure of the counterparty to fulfill the forward-fuel contracts. The terms of the contracts include provisions for recovering the cost in excess of the guaranteed price from the counterparty should MARTA have to procure low sulfur diesel and natural gas on the open market.

Forward Delivery Agreements – MARTA is required to make monthly deposits into debt service sinking funds for the principal and interest payments due semi-annually on its bonds. MARTA, via the trustee, currently invests these deposits in money market funds or short-term permitted investments that mature on or before the debt service payment dates.

On August 15, 2006, MARTA and its bond trustee, US Bank, entered into a debt service forward delivery agreement with the issuer, Bank of America, NA, with respect to the debt service fund related to Series N Bonds, issued in the original aggregate principal amount of $122,245, Series P Bonds, issued in the original aggregate principal amount of $296,755, Series1998A Bonds, issued in the original aggregate principal amount of $144,535, and Series 2005A Bonds, issued in the original aggregate principal amount of $190,490.

When MARTA entered into these agreements an upfront cash payment of $11,350 was received by MARTA which represented the present value of the future interest cash flows. The cash received was recorded as deferred revenue and is being amortized over the life of the agreements. Deferred revenue in the statements of net assets related to these forward delivery agreements was $5,637 and $6,669 at June 30, 2011 and 2010, respectively.

MARTA has entered into these forward delivery arrangements for speculative purposes to obtain a higher long-term yield than short term and not for the purpose of hedging any financial risk. Therefore the fair value of these forward delivery arrangements will be classified as derivative investments in the statements of net assets and the gains or losses are reported as nonoperating revenues (expenses) on the statements of revenues, expenses and changes in net assets.

9. BOND REFUNDINGS

In prior years, MARTA has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from MARTA's financial statements. At June 30, 2011, the amount of defeased debt outstanding but removed from MARTA's statement of net assets totaled $217,585.

10. CAPITAL LEASE OBLIGATIONS

The Authority has entered into various Lease In/Lease Out (LILO) arrangements related to the leasing and subleasing of the Authority's rail cars, rail lines, and a rail maintenance facility. These agreements provide for the lease of certain of the Authority's rail capital assets to a financial party lessee and the sublease of such capital assets back to the Authority for a specified term. Under these capital lease arrangements, MARTA acquired $792.3 million in rail cars and $782.1 million in rail lines.

The net present value of the future sublease payments has been recorded as capital lease obligations. The funds invested in U.S. Agency Bonds and Notes and Guaranteed Investment Contracts, to fund these future capital lease obligations as they come due have been recorded as Investments Held to Pay Capital Obligations. Unrealized and realized gains and losses on these investments will be recorded as non-operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Assets.

During the year ended June 30, 2009 the Authority successfully negotiated the termination of its East Line and Avondale LILO arrangements on May 19, 2009 and January 21, 2009, respectively. As a result, the Investments Held to Pay Capital Lease Obligation declined by $100.5 million and the corresponding Capital Lease Obligations declined by $97.6 million during the year ended June 30, 2009. Additionally, the unamortized deferred gain recorded at the inception of the arrangement was fully recognized as non-operating revenues in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2009. See Note 14 for additional information on the deferred benefits associated with the terminations.

For the year ended June 30, 2011 Investments Held to Pay Capital Lease Obligation increased by $6.9 million while the corresponding Capital Lease Obligations increased by $18.8 million.

American Insurance Group (AIG) and Ambac were participants in a majority of these structured lease transactions. The downgrade of AIG and Ambac ratings triggered, at the option of the counterparties, replacement of the Payment Undertaking Agreements and the surety bonds for 18 of the 19 transactions. Of the 18 transactions that fell below the threshold, replacement was requested for 16.

None of MARTA's counterparties in these transactions have declared a default nor are there any indications of their intent to do so. The statuses of these transactions are as follows:

- As discussed above, two transactions have been terminated and fifteen transactions have been remediated through fiscal year 2011. These transactions represented approximately 98% of the original exposure to MARTA.
- Negotiations for the remaining two transactions are underway with remediation or termination anticipated in the first quarter of fiscal year 2012. These transactions constitute less than 42% of the original exposure.

Dollars in Thousands

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2011:

Fiscal Year (s)		
2012	$	6,086
2013		3,528
2014		3,159
2015		2,846
2016		3,232
2017 – 2021		153,734
2022 – 2026		35,252
2027 – 2031		52,890
2032 – 2035		127,608
Present value of net minimum lease payments	$	388,335
Less: current principal maturities		(6,086)
Obligations under capital lease	$	382,249

The liability of these leases changed in 2011 and 2010 as follows:

Outstanding - June 30, 2010	$	369,536
Net change in obligation		18,799
Outstanding - June 30, 2011	$	388,335

11. PENSION PLANS

MARTA maintains two single-employer defined benefit pension plans, the MARTA/ATU Local 732 Employees Retirement Plan, previously known as the Union Employees Retirement Plan (the “Union Plan”) and Non-Represented Pension Plan (the “Non-Rep Plan”). The Union Plan covers all members of Division 732 of the Amalgamated Transit Union and nonmembers who are represented by the Union for bargaining purposes. Covered employees are eligible to participate in the Union Plan upon the completion of sixty days of full-time employment. The Non-Rep Plan covers all full-time MARTA employees hired before January 1, 2005 who are not eligible to participate in the Union Plan, and who have chosen to remain in the Non-Rep Plan.

Prior to January 1, 2005, covered employees were eligible to participate in the Non-Rep Plan on the first date of employment, however, effective January 1, 2005, covered employees are eligible to participate in the MARTA Non-represented Defined Contribution Plan and Trust on the first date of employment.

The funding methods and determination of benefits for the defined benefit plans were established by the MARTA Act creating such plans and in general, provide that pension funds are to be accumulated from employee contributions, MARTA contributions, and income from the investment of accumulated funds.

Dollars in Thousands

Each plan is administered by a pension committee. Each plan issues a publicly available financial report that includes financial information for that plan. Those reports may be obtained by writing the plan.

Non-Represented Pension Plan
2424 Piedmont Road NE
Atlanta, GA 30324
(404) 848-4143

MARTA/ATU Local 732 Employees
Retirement Plan
2424 Piedmont Road NE
Atlanta, GA 30324
(404) 848-4143

The MARTA plans provide retirement benefits that, initially, are calculated under a step-rate benefit formula based on final average compensation (as defined), multiplied by factors related to length of continuous service. All modifications to the pension plans must be supported by actuarial analysis and receive the approval of the MARTA Board of Directors and pension committees.

Normal retirement under the Union Plan occurs when a participant reaches age 65. For the Non-Rep Plan, the participant must complete five years of credited service or attain age 62, whichever occurs later. The minimum pension benefit upon retirement under the Union Plan is $650 per month reduced by 10% for each full year or fraction thereof for less than ten years of service. Under the Non-Rep Plan, the minimum monthly benefit is $32.50 times credited service up to 30 years.

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the plans as of January 1, 2011 for the Union Plan and Non-Rep Plan:

	Union	Non-Rep
Active employees	2,695	916
Pensioners	1,557	992
Inactive vestees	184	143
Total	4,436	2,051

Funding Status and Annual Pension Cost - MARTA's funding policy is to contribute a percentage of each plan's covered payroll as developed in the actuarial valuation for the individual plan. MARTA's contribution percentage is the actuarially determined amount necessary to fund plan benefits after consideration of employee contributions.

In accordance with the plan agreement, employer and employee contributions to the Union Plan and the Non-Rep Plan must be at least equal to the actuarially determined amount necessary to fund plan benefits.

Dollars in Thousands

The actuarially determined contribution amount is the sum of the annual normal costs determined under the Entry Age Normal actuarial cost method. The union plan's and non-rep plan's unfunded actuarial accrued liability is reported under the Schedule of Funding Progress.

MARTA's annual pension cost and contributions are based on the actual covered payroll as of June 30, 2011. All other related information is based on actuarial valuations performed as of January 1, 2011 for Union and Non-Rep plans. The information is as follows:

	Union	Non-Rep
Contribution rates:		
MARTA	4.48%	18.00%
Plan members	2.45%	5.00%
Transit Police	-	6.50%
Annual pension cost	$4,701	$22,024
Contributions made	$4,701	$22,024
Actuarial valuation date	01/01/2011	01/01/2011
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level Percentage of Pay	Fixed Dollar
Remaining amortization period	30 years, Open	13 years, Closed
Asset valuation method	5 - Year weighted index	5 - Year weighted index
Actuarial assumptions		
Investment rate of return	7.5%	7.5%
Projected salary increases:		
Inflation and productivity	4.5% per year	3.8% per year
Merit or seniority	1.0% per year	1.6% per year
Post retirement benefit increases	none	none

Entry Age Normal Cost Method – The Non-Rep and Union plans use the entry age actuarial cost method. Under this method, the excess of the actuarial present value of projected benefits of the group included in the actuarial valuation over the actuarial value of assets is allocated as a level amount over the earnings of the group as a whole, not as a sum of individual allocations.

Dollars in Thousands

The portion of the excess actuarial present value allocated to a valuation year is called the normal actuarial cost. All ancillary benefits are funded under the same method as retirement benefits. These liabilities are amortized through the normal cost.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Annual Pension Cost

Three-Year Trend Information

MARTA/ATU Local 732 Retirement Plan

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2009	5,424	100	0
2010	5,397	100	0
2011	4,701	100	0

Non-Represented Pension Plan

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2009	17,363	100	0
2010	18,373	100	0
2011	22,024	100	0

Schedule of Funding Progress

MARTA/ATU Local 732 Employees Retirement Plan

Beginning with the 2009 fiscal year the Actual Cost Method was changed from the Frozen Entry Age to the Entry Age Normal. The new method separately identifies an Actuarial Accrued Liability and calculates a traditional UAAL. Beginning in fiscal year 2008 the funded status is required to be reported using the Entry Age Normal method if the Actuarial Cost Method used to develop the Annual Required Contribution does not directly compute the Actuarial Accrued Liability. This requirement is mandated by GASB 50.

Dollars in Thousands

The information below is reported using the Entry Age Normal Cost Method.

Plan Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	430,449	442,137	97.4	11,688	116,744	10.0
1/1/2010	454,137	456,999	99.4	2,862	116,392	2.5
1/1/2011	458,828	466,483	98.4	7,656	106,573	7.2

Non-Represented Pension Plan

Beginning with the 2008 fiscal year, GASB 50 requires the funding status to be reported using the Entry Age Normal Cost Method if the Actuarial Cost Method used to develop the Annual Required Contribution does not directly compute the Accrued Actuarial Liability. The schedule of funding progress thereafter reflects this change.

Plan Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2009	237,791	381,335	62.4	143,544	67,012	214.2
1/1/2010	250,963	386,559	64.9	135,596	58,614	231.3
1/1/2011	256,977	407,108	63.1	150,130	58,140	258.2

Defined Contribution Pension Plan – The MARTA Non-represented Defined Contribution Plan and Trust (the D.C. Plan) was established to provide benefits at retirement to non-represented employees of MARTA who were hired on or after January 1, 2005 and to those members of the Non-Rep Plan who elected to transfer to this Plan. The D.C. Plan is administered by the Hartford Group. The employee is required to contribute 6% of their annual compensation and MARTA matches at 3% of the enrolled employee's annual compensation. Plan provisions and contributions requirements are established and may be amended by the pension committee after approval by resolution of the MARTA Board of Directors. Employer contributions to the D.C. Plan for the years 2011 and 2010 were $694 and $609, respectively.

Employee contributions to the D.C. Plan for the years ended June 30, 2011 and 2010 were $1,316 and $1,161, respectively.

12. EMPLOYEE BENEFITS

Deferred Compensation Plan - MARTA has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code (the 457 Plan).

The 457 Plan allows any employee to voluntarily defer receipt of up to 25% of gross compensation, not to exceed $16.5 per year or if age 50 and over not to exceed $22.5 per year. All administration costs of the 457 Plan are deducted from the participant's account. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). The 457 Plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA's Statements of Net Assets.

Other Post Retirement Benefits –In addition to providing pension benefits, MARTA provides certain health care benefits, life insurance and transit passes for all retired employees and temporary disability payments for non-represented employees.

Non-represented employees including police officers hired before July 1, 2004 and all represented employees who retire with a regular, disability, or early pension under one of the defined benefit pension plans from active service with MARTA are eligible until age 65 (maximum of 15 years) for health coverage. Life insurance and transit pass benefits continue for life. Participants can choose from several plan options and pay a portion of the cost of benefits. The cost for represented coverage varies by plan but is available at no cost to the retiree for the first ten years after retirement and 50% of the cost for an additional five years, not to exceed 15 years.

These post retirement benefits are not offered to any non-represented employee excluding police officers hired on or after July 1, 2004. The healthcare plan is a single-employer defined benefit plan.

MARTA's annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) with increasing payments over a period not to exceed thirty years. For the years ended June 30, 2011 and 2010, respectively, MARTA contributed $19,589 and $17,232 to its OPEB Plan (the Plan).

Dollars in Thousands

The following schedule (derived from the most recent actuarial valuation report) shows the components of MARTA's Annual OPEB costs for 2011 and 2010, the amounts actually contributed to the Plan and changes in MARTA's Net OPEB Obligation (Asset):

	2011	2010
Annual required contribution	$ 19,589	$ 17,232
Interest on net OPEB obligation	-	-
Adjustment to OPEB obligation	-	-
Annual OPEB cost	19,589	17,232
Actual employer contributions	(19,589)	(17,232)
Increase(decrease) in net OPEB obligation(asset)	-	-
Net OPEB obligation (asset), beginning of year	-	-
Net OPEB obligation (asset), end of year	$ -	$ -
Percentage of annual OPEB cost contributed	100%	100%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the July 1, 2011 actuarial valuation, the Individual Entry Age Normal cost method was used. Under the Entry Age Normal Actuarial Cost Method, the Normal Cost is computed as the dollar amount which, if paid from the earliest time each Participant would have been eligible to join the Plan if it then existed (entry age) until their retirement, termination or death, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to pay all benefits under the Plan. The total Normal Cost for the Plan is determined by adding the Normal Costs for each individual participant.

The Actuarial Accrued Liability under this cost method is the excess of: (a) the Present Value of Future Benefits determined in accordance with the provisions of the Plan over (b) the Present Value of Future Normal Costs. The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. Under this cost method, experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, decrease or increase the Unfunded Actuarial Accrued Liability.

The amortization method used is a 30 year closed level percent of pay formula assuming a 3.0% annual payroll growth assumption. There are currently 26 years remaining in the amortization period. For purposes of the fiscal year 2011 and 2010 actuarial valuations, a discount rate of 7.5% was used for both years. The Plan changed the long term discount rate assumption from 4.7% used in the initial valuation to 7.5% in connection with the establishment of an exclusive trust.

Dollars in Thousands

This trust was established in the 2008-2009 Plan Year and currently, no audited GAAP basis report is available for the Plan. The Authority has no fiduciary relationship with the referenced trust. Accordingly, the OPEB Plan assets are not included in MARTA's statements of net assets.

The actuarial assumptions do not employ an explicit general inflation assumption. Rather, general expense inflation is taken into consideration in setting each of several assumptions including a long term investment return (discount rate) assumption, a medical expense inflation assumption, a salary increase assumption and an administrative expense assumption.

The healthcare trend rate used for determining the cost of future benefits for the Plan was 6.0% for 2010-2011.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 15,978	100%	-
2010	17,232	100%	-
2011	19,589	100%	-

The funded status of the Plan as of June 30, 2011 was as follows:

Actuarial accrued liability (AAL)	$ 191,777
Actuarial value of plan assets	20,793
Unfunded actuarial acccrued liability (UAAL)	$ 170,984
Funded ratio	12%
Covered payroll	$ 162,234
UAAL as a percentage of covered payroll	105.4%

Dollars in Thousands

The schedule of funding progress of the Plan for the last three years was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Individual Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	$ 9,937	$ 177,614	$ 167,677	5.9%	$ 175,312	95.6%
6/30/2010	14,181	189,101	174,920	8.4%	165,493	105.7%
6/30/2011	20,793	191,777	170,984	12.2%	162,234	105.4%

The Plan covers both Union and Non-Represented employees. The chart below details this dissection of fully eligible and not yet fully eligible active participants.

Active Participants	Union	Non-Rep	Total
Fully eligible	194	170	364
Not yet fully eligible	2,592	595	3,187
Total number of lives	2,786	765	3,551

13. RISK MANAGEMENT

MARTA is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. MARTA is self-insured for workers' compensation risks up to $1,500 per occurrence and public liability and property damage claims up to $5,000 per occurrence. MARTA carries liability insurance for amounts exceeding the self-insured limits. For property and casualty insurance, the coverage over the self insured retention is $5,000 to $150,000.

MARTA also provides a coordinated insurance program for its construction program, which covers MARTA and its contractors. This program insures workers' compensation risks at 100%. General liability is covered by a $4,000 primary policy subject to $250 deductible, and an excess policy for claims from $4,000 to $50,000. All risk property is insured by the same program as MARTA property.

There have been no significant reductions in insurance coverage during the years ended June 30, 2011 and 2010 and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

Dollars in Thousands

The changes in the liabilities for self-insurance for the years ended June 30, 2011 and 2010 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Total
Balance, June 30, 2009	$ 12,092	$ 8,139	$ 20,231
Incurred claims, net of any changes	10,267	6,659	16,926
Payments	(7,062)	(5,710)	(12,772)
Balance, June 30, 2010	15,297	9,088	24,385
Incurred claims, net of any changes	13,758	5,605	19,363
Payments	(8,395)	(4,353)	(12,748)
Balance, June 30, 2011	$ 20,660	$ 10,340	$ 31,000
Due within one year	$ 8,836	$ 4,745	$ 13,581

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported and incremental claims adjustment expenses.

Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

MARTA also provides employee health insurance which includes medical, vision, pharmacy drugs, dental, critical illness, and life insurance. All the medical plans have both specific and aggregate stop loss insurance coverage.

14. DEFERRED REVENUE

During the year ended June 30, 2001, MARTA entered into two arrangements to lease a number of its rail cars to third party investors and sublease them back under a capital sublease. The effect of the transaction was to transfer the tax benefits of ownership to the investors, in exchange for which MARTA received cash consideration equal to the difference between the lease and sublease payments of $24.2 million (less expenses totaling $4.6 million resulting in net proceeds totaling $19.6 million). MARTA is required to maintain the cars at an operating level over the life of the sublease as specified in the terms of the lease agreement. Because of the ongoing maintenance and renovation expenditures required to meet this operating level, the net proceeds were deferred and will be amortized over the life of the respective leases (approximately 18.5 years) on a straight-line basis.

During the year ended June 30, 2002, MARTA entered into an additional arrangement to lease rail cars to third party investors and sublease them back under a capital sublease. MARTA received $11.4 million as a result of the transaction. The proceeds are being amortized over the life of the respective lease (approximately 25 years) on a straight-line basis.

During the year ended June 30, 2003, MARTA entered into an additional lease leaseback arrangement for rail cars with third party investors. A lease leaseback arrangement was also entered into for the Avondale Rail Maintenance Facility. MARTA received cash consideration of $15.3 million for the two transactions (less expenses totaling $1.5 million, resulting in net proceeds of $13.8 million). The net proceeds are being amortized over the life of the respective leases on a straight-line basis (approximately 25 years for the rail cars and 31½ for the maintenance facility). In 2009, MARTA terminated the Avondale lease agreement.

During the year ended June 30, 2004, MARTA entered into additional lease leaseback arrangements with third party investors. These arrangements consist of a 32-year lease-to-service contract on the east rail line from Five Points station to Indian Creek station and a 29-year lease-to-service contract on the south rail line from Five Points station to Airport station. MARTA received cash consideration of $51.7 million for the transactions (less expenses totaling $2.7 million, resulting in net proceeds of $49 million). The net proceeds are being amortized over the life of the respective leases on a straight-line basis. In 2009, MARTA terminated the East Rail Line lease agreement and restructured the South Rail agreement.

During the year ended June 30, 2005, MARTA received additional cash consideration of $2.2 million, less a negligible amount of expenses, for a forward moving contract on the lease service deposits related to the South Rail Line and East Rail Line lease leaseback transactions entered into in the year ended June 30, 2004 and the Avondale Rail Maintenance Facility entered into during the year ended June 30, 2003.

During the year ended June 30, 2006, MARTA received cash consideration of $5.2 million, net of expenses, for defeased lease financing of forty railcars. The net proceeds are being amortized over the life of the lease, which is approximately 28 years, on a straight-line basis.

During the year ended June 30, 2007, MARTA received additional cash consideration of $4.1 million, less a negligible amount of expenses, for liquidating securities on the lease service deposits related to the South Rail Line, east rail and MARTA Rail STAT Custody (Avondale Account) leaseback transactions. The agreements were entered into on July 10, 2006 and April 10, 2007.

During the year ended June 30, 2009, MARTA terminated two lease-to-service transactions and restructured another. As the result of these terminations MARTA recognized a $17.1 million gain on the Avondale termination, a $14.9 million gain on the East Line termination and a $1.0 million gain on the South Line restructuring. MARTA generated these net benefits from the termination of the Guaranteed Investment Contract (GIC) and restructuring of the related investments. Consequently, due to the terminations, MARTA recognized a total of $23.2 million representing the remaining $5.9 million unamortized portion of deferred revenue for the Avondale agreement and $17.3 million from the East Line agreement.

During the year ended June 30, 2011, the unamortized portion of Deferred Revenue for the South Line agreement was $25.8 million and $21.2 million for the Rail Cars agreements.

Dollars in Thousands

15. COMMITMENTS AND CONTINGENCIES

Commitments - MARTA's long-range plan provides for the planning, construction, financing, and operation of a rapid transit system in multiple phases, consisting of approximately 60 miles of double track and 45 stations, of which 47.6 miles and 38 stations were in service June 30, 2011. At June 30, 2011 MARTA was committed to future capital expenditures for various other projects.

The FTA has provided the majority of the funds required to construct phase A (13.7 miles) and phase B (9.7 miles) of the system with four grants totaling approximately $1,232,400 in federal funds. Additionally, FTA has provided $290,318 in federal funds for phase C (10.6 miles), $133,400 for phase D (10.3 miles), and $370,189 for phase E (3.0 miles). The remaining costs of the system have been financed through sales and use tax revenues, Sales Tax Revenue Bonds, and investment income.

FTA has also authorized other grant funds for the construction of a bus rapid transit (BRT) system, bus transit facilities, railcars, buses, replacement and rehabilitation of transit operating equipment, development work for construction support techniques, upgrading the fire protection system and other purposes not directly related to the rail construction program.

MARTA plans to fund its committed projects through the unencumbered capital portion of its sales tax, future new bond proceeds, issuance of commercial paper and federal and state capital grants. MARTA also has lease and interest revenue and capital reserves available to supplement its needs. During the year ended June 30, 2001, MARTA began construction of a Transit Oriented Development Program whereby MARTA would lease office, retail, and residential space. The AT&T Towers and related parking and retail space were completed in October 2002. Several lease agreements have been signed, the terms of which provide for various payments to be made to MARTA over a variety of years.

Atlanta Gas Light Company constructed a refueling station on MARTA's Perry Boulevard property. MARTA leased this refueling station under an operating lease. The non-cancelable lease term is for five years after which the lease provided three renewal options of five years each but did not include a bargain renewal option. MARTA exercised the option to purchase the refueling station in September 2009, at a price of $849.

MARTA leases air rights and ground leases over and adjacent to its stations to third parties for the construction of office and other developments.

Future lease payments scheduled to be received under non-cancelable operating leases are as follows at June 30, 2011:

Fiscal Year	Amount
2012	$ 6,619
2013	6,692
2014	6,823
2015	6,993
2016	7,001
	$ 34,128

Contingencies –MARTA is a defendant in several lawsuits relating to alleged personal injuries, and alleged damages to property and business as a result of its operations. Claims have also been filed with MARTA which, for the most part, relate to alleged changes and/or conditions imposed on various contractors by MARTA beyond those provided for in the original contracts.

In addition, FTA periodically audits costs relating to the federal grants. Any costs that are ultimately determined to be non-allowable under the provisions of a federal capital grant will have to be funded with local funds. The outcome of the above matters is not presently determinable; however, management believes the ultimate resolution of these matters will not materially affect the financial statements of MARTA.

16. POLLUTION REMEDIATION OBLIGATION

Under Governmental Accounting Standard No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, if certain criteria are met, MARTA is required to report, in the financial statements, the estimated liability for the remediation of the detrimental effects of existing pollution.

MARTA has three active bus facilities and a closed maintenance facility at which underground fuel storage tanks have released fuel at various times in prior years. MARTA has for a number of years and continues to use various methods to remediate the effects of these releases. In addition, MARTA has been named as a potentially responsible party (PRP) for the cleanup of the Crymes Landfill located in Gwinnett County, Georgia. MARTA estimates that $6,222 is its obligation to remediate the sites at the bus and maintenance facilities and its share in the remediation of the landfill. The $6,222 is included in current liabilities on the Statement of Net Assets and in the operating expenses on the Statement of Revenues, Expenses and Changes in Net Assets.

17. SUBSEQUENT EVENT

MARTA anticipates executing additional forward-fuel contracts for natural gas and diesel fuel for the remainder of the unhedged balance of diesel fuel for fiscal year 2012 and both diesel and natural gas for fiscal year 2013 requirements. Counterparties will be determined through a bid process at some point in fiscal year 2012 as dictated by market conditions. These contracts will be executed to hedge fiscal years 2012 and 2013 levels not to exceed 75% of the forecasted usage for either year.

In November 2011, MARTA sold $99,000 of commercial paper. This brings the outstanding commercial paper to $324,000 which is the ceiling for the current levels of the supporting letters of credit.

In November 2011, the MARTA Board of Directors approved the remediation of the final two rail car LILO transactions; thus, eliminating the remaining potential loss exposure. All 19 transactions have now been terminated or remediated.

Metropolitan Atlanta Rapid Transit Authority
Supplemental Schedule of Revenues and Expenses, Budget vs. Actual (Budget Basis)
June 30, 2011
Dollars in Thousands

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	$ 100,568	$ 115,828	$ 15,260
Other Revenues	7,656	11,401	3,745
Total Operating Revenues	108,224	127,229	19,005
Operating Expenses:			
Transportation	169,802	183,875	(14,073)
Maintenance and Garage Operations	152,659	146,844	5,815
General and Administrative	81,889	79,743	2,146
Total Operating Expenses	404,350	410,462	(6,112)
Operating Loss	(296,126)	(283,233)	12,893
Nonoperating Revenues (Expenses):			
Sales and Use Tax	317,049	319,850	2,801
Federal Operating Revenues	55,030	85,777	30,747
Investment Income	567	1,272	705
Other Revenues	12,654	12,799	145
	385,300	419,698	34,398
Increase in Net Assets - Budget Basis	$ 89,174	136,465	$ 47,291
Basis Differences			
Depreciation		(222,304)	
Gain (Loss) on Sales of Property and Equipment		(1,260)	
Interest Expense		(73,381)	
Interest Expense Capitalized		305	
Amortization of Financing Related Charges and Income from Derivative Activity		5,426	
Other - Nonoperating Expense		(34,699)	
Capital Grants		26,753	
Net Capital Lease Transaction Activity		(11,820)	
Gain (Loss) on Investment Derivatives		7,569	
Decrease in Net Assets - GAAP Basis		$ (166,946)	

See note to supplemental schedule.

Metropolitan Atlanta Rapid Transit Authority
Notes to the Supplemental Schedule
June 30, 2011 and 2010

1. BUDGETARY HIGHLIGHTS

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. The fiscal year 2011 net operating expenses were $410 million which excludes depreciation. This was $6 million (1.5%) more than the fiscal year 2011 budget, which was $5 million (1%) more than the previous year's budget. MARTA continued a number of cost containment measures in fiscal year 2011 by focusing on the Board of Director's priorities, which includes improving service reliability and cleanliness, as well as improving financial stability. Operating revenue performed favorable to the budget, ending the year $19 million (17.5%) better than budget. This positive variance in operating revenue is attributable to fare increase implemented in October 2010 and a moderate positive effect from high gas prices. Non-operating revenues were 8.9% or $34 million more than budget. The largest variance was for federal operating revenues; MARTA received $31 million more than budgeted. This positive variance is directly related to the additional ARRA funds that the Authority received.

Intentionally Left Blank

Statistical Section

Unaudited

STATISTICAL SECTION - Unaudited

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

CONTENTS

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

These schedules contain information to help the reader assess the Authority's sources of revenue especially the most significant revenue source, the sales and use tax.

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

Intentionally Left Blank

Financial Trends

CONDENSED SUMMARY OF NET ASSETS

Last Ten Fiscal Years (Dollars in Millions)

	2011	2010 *	2009	2008	2007	2006	2005	2004	2003	2002
ASSETS:										
Current and Other Assets	$ 982	$ 1,084	$ 904	$1,142	$1,059	$540	$511	$464	$530	$ 494
Capital Assets	3,158	3,273	3,360	3,393	3,350	3,304	3,240	3,194	3,138	3,028
Total Assets	4,140	4,357	4,264	4,535	4,409	3,844	3,751	3,658	3,667	3,522
LIABILITIES:										
Long-term Debt	1,631	1,691	1,482	1,686	1,581	1,426	1,358	1,288	1,326	1,198
Current and Other Liabilities	827	816	811	741	690	251	239	219	187	173
Total Liabilities	2,458	2,507	2,293	2,426	2,271	1,677	1,597	1,508	1,512	1,371
NET ASSETS:										
Invested in Capital Assets, Net of Debt	915	987	1,307	1,707	1,769	1,885	1,888	1,912	1,819	1,804
Restricted	717	709	621	307	292	269	234	221	218	226
Unrestricted	51	153	43	95	77	14	32	18	118	121
TOTAL NET ASSETS	$ 1,682	$ 1,849	$ 1,971	$ 2,109	$ 2,138	$ 2,167	$ 2,154	$ 2,150	$ 2,155	$ 2,151

*Restated

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Last Ten Fiscal Years (Dollars in Millions)

	2011	2010*	2009	2008	2007	2006	2005	2004	2003	2002
Operating Revenues										
Fare Revenues	$116	$110	$105	$104	$105	$99	$96	$95	$96	$102
Other Revenues	11	13	9	14	5	6	7	12	10	9
Total Operating Revenues	127	122	114	118	110	105	104	107	106	112
Non-Operating Revenues										
Sales and Use Tax	320	308	313	350	351	334	307	283	271	284
Federal Operating Revenues	86	101	52	49	40	39	40	42	40	36
Investment Income	1	2	7	18	20	13	8	4	8	14
Net Capital Lease Transaction Activity	(12)	50	3	3	0	0	0	0	0	0
Other Revenues	13	11	48	11	10	10	10	9	7	5
Gain (Loss) on Sale of Property and Equip.	(1)	(0)	(2)	0	1	1	(3)	(6)	0	(2)
Total Nonoperating Revenues	407	471	422	431	421	397	362	332	327	338
Total Revenues	534	594	535	549	531	503	466	439	433	450
Summary of Expenses										
Operating:										
Transportation	184	180	178	175	158	146	142	149	144	135
Maintenance and Garage Operations	147	147	141	129	117	110	118	114	118	108
General and Administrative	80	76	72	64	54	50	50	40	53	55
Depreciation	222	227	226	196	164	147	139	133	135	132
Total Operating Expenses	633	630	617	565	493	454	448	436	450	430
Non-Operating Expenses										
Interest Expenses	73	74	73	76	70	66	64	63	64	62
Interes Expenses Capitalized	(0)	(0)	(0)	(0)	(2)	(3)	(12)	(10)	(9)	(8)
Amortization of Financing Related Charges and Income from Derivative Activity	(5)	(5)	(2)	(4)	(3)	(1)	1	1	2	2
(Gain) Loss on Investment Derivatives	(8)	(6)	6	-	-	-	-	-	-	-
Other Expenses-Special Pension Plan					45					
Other Nonoperating Expenses	35	39	33	23	13	13	13	10	10	11
Total Nonoperating Expenses	95	102	109	95	123	74	66	64	67	67
Total Expenses	728	732	726	660	616	528	514	499	517	497
Loss Before Capital Contributions	(194)	(138)	(190)	(111)	(86)	(25)	(48)	(60)	(84)	(47)
Capital Grants	27	34	80	81	41	39	52	56	88	59
Increase (Decrease) in Net Assets	(167)	(104)	(110)	(29)	(44)	13	3	(4)	4	12
Net Assets, July 1	1,849	1,971	2,109	2,123	2,167	2,154	2,150	2,155	2,151	2,139
Prior period adjustment		(18)	(28)	15						
Net Assets, July 1 restated	1,849	1,953	2,081	2,138	-	-	-	-	-	-
Net Assets, June 30	$1,682	$1,849	$1,971	$2,109	$2,123	$2,167	$2,154	$2,150	$2,155	$2,151

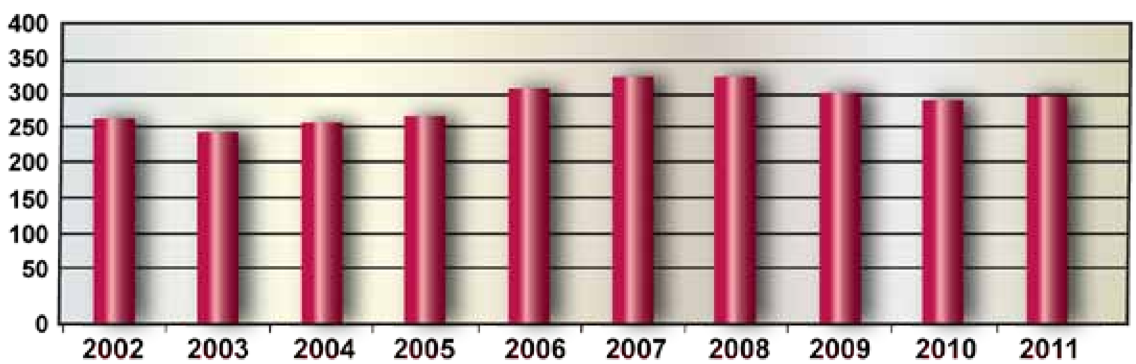
* Restated

SALES TAX COLLECTION AND USAGE

Last Ten Fiscal Years (Dollars in Thousands)

			Usage [2 & 3]				
					Sales Tax for Operations		
Fiscal Year	Sales Tax[1]	Percent Change	Sinking Fund Withheld	Capital Construction	Subsidy	Percent Used	Overage/ (Shortage)
2002	286,435	(5.9)	92,449	50,769	144,209	51	(992)
2003	272,578	(4.8)	99,213	37,076	157,732	58	(21,443)
2004	280,663	3.0	93,361	46,970	143,439	51	(3,107)
2005	296,351	5.6	107,703	40,472	152,135	51	(3,959)
2006	331,213	11.8	111,523	54,083	145,617	44	19,990
2007	349,215	5.4	118,276	56,331	158,931	46	15,677
2008	351,596	0.7	125,311	50,487	182,671	52	(6,873)
2009	327,425	(6.9)	128,137	35,575	216,835	66	(53,122)
2010	317,775	(2.9)	123,471	35,417	180,452	57	(21,565)
2011	319,229	0.5	126,386	33,228	194,573	61	(34,958)

Sales & Use Tax Receipts



[1] Sales Tax collection is stated on the cash basis.

[2] Usage is stated on the cash basis to reflect the Sales Tax Operating Subsidy in conformity with the MARTA Act.

The MARTA Act provides that up to 50% of the sales tax collections in a fiscal year can be used to subsidize the operating expenses of the system. If less than 50% is used, then the amount not used can be carried over at the board's discretion to fund years where operating expenses require a subsidy of more than 50% of that years's sales tax collections. In years where the sales tax subsidy is more than 50% and there is not sufficient carry over sales tax, then MARTA has three (3) years in which to make up the shortage.

[3] For the period January 1, 2002 until December 31, 2008 the MARTA Act allows 55% of sales tax to be used for operations.

[4] For the period July, 1 2010 until June 30, 2013 the MARTA ACT temporarily suspends the 50/50 sales tax restriction

REVENUES AND OPERATING ASSISTANCE COMPARISON TO INDUSTRY TREND DATA

Last Ten Fiscal Years (As a Percentage of Total)

	Fiscal Year		Operating and Other Miscellaneous Revenue			Operating Assistance			
			Fares	Other [2]	Total	Sales & Use Tax	Federal	Total	Total Revenue
Transportation Industry [1]									
	2002		32.5	17.3	49.8	45.3	4.9	50.2	100.0
	2003		32.6	18.1	50.7	43.6	5.7	49.3	100.0
	2004		32.9	16.7	49.6	43.4	7.0	50.4	100.0
	2005		32.4	15.7	48.1	44.6	7.3	51.9	100.0
	2006		33.2	7.0	40.2	52.1	7.7	59.8	100.0
	2007		31.4	6.5	37.9	54.6	7.5	62.1	100.0
	2008		31.2	6.5	37.7	55.3	7.0	62.3	100.0
	2009		31.5	5.9	37.4	54.4	8.2	62.6	100.0
	2010		*	*	*	*	*	*	*
	2011		*	*	*	*	*	*	*
MARTA									
	2002		22.7	5.9	28.6	63.3	8.1	71.4	100.0
	2003		22.2	5.9	28.1	62.6	9.3	71.9	100.0
	2004		21.3	5.8	27.1	63.6	9.3	72.9	100.0
	2005		20.5	5.3	25.8	65.6	8.6	74.2	100.0
	2006		20.5	5.8	26.3	66.0	7.7	73.7	100.0
	2007		19.8	6.5	26.3	66.2	7.5	73.7	100.0
	2008		18.9	8.4	27.3	63.7	9.0	72.7	100.0
	2009		19.6	12.2	31.8	58.4	9.8	68.2	100.0
	2010	**	18.4	12.8	31.2	51.8	17.0	68.8	100.0
	2011		21.7	2.3	24.0	59.9	16.1	76.0	100.0

** Restated

* Not Available

[1] Source: The American Public Transportation Association, APTA 2010 & 2011 Transportation Fact Book, Table 20

[2] Other Revenue includes interest, auxiliary, and other non-operating income.

TOTAL EXPENSES BY FUNCTION

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	Transportation	Maintenance	General and Administrative	Depreciation	Total Operating Expenses	Interest	Other	Total
2002	135,377	107,713	54,901	132,082	430,073	53,790	12,920	496,783
2003	143,755	118,446	52,588	135,116	449,905	55,320	12,109	517,334
2004	149,278	113,930	39,849	132,612	435,669	52,071	11,462	499,202
2005	141,833	117,871	49,678	138,976	448,358	52,175	13,757	514,290
2006	146,162	110,065	50,278	147,052	453,557	62,361	11,983	527,901
2007	158,300	116,746	53,912	163,939	492,897	68,616	54,852	616,365
2008	174,927	129,430	64,410	195,892	564,659	75,381	19,573	659,613
2009	177,869	141,438	71,616	226,104	617,027	72,212	36,355	725,594
2010	180,360	146,875	76,125	227,032	630,392	73,964	27,660	732,016
2011	183,875	146,844	79,743	222,304	632,766	73,076	21,704	727,546

TOTAL OPERATING EXPENSES BY OBJECT

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Depreciation	Other	Total Operating Expenses
2002	228,859	14,589	28,559	13,220	6,196	-	132,082	6,568	430,073
2003	238,776	17,751	30,403	13,229	6,896	-	135,116	7,734	449,905
2004	239,408	15,410	31,893	12,875	(487)	-	132,612	3,958	435,669
2005	236,793	15,691	32,437	13,014	7,682	-	138,976	3,765	448,358
2006	238,085	15,411	31,561	13,898	5,700	-	147,052	1,850	453,557
2007	250,759	16,755	33,871	15,511	9,777	-	163,939	2,285	492,897
2008	285,757	15,409	39,514	16,550	8,861	-	195,892	2,676	564,659
2009	296,838	17,994	47,093	17,569	8,954	-	226,104	2,475	617,027
2010	302,260	22,633	49,680	17,891	9,077	-	227,032	1,819	630,392
2011	307,041	25,029	45,506	18,956	11,734	-	222,304	2,196	632,766

OPERATING EXPENSES COMPARISON TO INDUSTRY TREND DATA

Last Ten Fiscal Years

	Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Other	Total Operating Expenses**
Transportation Industry (1)									
	2002	70.2 %	6.2 %	9.2 %	3.1 %	2.5 %	12.0 %	(3.2) %	100.0 %
	2003	69.0	6.0	9.0	3.0	2.6	13.4	(3.0)	100.0
	2004	68.7	5.8	9.1	3.0	2.6	13.4	(2.6)	100.0
	2005	66.9	5.8	10.1	3.2	2.5	13.8	(2.3)	100.0
	2006	66.1	5.9	11.3	3.2	2.5	13.4	(2.4)	100.0
	2007	65.8	6.1	11.6	3.4	2.4	13.0	(2.3)	100.0
	2008	64.0	6.3	12.8	3.4	2.2	13.7	(2.4)	100.0
	2009	64.8	6.6	11.3	3.5	2.3	14.0	(2.5)	100.0
	2010	*	*	*	*	*	*	*	*
	2011	*	*	*	*	*	*	*	*
MARTA									
	2002	76.8 %	4.9 %	9.6 %	4.4 %	2.1 %	0.0 %	2.2 %	100.0 %
	2003	75.9	5.6	9.7	4.2	2.2	0.0	2.4	100.0
	2004	79.0	5.1	10.5	4.2	(0.1)	0.0	1.3	100.0
	2005	76.5	5.1	10.5	4.2	2.5	0.0	1.2	100.0
	2006	77.7	5.0	10.3	4.5	1.9	0.0	0.6	100.0
	2007	76.2	5.1	10.3	4.7	3.0	0.0	0.7	100.0
	2008	77.5	4.2	10.7	4.5	2.4	0.0	0.7	100.0
	2009	75.9	4.6	12.1	4.5	2.3	0.0	0.6	100.0
	2010	74.9	5.6	12.3	4.4	2.3	0.0	0.5	100.0
	2011	74.8	6.1	11.1	4.6	2.9	0.0	0.5	100.0

* Not Available

** Excludes Depreciation

(1) Source: The American Public Transportation Association, APTA 2011 PublicTransportation Fact Book, Table 18.

Revenue Capacity

REVENUES BY SOURCE

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	Fare Revenues	Federal Operating Revenues[1]	Sales & Use Tax [2]	Auxiliary Transportation	Investment Income	Non-Transportation[3]	Total
2002	102,207	36,477	284,427	9,434	14,211	2,956	449,712
2003	96,059	40,157	271,006	9,955	8,227	7,602	433,006
2004	95,082	41,556	283,381	12,225	4,305	2,680	439,229
2005	96,244	40,374	307,227	7,425	7,778	6,874	465,922
2006	99,148	39,045	334,486	6,112	13,136	10,660	502,587
2007	104,678	40,142	350,526	5,277	19,609	10,447	530,679
2008	103,963	49,253	349,668	13,595	18,068	14,495	549,042
2009	105,235	52,313	312,704	8,563	6,933	49,735	535,483
2010*	109,546	100,960	307,525	12,745	2,181	61,219	594,176
2011	115,828	85,777	319,850	11,401	1,272	(281)	533,847

(1) Federal Operating Revenues are not generated by MARTA; thus, they are not own-source revenues.

(2) MARTA is a public corporate body created as a joint public instrumentality and does not have the power to impose any tax on any subject of taxation. MARTA receives a 1% sales tax from Fulton County, DeKalb County and the City of Atlanta levied on its behalf by the aforementioned jurisdictions.

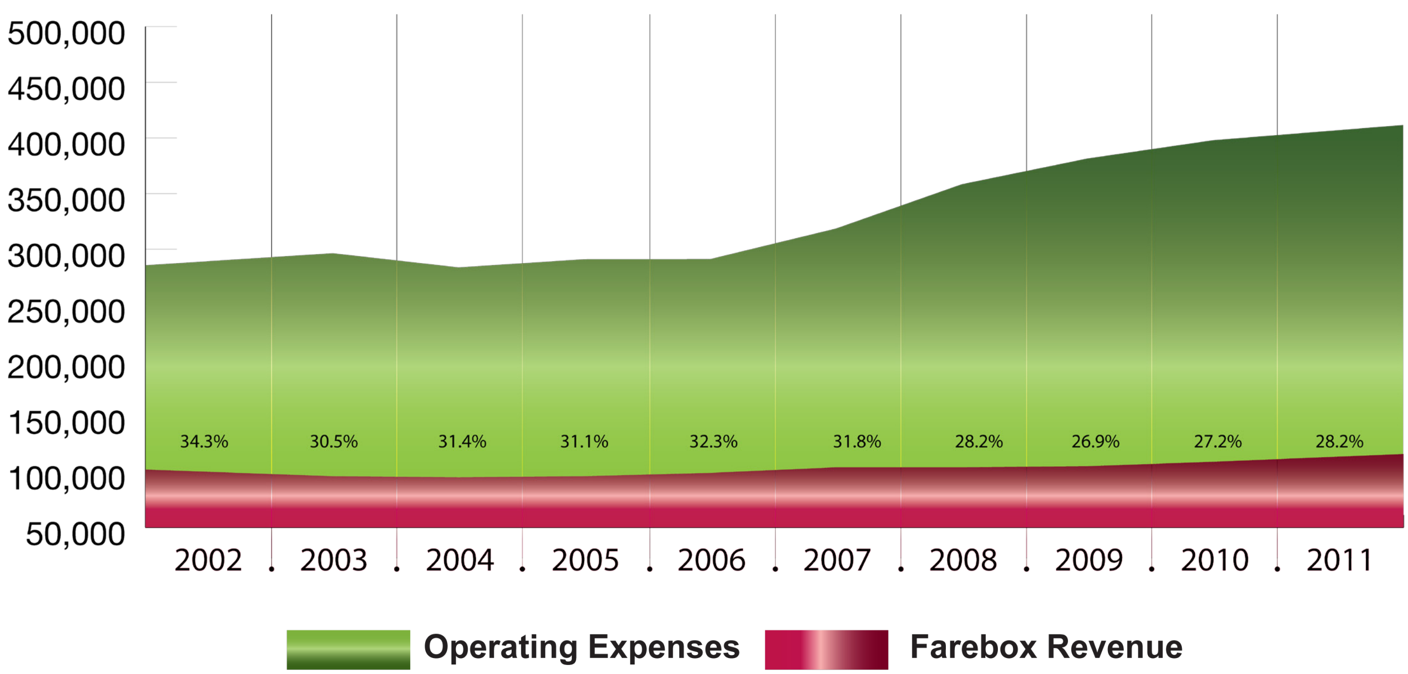
(3) Includes the net gain or loss on the disposition of fixed assets.

* Restated

FAREBOX RECOVERY PERCENTAGE

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	Farebox Revenue	Percent Change	Operating Expenses (1)	Percent Change	Farebox Recovery
2002	102,207	11.8	297,991	5.1	34.3
2003	96,059	(6.0)	314,789	5.6	30.5
2004	95,082	(1.0)	303,057	(3.7)	31.4
2005	96,244	1.2	309,382	2.1	31.1
2006	99,148	3.0	306,505	(0.9)	32.3
2007	104,678	5.6	328,958	7.3	31.8
2008	103,963	(0.7)	368,767	12.1	28.2
2009	105,235	1.2	390,923	6.0	26.9
2010	109,546	4.1	403,360	3.2	27.2
2011	115,828	5.7	410,462	1.8	28.2



(1) Excludes depreciation expense

SALES & USE TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Year	State of Georgia [1]	MARTA [2]	DeKalb County [3 & 8]	Fulton County [4 & 8]	Clayton County [5]	Cobb County [6]	Gwinnett County [7]
2002	4	1	2	2	2	1	2
2003	4	1	2	2	2	1	2
2004	4	1	2	2	2	1	2
2005	4	1	2	2	3	2	2
2006	4	1	2	2	3	2	2
2007	4	1	2	2	3	2	2
2008	4	1	2	2	3	2	2
2009	4	1	2	2	3	2	2
2010	4	1	3	3	3	2	2
2011	4	1	3	3	3	2	2

(1) Charged in all counties.

(2) Charged in counties in the MARTA district which have a service contract with MARTA, currently Fulton and DeKalb counties.

(3) Education tax and homestead tax effective July 1, 1997.

(4) Local option tax effective April 1, 1983. Education tax effective July 1, 1997.

(5) Local option tax effective April 1, 1994. Education tax effective July 1, 1997. Special purpose tax effective July 1, 1998.

(6) Education tax effective April 1, 1999.

(7) Special purpose tax effective April 1, 1992. Education tax effective July 1, 1997.

(8) Local other purpose tax levied only within the City of Atlanta effective October 1, 2004.

SOURCE: Georgia Department of Revenue

Intentionally Left Blank

Debt Capacity

SALES & USE TAX REVENUE BOND DEBT COVERAGE

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	Sales & Use Tax	Debt Service Requirements Principal	Interest	Total	Debt Service Coverage [(1)]
2002	284,427	33,735	56,883	90,618	3.14
2003	271,006	35,655	56,883	92,538	2.93
2004	283,381	37,525	62,047	99,572	2.85
2005	307,227	30,730	59,920	90,650	3.39
2006	334,486	43,000	58,368	101,368	3.30
2007	350,526	45,160	54,769	99,929	3.51
2008	349,668	48,685	49,876	98,561	3.55
2009	312,704	51,640	67,449	119,089	2.63
2010	307,525	54,930	67,622	122,552	2.51
2011	319,850	58,370	73,397	131,767	2.43

(1) Bond indebtness is limited by the First Indenture Trustee and the Trustee in each bond year to the extent that estimated amounts of sales and use tax received are at least equal to two (2) times the aggregate amount of total debt service.

SALES & USE TAX REVENUE BOND DEBT SERVICE LIMIT

June 30, 2011 (Dollars in Thousands)

Sales & Use Tax	$319,850
Debt Service Limitation [1]	45%
Debt Service Limit	143,933
Required for Debt Service	131,767
Excess	$12,166

[1] The MARTA Board established a limit for the annual debt service to be paid for by sales and use tax revenue bonds to no more than 45% of the estimated sales tax receipts for the year.

SALES & USE TAX REVENUE BOND DEBT SERVICE LIMIT

Last Ten Years (Dollars in Thousands)

Fiscal Year	Sales & UseTax	Required for Debt Service	Ratio of Debt Service [1]
2002	284,427	90,618	31.9
2003	271,006	92,538	34.1
2004	283,381	99,572	35.1
2005	307,227	90,650	29.5
2006	334,486	101,368	30.3
2007	350,526	99,929	28.5
2008	349,668	98,561	28.2
2009	312,704	119,089	38.1
2010	307,525	122,552	39.9
2011	319,850	131,767	41.2

(1) The MARTA Board established a limit for the annual debt service to be paid for by sales and use tax revenue bonds to no more than 45% of the estimated sales tax receipts for the year.

SALES & USE TAX REVENUE BOND DEBT RATIOS

Last Ten Fiscal Years - June 30, 2011 and 2010 (Dollars in Thousands)

Fiscal Year	Outstanding Debt (1)	Total Unlinked Passenger Count (2)	Per Capita (3)	As a Share of Personal Income(4)
2002	1,201,102	159,145	7.55	1.93
2003	1,325,757	142,501	9.30	2.10
2004	1,288,364	135,851	9.48	1.90
2005	1,357,907	142,050	9.56	1.87
2006	1,425,964	138,040	10.33	1.82
2007	1,581,188	147,151	10.75	1.94 **
2008	1,685,722	150,503	11.20	1.94 **
2009	1,707,386	156,062	10.94	2.14 **
2010	1,916,104	145,741	13.15	*
2011	1,855,427	139,333	13.32	*

* Not available

** Revised

(1) From MARTA Financial Statements FY 2002 to FY 2011

(2) See Unlinked Passenger Changes on Page 71

(3) Outstanding Sales Tax Revenue Bond Debt per Unlinked Passenger Count

(4) Outstanding Sales Tax Revenue Bond Debt per Total Service District Personal Income (see Trends in Personal Income on Page 65)

COMPUTATION OF OVERLAPPING DEBT

December 31, 2010 (Dollars in Thousands)

Jurisdiction	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Atlanta Downtown Development Authority	$ -	100 %	$ -
Fulton County	-	100	-
Fulton County Library Bonds	167,469	100	167,469
Fulton County School District	149,760	100	149,760
Fulton County Building Authority	27,765	100	27,765
Fulton County Urban Redevelopment Agency	26,441	100	26,441
DeKalb County	319,868	100	319,868
Municipalities:			
Atlanta	244,965	100	244,965
Alpharetta	34,270	100	34,270
Hapeville	10,425	100	10,425
Union City	11,765	100	11,765
Roswell	27,345	100	27,345
Fulton-DeKalb Hospital Authority	185,430	100	185,430
Atlanta-Fulton County Recreation Authority (Zoo)	19,105	100	19,105
Atlanta-Fulton County Recreation Authority (Arena)	124,515	100	124,515
College Park Business and Industrial Development Authority	3,010	100	3,010
East Point Building Authority	77,275	100	77,275
Total Overlapping Debt	$1,429,408		$1,429,408

This schedule depicts the debt obligations imposed by other governments that are, either wholly or in part, within the geographic boundaries of MARTA, and the percent of property within MARTA's boundaries.

MARTA has no obligation to the other governments for their debt.

SOURCES: Year Ended December 31, 2010 CAFR for the City of Atlanta, Fulton County, and Dekalb County.

Intentionally Left Blank

Demographic and Economic Information

TRENDS IN PERSONAL INCOME

Last Ten Fiscal Years (Dollars in Thousands)

Calendar Year	Fulton County	DeKalb County	Total Service District	Percentage Change Fulton County	Percentage Change DeKalb County
2002 *	40,063,043	22,924,738	62,987,781	3.3	1.0
2003 *	40,645,306	23,294,993	63,940,299	1.5	1.6
2004 *	43,670,962	24,062,496	67,733,458	7.4	3.3
2005 *	47,393,823	25,404,453	72,798,276	8.5	5.6
2006 *	51,539,185	26,792,937	78,332,122	8.7	5.5
2007 *	53,867,066	27,837,206	81,704,272	4.5	3.9
2008*	55,097,265	28,598,077	83,695,342	2.3	2.7
2009 **	52,177,501	27,669,083	79,846,584	-5.3	-3.2
2010 **					
2011 **					

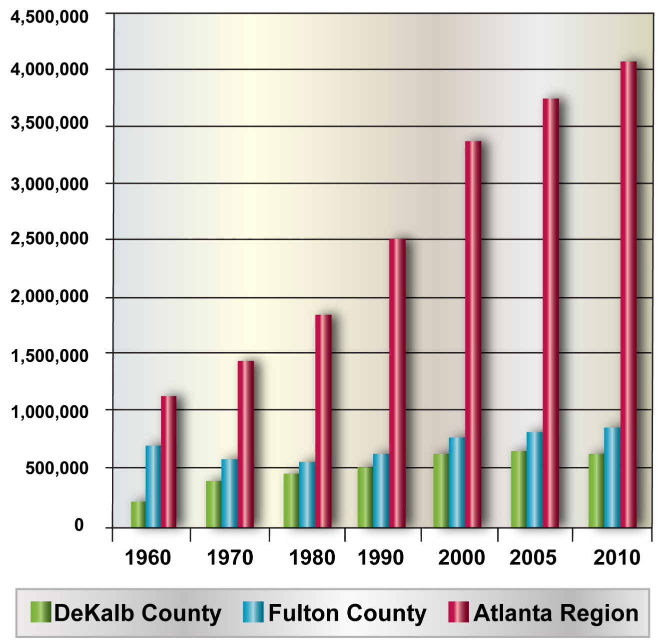
* Revised
** Not available

Source: U.S. Department of Commerce, Bureau of Economic Analysis

POPULATION AND EMPLOYMENT

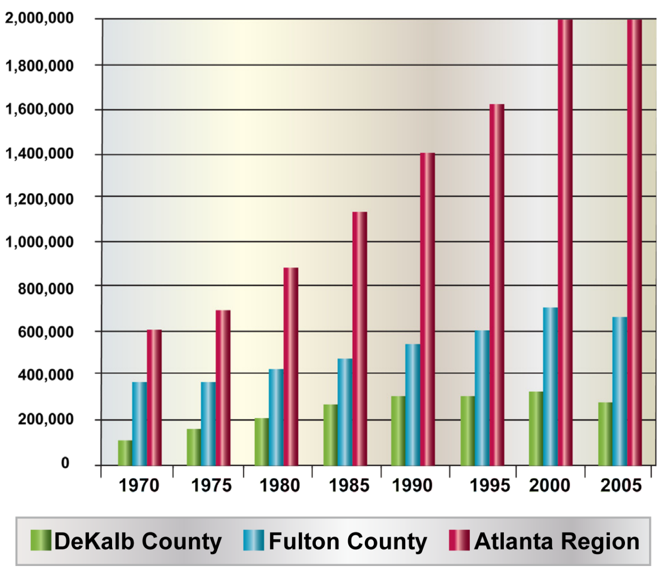
June 30, 2011

POPULATION GROWTH SINCE 1960



Year	Fulton County	DeKalb County	Atlanta Region
1960	556,226	256,782	1,093,220
1970	605,210	415,387	1,500,823
1980	589,904	483,024	1,896,182
1990	670,800	553,800	2,557,800
2000	816,000	665,900	3,429,400
2005	874,100	700,500	3,813,700
2010	920,581	691,893	4,107,750

EMPLOYMENT GROWTH SINCE 1970



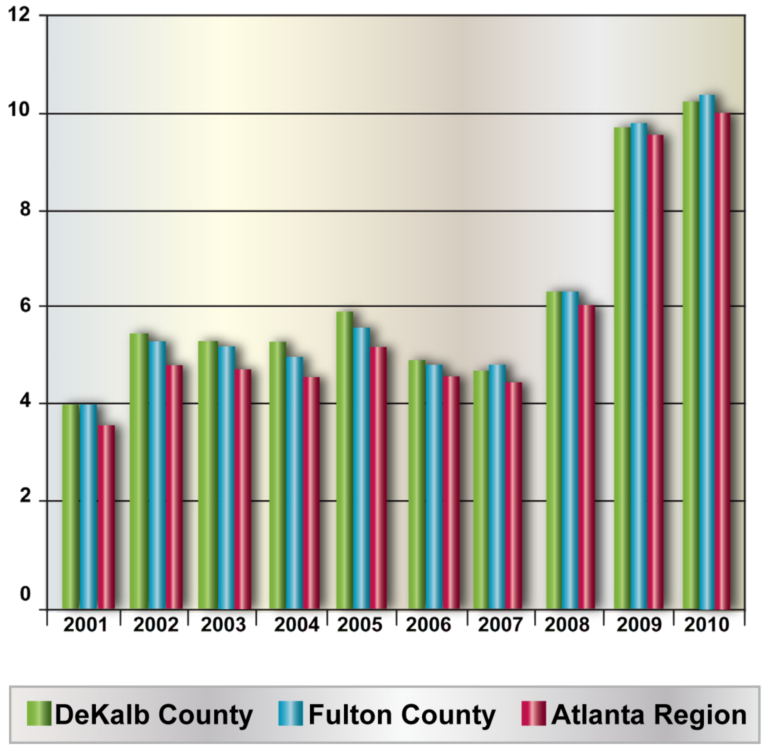
Year	Fulton County	DeKalb County	Atlanta Region
1970	386,988	120,554	619,693
1975	388,394	167,839	705,120
1980	445,341	218,142	901,157
1985	490,000	279,000	1,146,850
1990	560,600	318,300	1,426,000
1995	616,000	331,800	1,640,000
2000	730,900	346,900	1,991,500
2005	691,100	299,400	1,936,700
*2010	-	-	-

Source: Atlanta Regional Commission

UNEMPLOYMENT RATES

Last Ten Fiscal Years

UNEMPLOYMENT RATES SINCE 2002



Year		Fulton County	DeKalb County	Atlanta Region
2002		5.4	5.5	4.9
2003		5.3	5.4	4.8
2004		5.1	5.4	4.7
2005	*	5.7	6.0	5.3
2006	*	5.0	5.1	4.7
2007	*	5.0	4.9	4.6
2008	*	6.5	6.5	6.2
2009	*	9.9	9.8	9.7
2010		10.6	10.4	10.2
2011	**			

** Not Available

* Revised

Source: U.S. Department of Labor-Bureau of Labor Statistics

TOP TEN CORPORATE EMPLOYERS IN THE ATLANTA REGION

Current Year and Nine Years Ago

	2009			2000		
Company	**Number of Full Time Employees**	**Rank**	**Percentage of Total Employment**	**Number of Full Time Employees**	**Rank**	**Percentage of Total Employment**
Delta Air Lines, Inc.	25,000	1	1.03	31,606	1	1.37
Wal-Mart Stores, Inc.	23,600	2	0.97	14,700	3	0.64
AT&T, Inc.	20,325	3	0.83	12,000	4	0.52
Publix Supermarkets, Inc.	9,633	4	0.40	-	-	-
Wellstar Health System, Inc.	9,057	5	0.37	-	-	-
The Home Depot, Inc.	9,000	6	0.37	9,889	5	0.43
Lockheed Martin Aeronautics Co.	7,091	7	0.29	7,000	9	0.30
Cox Enterprises, Inc.	6,947	8	0.28			
SunTrust Banks, Inc.	6,861	9	0.28	6,835	10	0.30
Turner Broadcasting System, Inc.	6,600	10	0.27			
Bellsouth Corp.	-		-	23,560	2	1.02
United Parcel Service	-		-	8,500	6	0.37
IBM Corporation	-		-	8,400	7	0.36
Lucent Technologies	-		-	7,200	8	0.31
	124,114		5.09	129,690		5.63

SOURCES : The Atlanta Business Chronicle, 2010-2011 Book of Lists (information current as of Dec. 2009).
The Atlanta Business Chronicle, 2001 Book of Lists (information current as of Dec. 2000).
U.S. Department of Labor-Bureau of Labor Statistics Local Area Unemployment Statistics

Operating Information

TRANSIT SERVICE EFFORT AND ACCOMPLISHMENTS PER MILE

Last Ten Fiscal Years (Vehicle Miles in Thousands)

	Revenue Vehicle Miles (1)						
Fiscal Year	Bus	Rail	Total	% Change	Operating Expense (2) Per Mile	Operating Expense (2) Per Passenger Mile (1) (3)	Unlinked Passenger Trips Per Mile (1) (3)
2002	26,818	23,552	50,370	3	5.91	0.37	3.2
2003	25,842	22,707	48,549	(4)	6.48	0.44	2.9
2004	25,646	22,050	47,696	(2)	6.35	0.41	2.9
2005	21,757	22,981	44,738	(6)	6.91	0.43	3.2
2006	22,233	21,091	43,324	(3)	7.07	0.41	3.2
2007	23,710	21,993	45,703	5	7.20	0.44	3.2
2008	27,099	23,208	50,307	10	7.33	0.46	2.7
2009	27,345	24,566	51,911	3	7.53	0.48	2.7
2010	27,030	22,061	49,091	(5)	8.22	0.81	2.6
2011	23,059	18,662	41,721	(15)	9.84	0.57	2.9

(1) Does not include demand response.

(2) Operating expense excludes depreciation.

(3) Unlinked Passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.

SOURCE: MARTA

TRANSIT SERVICE EFFORT AND ACCOMPLISHMENTS PER HOUR

Last Ten Fiscal Years (Vehicle Hours in Thousands)

Fiscal	Revenue Vehicle Hours [1]					Operating Expense [2] Per Passenger	Unlinked Passenger Trips Per Revenue
Year	Bus	Rail	Total	% Change	Operating Expense [2] Per Hour	Trip [1] [3]	Vehicle Hour [1] [3]
2002	2,150	896	3,046	1	97.83	1.87	52.3
2003	2,070	856	2,926	(4)	107.58	2.20	48.6
2004	2,058	837	2,895	(1)	104.68	2.23	46.9
2005	1,798	875	2,673	(8)	115.74	2.18	53.1
2006	1,812	803	2,615	(2)	117.21	2.22	52.8
2007	1,942	833	2,775	6	118.54	2.23	53.0
2008	2,191	873	3,064	10	120.36	2.45	49.1
2009	2,193	921	3,114	2	125.55	2.50	50.1
2010	2,137	829	2,966	(5)	135.96	2.77	49.1
2011	1,867	709	2,576	(13)	141.50	2.95	54.1

(1) Does not include demand response.

(2) Operating expense excludes depreciation.

(3) Unlinked Passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.

SOURCE: MARTA

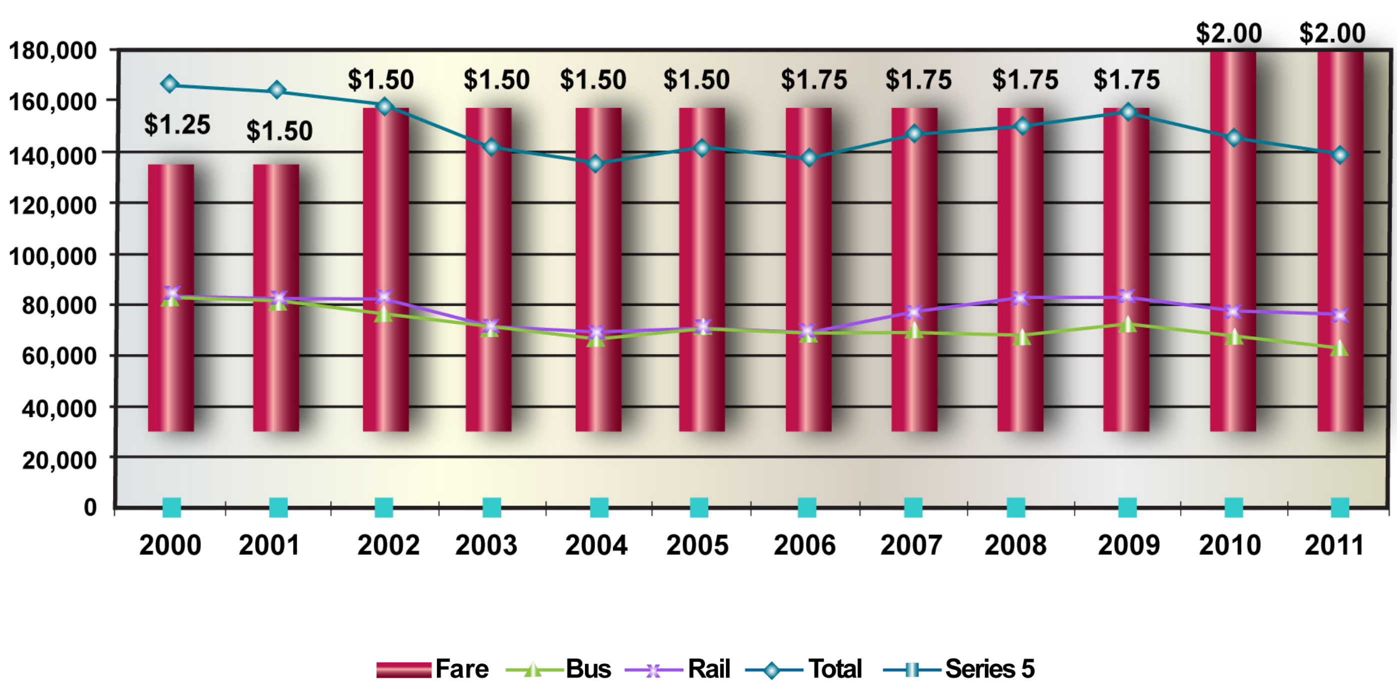
UNLINKED PASSENGER CHANGES

Last Ten Fiscal Years (In Thousands)

Unlinked Passenger Count (1)

Fiscal Year	Bus	% Change	Rail	% Change	Total	% Change
2002	76,806	(5.8)	82,339	(0.1)	159,145	(2.9)
2003	70,641	(8.0)	71,860	(12.7)	142,501	(10.5)
2004	66,762	(5.5)	69,089	(3.9)	135,851	(4.7)
2005	71,066	6.4	70,984	2.7	142,050	4.6
2006	68,831	(3.1)	69,209	(2.5)	138,040	(2.8)
2007	69,465	0.9	77,686	12.2	147,151	6.6
2008	67,519	(2.8)	82,984	6.8	150,503	2.3
2009	72,716	7.7	83,346	0.4	156,062	3.7
2010	68,009	(6.5)	77,732	(6.7)	145,741	(6.6)
2011	63,105	(7.2)	76,228	(1.9)	139,333	(4.4)

Relationship of Fare Changes to Unlinked Passenger Count



FARE STRUCTURE

For the Fiscal Year Ended June 30, 2010

REGULAR FARE

Single Trip (stored on Breeze Card or Breeze Ticket)..$ 2.00

Round Trip-including transfers(stored on Breeze Card or Breeze Ticket)...$ 4.00

Ten(10) single trips(10 trips on Breeze Card or Breeze Ticket)...$ 20.00

DISCOUNTED FARE

Twenty (20) sigle trips (20 trips stored on one Breeze Card or Breeze Ticket)...$ 34.00

30 day pass (unlimited travel for 30 consecutive days, all regular service) ....$ 60.00

7 day pass (unlimited travel for 7 consecutive days, all regular service)...$ 15.00

Day passes (unlimited travel for consecutive days, all regular service).

PRICE PER DAY: 1 Day:$ 8.00 **2 Day**: $ 9.00 **3 Day**:$ 12.00 **4 Day**: $ 13.00

MOBILITY AND HALF FARE PROGRAMS

Half Fare (for pre-qualified customers 65 and older and disabled customers using regular service) .... $ 0.90

Mobility Service. ....$3.60 (each way)
(Demand response for certified customers Personal care attendant may ride free, if required)

Discounted Mobility Service (20 single trips).. $ 61.20

Discounted Mobility Service (unlimited travel for 30 days on Breeze Card) $108.00

Mobility on Fixed Route ....No Charge
(For Paratransit certified customers riding fixed route No charge with Mobility Breeze Card)

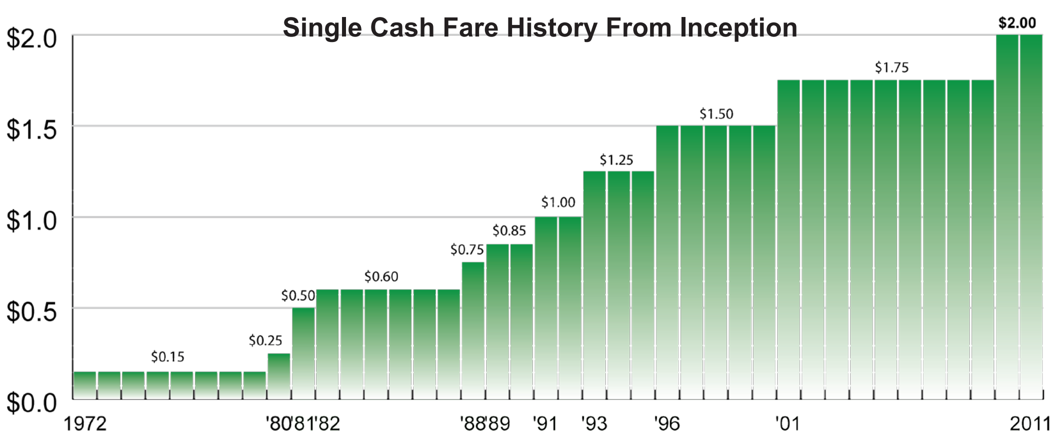
STUDENT PROGRAMS

K-12 Program (Grade school and High School students K-12, Monday through Friday
Ten(10) trip pass (to/from school), all regular school..$ 11.50

CONVENTION AND VISITORS PASS

For groups of 15 or more, ordered a minimum of 20 days in advance.

PRICE PER DAY: **1 Day**: $ 8.00 **2 Day**: $ 9.00 **3 Day**: $ 12.00 **4 Day**: $ 13.00 **7 Day**: $ 15.00



VEHICLES OPERATED IN MAXIMUM SERVICE

Last Ten Fiscal Years

Fiscal Year	Bus	Rail	Total(1)
2001	603	186	789
2002	596	186	782
2003	555	180	735
2004	590	184	774
2005	556	182	738
2006	554	184	738
2007	483	182	665
2008	504	188	692
2009	505	182	687
2010	491	188	679
2011	490	188	678

(1) Does not include demand response

SOURCE: MARTA

NUMBER OF EMPLOYEES

Last Ten Fiscal Years For the Year Ended June 2011

Fiscal Year	Full-Time	Part-Time	Total
2002	4,378	304	4,682
2003	4,357	254	4,611
2004	4,096	219	4,315
2005	4,029	326	4,355
2006	4,118	310	4,428
2007	4,436	293	4,729
2008	4,646	351	4,997
2009	4,548	314	4,862
2010	4,505	208	4,713
2011	4,223	206	4,429

Note: A full-time employee is scheduled to work 260 days per year (365 minus two days off per week). At eight hours per day, 2,080 hours are scheduled per year (including Paid Time Off). Full-Time equivalent employment is calculated by dividing total labor hours by 2,080.

MISCELLANEOUS STATISTICAL DATA

Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Population served	1,619,099	1,781,030	1,689,100	1,652,000	1,610,600	1,574,600	1,547,600	1,354,871	1,541,000	1,458,484
Size of area served (in square miles)	483	475	466	466	466	498	498	498	498	498
Number of Bus Routes	92	92	130	132	132	120	120	118	121	126
Annual Bus Passenger Miles (in millions) (Excludes Paratransit/Demand Response)	236.2	272.6	285	213.5	208.5	256.5	231	277.7	234.6	304.1
Miles of Bus Route	1,435	1,784.00	1,765.00	1,084.00	1,069.00	986.00	986.00	986.00	1,127.90	1,127.90
-Average On Time Performance	72.1%	72.4%	70.0%	63.7%	67.0%	93.4%	93.4%	93.4%	90.5%	85.6%
Miles of Rail Route	48	48	48	48	48	48	48	48	48	48
-Average On Time Performance	97.6	97.0%	96.4%	93.3%	89.7%	91.5%	91.5%	91.7%	90.3%	89.2%
Annual Rail Passenger Miles (in millions)	487.6	493.2	527	593.4	541.4	488.5	481.1	455.4	487.3	510.4
Number of Rail Stations	38	38	38	38	38	38	38	38	38	38
Number of Bus Stop Locations	8,700	8,700	11,482	11,500	11,430	11,500	11,483	11,483	11,568	10,392
Number of Bus Park And Ride Facilities	8	8	7	6	6	8	8	8	6	9
Number of Bus Shelters	772	750	741	751	748	540	540	540	515	476
Bus Passenger Parking Capacity	2,711	2,607	2,254	1,798	1,847	2,630	3,243	3,243	1,910	3,341
Rail Passenger Parking Capacity	21,677	22,301	23,888	24,622	25,736	27,372	25,586	25,583	26,701	26,701
No. of Buses in Active Fleet	531	597	615	616	624	554	556	559	690	691
-Average Vehicle Age (in years)	6.6	5.6	7.6	5.6	4.6	4.6	4.9	5.6	7.6	7.6
No. of Paratransit Vehicles in Active Fleet	172	173	174	129	121	140	110	110	110	93
-Average Vehicle Age (in years)	3.2	2.2	1.2	0.4	2.6	1.6	2.4	1.4	1.6	2.3
No. of Rapid Rail Vehicles	338	338	338	338	338	338	338	332	318	284
-Average Vehicle Age (in years)	22.6	21.6	20.6	19.6	18.6	17.6	16.5	15.6	15.6	16.5
Annual Paratransit Vehicle Miles (in millions)	7.3	7.2	7.3	5.0	4.4	3.7	3.7	3.7	3.2	2.4
Investment In Property and Equipment (in billions)	$6.297	$6.224	$6.099	$5.919	$5.685	$5.491	$5.318	$5.162	$4.996	$4.770

Intentionally Left Blank

Single Audit Section

MAULDIN & JENKINS

CERTIFIED PUBLIC ACCOUNTANTS, LLC

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board and
General Manager / Chief Executive Officer
Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

We have audited the basic financial statements of the **Metropolitan Atlanta Rapid Transit Authority** (the "Authority") as of and for the year ended June 30, 2011 and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or martial weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-3 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the Authority in a separate letter dated March 12, 2012.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the General Manager / Chief Executive Officer, members of the Board, management of the Authority, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 12, 2012

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board and
General Manager / Chief Executive Officer
Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

Compliance

We have audited the **Metropolitan Atlanta Rapid Transit Authority's** (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-4.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-4. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the General Manager / Chief Executive Officer, members of the Board, management of the Authority, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 12, 2012

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR Pass-through Grantor/Program Title	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH CONTRACT NUMBER	FEDERAL EXPENDITURES
U.S. Department of Transportation - Federal Transit Administration			
Direct Programs:			
Federal Transit Cluster:			
Federal Transit Capital Improvement Grants:			
FY 06-07 SEC 5309 Fixed Guideway Mods	20.500	GA-05-0031	$ 17,804,957
MMPT	20.500	GA-04-0023	153,581
GRTA Pass-Thru	20.500	GA-90-X260	634,732
Lindberg Corridor	20.500	GA-03-0056	672,807
DeKalb Mem Dr. Buford Pass-Thru	20.500	GA-03-0082	380,891
Atl Stn Pass-Thru	20.500	GA-03-0088	1,167,871
Total Federal Transit Capital Improvement Grants			20,814,839
Federal Transit Capital and Planning Assistance formula Grants:			
Buckhead Station N. Entrance & Bridge	20.507	GA-90-X131	1,187,294
GRTA Pass-Thru/TIB	20.507	GA-90-X257	35,335
Pedestrian Projects	20.507	GA-90-X136	195,851
FY 08 SEC 5307 - Prev Maint	20.507	GA-90-X256	170,061
FY 10 SEC 5307 - Prev Maint	20.507	GA-90-X288	34,714,600
Clayton County (C-Tran)	20.507	GA-90-X230	38,289
Flex L230	20.507	GA-95-X015	37,336,094
FY05 SEC 5307 - Prev Maint	20.507	GA-90-X232	15,382
FY06 SEC 5307 - Prev Maint	20.507	GA-90-X252	76,514
FY09 SEC 5307 - Prev Maint	20.507	GA-90-X227	1,208,957
Sec 5307 C-Tran	20.507	GA-90-X264	1,356,848
ARRA - Economic Recoverty SEC 5307	20.507	GA-96-X005	9,127,046
ARRA - Economic Recovery Flex SEC 5307 - ARRA	20.507	GA-66-X001	71,513
Total Federal Transit Capital and Planning Assitance Forumla Grants			85,533,784
Total Federal Transit Cluster			106,348,623
Highway Planning and Construction Cluster			
Auto Fare Collection System	20.205	GA-12-X001	7,102
Bus Procure Laredo CNG	20.205	GA-90-X130	126,322
Total Highway Planning and Construction Cluster			133,424
Transit Services Programs Cluster			
FY 06/07 JARC W/Cobb & MARTA	20.516	GA-37-X014	822,925
FY 06 new Freedom Pas-Thru	20.521	GA-57-X002	81,959
Total Transit Services Programs Cluster			904,884
Other Federal Transit Grants			
Clean Fuel Bus Project SEC 5308 BUS	20.519	GA-58-0001	328,230
ARRA - Clean Fuel Bus Project SEC 5309 BUS	20.519	GA-56-0001	2,640,309
			2,968,539
Clifton Corridor Study	20.522	GA-39-003	475,410
ARRA - Laredo Bus Facility	20.523	GA-77-0001	3,787,017
Total Other Federal Transit Grants			7,230,966
Total U.S. Department of Transportation			114,617,897
U.S. Department of Homeland Security			
Direct Programs:			
FY 06 TGSP	97.075	2006-RL-T6-001706	883,979
FY 07 TGSP	97.075	2007-RL-T7-K019	2,392,239
FY10 TGSP	97.075	2010-RA-T0-K042	9,999
			3,286,217
Canine Team Program	97.072	TSA-HSTS04-04-H-LEF 161	480,000
ARRA - Canine Team Program	97.072	2009-RA-R1-0099	299,572
			779,572
Total U.S. Department of Homeland Security			4,065,789
Total Federal Financial Assistance			$ 118,683,686

See accompanying note to the Schedule of Expenditures of Federal Awards.

(1) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when the related liability is incurred.

In instances where the grant agreement requires the Authority to match grant awards with local funds, such matching funds are excluded in the accompanying Schedule of Expenditures of Federal Awards.

METROPOLITIAN ATLANTA RAPID TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ yes _____ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes _____ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	____ yes __X__ no
Significant deficiencies identified not considered to be material weaknesses?	__X__ yes ____ none reported
Type of auditor's report issued on compliance for major programs.	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	__X__ yes ____ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.500 / 20.507	ARRA - Federal Transit Cluster
20.523	ARRA - Laredo Bus Facility
97.075	Rail and Transit Security Grant Program

METROPOLITIAN ATLANTA RAPID TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	____ yes __X__ no

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011-1 Accounting for Investments (Includes restatement of beginning Net Assets)

Criteria: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, governmental entities shall report most investments at fair value on the statement of net assets. Other balances which may be reported related to investments, including accrued interest receivable, should be reported to the extent not considered as part of the fair value of the related investments.

Condition/Cause: At fiscal year-end the Authority held a significant amount of investments which result from its Lease In/Lease out (LILO) transactions. These balances are reported by the Authority at fair value at year-end, which is in accordance with GASB 31. The value of these investments change as a result of interest earned, but not paid until maturity on the investment balance, as well as fluctuations in the market, and the change in fair value is reported by the Authority. However, the Authority also recorded accrued interest receivable on these 20 securities with the understanding that the interest would be paid at maturity. This interest receivable balance was recorded as it was accrued since the purchase of these investments; however, the interest earned on the investments is already included in the market value of the investment.

The condition appears to be caused by a lack of communication between the Authority treasury and accounting departments and also a sound understanding of these particular investments.

Context: Audit adjustments related to the investments in the LILO transaction required investments (including accrued interest receivable) in the statement of net assets to be reduced by $39,380,542, of which $22,265,536 relates to prior fiscal year resulting in a restatement reduction of the beginning of the year net assets for this amount and a reduction in investment income for fiscal year 2011 of $17,115,006.

Effects/Possible Effects: If the above mentioned adjustments were not made, the financial statements for the Authority would have been misstated at fiscal year-end.

Recommendation: We recommend the Authority strengthen communications between the accounting and treasury functions and between the Authority and its trustees in order to ensure accurate reporting of these balances.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-1 Accounting for Investments (Includes restatement of beginning Net Assets) (continued)

View of Responsible Officials and Planned Corrective Action: We concur with the finding and will take the necessary steps to strengthen internal controls and communication where needed. The financial effect of this finding represents 2% of MARTA's net assets.

2011-2 Accounting and Financial Reporting for Pollution Remediation Obligations

Criteria: In accordance with GASB Statement No. 49, pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution, should be accrued as a liability if certain criteria, as established by the standard, are met.

Condition/Cause: As a result of our discussion with management on the criteria for accruing a liability for pollution remediation, it was determined that the Authority should have accrued for such a liability under GASB 49, for costs associated with clean up efforts on various Authority owned properties.

Context: After an analysis performed by management, an adjustment for $6,221,854 was necessary in order to report a liability, and the related expense, for management's estimate of the Authority's long-term pollution remediation activities.

Effects/Possible Effects: Careful consideration and communication should be made of all new and forthcoming accounting standards which may have an effect on the Authority. While it was determined that the Authority does have procedures in place to track and evaluate the environmental remediation of the Authority's properties, the impact of these remediation efforts on the Authority's financial statement was not evaluated and resulted in an audit adjustment.

Recommendation: We recommend the Authority strengthen internal controls surrounding its continual review of accounting standards which may have an effect on its financial statements and that processes be established to ensure that the accounting function has access to information such that it is able to identify activities of the Authority which may require unique accounting treatment.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-2 Accounting and Financial Reporting for Pollution Remediation Obligations (continued)

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will take the necessary steps to ensure that our procedures related to determining the effects of the new GASBs are adequate. The financial effect of this finding represents less than 1% of MARTA's net assets.

2011-3 Retainage Payable Subledger

Criteria: While there is no established requirement for such a procedure, it is a best practice for internal controls to be in place to ensure that all amounts reported within subsidiary ledgers are reviewed to ensure accuracy and that old amounts have been updated and verified as still being appropriately stated.

Condition/Cause: Due to a lapse in controls surrounding the review of subledger liability accounts, an audit adjustment was necessary to accurately report the Authority's retainage payable balances at fiscal year-end.

Context: During our audit testwork, we noted that the Authority's contract retainage payable was overstated at fiscal year-end. In prior fiscal year, the Authority had legally settled a vendor dispute and payment was made to the vendor settling all amounts for the contract. However, the related outstanding contract retainage payable which had been accrued pending the settlement process, was not removed from the Authority's subsidiary ledger. The lag between removal of the contract retainage from the ledger and the cash disbursement to settle the contract is a result of a standard practice in place at the Authority. This standard practice requires that contract retainage adjustments are made after the Authority's internal audit department concludes its review of the vendor contract. However, due to the underlying fact that the contract had been settled in a prior fiscal year, an adjustment of $5,197,539 was necessary to properly report actual contract retainage at fiscal year-end.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-3 Retainage Payable Subledger (continued)

Effects/Possible Effects: If the above mentioned adjustments were not made, the financial statements for the Authority would be misstated at fiscal year-end.

Recommendation: We recommend the Authority, during it's year-end review of subsidiary ledgers, identify old or unusual items and determine if any updated information should be considered in accounting for the item on the subledger. We also recommend that time delays caused by additional reviews, such as the one by the internal audit department in this case, be evaluated at year end to determine if an entry is required, even if only for reporting purposes, to ensure that the financial statements are materially correct in accordance with generally accepted accounting principles.

View of Responsible Officials and Planned Corrective Action: We concur with the finding. We will review the resources needed to ensure that all subledgers are properly analyzed for old and unusual items and will ensure that all the necessary adjustments are made. In addition, we will review and modify, if necessary, our standard practice of waiting until the internal audit of the contract is complete before adjusting our contract retainage balance. The financial effect of this finding represents less than 1% of MARTA's net assets.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2011-4 – Davis-Bacon

Program: CFDA No. 20.523

Agency: Department of Transportation

CFDA Program Title: ARRA – Laredo Bus Facility

Federal Award Number/Years: 2009 / GA-77-0001

Criteria: As required by the Davis-Bacon Act, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by Federal assistance must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll, and a statement of compliance (certified payrolls). Additionally, the American Reinvestment and Recovery Act, Section 1606, requires the provisions of the Davis-Bacon Act to be adhered to on programs funded under the Recovery Act.

Condition/Context: For this grant program, the Authority had one contract for which the Davis-Bacon Act would apply and the contractor awarded this contract had 10 different sub-contractors awarded portions of the work performed under the contract. The Authority had the appropriate wage rate and Davis-Bacon clauses in its contract with the contractor and was obtaining payrolls from the contractor and all sub-contractors during the contract. We reviewed the wage rates of 37 individuals covering employees of each of the 10 subcontractors. In our review we denoted 11 workers, paid by 4 different subcontractors, were not being paid the prevailing wage rate required for their position based on Department of Labor rates at the time of payment.

Cause: While the certified payrolls were being obtained by the Authority and reviewed, the review was not thorough or detailed enough to routinely catch wage rates being paid below the prevailing and required rate.

Effects or possible effects: The lack of sufficient monitoring of contractors' certified payrolls resulted in laborers or mechanics being paid wages less than the prevailing wage rates prescribed by the federal requirements.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2011-4 – Davis-Bacon (continued)

Questioned Costs: $6,147 for underpayments made to laborers.

Recommendation: We recommend the Authority strengthen internal controls surrounding the review of the certified payrolls and that prevailing wage rates, as published by the Department of Labor, be compared to the certified payrolls of the contractors.

View of Responsible Officials and Planned Corrective Action: We concur with this finding. We have provided proper documentation to show that this particular finding has been addressed and resolved. We have also established procedures, which we find sufficient, to ensure that all certified payrolls are appropriately monitored.

SECTION IV
STATUS OF PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS

None reported in the prior fiscal year related to federal awards programs.

Intentionally Left Blank

marta | METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

www.itsmarta.com 404-848-5000 TTY: 404-848-5665 Accessible Format: 404-848-5202

Produced In-house