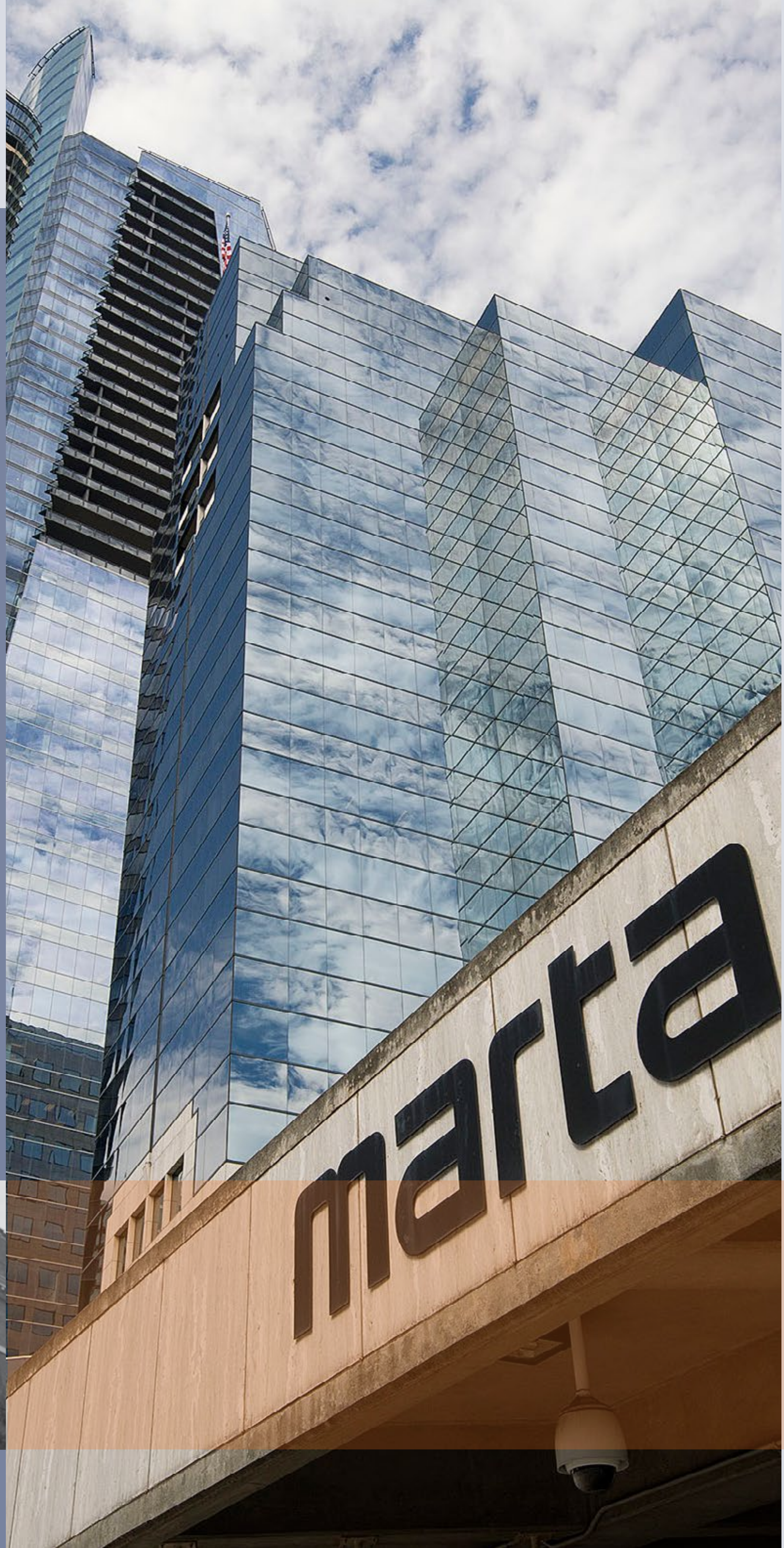
marta

# Comprehensive Annual Financial Report

For the Year Ended
June 30, 2013
**Atlanta, Georgia**

# Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

Prepared by the Department of Finance

**Gordon Hutchinson, Chief Financial Officer**



METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Atlanta, Georgia

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# INTRODUCTION

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

November 27, 2013

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) 20th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013 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, 2012. 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, 2013 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, 2013, 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) composed of 11 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 (non-voting) Authority 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. Currently, MARTA operates only in Fulton, Dekalb, the city of Atlanta, and one route into Cobb County.

MARTA's bus fleet and facilities consists of 528 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 91 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 171 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 2013, the Authority had an approved budget of $807 million with $435 million allocated to operating expenses and $372 million allocated to the capital improvement program and debt service expenses.

## FINANCIAL RESULTS

For 2013, MARTA's total net assets were $1.5 billion. Net position decreased by $128 million from the previous fiscal year when net position were $1.6 billion. Details to all financial results can be found in the accompanying Management's Discussion and Analysis, financial statements and associated notes.

## REGIONAL AND STATE OUTLOOK

During this last fiscal year, new opportunities for Regional and State collaboration have emerged. MARTA's ability to realize these opportunities is directly correlated to a transformational strategy for the agency which is focused on re-investing in employees, enhancing customer service and achieving long-term financial sustainability. This "fix MARTA first" approach has garnered a positive reception from statewide elected officials, regional partners and other key stakeholders.

For example, the Georgia General Assembly has expressed unprecedented support for management's vision and efforts to stabilize the Authority. In a vote of confidence for MARTA's transformational initiatives, lawmakers deferred passage of proposed legislation in the 2013 session that might have adversely affected the transit agency.

As the backbone of transit in metro Atlanta, MARTA planning efforts continued for three transit expansion projects that have regional significance. The Clifton Corridor project would add nearly nine miles of new light -rail service from the Lindbergh Center MARTA Station to the Avondale station. The I-20 East project would initially operate a Bus Rapid Transit (BRT) segment in the thoroughfare providing access to the existing Indian Creek rail station and eventually a connection to Stonecrest Mall. About 35 percent of the planning process has been completed on both projects. The planned GA 400 transit extension, that would extend rail service from the North Springs rail station northward to Windward Parkway with up to six new stations in north Fulton, also continues to progress.

To effectively position the transit system for future growth and development, MARTA's management will continue to focus on fiscal sustainability through efficiency improvements, additional cost savings and adopting an organizational culture of "routine excellence." Ongoing efforts to transform MARTA will go a long way toward fostering mutually beneficial prospects for its State and Regional partners.

## DEBT ADMINISTRATION

As of June 30, 2013, MARTA had a total of $1.8 billion 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 A1 by Moody's, AA+ by Standard & Poor's, and AA- by Fitch Rating Service.

Legally, MARTA's estimated sales tax receipts must be at least twice the total debt service. The debt ratio for fiscal year 2013 was 2.71. 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 2013 was 36.9%.

## MAJOR INITIATIVES

To MARTA, safety critical infrastructure improvements are priority. Despite budget constraints, MARTA committed to provide the most technologically advanced train control system available in the transit industry which is designed to be sustainable for future needs.

In 2012, MARTA, together with its partner Alstom Signaling, Inc., a global leader in transit technology and innovation, began improvements in its train control system via a Train Control System Upgrade (TCSU) project. This robust project will completely overhaul its current automated train control and Supervisory Control and Data Acquisition (SCADA) computer systems. A new single integrated platform system will direct all train movements, control third rail power, enable better monitoring and communications, and allow for faster response time.

This project positions MARTA to broaden its reach in terms of creating an integrated transit network that will have the capacity to serve the entire Atlanta region. It would avail its riders with improve on-time performance, real time information, and increase overall reliability.

The construction of this project is estimated to complete in December 2014, and "Go Live" will be in July 2015.

## CAPITAL PLAN PRIORITIES AND ISSUES

MARTA launched capital improvement projects that will help preserve its capability for high-quality service delivery over a ten-year range. The long-range CIP consists of a portfolio of programs and projects organized by the major asset categories of a transit authority. These categories, which were adapted from the Federal Transit Administration's (FTA) asset management guidelines are vehicles; facilities and stations; maintenance of way; systems; and non-asset. Each of these categories then includes a number of on-going programs and each program may contain one or more projects. The CIP categories are depicted below, followed by a description of each of the categories. Due to funding and manpower constraints, MARTA focuses on safety critical, operations critical and state of good repair projects.

### I. Vehicles

The vehicles category includes the acquisition and enhancement of vehicles and supporting systems required for MARTA operations. The programs within the vehicles category include:

- Bus vehicle procurement and enhancement
- Rail vehicle procurement and enhancement
- Paratransit vehicles
- Non-revenue vehicles



### II. Facilities & Stations

The facilities and stations asset category includes program areas which support design, development, preservation and rehabilitation of various MARTA facilities. Programs in the facilities and stations asset category include:

- Rail facilities and equipment
- Bus facilities and equipment
- Buildings/ offices and equipment
- Parking lots and parking decks
- Paving, structures and drainage
- Roofing and skylights
- Underground storage tanks

### III. Maintenance of Way

The maintenance of way asset category includes the design, development and rehabilitation of railroad track infrastructure. Program areas within this asset category include:

- Track maintenance and replacement
- Track structures
- Work equipment

### IV. Systems

The systems asset category includes the design, development, implementation and major enhancement of various systems which support MARTA operations. Program areas within the systems asset category include:

- Revenue collection
- Automatic train control
- Electrical power and equipment
- Lighting
- Security
- Tunnel ventilation
- Fire protection

## AWARDS

MARTA received the following awards and recognition during 2013:

- GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2012.
- GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2012 Comprehensive Annual Financial Report.
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for FY 2012.


## 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,

Gordon Hutchinson
Chief Financial Officer

Keith Parker
General Manager/
Chief Executive Officer

Government Finance Officers Association

# 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

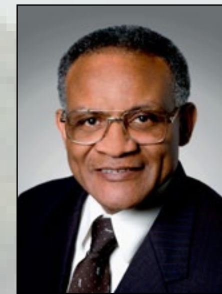
**June 30, 2012**

Executive Director/CEO

## Officers

Frederick L. Daniels, Jr.
**CHAIRMAN**

Barbara Babbit Kaufman
**VICE CHAIR**



Harold Buckley, Sr.
**TREASURER**

Juanita Jones Abernathy
**SECRETARY**

## Directors

Robert L. Ashe III

Wendy Butler

Jim Durrett

Roderick E. Edmond

Adam D. Orkin

Noni Ellison-Southall

## Ex-officio

Jannine Miller

Keith Golden





Keith Parker
**GENERAL MANAGER**

**GENERAL MANAGER /CEO**
Keith T. Parker, AICP

**CHIEF OPERATING OFFICER/COO**
Richard Krisak

**CHIEF OF STAFF**
Rukiya Eaddy

**CHIEF, ADMINISTRATIVE OFFICER**
Edward Johnson

**CHIEF FINANCIAL OFFICER/CFO**
Gordon Hutchinson

**ASSISTANT GENERAL MANAGER OF INTERNAL AUDIT**
Jonnie Keith(Actiong)

**ASSISTANT GENERAL MANAGER OF LEGAL SERVICES**
Elizabeth O'Neill

**ASSISTANT GENERAL MANAGER OF POLICE & EMERGENCY MANAGEMENT**
Wanda Dunham

**ASSISTANT GENERAL MANAGER OF TECHNOLOGY/CIO**
Shyam Dunna (Acting)

**ASSISTANT GENERAL MANAGER OF COMMUNICATIONS & EXTERNAL AFFAIRS**
Ryland McClendon

**ASSISTANT GENERAL MANAGER OF PLANNING**
Cheryl King

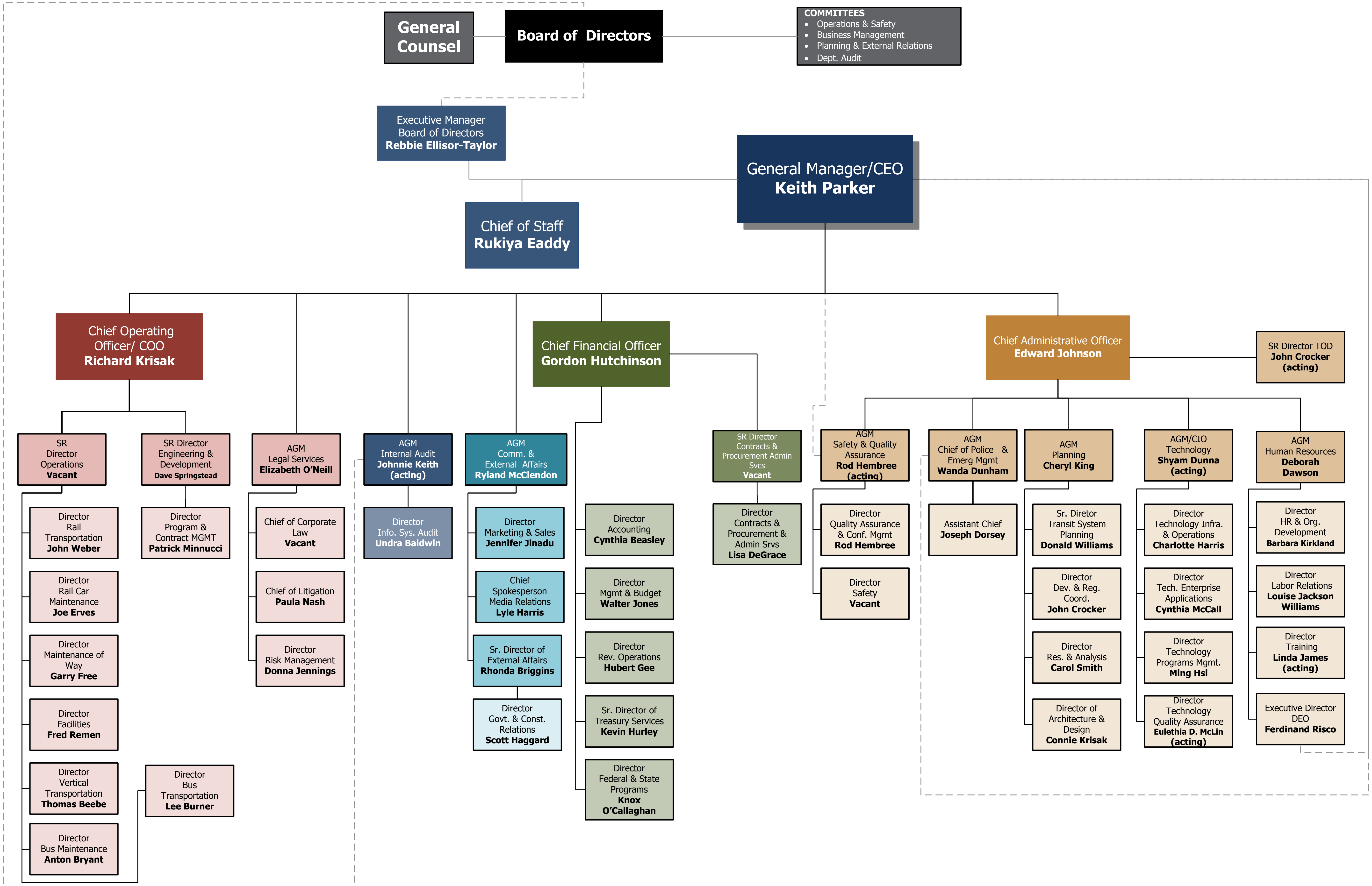
**ASSISTANT GENERAL MANAGER OF HUMAN RESOURCES**
Deborah Dawson

**ASSISTANT GENERAL MANAGER OF SAFETY & QUALITY ASSURANCE**
Rod Hembree (Acting)

2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

# Organizational Chart

As of June 30, 2013






2013 Comprehensive Annual Financial Report Year Ended June 30, 2013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METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

2013 Comprehensive Annual Financial Report    Year Ended June 30, 2013

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# FINANCIAL

Cherry Bekaert LLP
CPAs & Advisors

# Independent Auditor's Report

To the Board of Directors
Metropolitan Atlanta Rapid Transit Authority

**Report on the Financial Statements**

We have audited the accompanying statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MARTA, as of June 30, 2013 and 2012, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2013 MARTA adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* effective July 1, 2011. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on MARTA's basic financial statements. The supplemental schedule of revenues and expenses, budget versus actual (budget basis) on pages 57 through 58, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of revenues and expenses, budget versus actual (budget basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, on our consideration of MARTA'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* in considering MARTA's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Atlanta, Georgia
November 27, 2013



# 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, 2013 and 2012. 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 Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, and the related notes.

The Statement of Net Position presents information on all of MARTA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position presents information showing how MARTA's net position changed during the most recent fiscal year. All changes in net position 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.

**Financial Position Summary**

Net position may serve over time as a useful indicator of MARTA's financial position. MARTA's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1.5 billion at June 30, 2013, a $128 million decrease from June 30, 2012 when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1.6 billion.

The largest portion of MARTA's net position in FY 2013 was its restricted assets representing 54%. These resources are subject to external restrictions on how they can be used under bond resolutions, lease agreements, and State and Federal regulations. The second largest portion of net position representing 45% was 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.

In FY 2012, MARTA's largest portion was its investment in capital assets at 50% while the next largest was in restricted assets at 49%. The remaining unrestricted net position, 1 % as of June 30, 2013 and 2012, 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 position. The same situation held true for prior fiscal years.



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(Dollars in Thousands)

The following table presents a condensed summary of net position:

| | 2013 | Restated 2012 | Restated 2011 |
|---|---|---|---|
| **ASSETS:** | | | |
| Current and Other Assets | $ 1,039,041 | $ 1,013,140 | $ 968,093 |
| Capital Assets | 3,028,220 | 3,078,070 | 3,158,340 |
| Total Assets | 4,067,261 | 4,091,210 | 4,126,433 |
| **DEFERRED OUTFLOWS OF RESOURCES** | 19,603 | 22,388 | 28,904 |
| **LIABILITIES:** | | | |
| Long-term Debt | 1,880,484 | 1,910,275 | 1,651,725 |
| Current and Other Liabilities | 747,444 | 616,691 | 826,570 |
| Total Liabilities | 2,627,928 | 2,526,966 | 2,478,295 |
| **DEFERRED INFLOWS OF RESOURCES** | - | 25 | 681 |
| **NET POSITION:** | | | |
| Net Investment in Capital Assets | 654,423 | 795,754 | 914,578 |
| Restricted | 787,952 | 767,843 | 717,411 |
| Unrestricted | 16,561 | 23,011 | 44,372 |
| **TOTAL NET POSITION** | $ 1,458,936 | $ 1,586,608 | $ 1,676,361 |

**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 sales 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.

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 62.8% and 68.3% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2013 and 2012, respectively.

FINANCIAL SECTION 2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

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

| | 2013 | Restated 2012 | Restated 2011 |
|---|---|---|---|
| Operating Revenues | $ 151,177 | $ 144,164 | $ 127,229 |
| Operating Expenses | 619,349 | 641,868 | 632,766 |
| Operating Loss | (468,172) | (497,704) | (505,537) |
| Nonoperating Revenues (Expenses) - net | 293,206 | 368,083 | 305,633 |
| Capital Grants | 47,294 | 39,868 | 26,753 |
| Decrease in Net Position | $ (127,672) | $ (89,753) | $ (173,151) |

In fiscal year 2013, operating revenues increased by $7 million and operating expenses decreased by $22.5 million, which resulted in an overall decrease in the operating loss of $29.5 million from the previous year.

Over the past several years, MARTA has put forth significant effort in developing a new business model that leverages its core strengths, captures greater cost-savings, promotes innovation and identifies previously untapped sources of revenue. A significant component of that process is already moving forward as the Authority conducts a comprehensive management review and operational assessment. The assessment will be instrumental in future decision-making.

In 2013, MARTA maintained service levels, and did not implement any new fare increases. MARTA continued its emphasis on safety, security, reliability, the customer experience, and maintaining the system in a "state of good repair". Additional resources were dedicated to police/security services and mobility services. MARTA also funneled more resources to managing the increased cost of healthcare and pension benefits. In managing its cost, MARTA continued the elimination of nonrepresented based merit increases and reduced other nonlabor expenses.



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(Dollars in Thousands)



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

| | 2013 | Restated 2012 | Restated 2011 |
|---|---|---|---|
| **Summary of Revenues** | | | |
| **Operating** | | | |
| Fare Revenues | $ 140,697 | $ 132,870 | $ 115,828 |
| Other Revenues | 10,480 | 11,294 | 11,401 |
| Total Operating Revenues | 151,177 | 144,164 | 127,229 |
| **Nonoperating** | | | |
| Sales and Use Tax | 338,893 | 340,945 | 319,850 |
| Federal Revenues | 119,774 | 70,576 | 85,777 |
| Investment Income | 1,729 | 833 | 1,272 |
| Net Capital Lease Transaction Activity | (31,593) | 51,745 | (11,820) |
| Other Revenues | 17,451 | 12,938 | 12,799 |
| Loss on Sale of Property and Equipment | (1,025) | (113) | (1,260) |
| Total Nonoperating Revenues | 445,229 | 476,924 | 406,618 |
| **Total Revenues** | 596,406 | 621,088 | 533,847 |
| **Summary of Expenses** | | | |
| **Operating** | | | |
| Transportation | 183,216 | 186,144 | 183,875 |
| Maintenance and Garage Operations | 137,747 | 146,672 | 146,844 |
| General and Administrative | 78,779 | 78,660 | 79,743 |
| Depreciation | 219,607 | 230,392 | 222,304 |
| Total Operating Expenses | 619,349 | 641,868 | 632,766 |
| **Nonoperating** | | | |
| Interest Expense | 78,762 | 70,334 | 73,381 |
| Interest Expense Capitalized | (1,612) | (542) | (305) |
| Amortization of Financing Related Charges and Income from Derivative Activity | (5,629) | (3,323) | 779 |
| Gain on Investment Derivatives | (17) | (8,977) | (7,569) |
| Other Nonoperating Expenses | 80,519 | 51,349 | 34,699 |
| Total Nonoperating Expenses | 152,023 | 108,841 | 100,985 |
| **Total Expenses** | 771,372 | 750,709 | 733,751 |
| **Loss Before Capital Contributions** | (174,966) | (129,621) | (199,904) |
| Capital Grants | 47,294 | 39,868 | 26,753 |
| **Decrease in Net Position** | (127,672) | (89,753) | (173,151) |
| **Net Position, July as previously presented** | 1,586,608 | 1,682,566 | 1,849,512 |
| **Cumulative effect of restatement** | - | (6,205) | - |
| **Net Position, July 1** | 1,586,608 | 1,676,361 | 1,849,512 |
| **Net Position, June 30** | $ 1,458,936 | $ 1,586,608 | $ 1,676,361 |

Net position decreased by $128 million in 2013 after decreasing by $90 million in 2012. 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 2012 to 2013 and a 15% increase in passenger revenue from 2011 to 2012. The growth in 2013 is primarily related to the fare increase implemented in 2012. Due to stagnant sales tax growth, as well as weak future revenue estimates, MARTA raised its regular, discounted, and mobility fares.

In 2013, MARTA's other operating revenues decreased by $814 thousand or 7%, which include advertising, Transit Oriented Development Lease (TOD), and alternative fuel tax revenues.

In 2013, MARTA's largest component of nonoperating revenues, sales and use tax, was down from 2012 by $2 million or 1 %. The largest revenue growth was $49 million in federal operating revenue. Non-capital grants, the Atlanta Streetcar project and preventive maintenance reimbursements all increased in 2013. Overall, nonoperating revenues decreased by $32 million or 7% from 2012.

The 2013 operating expenses decreased by $22.5 million from 2012; primarily due to decreased maintenance and garage operations expense. The 2013 nonoperating expenses increased by $43 million from 2012; this was a result of growth in general and administrative expenses related to capital projects.

**Capital Acquisitions and Construction Activities**

In 2013, MARTA expended $170,471 on capital activities. The expenditures were primarily for the replacement, rehabilitation, and enhancement of facilities and equipment required to support transit operations, regulatory requirements, and system safety. The net decrease in capital assets, including changes in accumulated depreciation and retirements was $49,850, $80,270 and $114,368 during the years ended June 30, 2013, 2012 and 2011 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 net investment in capital assets:

| | 2013 | Restated 2012 | Restated 2011 |
|---|---|---|---|
| **Capital Assets** | | | |
| Property and Equipment - Net | $ 3,028,220 | $ 3,078,070 | $ 3,158,340 |
| **Capital Debt** | | | |
| Current Maturities of Bonds and Notes | (180,875) | (51,035) | (287,860) |
| Noncurrent Maturities of Bonds | (1,799,609) | (1,859,240) | (1,588,865) |
| Deferred Outflows of Resources | 15,732 | 18,818 | 21,298 |
| Capital Lease Obligations | (409,045) | (390,859) | (388,335) |
| Total Capital Debt | (2,373,797) | (2,282,316) | (2,243,762) |
| **Net Investment in Capital Assets** | $ 654,423 | $ 795,754 | $ 914,578 |



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
(Dollars in Thousands)

**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. 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 A1 by Moody's Investors Service, AA+ by Standard and Poor's and AA- from Fitch Rating Service. The commercial paper notes bear underlying ratings of P-1 by Moody's and A-1 by Standard & Poor's. MARTA's total bond debt outstanding was $1,980,484, $1,910,275 and $1,876,725 as of June 30, 2013, 2012 and 2011, 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 slower recovery than most major metropolitan regions. Unemployment has declined to 8.5%; the housing market is beginning to recover, new home permits are showing positive growth and housing prices are growing slightly.

Consumer confidence, which drives consumer spending, has increased slightly. MARTA's largest revenue source, sales tax revenue, is directly related to consumer spending. MARTA's 2013 Sales Tax Revenue was down from 2012 by $2.1 million or .6%. Current sales tax forecasts show positive growth of 1.7% in 2014 and 3.7% in 2015.

The prognosis for the next 12 to 18 months is slow to moderate growth. While the recession may be over, the recovery continues to be atypical. It is anticipated that Metro Atlanta will continue to see slight job gains, slight increases in tax revenue, slight increases in housing new starts, and slight decreases to unemployment with slight to moderate growth in the overall economy.

**Request for Information**

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

FINANCIAL SECTION 2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

# Statements of Net Position

## June 30, 2013 and 2012

(Dollars in Thousands)

| | 2013 | 2012 As Restated Note 1 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and Cash Equivalents (Note 2) | $ 36,141 | $ 46,887 |
| Investments (Note 2) | 57,877 | 54,035 |
| Material and Supplies Inventories | 24,551 | 26,174 |
| Sales Tax Receivables, Prepayments and Other | 120,380 | 105,867 |
| Total Unrestricted Current Assets | 238,949 | 232,963 |
| Restricted Cash and Cash Equivalents (Notes 2 and 3) | 12 | - |
| Restricted Investments (Notes 2 and 3) | 220,147 | 86,058 |
| Current portion, Investment held to pay Capital Lease (Notes 2 and 3) | 3,684 | 3,883 |
| Total Restricted Current Assets | 223,843 | 89,941 |
| Total Current Assets | 462,792 | 322,904 |
| **Noncurrent Assets:** | | |
| Restricted Investments (Notes 2 and 3) | 107,116 | 207,719 |
| Investment held to pay Capital Lease Obligations (Notes 2 and 3) | 467,891 | 481,099 |
| Investment Derivatives (Notes 1 -3 and 8) | (10,763) | (10,780) |
| Total Restricted Non Current Assets | 564,244 | 678,038 |
| Capital Assets: (Note 6) | | |
| Land, non-depreciable | 556,185 | 555,668 |
| Rail System and Buildings | 3,320,240 | 3,289,889 |
| Transportation Equipment | 1,204,071 | 1,214,610 |
| Other | 1,108,547 | 1,071,271 |
| | 6,189,043 | 6,131,438 |
| Less Accumulated Depreciation | (3,532,111) | (3,361,744) |
| | 2,656,932 | 2,769,694 |
| Construction in Progress, non-depreciable | 371,288 | 308,376 |
| Capital Assets - Net | 3,028,220 | 3,078,070 |
| Other Noncurrent Investments (Note 2) | 10,000 | 10,000 |
| Other Bond related costs | 1,130 | 1,273 |
| Derivative Asset (Notes 1 and 8) | (25) | 25 |
| Other | 900 | 900 |
| Total Noncurrent Assets | 3,604,469 | 3,768,306 |
| Total Assets | 4,067,261 | 4,091,210 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | |
| Deferred Outflow of Resources from Hedging (Notes 1 and 8) | 3,871 | 3,571 |
| Deferred Outflow of Resources - Others (Notes 1 and 14) | 15,732 | 18,818 |
| Total Deferred Outflows of Resources | 19,603 | 22,389 |
| Total Assets and Deferred Outflows of Resources | 4,086,864 | 4,113,599 |



# Statements of Net Position *(Continued)*

## June 30, 2013 and 2012

(Dollars in Thousands)

| | 2013 | 2012 As Restated (Note 1) |
|---|---|---|
| **LIABILITIES** | | |
| **Current Liabilities:** | | |
| Payable from NonRestricted Assets: | | |
| Accounts and Contracts Payable | $ 69,826 | $ 58,893 |
| Salaries and Employee Benefits (Notes 11 and 12) | 24,105 | 23,338 |
| Self-Insurance Accruals (Note 13) | 16,962 | 14,771 |
| Other Current Liabilities | 4,009 | 3,017 |
| Unearned Revenue (Note 15) | 1,757 | 1,870 |
| Total Current Liabilities Payable from NonRestricted Assets | 116,659 | 101,889 |
| Payable from Restricted Assets: | | |
| Current Maturities of Sales Tax Revenue Bonds (Note 7) | 80,875 | 51,035 |
| Commercial Paper (Note 7) | 100,000 | - |
| Accrued Interest | 39,148 | 34,892 |
| Due to Federal Transportation Administration | 135 | 135 |
| Current Maturities of Obligations Under Capital Leases (Note 10) | 3,560 | 3,749 |
| Total Current Liabilities Payable from Restricted Assets | 223,718 | 89,811 |
| Total Current Liabilities | 340,377 | 191,700 |
| **Noncurrent Liabilities:** | | |
| Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Premium and Discount (Note 7) | 1,799,609 | 1,859,240 |
| Noncurrent Self Insurance Accruals (Note 13) | 18,589 | 19,576 |
| Other Long-term Liabilities | 2,097 | 2,160 |
| Unearned Revenue (Note 15) | 57,925 | 63,609 |
| Obligations Under Capital Leases (Note 10) | 405,485 | 387,110 |
| Derivative Liability - Interest Rate Sw ap (Note 1 and 8) | 3,846 | 3,571 |
| Total Noncurrent Liabilities | 2,287,551 | 2,335,266 |
| Total Liabilities | 2,627,928 | 2,526,966 |
| **DEFERRED INFLOWS OF RESOURCES:** | | |
| Deferred Inflow s of Resources from Hedging (Note 1 and 8) | - | 25 |
| Total Liabilities and Deferred Inflow s of Resources | 2,627,928 | 2,526,991 |
| **NET POSITION:** | | |
| Net Investment in Capital Assets | 654,423 | 795,754 |
| Restricted for Debt Service | 149,120 | 115,155 |
| Restricted for Other Projects | 36,634 | 36,564 |
| Restricted for Capital Projects | 130,623 | 131,142 |
| Restricted for Capital Leases | 471,575 | 484,982 |
| Unrestricted | 16,561 | 23,011 |
| **Total Net Position** | $1,458,936 | $1,586,608 |

# Statements of Revenues, Expenses & Changes in Net Position

## For the Years Ended June 30, 2013 and 2012

(Dollars in Thousands)

| | 2013 | 2012 As Restated (Note1) |
|---|---|---|
| **Operating Revenues:** | | |
| Fare Revenues (Note 5) | $ 140,697 | $ 132,870 |
| Other Revenues | 10,480 | 11,294 |
| Total Operating Revenues | 151,177 | 144,164 |
| **Operating Expenses:** | | |
| Transportation | 183,216 | 186,144 |
| Maintenance and Garage Operations | 137,747 | 146,672 |
| General and Administrative | 78,779 | 78,660 |
| Depreciation | 219,607 | 230,392 |
| Total Operating Expenses | 619,349 | 641,868 |
| **Operating Loss** | (468,172) | (497,704) |
| **Nonoperating Revenues (Expenses):** | | |
| Sales and Use Tax (Notes 1 and 4) | 338,893 | 340,945 |
| Federal Revenues | 119,774 | 70,576 |
| Investment Income | 1,729 | 833 |
| Net Capital Lease Transaction Activity (Note 10) | (31,593) | 51,745 |
| Other Revenues | 17,451 | 12,938 |
| Loss on Sale of Property and Equipment | (1,025) | (113) |
| Interest Expense | (78,762) | (70,334) |
| Interest Expense Capitalized | 1,612 | 542 |
| Amortization of Financing Related Charges and Income from Derivative Activity | 5,629 | 3,323 |
| Other NonOperating Expenses | (80,519) | (51,349) |
| Gain on Investment Derivatives (Note 1) | 17 | 8,977 |
| | 293,206 | 368,083 |
| **Loss Before Capital Contributions** | (174,966) | (129,621) |
| **Capital Grants** | 47,294 | 39,868 |
| **Net Position** | | |
| Decrease in Net Position | (127,672) | (89,753) |
| Net Position, July as previously reported | - | 1,682,566 |
| Cumulative effect of change in Accounting Principle (Note 1) | - | (6,205) |
| **Net Position, July 1** | 1,586,608 | 1,676,361 |
| **Net Position, June 30** | $ 1,458,936 | $ 1,586,608 |



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

# Statements of Cash Flows

## For the Years Ended June 30, 2013 and 2012

(Dollars in Thousands)

| | 2013 | 2012 As Restated (Note 1) |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Cash Received from Providing Services | $ 159,052 | $ 141,109 |
| Cash Paid to Suppliers | (234,428) | (194,419) |
| Cash Paid to Employees | (225,989) | (225,917) |
| Net Cash Used by Operating Activities | (301,365) | (279,227) |
| **Cash Flows From Noncapital Financing Activities:** | | |
| Sales and Use Tax Collections | 340,491 | 339,156 |
| Federal Operating Subsidy | 103,055 | 33,941 |
| Net Cash Provided by Noncapital Financing Activities | 443,546 | 373,097 |
| **Cash Flows From Capital and Related Financing Activities:** | | |
| Proceeds from Issuance of Bond and Debt Related Derivative Receipts | 130,101 | 103,035 |
| Repayment of Bond Payable | (51,035) | (62,860) |
| Capital Contributions | 47,294 | 39,868 |
| Interest Paid on Revenue Bonds | (74,506) | (70,392) |
| Acquisition and Construction of Capital Assets | (169,170) | (149,703) |
| Net Cash Used by Capital and Related Financing Activities | (117,316) | (140,052) |
| **Cash Flows from Investing Activities:** | | |
| Purchases of Investments | (1,931,278) | (2,028,324) |
| Proceeds from Sales and Maturities of Investments | 1,893,951 | 2,073,310 |
| Interest Received on Investments | 1,729 | 833 |
| Net Cash Provided (Used) by Investing Activities | (35,599) | 45,819 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (10,734) | (363) |
| **Cash and Cash Equivalents, Beginning of Year** | 46,887 | 47,250 |
| **Cash and Cash Equivalents, End of Year** | $ 36,153 | $ 46,887 |
| **Reconciliation of Operating Income to Net Cash Used by Operating Activities:** | | |
| Operating Loss | $ (468,172) | $ (497,704) |
| Other Expenses | (63,068) | (38,411) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation | 219,607 | 230,392 |
| Changes in Assets and Liabilities: | | |
| Materials and Supplies Inventories | 1,623 | 8,958 |
| Prepayments and Other | 609 | 848 |
| Current Liabilities and Due Federal Transportation Administration | 14,223 | 24,423 |
| Unearned Revenue | (6,187) | (7,733) |
| Net Cash Used by Operating Activities | $ (301,365) | $ (279,227) |
| **Noncash Investing, Capital and Financing Activities:** | | |
| Amortization of Financing Related Charges and Income from Derivative Activity | $ 5,629 | $ 3,323 |
| Increase (Decrease) in Fair Value of Investments | (20,974) | 80,247 |
| Net Noncash Investing, Capital and Financing Activities | $ (15,345) | $ 83,570 |

*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. 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, and 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 have an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2013 or 2012.

***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.







## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***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 position. 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 position 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 position. 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 nonoperating revenue or expense.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

***Unearned Revenues*** - Includes the remaining unamortized balance of the unearned amounts from the lease/leaseback arrangements of certain rail cars and rail lines in 2002, 2003, 2004, 2005, 2006 and 2007. The unearned 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. See note 15 for further information.

***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 is amortized using the bond outstanding method, over the term of the related debt. Losses on debt refundings are included in Deferred Outflows of Resources and amortized over the shorter of the life of the refunded debt or the new debt, principally using the bond outstanding method. Debt issuance costs are fully expensed at issuance.

***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 Position, after nonoperating revenues and expenses as capital grants.

***Net Position*** - Net Position present the difference between assets and liabilities in the statements of net position. Net position pertaining to investment in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position components 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 position may be designated for specific purposes at the option of the MARTA Board of Directors. If restricted and unrestricted net positions are available for the same purpose, then the restricted position will be used before the unrestricted portion.



METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2013 and 2012
(Dollars in Thousands)

FINANCIAL SECTION 2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***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 nonoperating 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 nonoperating general and administrative expense in the accompanying statements of revenues, expenses and changes in net position.

***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 nonoperating 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 nonoperating 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Adoption of New Accounting Pronouncements***

During the year ended June 30, 2013, MARTA adopted issued Statements of Governmental Accounting Standards ("GASB") No. 61, *The Financial Reporting Entity: Omnibus* amends GASB Statements No. 14 and 34 regarding the assessment of potential component units to be included in the report entity. Certain organizations are required to be included as component units because they are fiscally dependent on the primary government. In addition to fiscal dependency, the pronouncement now requires that a financial benefit or burden be present between the primary government and the potential component unit in order for it to be included in the reporting entity of the primary government. The pronouncement also changes and adds new criteria for determining whether a component unit should be blended or discretely presented. The adoption of this statement did not have an impact on MARTA's financial reporting entity.

During the year ended June 30, 2013, MARTA adopted GASB No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement codifies into GASB Accounting and Financial Reporting standards the "legacy" standards from the private-sector. The adoption had no financial impact on MARTA.

During the year ended June 30, 2013, MARTA adopted GASB No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The intent of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. It also required hedging activities to be classified as deferred outflows/inflows. Amounts required to be reported as deferred outflows of resources should be reported in a statement of financial position in a separate section following assets. Similarly, amounts required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The statement of net position should report the residual amount as net position, rather than net assets. MARTA has retroactively reclassified the affected balances within the financial statements for the year ended June 30, 2012.

GASB No. 65, *Items Previously Reported as Assets and Liabilities*. The intent of this Statement is to identify deferred outflows and inflows that are to be separated from assets and liabilities under GASB No. 63. The statement further requires reclassification of certain items previously recorded as assets and liabilities to be presented as expenses or revenues. This standard also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.







1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The specific MARTA accounts that were impacted are detailed below:

Bond issuance costs – Previous standards required that certain costs associated with the issuance of bonds, including underwriter's discounts, be recognized as an asset and amortized over the life of the bonds. GASB No. 65 requires that bond issuance costs be fully expensed at issuance.

Gain/Loss on refunding of debt – Previous standards required that the gain or loss associated with refunding of debt be reported net of the debt on the statements of net position. GASB No. 65 defines this balance as a deferred outflow of resources or deferred inflow of resources.

Decrease/Increase in fair value of derivatives with an effective hedge – Previous standards required that the increase or decrease be reported as part of the assets or liabilities in the statements of net position. GASB No. 63 defines this balance as a deferred outflow of resources or deferred inflow of resources.

**Deferred inflows of resources and deferred outflows of resources –** GASB No 65 includes the following definitions:

Assets – Resources with present service capacity that the government presently controls.

Deferred outflow of resources – A consumption of net assets by the government that is applicable to a future reporting period.

Liabilities – Present obligations to sacrifice resources that the government has little or no discretion to avoid.

Deferred inflow of resources – An acquisition of net assets by the government that is applicable to a future reporting period.

Based upon these definitions, certain items on the Authority's Statement of Net Position fit the definition of deferred inflow of resources and deferred outflow of resources.

GASB No. 65 is effective for financial statement periods beginning after December 15, 2012, with the effects of accounting change to be applied retroactively by restating the financial statements. MARTA elected to early adopt this new pronouncement in the year ended June 30, 2013 and, accordingly, has restated its net position as of July 1, 2011 to expense previously capitalized bond issuance costs.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The effect of the restatement related to the adoption of GASB No. 65 are presented in the following tables:

**Statement of Net Position**
**June 30, 2012**

| | As Originally Reported | Restated | Effect of Change |
|---|---|---|---|
| Assets | | | |
| Current and Other Assets | $ 1,025,232 | $ 1,013,140 | $ (12,092) |
| Capital Assets | 3,078,070 | 3,078,070 | - |
| Total Assets | 4,103,302 | 4,091,210 | (12,092) |
| Deferred Outflows of Resources | - | 22,389 | 22,389 |
| Total Assets and Deferred Outflows of Resources | 4,103,302 | 4,113,599 | 10,297 |
| Liabilities | | | |
| Long-Term Debt Outstanding | 1,891,457 | 1,910,275 | 18,818 |
| Current and Other Liabilities | 616,716 | 616,691 | (25) |
| Total Liabilities | 2,508,173 | 2,526,966 | 18,793 |
| Deferred Inflows of Resources | - | 25 | 25 |
| Total Liabilities and Deferred Inflows of Resources | 2,508,173 | 2,526,991 | 18,818 |
| Net Position | | | |
| Net Investment in Capital Assets | 795,754 | 795,754 | - |
| Restricted | 767,843 | 767,843 | - |
| Unrestricted | 31,532 | 23,011 | (8,521) |
| Total Net Position | $ 1,595,129 | $ 1,586,608 | $ (8,521) |



**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**
**Notes to the Financial Statements**
June 30, 2013 and 2012
(Dollars in Thousands)



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Statement of Revenues, Expenses and Changes in Net Position**
**Year Ended June 30, 2012**

| | As Originally Reported | Restated | Effect of Change |
|---|---|---|---|
| Operating Revenues | $ 144,164 | $ 144,164 | $ - |
| Operating Expenses | 641,868 | 641,868 | - |
| Operating Loss | (497,704) | (497,704) | - |
| Nonoperating Revenues (Expenses) - Net | 370,399 | 368,083 | (2,316) |
| Capital Grants | 39,868 | 39,868 | - |
| (Decrease) Increase in Net Position | (87,437) | (89,753) | (2,316) |
| Prior Period Adjustment | - | (6,205) | (6,205) |
| Decrease in Net Position | $ (87,437) | $ (95,958) | $ (8,521) |

**Statement of Cash Flows**
**Year Ended June 30, 2012**

| | As Originally Reported | Restated | Effect of Change |
|---|---|---|---|
| Net Cash Used by Operating Activities | $ (279,227) | $ (279,227) | $ - |
| Net Cash Provided by Non-Capital Financing Activities | 373,097 | 373,097 | - |
| Net Cash Used by Capital and Related Financing Activities | (140,052) | (140,052) | - |
| Net Cash Provided by Investing Activities | 45,819 | 45,819 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (363) | (363) | - |
| Cash and Cash Equivalents, Beginning of Year | 47,250 | 47,250 | - |
| Cash and Cash Equivalents, End of Year | $ 46,887 | $ 46,887 | $ - |
| Net Cash Provided by Operating Activities | | | |
| Operating Loss | $ (497,704) | $ (497,704) | $ - |
| Other Revenues and (Expenses) | (38,411) | (38,411) | - |
| Change in Operating Assets and Liabilities | 256,888 | 256,888 | - |
| Net Cash Used by Operating Activities | $ (279,227) | $ (279,227) | $ - |
| Noncash Investing, Capital and Financing Activities | | | |
| Current Bond Issuance Costs | $ 5,639 | $ 3,323 | $ (2,316) |
| Increase in Fair Value of Investments | 80,247 | 80,247 | - |
| Net Noncash Investing, Capital and Financing Activities | $ 85,886 | $ 83,570 | $ (2,316) |

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Recently Issued Statements of Governmental Accounting Standards*** –

GASB No.64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, is effective for MARTA's fiscal year ending June 30, 2014. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The impact of this pronouncement on MARTA's financial statements is contingent upon the occurrence of such an event at which time the Statement would be applicable.

GASB No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, is effective for MARTA's fiscal year ending June 30, 2014. The objective of the Statement is to enhance the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement replaces GASB No. 10 by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types, which is not applicable to MARTA. The Statement also replaces GASB No. 62 by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB No. 13, and result in guidance that is consistent with the requirements in GASB No. 48, respectively. MARTA has not determined the impact of adopting this Statement.

GASB No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, is effective for MARTA's fiscal year ending June 30, 2014. This Statement replaces the requirements of GASB No. 25 and No. 50, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The Standard provides for financial statements to be presented in accordance with GASB No. 63, which separates the deferred inflows and outflows and arrives at a net position, and requires disclosure of the pension plan's fiduciary net position, net pension liability, the pension plan's fiduciary net position as a percentage of total pension liability, and related assumptions used to calculate the pension liability. The standard also provides for presentation of required supplementary information for each of the ten most recent fiscal years, including the sources of changes in the net pension liability and information about the components of the liability and related ratios. MARTA has not determined the impact of adopting this Statement.







**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

GASB No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, is effective for MARTA fiscal year ending June 30, 2015. This Statement replaces the requirements of GASB No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position, with obligations for employers with cost sharing plans based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense, specifies requirements for discount rates and actuarial methods and changes disclosure requirements. MARTA has not determined the impact of adopting this Statement.

**2. CASH AND INVESTMENTS**

***Cash*** - At June 30, 2013 and 2012, the carrying amounts of MARTA's total cash on hand were $1,054 and $1,286, respectively.

At June 30, 2013 and 2012, the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $35,099 and $45,601, respectively.

The bank balances were $34,071 and $44,752, respectively. Of the bank balances at June 30, 2013 and 2012, $464 and $463, respectively, were covered by federal depository insurance and $33,595 and $44,289, 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, 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.

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 five 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)

**2. CASH AND INVESTMENTS** (continued)

As of June 30, 2013, 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 | $ 67,161 | $ 67,161 | $ - | $ - | $ - |
| U.S. Treasuries | 113,788 | 99,183 | 8,292 | 3,295 | 3,018 |
| U.S. Agencies | 332,467 | 68,951 | 63,696 | 3,870 | 195,950 |
| State of Georgia GA Fund 1 | 65,500 | 65,500 | - | - | - |
| FDIC Public Funds | 70,182 | 70,182 | - | - | - |
| Certificate of Deposit (CDAR) | 18,011 | 18,011 | - | - | - |
| Guaranteed Inv Contracts | 199,606 | 244 | 34,258 | 91,833 | 73,271 |
| Investment Derivatives | (10,763) | - | - | - | (10,763) |
| Total | $ 855,952 | $ 389,232 | $ 106,246 | $ 98,998 | $ 261,476 |

As of June 30, 2012, 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 | $ 58,969 | $ 58,969 | $ - | $ - | $ - |
| U.S. Treasuries | 101,045 | 87,309 | 6,769 | 1,896 | 5,071 |
| U.S. Agencies | 298,224 | 10,158 | 16,896 | 54,517 | 216,653 |
| State of Georgia GA Fund 1 | 46,000 | 46,000 | - | - | - |
| FDIC Public Funds | 100,623 | 100,623 | - | - | - |
| Certificate of Deposit (CDAR) | 49,623 | 49,623 | - | - | - |
| Guaranteed Inv Contracts | 188,310 | - | 232 | 118,834 | 69,244 |
| Investment Derivatives | (10,780) | - | - | - | (10,780) |
| Total | $ 832,014 | $ 352,682 | $ 23,897 | $ 175,247 | $ 280,188 |

***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.







**2. CASH AND INVESTMENTS** (continued)

***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, 2013 is as follows:

| **Investment Type** | **Fair Value** | **Credit Rating** | **Rating Agency** |
|---|---|---|---|
| Repurchase Agreements | $ 67,161 | AAA/AA+/FDIC | |
| U.S. Government Treasuries | 113,788 | AAA | Moody's |
| U.S. Government Agencies | 332,467 | N/R & AA+ | |
| State of Georgia GA Fund 1 | 65,500 | AAAf/S1+ | S&P |
| FDIC Public Funds | 70,182 | AAA/AA+/FDIC | S&P |
| Certificate of Deposit (CDAR) | 18,011 | FDIC | |
| Guaranteed Inv Contracts | 199,606 | | |
| Investment Derivatives | (10,763) | | |
| Total | $ 855,952 | | |

***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.

***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, 2013 and 2012, of $855,952 and $832,014, respectively, $10,157 and $10,288, 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.

(Dollars in Thousands)

## 3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30:

| | 2013 | 2012 |
|---|---|---|
| Restricted Cash and Investments: | | |
| Sinking Fund | $ 159,830 | $ 125,932 |
| Railroad Trust Fund Agreement | 10,000 | 10,000 |
| Capital Asset Purposes | 63,197 | 63,196 |
| Proceeds From Real Estate Sales | 55,593 | 56,118 |
| Investment Held to Pay Capital Lease Obligation | 471,575 | 484,982 |
| Investment Derivatives | (10,763) | (10,780) |
| Other | 38,655 | 38,531 |
| Total Restricted Cash and Investments | 788,087 | 767,979 |
| Due to FTA | 135 | 135 |
| Total Restricted, Net of Related Debt | $ 787,952 | $ 767,844 |

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, 2013 and 2012, 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. For the period from July 1, 1988 to June 30, 2013, interest earned on these funds is unrestricted.







## 3. RESTRICTED ASSETS (continued)

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 position of $787,952 and $767,843 at June 30, 2013 and 2012, respectively, are reported in the Statements of Net Position 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(I) 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 cannot be used for salary and wage increases). MARTA implemented this amendment on July 1, 2010.

During the years ended June 30, 2013 and 2012, MARTA used 47% and 58%, respectively, of the sales and use tax proceeds to subsidize the net operating costs. The under-utilization of sales tax receipts for June 30, 2013 was $8,587.

## 5. FARE REVENUE

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.

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, 2013 and 2012 were 62.8% and 68.3%, 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, 2013 was as follows:

| | Balance June 30, 2012 | Additions | Decreases | Balance June 30, 2013 |
|---|---|---|---|---|
| Capital Assets, not being depreciated: | | | | |
| Land | $ 555,667 | $ 518 | $ - | $ 556,185 |
| Construction in progress | 308,377 | 170,471 | (107,560) | 371,288 |
| Total capital assets not being depreciated | 864,044 | 170,989 | (107,560) | 927,473 |
| Capital Assets being depreciated: | | | | |
| Rail systems & buildings | 3,289,889 | 30,351 | - | 3,320,240 |
| Transportation equipment | 1,214,610 | 27,275 | (37,814) | 1,204,071 |
| Other | 1,071,271 | 49,934 | (12,658) | 1,108,547 |
| Total capital assets being depreciated | 5,575,770 | 107,560 | (50,472) | 5,632,858 |
| Less accumulated depreciation for: | | | | |
| Rail systems & buildings | (1,764,418) | (94,725) | - | (1,859,143) |
| Transportation equipment | (760,579) | (70,085) | 36,648 | (794,016) |
| Other | (836,747) | (54,797) | 12,592 | (878,952) |
| Total accumulated depreciation | (3,361,744) | (219,607) | 49,240 | (3,532,111) |
| Total capital assets being depreciated, net | 2,214,026 | (112,047) | (1,232) | 2,100,747 |
| Capital Assets, net | $ 3,078,070 | $ 58,942 | $ (108,792) | $ 3,028,220 |



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## 6. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Balance June 30, 2011 | Additions | Decreases | Balance June 30, 2012 |
|---|---|---|---|---|
| Capital Assets, not being depreciated: | | | | |
| Land | $ 553,356 | $ 2,311 | $ - | $ 555,667 |
| Construction in progress | 275,341 | 161,087 | (128,051) | 308,377 |
| Total capital assets not being depreciated | 828,697 | 163,398 | (128,051) | 864,044 |
| Capital Assets being depreciated: | | | | |
| Rail systems & buildings | 3,225,958 | 63,931 | - | 3,289,889 |
| Transportation equipment | 1,212,392 | 6,168 | (3,950) | 1,214,610 |
| Other | 1,030,395 | 44,838 | (3,962) | 1,071,271 |
| Total capital assets being depreciated | 5,468,745 | 114,937 | (7,912) | 5,575,770 |
| Less accumulated depreciation for: | | | | |
| Rail systems & buildings | (1,660,553) | (103,865) | - | (1,764,418) |
| Transportation equipment | (699,343) | (65,088) | 3,852 | (760,579) |
| Other | (779,206) | (61,445) | 3,904 | (836,747) |
| Total accumulated depreciation | (3,139,102) | (230,398) | 7,756 | (3,361,744) |
| Total capital assets being depreciated, net | 2,329,643 | (115,461) | (156) | 2,214,026 |
| Capital Assets, net | $ 3,158,340 | $ 47,937 | $ (128,207) | $ 3,078,070 |

During the year ended June 30, 2012, an adjustment was made to construction in progress in the amount of $13.1 million related to reductions in billings associated with a major railcar rehabilitation project.

## 7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2013 was as follows:

| Series | Year Issued | Original Principal Issued | Year of Maturity | Interest Rates | Balance June 30, 2012 | Outstanding Additions | Principal Retirements | Balance June 30, 2013 |
|---|---|---|---|---|---|---|---|---|
| Sales Tax Revenue Bonds: | | | | | | | | |
| N* | 1992 | $ 122,245 | 2018 | 4.60% - 6.25% | $ 47,390 | $ - | $ (5,565) | $ 41,825 |
| P* | 1992 | 296,755 | 2020 | 3.30% - 6.25% | 101,535 | - | (13,860) | 87,675 |
| 1998A* | 1998 | 144,535 | 2010 | 5.50% - 6.250% | - | - | - | - |
| 2000A | 2000 | 100,000 | 2025 | Variable | 100,000 | - | (1,400) | 98,600 |
| 2000B | 2000 | 100,000 | 2025 | Variable | 100,000 | - | (1,300) | 98,700 |
| 2003A* | 2003 | 103,075 | 2020 | 3.00% - 5.00% | 31,890 | - | (2,385) | 29,505 |
| 2005A* | 2005 | 190,490 | 2020 | 5.00% | 190,490 | - | (15,775) | 174,715 |
| 2006A* | 2006 | 163,890 | 2020 | 5.00% | 149,355 | - | (10,750) | 138,605 |
| 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 |
| 2012A* | 2012 | 311,075 | 2040 | 3.00% - 5.00% | 311,075 | - | - | 311,075 |
| 2012B* | 2012 | 17,930 | 2020 | 4.00% - 5.00% | 17,930 | - | - | 17,930 |
| 2013A* | 2013 | 22,980 | 2020 | 3.00% - 5.00% | - | 22,980 | - | 22,980 |
| Subtotal | | | | | 1,835,220 | 22,980 | (51,035) | 1,807,165 |
| Less portion due within one year | | | | | (51,035) | (29,840) | - | (80,875) |
| Plus unamortized premium (discount) | | | | | 75,055 | 4,422 | (6,158) | 73,319 |
| Sales Tax Revenue Bonds total long-term portion | | | | | $ 1,859,240 | $ (2,438) | $ (57,193) | $ 1,799,609 |

* Refunding bonds

Long-term debt activity for the year ended June 30, 2012 was as follows:

| Series | Year Issued | Original Principal Issued | Year of Maturity | Interest Rates | Balance June 30, 2011 | Outstanding Additions | Principal Retirements | Balance June 30, 2012 |
|---|---|---|---|---|---|---|---|---|
| Sales Tax Revenue Bonds: | | | | | | | | |
| N* | 1992 | $ 122,245 | 2019 | 4.60% - 6.25% | $ 52,625 | $ - | $ (5,235) | $ 47,390 |
| P* | 1992 | 296,755 | 2021 | 3.30% - 6.25% | 148,535 | - | (47,000) | 101,535 |
| 1998A* | 1998 | 144,535 | 2011 | 5.50% - 6.250% | - | - | - | - |
| 2000A | 2000 | 100,000 | 2026 | Variable | 100,000 | - | - | 100,000 |
| 2000B | 2000 | 100,000 | 2026 | Variable | 100,000 | - | - | 100,000 |
| 2003A* | 2003 | 103,075 | 2021 | 3.00% - 5.00% | 53,560 | - | (21,670) | 31,890 |
| 2005A* | 2005 | 190,490 | 2021 | 5.00% | 190,490 | - | - | 190,490 |
| 2006A* | 2006 | 163,890 | 2021 | 5.00% | 158,440 | - | (9,085) | 149,355 |
| 2007A* | 2007 | 145,725 | 2033 | 5.25% | 145,725 | - | - | 145,725 |
| 2007B* | 2008 | 389,830 | 2038 | 5.00% | 389,830 | - | - | 389,830 |
| 2009A | 2009 | 250,000 | 2040 | 4.25% - 5.25% | 250,000 | - | - | 250,000 |
| 2012A* | 2012 | 311,075 | 2041 | 3.00% - 5.00% | - | 311,075 | - | 311,075 |
| 2012B* | 2012 | 17,930 | 2021 | 4.00% - 5.00% | - | 17,930 | - | 17,930 |
| Subtotal | | | | | 1,589,205 | 329,005 | (82,990) | 1,835,220 |
| Less portion due within one year | | | | | (62,860) | 11,825 | - | (51,035) |
| Plus unamortized premium (discount) | | | | | 62,520 | 18,828 | (6,293) | 75,055 |
| Sales Tax Revenue Bonds total long-term portion | | | | | $ 1,588,865 | $ 359,658 | $ (89,283) | $ 1,859,240 |

* Refunding bonds



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## 7. LONG-TERM DEBT (continued)

***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 1998A, 2000A, 2000B and 2003A Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A, 2007B, 2009A, 2012A, 2012B and 2013A 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. In the fall of 2012, the Series 2000A Bonds were converted to a term rate utilizing a floating rate note structure. The interest rate on these bonds is based on a defined spread to the Securities Industry Financial Markets Association (SIFMA) index on a weekly basis and interest will be paid monthly for the previous month. The interest rates at June 30, 2012 on the Series 2000A and 2000B Bonds utilizing the weekly mode were 0.13% and 0.13%, respectively. Likewise, the interest rates at June 30, 2013 on the Series 2000A and 2000B Bonds were 0.22% and 0.07%, 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 Bonds are redeemable at par in March 2014. The Series 2000B Bonds are redeemable at par upon 30 days’ notice.

Annual debt service requirements on the Bonds outstanding at June 30, 2013 were as follows:

| Year Ending June 30 | Principal | Interest* | Swap Agreement, net** | Total |
|---|---|---|---|---|
| 2014 | $ 80,875 | $ 76,924 | $ (1,751) | $ 156,048 |
| 2015 | 55,255 | 74,004 | (1,669) | 127,590 |
| 2016 | 59,425 | 71,026 | (1,582) | 128,869 |
| 2017 | 62,705 | 67,852 | (1,474) | 129,083 |
| 2018 | 65,885 | 64,583 | (1,360) | 129,108 |
| 2019 to 2023 | 302,010 | 275,819 | (4,946) | 572,883 |
| 2024 to 2028 | 238,900 | 243,088 | (1,485) | 480,503 |
| 2029 to 2033 | 297,165 | 187,459 | (226) | 484,398 |
| 2034 to 2038 | 374,250 | 108,549 | - | 482,799 |
| 2039 to 2042 | 270,695 | 18,159 | - | 288,854 |
| | $ 1,807,165 | $ 1,187,463 | $ (14,493) | $ 2,980,135 |

* Variable rate bond interest requirement computed at year-end rates.
** SIFMA referene rate and One-month LIBOR computed using year-end rate w ith the assumption rates w ill remain the same for the term of the deriviative instruments. See Note 8.

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**7. LONG-TERM DEBT** (continued)

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 $308,080 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 $1,880,484 in sales tax revenue bonds issued in 1992, 2000, 2003, 2005, 2006, 2007, 2008, 2009, 2012 and 2013 of which $1,799,609 is considered long-term debt. Proceeds from the bonds were used for the rehabilitation or expansion of MARTA's rail and bus systems. Principal and interest on the bonds are payable through 2042, 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, 2013 and 2012 were $124,971 and $132,610 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, 2013 and 2012, 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 Position.

Following is a summary of the activity in the Sinking Funds for the years ended June 30, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Balance, Beginning of Year | $ 125,931 | $ 156,922 |
| Sales and Use Tax Proceeds | 135,279 | 124,948 |
| Investment Income | 1,236 | 208 |
| Principal and Interest Payments on Bonds | (124,971) | (132,610) |
| Excess Sales Tax Withheld (Refunded) | 21,061 | (27,974) |
| Trustee Fees | 1,294 | 4,437 |
| Balance, End of Year | $ 159,830 | $ 125,931 |



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**7. LONG-TERM DEBT** (continued)

***Sales Tax Revenue Commercial Paper Notes*** – On June 30, 2013 MARTA had outstanding $100,000 of Sales Tax Revenue Commercial Paper Notes (the "Notes"), Series 2012C and 2012D. Letters of Credit were issued to support the $100,000 of commercial paper sold. The effective interest rate paid on the Notes outstanding ranged from .14% to .20% or an average of .18% for the year ended June 30, 2013. 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 have varies maturities ranging from 1 day to 270 days. The outstanding balance, totaling $100,000, has been classified as short-term Investments. 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, 2013 and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2013 were as follows:

| | | Changes in Fair Value | | |
|---|---|---|---|---|
| ***Hedging Derivatives:*** | **Fiscal Year Classification** | **Change Amount** | **Year End Amount** | **Fair Value Notional** |
| Series 2000A & 2000B Interest Rate Swaps | Deferred Outflows of Resources | $ (275) | $ (3,846) | $ 200,000 |
| Diesel Commodity Swaps | Deferred Inflows of Resources | (50) | (25) | 2,218 |
| | | $ (325) | $ (3,871) | |
| ***Investment Derivatives:*** | | | | |
| Series 1996A, 1998B & 2002 Interest Rate Swaps | Gain on Investment Derivatives | $ 322 | $ (7,973) | $ 518,310 |
| Forward delivery arrangements | Loss on Investment Derivatives | (305) | (2,790) | 300,000 |
| | | $ 17 | $ (10,763) | |

(Dollars in Thousands)

## 8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2012 and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2012 were as follows:

| | | Changes in Fair Value | | |
|---|---|---|---|---|
| ***Hedging Derivatives:*** | **Fiscal Year Classification** | **Change Amount** | **Year End Amount** | **Fair Value Notional** |
| Series 2000A & 2000B Interest Rate Swaps | Deferred Outflows of Resources | $ 4,035 | $ (3,571) | $ 200,000 |
| Natural Gas Commodity Swaps | Deferred Outflows of Resources | 64 | - | - |
| Diesel Commodity Swaps | Deferred Inflows of Resources | (720) | 25 | 930 |
| | | $ 3,379 | $ (3,546) | |
| ***Investment Derivatives:*** | | | | |
| Series 1996A, 1998B & 2002 Interest Rate Swaps | Gain on Investment Derivatives | $ 6,345 | $ (8,295) | $ 518,310 |
| Forward delivery arrangements | Loss on Investment Derivatives | 2,632 | (2,485) | 300,000 |
| | | $ 8,977 | $ (10,780) | |

***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 (Refunded by Series 2006A), 1998A (matured in 2012), Series 1998B (Refunded by Series 2005A), and Series 2002 Bonds (Refunded by Series 2007A), and its variable rate Series 2000A and Series 2000B Bonds.







## 8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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. The outstanding unamortized amount as of June 30, 2013 and 2012 is $11,253 and $13,011, respectively, and is included in Deferred Inflows of Resources – Others on the Statements of Net Position.

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 2013, 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 2011 and was not reconsidered.

A derivative is effective if changes in a 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 Position. The gain or loss of the ineffective portion is recognized immediately in the Statements of Revenues, Expenses, and Changes in Net Position.

(Dollars in Thousands)

**8. DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

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.

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 $200,000 exposure to variable rates (VRDB's Variable Rate Demand Bond 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. 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.





**8. DERIVATIVE FINANCIAL INSTRUMENTS** (continued)

***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. Three contracts terminated on June 30, 2013. A summary of agreements is as follows:

| Date of Execution | Effective Dates | Termination Dates | Fixed Price | Counterparty | Net Settlement In FY 2013 |
|---|---|---|---|---|---|
| **Natural Gas:** | | | | | |
| 1/30/2012 | 7/1/2012 | 6/30/2013 | $3.424 per MMBTU | Canadian Imperial Bank of Commerce | $ (11,963) |
| **Diesel:** | | | | | |
| 10/19/2010 | 11/1/2010 | 6/30/2012 | $2.338 per gallon | Deutsche Bank AG London Branch | $ 25,061 |
| 2/23/2012 | 7/1/2012 | 6/30/2013 | $3.221 per gallon | Citigroup Energy, Inc. Energy Corp | $ (243,008) |
| 7/11/2012 | 8/1/2012 | 6/30/2013 | $2.743 per gallon | Deutsche Bank AG London Branch | $ 297,861 |

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.

## 8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

***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. The outstanding unamortized amount as of June 30, 2013 and 2012 is $4,210 and $4,923, respectively and is included in Unearned Revenues on the Statements of Net Position.

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 Position and the gains or losses are reported as nonoperating revenues (expenses) on the Statements of Revenues, Expenses and Changes in Net Position.

## 9. BOND REFUNDINGS

On June 6, 2013, MARTA issued $22,980 par Series 2012A refunding bonds, refunding the remaining Series 2003A Bonds, at an average interest rate of 1.11% per annum. A portion of the proceeds were applied to the Authority's Sales Tax Revenue Bonds Series 2003A by placing the funds within a sinking fund, as an escrow account was not required. As a result of the refunding, MARTA reduced its future debt service requirements by $4,284.

On May 24, 2012, MARTA issued $311,075 par Series 2012A refunding bonds at an average interest rate of 3.83% per annum. All funds resulting from the bond sale will be applied to pay off the outstanding 2007C and 2007D Commercial Paper Notes ($324,000 Par), as well as fees associated with the issue. Funds will be deposited in escrow with the Trustee to pay off the final Note maturities of $3,000 on July 13, 2012 as well as $15,000 on August 9, 2012.



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## 9. BOND REFUNDINGS (continued)

Also on May 24, 2012, MARTA issued $17,930 par Series 2012B refunding bonds, as a partial refunding of the Series 2003A Bonds, at an average interest rate of 1.37% per annum. A portion of the proceeds will be applied to the Authority's Sales Tax Revenue Bonds Series 2003A by placing the funds in an irrevocable trust with an escrow agent to provide debt service payments until the bonds refunded are called on July 1, 2013 at a redemption price of $21,497. As a result of the refunding, MARTA reduced its future debt service requirements by $2,502.

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, 2013, the amount of defeased debt outstanding but removed from MARTA's Statements of Net Position totaled $20,130.

## 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.

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 are recorded as nonoperating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

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## 10. CAPITAL LEASE OBLIGATIONS (continued)

The following table summarizes MARTA's capital lease-leaseback transactions as of the respective transaction dates:

| Lease Date | Property | Fair Market Value At Closing Date | Prepayment Received on Head Lease from the Equity | Amount Invested to Satisfy Sublease Obligation | Cash Benefit Net of Fees | Repurchase Option Date | Sublease Termination Date |
|---|---|---|---|---|---|---|---|
| 3/22/2001 | 6 Hitachi CQ 310 Rail Cars | $ 13,800 | $ 3,933 | $ 2,932 | $ 1,002 | 1/15/2019 | 10/15/2020 |
| 3/22/2001 | 46 Franco Belge CQ 310 Rail Cars | 82,800 | 19,853 | 15,764 | 4,089 | 1/15/2018 | 12/15/2018 |
| 3/22/2001 | 16 Hitachi CQ 310 Rail Cars | 36,800 | 7,595 | 5,862 | 1,733 | 1/15/2020 | 12/15/2020 |
| 3/22/2001 | 28 Breda CQ 310 Rail Cars | 78,400 | 19,168 | 13,286 | 5,882 | 10/15/2026 | 9/15/2027 |
| 3/22/2001 | 24 Hitachi CQ 310 Rail Cars | 55,200 | 11,083 | 8,250 | 2,833 | 1/15/2020 | 12/15/2020 |
| 3/22/2001 | 46 Franco Belge CQ 310 Rail Cars | 92,000 | 26,168 | 20,732 | 5,436 | 10/05/2017 | 9/15/2018 |
| 6/21/2001 | 14 Franco Belge CQ 310 Rail Cars | 28,000 | 5,827 | 4,182 | 1,645 | 1/05/2019 | 12/15/2019 |
| 6/22/2001 | 10 Franco Belge CQ 310 Rail Cars | 20,000 | 6,027 | 4,465 | 1,562 | 11/05/2017 | 10/15/2018 |
| 12/27/2001 | 8 Hitachi CQ 311 Rail Cars | 20,000 | 4,166 | 2,244 | 1,922 | 1/05/2026 | 12/15/2026 |
| 12/27/2001 | 26 Hitachi CQ 311 Rail Cars | 65,000 | 13,320 | 7,191 | 6,129 | 1/05/2026 | 12/15/2026 |
| 12/27/2001 | 14 Hitachi CQ 311 Rail Cars | 35,000 | 7,296 | 3,930 | 3,366 | 1/05/2026 | 12/15/2026 |
| 9/27/2002 | 20 Breda CQ 312 Rail Cars | 57,000 | 12,622 | 9,150 | 3,472 | 1/05/2026 | 12/15/2026 |
| 9/29/2005 | 30 Breda CQ 312 Rail Cars | 93,300 | 16,274 | 11,376 | 3,839 | 1/02/2034 | 12/15/2034 |
| 9/29/2005 | 10 Breda CQ 312 Rail Cars | 31,500 | 5,488 | 3,793 | 1,333 | 1/02/2034 | 12/15/2034 |
| 9/29/2003 | Marta South Line | 782,072 | 102,230 | 67,457 | 27,312 | 1/02/2032 | 12/15/2032 |

The following table shows the net book value of the rail cars and the south line under the lease-lease back transactions as of June 30, 2013 and 2012:

| Lease Date | Property | Net Book Value 6/30/2013 | Net Book Value 6/30/2012 |
|---|---|---|---|
| 3/22/2001 | 46 Hitachi CQ 310 Rail Cars | $ 35,136 | $ 41,615 |
| 3/22/2001 | 28 Breda CQ310 Rail Cars | 38,094 | 38,527 |
| 3/22/2001 | 92 Franco Belge CQ 310 Rail Cars | 82,195 | 94,452 |
| 6/22/2001 | 24 Franco Belge CQ310 Rail Cars | 3,439 | 4,208 |
| 12/27/2001 | 48 Hitachi CQ 311 Rail Cars | 42,764 | 49,209 |
| 9/27/2002 | 20 Breda CQ 312 Rail Cars | 28,748 | 27,704 |
| 9/29/2005 | 40 Breda CQ 312 Rail Cars | 59,231 | 60,160 |
| 9/29/2003 | MARTA South Line | 336,646 | 346,205 |

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.







## 10. CAPITAL LEASE OBLIGATIONS (continued)

None of MARTA's counterparties in these transactions declared a default. The statuses of these transactions are as follows:

- Termination of the final two transactions remaining in technical default was executed in June 2012, thus eliminating the potential liability in regards to the downgrades of the Payment Undertakers.

- As discussed above, four transactions have been terminated and fifteen transactions have been remediated through fiscal year 2012. These transactions represent 100% of the original exposure to MARTA.

- Included in the lease arrangements are various buyout option dates. Beginning in October of 2017 and ending in January of 2034, MARTA has to execute its intent to buy out the head lease to terminate the LILO agreements. Management has created a schedule of the various buyout option dates and has coordination activities in place to monitor the execution of these options.

- A collateral replacement of approximately $17.0 million supporting the remediated transactions related to the 2001-1 through 2001-4; 2001-6; 2001-8 and 2002-1 LILO arrangements will need to be in place on January 2, 2018 and can take the form of securities or a Letter of Credit. The replacement of collateral determination method and actual final collateral replacement amounts is not determinable at June 30, 2013.

**10. CAPITAL LEASE OBLIGATIONS** (continued)

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2013:

| Fiscal Year (s) | | |
|---|---|---|
| 2014 | $ | 3,560 |
| 2015 | | 3,212 |
| 2016 | | 3,648 |
| 2017 | | 3,366 |
| 2018 | | 93,701 |
| 2019– 2023 | | 78,611 |
| 2024 – 2028 | | 75,319 |
| 2029 – 2033 | | 128,095 |
| 2034 – 2035 | | 19,533 |
| Present Value of Net Minimum Lease Payments | | 409,045 |
| Less: Current Principal Maturities | | (3,560) |
| Obligations Under Capital Lease -Long Term | $ | 405,485 |

| The liability of these leases changed in 2013 and 2012 as follows: | | |
|---|---|---|
| Outstanding - June 30, 2012 | $ | 390,859 |
| Net Change in Obligation | | 18,186 |
| Outstanding - June 30, 2013 | $ | 409,045 |

**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.



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(Dollars in Thousands)



**11. PENSION PLANS** (continued)

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), and 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, 2013 for the Union Plan and Non-Rep Plan:

| | Union | Non-Rep |
|---|---|---|
| Active Employees | 2,602 | 864 |
| Pensioners | 1,666 | 1,059 |
| Inactive Vestees | 240 | 115 |
| Total | 4,508 | 2,038 |

***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)

**11. PENSION PLANS** (continued)

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, 2013. All other related information is based on actuarial valuations performed as of January 1, 2013 for Union and Non-Rep plans.







**11. PENSION PLANS** (continued)

The information is as follows:

| | Union | Non-Rep |
|---|---|---|
| Contribution Rates: | | |
| MARTA | 8.09% | 18.00% |
| Plan Members | 4.41% | 6.00% |
| Transit Police | - | 7.50% |
| Annual Pension Cost | $7,557 | $26,235 |
| Contributions Made | $7,557 | $26,235 |
| Actuarial Valuation Date | 01/01/13 | 01/01/13 |
| 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 | 11 years, Closed |
| Asset Valuation Method | Market Value | Market Value |
| Actuarial Assumptions | | |
| Investment Rate of Return | 7.50% | 7.25% |
| Projected Salary Increases: | | |
| Inflation and Productivity | 4.50% per year | 3.20% per year |
| Merit or Seniority | 1.00% per year | 1.00% per year |
| Post Retirement Benefit Increases | none | none |

(Dollars in Thousands)

**11. PENSION PLANS** (continued)

***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.

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 actuarial 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) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2011 | $ 4,701 | 100% | 0 |
| 2012 | 7,398 | 100 | 0 |
| 2013 | 7,557 | 100 | 0 |

**Non-Represented Pension Plan**

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2011 | $ 22,024 | 100% | 0 |
| 2012 | 23,230 | 100 | 0 |
| 2013 | 26,235 | 100 | 0 |







**11. PENSION PLANS** (continued)

**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 Statement No. 50.

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 AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 1/1/2011 | $ 461,403 | $ 468,654 | 98.5% | $ 7,251 | $ 105,030 | 6.9% |
| 1/1/2012 | 456,045 | 470,926 | 96.8 | 14,881 | 102,525 | 14.5 |
| 1/1/2013 | 450,322 | 468,009 | 96.2 | 17,687 | 106,042 | 16.7 |

**Non-Represented Pension Plan**

Beginning with the 2008 fiscal year, GASB Statement No. 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 AAL (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 1/1/2011 | $ 256,977 | $ 407,108 | 63.1% | $150,130 | $ 58,140 | 258.2% |
| 1/1/2012 | 266,810 | 431,419 | 61.8 | 164,609 | 58,225 | 282.7 |
| 1/1/2013 | 290,539 | 430,206 | 67.5 | 139,667 | 49,338 | 283.1 |

## 11. PENSION PLANS (continued)

**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 ended June 30, 2013 and 2012 were $933 and $877, respectively.

Employee contributions to the D.C. Plan for the years ended June 30, 2013 and 2012 were $1,906 and $1,681, 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 $17.5 per year or if age 50 and over, not to exceed $23.0 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 Position.

***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.



**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**
**Notes to the Financial Statements**
June 30, 2013 and 2012
(Dollars in Thousands)

## 12. EMPLOYEE BENEFITS (continued)

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 30 years. For the years ended June 30, 2013 and 2012, respectively, MARTA contributed $17,956 and $18,414 to its OPEB Plan (the Plan).

The following schedule (derived from the most recent actuarial valuation report) shows the components of MARTA's Annual OPEB costs for 2013 and 2012, the amounts actually contributed to the Plan and changes in MARTA's Net OPEB Obligation (Asset):

| | 2013 | 2012 |
|---|---|---|
| Annual Required Contribution | $ 21,536 | $ 21,405 |
| Interest on Net OPEB Obligation | - | - |
| Adjustment to OPEB Obligation | (3,580) | (2,991) |
| Annual OPEB Cost | 17,956 | 18,414 |
| Actual Employer Contributions | (17,956) | (18,414) |
| Increase in Net OPEB Obligation (Asset) | - | - |
| Net OPEB Obligation - Beginning of Year | - | - |
| Net OPEB Obligation (Asset) - End of Year | $ - | $ - |
| Percentage of Annual Contributions Made to ARC | 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, 2012 actuarial valuation, the Individual Entry Age Normal Actuarial 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.

FINANCIAL SECTION 2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

## 12. EMPLOYEE BENEFITS (continued)

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; no payroll growth was assumed for amortization purposes. There are currently 24 years remaining in the amortization period. For purposes of the fiscal years 2013 and 2012 actuarial valuations, discount rates of 7.0% and 7.5% were used, respectively. 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. The current long-term discount rate used in the most recent actuarial report is 7.0%.

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 Position.

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 8.5% for 2012 and 2013.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 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 (Asset) |
|---|---|---|---|
| 2011 | $ 19,589 | 100% | - |
| 2012 | 18,414 | 100 | - |
| 2013 | 17,956 | 100 | - |



METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2013 and 2012
(Dollars in Thousands)

FINANCIAL SECTION 2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

## 12. EMPLOYEE BENEFITS (continued)

The funded status of the Plan as of June 30, 2013 was as follows:

| | June 30, 2013 |
|---|---|
| Actuarial Accrued Liability (AAL) | $ 197,230 |
| Actuarial Value of Plan Assets | 33,684 |
| Unfunded Actuarial Accrued Liability (UAAL) | $ 163,546 |
| Funded Ratio | 17.1% |
| Covered Payroll | $ 195,989 |
| UAAL as a Percentage of Covered Payroll | 83.4% |

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Individual Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll ( c ) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 6/30/2011 | $ 20,793 | $ 191,777 | $ 170,984 | 10.8% | $ 162,234 | 105.4% |
| 6/30/2012 | 27,856 | 197,579 | 169,723 | 14.1 | 169,001 | 100.4 |
| 6/30/2013 | 33,684 | 197,230 | 163,546 | 17.1 | 195,989 | 83.4 |

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 | 209 | 190 | 399 |
| Not Yet Fully Eligible | 2,310 | 537 | 2,847 |
| Total Number of Lives | 2,519 | 727 | 3,246 |

(Dollars in Thousands)

## 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.

There have been no significant reductions in insurance coverage during the years ended June 30, 2013 and 2012 and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

The changes in the liabilities for self-insurance for the years ended June 30, 2013 and 2012, are as follows:

| | Workers' Compensation | Public Liability and Property Damage | Total |
|---|---|---|---|
| Balance, June 30, 2011 | $ 20,660 | $ 10,340 | $ 31,000 |
| Incurred claims, net of any changes | 12,383 | 4,992 | 17,375 |
| Payments | (8,184) | (5,844) | (14,028) |
| Balance, June 30, 2012 | 24,859 | 9,488 | 34,347 |
| Incurred claims, net of any changes | 9,533 | 4,780 | 14,313 |
| Payments | (9,406) | (3,703) | (13,109) |
| Balance, June 30, 2013 | $ 24,986 | $ 10,565 | $ 35,551 |
| Due within one year | $ 12,206 | $ 4,756 | $ 16,962 |

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 OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net assets by MARTA that is applicable to future period and has a positive effect on net position similar to assets. The deferred outflows of resources other than hedging activities discussed in Note 8 represent the unamortized portion of deferred losses on debt refundings of $15,732 and $18,818 as of the years ended June 30, 2013 and 2012, respectively.

Deferred inflows of resources are an acquisition of net assets by MARTA that is applicable to a future period and has a negative effect on net position similar to liabilities. MARTA's deferred inflow of resources is only from hedging activity. Please see Notes 1 and 8.

## 15. UNEARNED REVENUE

From the years ended June 30, 2001 to 2007, MARTA entered into several agreements to lease a number of its rail cars; the Avondale Rail Maintenance Facility, the East Rail Line (from Five Points station to Indian Creek station),and the South Rail Line (from Five Points station to Airport station). MARTA then leased these same assets back from the third-party investors as a capital sublease. The effect of the transaction was to transfer the tax benefits of ownership to the investors; in exchange, MARTA received cash consideration equal to the difference between the lease and sublease payments. The total consideration net of expenses as of June 30, 2007 was $105,300. Since that time, a number of these arrangements have been terminated. MARTA is required to maintain the cars and the stations at an operating level over the life of the sublease as specified in the terms of the lease agreements. Because of the ongoing maintenance and renovation expenditures required to meet this operating level, the net proceeds were recorded as unearned and are being amortized over the life of the respective leases (approximately 18.5 years to 32 years) on a straight-line basis.

During the year ended June 30, 2012, MARTA terminated two agreements involving the rail cars. As a result of these terminations, MARTA incurred a book loss of $7,300 and recognized $2,000 of revenue initially recorded as unearned revenue.

During the year ended June 30, 2013 and 2012, the unamortized portion of unearned revenue for the South Line agreement was $23,200 and $24,500, respectively, and $14,000 and $16,000, respectively for the Rail Cars agreements.

## 16. 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, 2013. At June 30, 2013, 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.



METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2013 and 2012
(Dollars in Thousands)

FINANCIAL SECTION 2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

## 16. COMMITMENTS AND CONTINGENCIES (continued)

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, 2013:

| Fiscal Year | Amount |
|---|---|
| 2014 | $ 6,821 |
| 2015 | 6,976 |
| 2016 | 7,059 |
| 2017 | 7,109 |
| 2018 | 7,161 |
| | $ 35,126 |

***Contingencies*** – Claims have been filed with MARTA relating to alleged personal injuries, property damage and contract disputes. MARTA is a defendant in several lawsuits relating to alleged personal injuries, property damage and employee claims

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.

## 17. POLLUTION REMEDIATION OBLIGATION

Under GASB 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.

**17. POLLUTION REMEDIATION OBLIGATION** (continued)

In prior years, MARTA was named as a potentially responsible party (PRP) for the cleanup of the Crymes Landfill located in Gwinnett County, Georgia. However, during fiscal year 2013, MARTA paid $240,300 to the Crymes Landfill Trust in return for release of any and all liabilities in regard to the site.

MARTA estimates that $4,883 and $6,222 is its obligation to remediate the sites at the bus and maintenance facilities at June 30, 2013 and 2012, respectively, which is included in current liabilities on the Statements of Net Position.

**18. SUBSEQUENT EVENT**

While MARTA is partially hedged for the fiscal year 2014 Budget period, MARTA may execute additional fuel hedge contracts to facilitate hedging for the fiscal year 2014 and beyond. Counterparties will be determined through a bid process conducted at points in fiscal years 2014 and 2015 as dictated by market conditions. These contracts will be executed to hedge fiscal years 2014 and potentially 2015 and 2016 at levels not to exceed 75% of the forecast usage for either year.

MARTA sold $100,000 of commercial paper from the new 2012C-1 and D-2 series notes August 29, 2013. This will be the second issue of the CP series which will bring the total of outstanding commercial paper to $200,000. Letters of Credit will be issued to support the $200,000 of commercial paper sold. Any subsequent draw will require an extension of existing or an additional Letter(s) of Credit being put in place.

In early fiscal year 2014, MARTA will also seek additional bond validation authority in the amount of $1,500,000. This validation, coupled with existing authority, increases MARTA's ability to execute bond transactions up to $1,808,080 to be issued in the future, with board approval, in one or more series. MARTA regularly pre-validates bonds for execution efficiency and to provide flexibility to take advantage of changing market conditions.



# Supplemental Schedule of Revenues & Expenses, Budget vs. Actual (Budget Basis)

**June 30, 2013**
(Dollars in Thousands)

| | Budget | Actual (Budget Basis) | Variance Favorable/ (Unfavorable) |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Fare Revenues | $ 142,289 | $ 140,697 | $ (1,592) |
| Other Revenues | 7,017 | 10,480 | 3,463 |
| Total Operating Revenues | 149,306 | 151,177 | 1,871 |
| **Operating Expenses:** | | | |
| Transportation | 184,865 | 183,216 | 1,649 |
| Maintenance and Garage Operations | 152,297 | 137,747 | 14,550 |
| General and Administrative | 97,785 | 78,779 | 19,006 |
| Total Operating Expenses | 434,947 | 399,742 | 35,205 |
| **Operating Loss** | (285,641) | (248,565) | 37,076 |
| **Nonoperating Revenues:** | | | |
| Sales and Use Tax | 335,454 | 338,893 | 3,439 |
| Federal Operating Revenues | 74,398 | 119,774 | 45,376 |
| Investment Income | 273 | 1,729 | 1,456 |
| Other Revenues | 10,063 | 17,451 | 7,388 |
| | 420,188 | 477,847 | 57,659 |
| **Increase in Net Assets - Budget Basis** | $ 134,547 | 229,282 | $ 94,735 |
| Basis Differences | | | |
| Depreciation | | (219,607) | |
| Loss on Sales of Property and Equipment | | (1,025) | |
| Interest Expense | | (78,762) | |
| Interest Expense Capitalized | | 1,612 | |
| Amortization of Financing Related Charges and Income from Derivative Activity | | 5,629 | |
| Other - Nonoperating Expense | | (80,519) | |
| Capital Grants | | 47,294 | |
| Net Capital Lease Transaction Activity | | (31,593) | |
| Gain on Investment Derivatives | | 17 | |
| Decrease in Net Assets - GAAP Basis | | $ (127,672) | |

*See note to supplemental schedule.*

## Notes to the Supplemental Schedule

**June 30, 2013**
(Dollars in Thousands)

### 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 2013 net operating expenses were $399,742 which excludes depreciation. This was $35,205 (8.1%) less than the fiscal year 2013 budget, which was $21,105 (5.09%) more than the previous year's budget. MARTA continued a number of cost containment measures in fiscal year 2013 by focusing on increasing productivity and efficiencies while reducing cost. Operating revenue performed favorable to the budget, ending the year $1,871 (1.2%) better than budget, primarily due to identification of untapped sources of revenue. Nonoperating revenues were $57,658 (13.7%) more than budget. The largest variance was for federal operating revenues; MARTA received $45,376 more than budgeted. This positive variance is directly related to the additional Federal Operating Assistance, such as Federal Highway funds and the ARC Flex that the Authority received.



# STATISTICAL

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 say 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.

# Financial Trends

# Condensed Summary of Net Position

Last Ten Fiscal Years
(Dollars in Millions)

| | | 2013 | 2012* | 2011* | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS:** | Current and Other Assets | $1,039 | $1,013 | $968 | $1,084 | $904 | $1,142 | $1,059 | $540 | $511 | $464 |
| | Capital Assets | 3,028 | 3,078 | 3,158 | 3,273 | 3,360 | 3,393 | 3,350 | 3,304 | 3,240 | 3,194 |
| | Total Assets | 4,067 | 4,091 | 4,126 | 4,357 | 4,264 | 4,535 | 4,409 | 3,844 | 3,751 | 3,658 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | 20 | 23 | 29 | - | - | - | - | - | - | - |
| **LIABILITIES:** | | | | | | | | | | | |
| | Long-term Debt Outstanding | 1,881 | 1,910 | 1,652 | 1,691 | 1,482 | 1,686 | 1,581 | 1,426 | 1,358 | 1,288 |
| | Current and Other Liabilities | 747 | 617 | 826 | 816 | 811 | 741 | 690 | 251 | 239 | 219 |
| | Total Liabilities | 2,628 | 2,527 | 2,478 | 2,507 | 2,293 | 2,426 | 2,271 | 1,677 | 1,597 | 1,508 |
| **DEFERRED INFLOWS OF RESOURCES** | | - | 25 | 681 | - | - | - | - | - | - | - |
| **NET POSITION:** | | | | | | | | | | | |
| | Net Investment in Capital Assets, | 654 | 796 | 915 | 987 | 1,307 | 1,707 | 1,769 | 1,885 | 1,888 | 1,912 |
| | Restricted | 788 | 768 | 717 | 709 | 621 | 307 | 292 | 269 | 234 | 221 |
| | Unrestricted | 17 | 23 | 44 | 153 | 43 | 95 | 77 | 14 | 32 | 18 |
| | **TOTAL NET POSITION** | $1,459 | $1,587 | $1,676 | $1,849 | $1,971 | $2,109 | $2,138 | $2,167 | $2,154 | $2,150 |

* Restated

# Summary of Revenues, Expenses and Changes in Net Position

Last Ten Fiscal Years
(Dollars in Millions)

| | | 2013 | 2012* | 2011* | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** | Fare Revenues | $141 | $133 | $116 | $110 | $105 | $104 | $105 | $99 | $96 | $95 |
| | Other Revenues | 10 | 11 | 11 | 13 | 9 | 14 | 5 | 6 | 7 | 12 |
| | Total Operating Revenues | 151 | 144 | 127 | 122 | 114 | 118 | 110 | 105 | 104 | 107 |
| **Non-Operating Revenues** | Sales and Use Tax | 339 | 341 | 320 | 308 | 313 | 350 | 351 | 334 | 307 | 283 |
| | Federal Revenues | 120 | 71 | 86 | 101 | 52 | 49 | 40 | 39 | 40 | 42 |
| | Investment Income | 2 | 1 | 1 | 2 | 7 | 18 | 20 | 13 | 8 | 4 |
| | Net Capital Leases Transaction Activity | (32) | 52 | (12) | 50 | 3 | 3 | 0 | 0 | 0 | 0 |
| | Other Revenues | 17 | 13 | 13 | 11 | 48 | 11 | 10 | 10 | 10 | 9 |
| | Gain (Loss) on Sale of Property and Equip. | (1) | (0) | (1) | (0) | (2) | 0 | 1 | 1 | (3) | (6) |
| | Total Nonoperating Revenues | 445 | 477 | 407 | 471 | 422 | 431 | 421 | 397 | 362 | 332 |
| **Total Revenues** | | 596 | 621 | 534 | 594 | 535 | 549 | 531 | 503 | 466 | 439 |
| **Summary of Expenses Operating:** | | | | | | | | | | | |
| | Transportation | 183 | 186 | 184 | 180 | 178 | 175 | 158 | 146 | 142 | 149 |
| | Maintenance and Garage Operations | 138 | 147 | 147 | 147 | 141 | 129 | 117 | 110 | 118 | 114 |
| | General and Administrative | 79 | 79 | 80 | 76 | 72 | 64 | 54 | 50 | 50 | 40 |
| | Depreciation | 220 | 230 | 222 | 227 | 226 | 196 | 164 | 147 | 139 | 133 |
| | Total Operating Expenses | 619 | 642 | 633 | 630 | 617 | 565 | 493 | 454 | 448 | 436 |
| **Non-Operating Expenses** | Interest Expenses | 79 | 70 | 73 | 74 | 73 | 76 | 70 | 66 | 64 | 63 |
| | Interest Expenses Capitalized | (2) | (1) | (0) | (0) | (0) | (0) | (2) | (3) | (12) | (10) |
| | Amortization of Financing Related Charges | - | - | - | - | - | - | - | - | - | - |
| | and Income from Derivative Activity | (6) | (3) | 1 | (5) | (2) | (4) | (3) | (1) | 1 | 1 |
| | (Gain) Loss on Investment Derivatives | - | (9) | (8) | (6) | 6 | - | - | - | - | - |
| | Other Expenses-Special Pension Plan | - | - | - | - | - | - | 45 | - | - | - |
| | Other Nonoperating Expenses | 81 | 51 | 35 | 39 | 33 | 23 | 13 | 13 | 13 | 10 |
| | Total Nonoperating Expenses | 152 | 109 | 101 | 102 | 109 | 95 | 123 | 74 | 66 | 64 |
| **Total Expenses** | | 771 | 751 | 734 | 732 | 726 | 660 | 616 | 528 | 514 | 499 |
| **Loss Before Capital Contributions** | | (175) | (130) | (200) | (138) | (190) | (111) | (86) | (25) | (48) | (60) |
| | Capital Grants | 47 | 40 | 27 | 34 | 80 | 81 | 41 | 39 | 52 | 56 |
| **Increase (Decrease) in Net Position** | | (128) | (90) | (173) | (104) | (110) | (29) | (44) | 13 | 3 | (4) |
| **Net Position, July 1 as previously presented** | | 1,587 | 1,682 | 1,849 | 1,971 | 2,109 | 2,138 | 2,167 | 2,154 | 2,150 | 2,155 |
| **Prior period adjustment** | | - | (6) | - | (18) | (28) | - | 15 | - | - | - |
| **Net Position, July 1** | | 1,587 | 1,676 | 1,849 | 1,953 | 2,081 | 2,138 | 2,182 | - | - | - |
| **Net Position, June 30** | | $1,459 | $1,587 | $1,676 | $1,849 | $1,971 | $2,109 | $2,138 | $2,167 | $2,154 | $2,150 |

*Restated

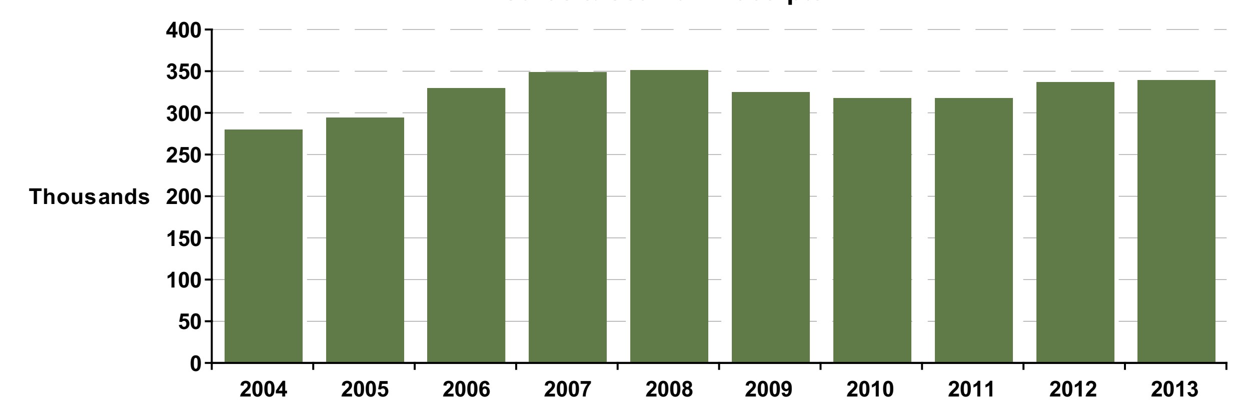


# Sales Tax Collection and Usage

Last Ten Fiscal Years
(Dollars in Thousands)

| | | | Usage (2,3,4) | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Sales Tax for Operations | | |
| Fiscal Year | Sales Tax(1) | Percent Change | Sinking Fund Withheld | Capital Construction | Subsidy | Percent Used | Overage/ (Shortage) |
| **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) |
| **2012** | 339,156 | 6.2 | 124,948 | 17,739 | 196,891 | 58 | (422) |
| **2013** | 340,491 | 0.4 | 135,279 | 35,075 | 161,550 | 47 | 8,587 |

**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 Official Code of Georgia Annotated (O.C.G.A) §32-9-13 temporarily suspends the 50/50 sales tax restriction.



FINANCIAL TRENDS STATISTICAL SECTION, 2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

# Revenues and Operating Assistance Comparison to Industry Trend Data

Last Ten Fiscal Years
(As a Percentage of Total)

| | Operating and Other Miscellaneous Revenue | | | Operating Assistance | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Fares | Other[2] | Total | Sales & Use Tax | Federal | Total | Total Revenue |
| **Transportation Industry (1)** | | | | | | | |
| **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** | 32.1 | 5.4 | 37.5 | 53.1 | 9.4 | 62.5 | 100.0 |
| **2011**** | 32.8 | 4.9 | 37.8 | 52.5 | 9.8 | 62.2 | 100.0 |
| **2012** | * | * | * | * | * | * | * |
| **2013** | * | * | * | * | * | * | * |
| **MARTA** | | | | | | | |
| **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 |
| **2012** | 21.4 | 12.3 | 33.7 | 54.9 | 11.4 | 66.3 | 100.0 |
| **2013** | 23.6 | -0.5 | 23.1 | 56.8 | 20.1 | 76.9 | 100.0 |

* Not Available
** Revised
(1) Source: The American Public Transportation Association, APTA 2013 Fact Book, Appendix A Historical Table 84.
(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 |
|---|---|---|---|---|---|---|---|---|
| **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 |
| **2012** | 186,144 | 146,672 | 78,660 | 230,392 | 641,868 | 69,792 | 36,733 | 748,393 |
| **2013*** | 183,216 | 137,747 | 78,779 | 219,607 | 619,349 | 77,150 | 74,873 | 771,372 |

Source:
*Statement of Revenues, Expenses and changes in Net Position
NTD Operating Expense Summary Form (F-40)

# 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 |
|---|---|---|---|---|---|---|---|---|---|
| **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 |
| **2012** | 309,851 | 24,880 | 48,785 | 18,257 | 7,383 | - | 230,392 | 2,320 | 641,868 |
| **2013** | 301,934 | 26,305 | 44,265 | 16,510 | 7,178 | - | 219,607 | 3,550 | 619,349 |



# Operating Expenses Comparison to Industry Trend Data

Last Ten Fiscal Years
(As a Percentage of Total)

| | Fiscal Year | Labor and Benefits | Services | Material and Supplies | Utilities | Casualty/ Liability Costs | Purchased Transportation | Other | Total Operating Expenses [1] |
|---|---|---|---|---|---|---|---|---|---|
| **Transportation Industry[2]** | | | | | | | | | |
| | **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**** | 65.2 | 6.6 | 10.7 | 3.4 | 2.6 | 13.8 | (2.3) | 100.0 |
| | **2011**** | 65.0 | 6.6 | 11.4 | 3.3 | 2.6 | 13.3 | (2.2) | 100.0 |
| | **2012** | * | * | * | * | * | * | * | * |
| | **2013** | * | * | * | * | * | * | * | * |
| **MARTA** | **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 |
| | **2012** | 75.3 | 6.1 | 11.9 | 4.4 | 1.8 | 0.0 | 0.5 | 100.0 |
| | **2013** | 75.5 | 6.6 | 11.1 | 4.1 | 1.8 | 0.0 | 0.9 | 100.0 |

[1] Excludes Depreciation Expense
* Not Available
**Revised

Source:

[2]The American Public Transportation Association, APTA 2013 PublicTransportation Fact Book, Table 23.

# 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 |
|---|---|---|---|---|---|---|---|
| **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 |
| **2012** | 132,870 | 70,576 | 340,945 | 11,294 | 833 | 64,570 | 621,088 |
| **2013** | 140,697 | 119,774 | 338,893 | 10,480 | 1,729 | (15,167) | 596,406 |

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

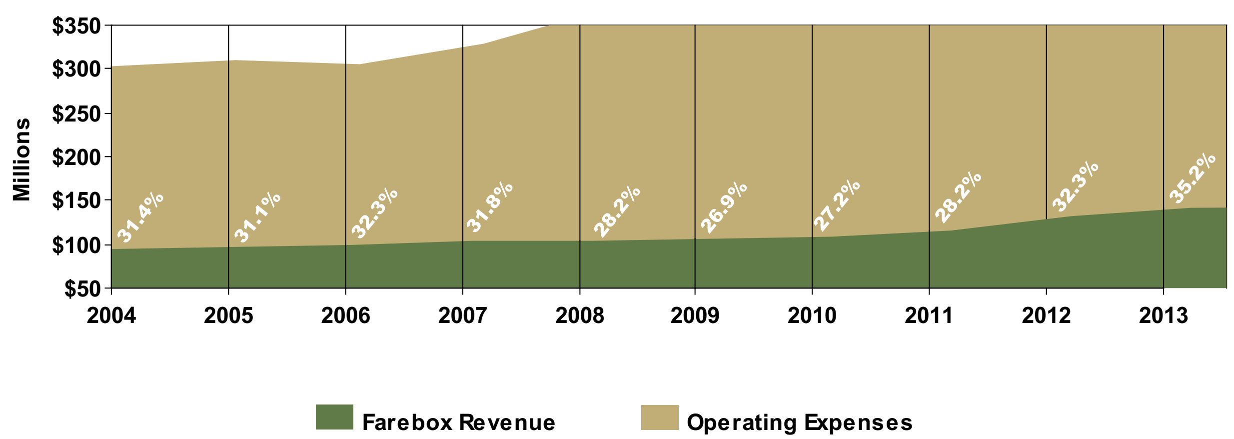
[2] MARTA is a public corporate body created as a joint public instrumentality and does not have the power to impose any tax on any subject of taxation. MARTA receives a 1% sales tax from Fulton County, DeKalb County and the City of Atlanta levied on its behalf by the aforementioned jurisdictions.

[3] Includes the net gain or loss on the disposition of fixed assets.

# Farebox Recovery Percentage

Last Ten Fiscal Years
(Dollars in Thousands)

| Fiscal Year | Farebox Revenue | Percent Change | Operating Expenses (1) | Percent Change | Farebox Recovery |
|---|---|---|---|---|---|
| **2004** | $95,082 | 4.0% | $303,057 | 6.9% | 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 |
| **2012** | 132,870 | 14.7 | 411,476 | 0.2 | 32.3 |
| **2013** | 140,697 | 5.9 | 399,742 | (2.9) | 35.2 |




(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) |
|---|---|---|---|---|---|---|---|
| **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 |
| **2012** | 4 | 1 | 3 | 3 | 3 | 2 | 2 |
| **2013** | 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

# Debt Capacity

# Sales & Use Tax Revenue Bond Debt Coverage

Last Ten Fiscal Years
(Dollars in Thousands)

| Fiscal Year | Sales & Use Tax | Debt Service Requirements | | | Debt Service Coverage [1] |
|---|---|---|---|---|---|
| | | Principal | Interest | Total | |
| **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 |
| **2012** | 340,945 | 62,860 | 69,750 | 132,610 | 2.57 |
| **2013** | 338,893 | 51,035 | 73,936 | 124,971 | 2.71 |

[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, 2013
(Dollars in Thousands)

| | |
|---|---|
| Sales & Use Tax | $338,893 |
| Debt Service Limitation [1] | 45% |
| Debt Service Limit | 152,502 |
| Required for Debt Service | 124,971 |
| Excess | $27,531 |

[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 Fiscal Years
(Dollars in Thousands)

| Fiscal Year | Sales & UseTax | Required for Debt Service | Ratio of Debt Service [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 |
| **2012** | 340,945 | 132,610 | 38.9 |
| **2013** | 338,893 | 124,971 | 36.9 |

[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
(Dollars in Thousands)

| Fiscal Year | Outstanding Sales Tax Revenue Bond (1) | Capital Leases(1) | Total Debt Outstanding | Total Unlinked Passenger Count (2) | Per Capita (3) | As a Share of Personal Income(4) |
|---|---|---|---|---|---|---|
| 2004 | $1,288,364 | * | $1,288,364 | 135,851 | $9.48 | 1.90% |
| 2005 | 1,357,907 | * | 1,357,907 | 142,050 | 9.56 | 1.87 |
| 2006 | 1,425,964 | * | 1,425,964 | 138,040 | 10.33 | 1.82 |
| 2007 | 1,581,188 | * | 1,581,188 | 147,151 | 10.75 | 1.94 |
| 2008 | 1,685,722 | 446,477 | 2,132,199 | 150,503 | 14.17 | 2.64** |
| 2009 | 1,707,386 | 345,959 | 2,053,345 | 156,062 | 13.16 | 2.71** |
| 2010 | 1,916,104 | 369,536 | 2,285,640 | 145,741 | 15.68 | 2.92** |
| 2011 | 1,651,725*** | 388,335 | 2,040,060 | 139,333 | 14.64 | 2.47** |
| 2012 | 1,910,275*** | 390,859 | 2,301,134 | 134,308 | 17.13 | * |
| 2013 | 1,880,484 | 409,045 | 2,289,529 | 129,320 | 17.70 | * |

* Not available

** Revised

*** Restated

(1) From MARTA Financial Statements FY 2004 to FY 2013

(2) See Unlinked Passenger Changes on Page 97

(3) Outstanding Debt per Unlinked Passenger Count

(4) Outstanding Debt per Total Service District Personal Income (see Trends in Personal Income on Page 89)



# Computation of Overlapping Debt

December 31, 2012
(Dollars in Thousands)

| Jurisdiction: | Amount Outstanding | Percentage Applicable to MARTA | Amount Applicable to MARTA |
|---|---|---|---|
| **Fulton County Library Bonds** | $161,545 | 100% | $161,545 |
| **Fulton County School District** | 118,700 | 100 | 118,700 |
| **Fulton County Building Authority** | 14,778 | 100 | 14,778 |
| **Fulton County Urban Redevelopment Agency** | 28,736 | 100 | 28,736 |
| **DeKalb County** | 269,530 | 100 | 269,530 |
| Municipalities: | | | |
| **Atlanta** | 215,320 | 100 | 215,320 |
| **Alpharetta** | 49,280 | 100 | 49,280 |
| **Hapeville** | 9,730 | 100 | 9,730 |
| **Union City** | 50,840 | 100 | 50,840 |
| **Roswell** | 16,505 | 100 | 16,505 |
| **Fulton-DeKalb Hospital Authority Series 2012** | 136,990 | 100 | 136,990 |
| **Atlanta-Fulton County Recreation Authority (Zoo 2007)** | 16,655 | 100 | 16,655 |
| **Atlanta-Fulton County Recreation Authority (Arena 2010)** | 116,435 | 100 | 116,435 |
| **College Park Business and Industrial Development Authority** | 2,050 | 100 | 2,050 |
| **East Point Building Authority** | 70,280 | 100 | 70,280 |
| **Total Overlapping Debt** | $1,277,374 | | $1,277,374 |

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, 2012 CAFR for the City of Atlanta, Fulton County, and Dekalb County.

# Demographic & Economic Information

# Trends in Personal Income

Last Ten Fiscal Years
(Dollars in Millions)

| Calendar Year | Fulton County | DeKalb County | Total Service District[1] | % Change Fulton County | % Change DeKalb County | PER CAPITA*** Personal Income Fulton County | PER CAPITA*** Personal Income DeKalb County |
|---|---|---|---|---|---|---|---|
| **2004** | $ 43,670,962 | $24,062,496 | $67,733,458 | 7.4% | 3.3% | $47,163 | $35,837 |
| **2005** | 47,393,823 | 25,404,453 | 72,798,276 | 8.5 | 5.6 | 49,291 | ** |
| **2006** | 51,539,185 | 26,792,937 | 78,332,122 | 8.7 | 5.5 | 51,476 | ** |
| **2007** | 53,867,066 | 27,837,206 | 81,704,272 | 4.5 | 3.9 | 51,552 | 34,997 |
| **2008** | 52,969,637 | 27,942,551 | 80,912,188 | -1.7 | 0.4 | 53,579 | 32,354 |
| **2009*** | 48,807,143 | 26,684,167 | 75,491,310 | -7.9 | -4.5 | 50,474 | ** |
| **2010*** | 51,034,971 | 27,162,327 | 78,197,298 | 4.6 | 1.8 | 55,729 | ** |
| **2011*** | 54,555,649 | 28,178,781 | 82,734,430 | 6.9 | 3.7 | 54,566 | ** |
| **2012 **** | ** | ** | ** | ** | ** | ** | ** |
| **2013 **** | ** | ** | ** | ** | ** | ** | ** |

* Revised

** Not available

*** Actual dollar amounts

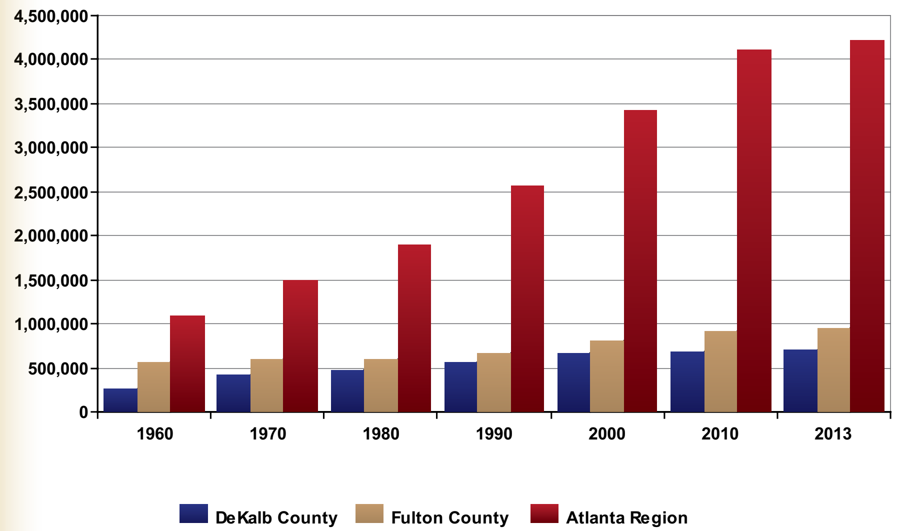
(1) Represents Total Personal Income.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis Per Capita Personal Income taken from Year Ended December 31, 2012 CAFR of Fulton County and Dekalb County. Dekalb County's 2008 per capita personal income from ESRI is estimated. Fulton County's 2011 per capital personal income was not available, 2010's total was revised to reflect Bureau of Economic Analysis data. 2011's estimate is based on assumption of 1% growth.

# Population and Employment

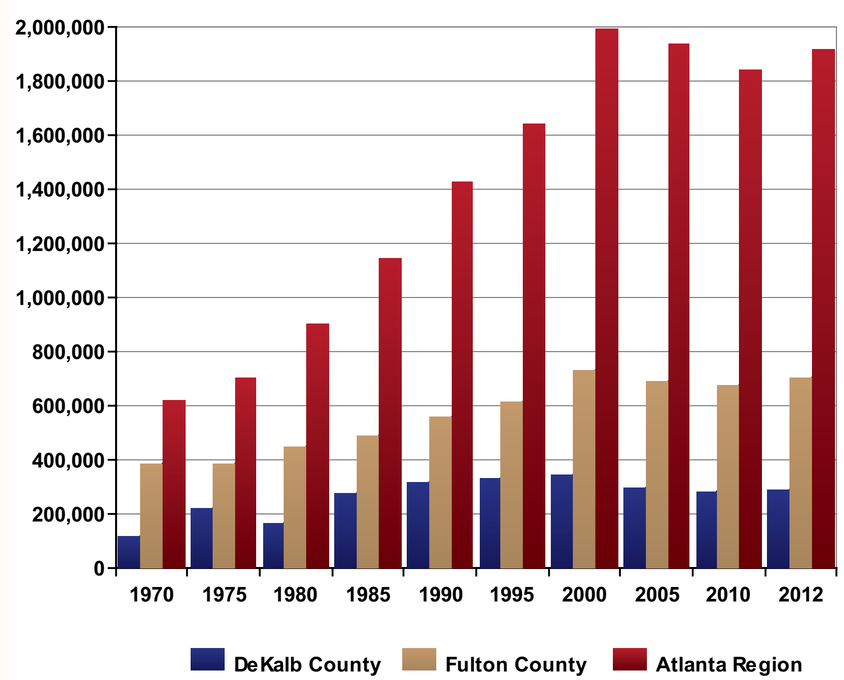
June 30, 2013

## 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 | 3,429,379 |
| **2010** | 920,581 | 691,893 | 4,107,750 |
| **2013** | 945,400 | 706,600 | 4,219,600 |

## 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*** | 679,041 | 280,111 | 1,842,224 |
| **2012** | 702,611 | 286,444 | 1,918,797 |

Source: Atlanta Regional Commission

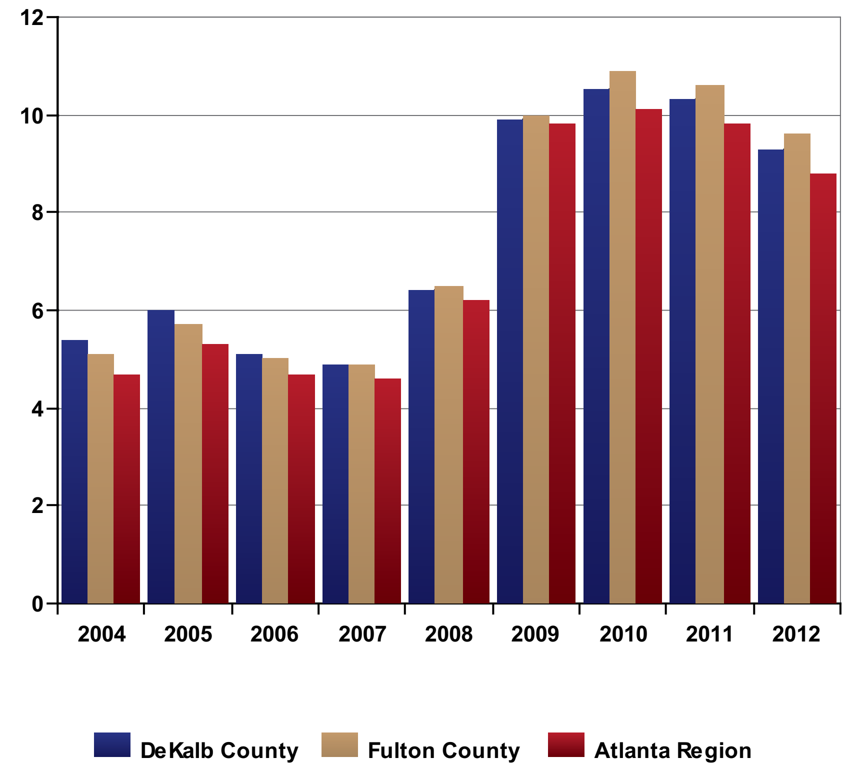
*Revised



# Unemployment Rates

Last Ten Fiscal Years

## Unemployment Rates Since 2004




| Year | Fulton County | DeKalb County | Atlanta Region |
|---|---|---|---|
| **2004** | 5.1 | 5.4 | 4.7 |
| **2005** | 5.7 | 6.0 | 5.3 |
| **2006** | 5.0 | 5.1 | 4.7 |
| **2007** | 4.9 | 4.9 | 4.6 |
| **2008** | 6.5 | 6.4 | 6.2 |
| **2009*** | 10.0 | 9.9 | 9.8 |
| **2010*** | 10.9 | 10.5 | 10.1 |
| **2011*** | 10.6 | 10.3 | 9.8 |
| **2012*** | 9.6 | 9.3 | 8.8 |
| **2013**** | - | - | - |

** 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

| Company | 2011 Number of Full Time Employees | 2011 Rank | 2011 Percentage of Total Employment | 2002 Number of Full Time Employees | 2002 Rank | 2002 Percentage of Total Employment |
|---|---|---|---|---|---|---|
| **Delta Air Lines, Inc.** | 28,000 | 1 | 1.15% | 23,439 | 1 | 1.01% |
| **Wal-Mart Stores, Inc.** | 26,000 | 2 | 1.07 | - | - | - |
| **AT&T, Inc.** | 19,245 | 3 | 0.79 | 7,300 | 5 | 0.31 |
| **United Parcel Service, Inc.** | 10,849 | 4 | 0.44 | 5,861 | 8 | 0.25 |
| **Wellstar Health System, Inc.** | 9,931 | 5 | 0.41 | - | - | - |
| **The Home Depot** | 9,000 | 6 | 0.37 | 10,040 | 3 | 0.43 |
| **Lockheed Martin Aeronautics Co.** | 7,800 | 7 | 0.32 | - | - | - |
| **Cox Enterprises, Inc.** | 6,885 | 8 | 0.28 | 5,870 | 7 | 0.25 |
| **Suntrust Banks, Inc.** | 6,813 | 9 | 0.28 | 7,179 | 6 | 0.31 |
| **Turner Broadcasting System, Inc.** | 6,707 | 10 | 0.27 | - | - | - |
| **Bellsouth Corp.** | - | | - | 20,000 | 2 | 0.86 |
| **IBM Corporation** | - | | - | 7,344 | 4 | 0.32 |
| **Bank of America, N.A.** | - | | - | 5,757 | 9 | 0.25 |
| **The Kroger Company** | - | | - | 5,662 | 10 | 0.24 |
| | 131,230 | | 5.38 | 98,452 | | 4.22 |

Sources: The Atlanta Business Chronicle, 2013 Book of Lists (information current as of Dec. 2011)
The Atlanta Business Chronicle, 2003 Book of Lists (information current as of Dec. 2002)
U.S. Department of Labor-Bureau of Labor Statistics Local Area Unemployment Statistics



# Operating Information

# Transit Service Effort & Accomplishments Per Mile

Last Ten Fiscal Years
(Vehicle Miles In Thousands)

| Fiscal Year | Revenue Vehicle Miles [1] Bus | Rail | Total | % Change | Operating Expense [2] Per Mile | Operating Expense [2] Per Passenger Mile [1] [3] | Unlinked Passenger Trips Per Mile [1] [3] |
|---|---|---|---|---|---|---|---|
| **2004** | 25,646 | 22,050 | 47,696 | (3)% | $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 |
| **2012** | 22,804 | 17,661 | 40,465 | (3) | 10.17 | 0.60 | 3.1 |
| **2013** | 22,743 | 17,916 | 40,659 | 0 | 9.83 | 0.59 | 3.1 |

[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

# Transit Service Effort and Accomplishments Per Hour

Last Ten Fiscal Years
(Vehicle Hours In Thousands)

| Fiscal Year | Revenue Vehicle Hours [1] Bus | Rail | Total | % Change | Operating Expense [2] Per Hour | Operating Expense [2] Per Passenger Trip [1] [3] | Unlinked Passenger Trips Per Revenue Vehicle Hour [1] [3] |
|---|---|---|---|---|---|---|---|
| **2004** | 2,058 | 837 | 2,895 | (4)% | $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 |
| **2012** | 1,877 | 674 | 2,551 | (1) | 161.30 | 3.06 | 52.7 |
| **2013** | 1,863 | 683 | 2,546 | (0) | 136.97 | 3.09 | 50.8 |

[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

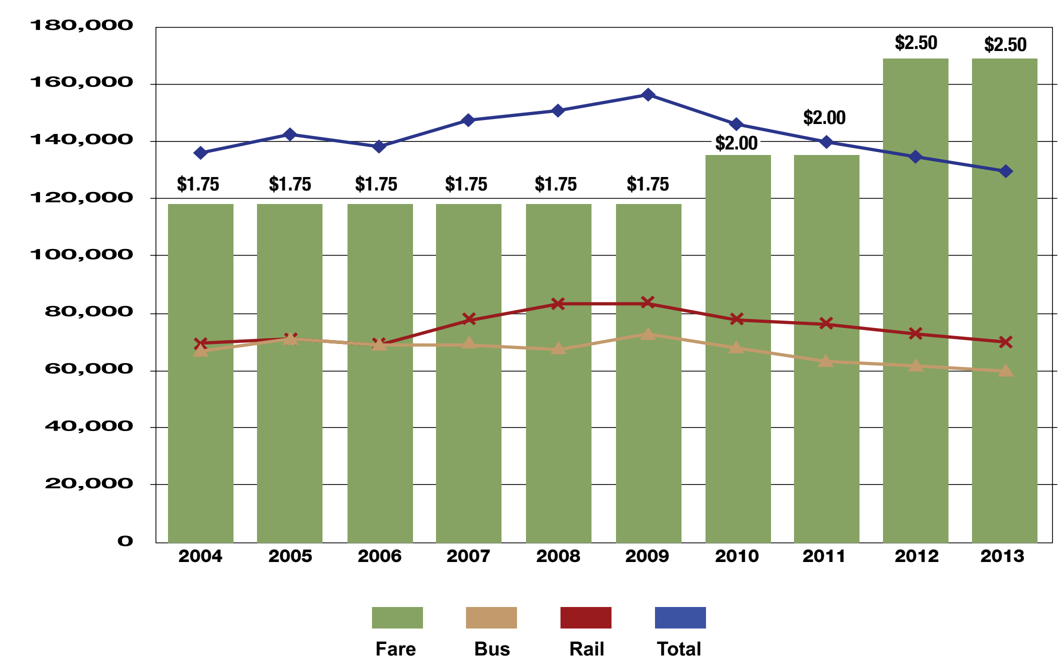


# Unlinked Passenger Changes

Last Ten Fiscal Years
(In Thousands)
Unlinked Passenger Count [1]

| Fiscal Year | Bus[1] | %Change | Rail[1] | %Change | Total[1] | %Change |
|---|---|---|---|---|---|---|
| **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) |
| **2012** | 61,597 | (2.4) | 72,711 | (4.6) | 134,308 | (3.6) |
| **2013** | 59,690 | (3.1) | 69,630 | (4.2) | 129,320 | (3.7) |

**Relationship of Fare Changes to Linked Passenger Counts**




[1] Unlinked passenger count is any transit vehicle passenger boarding, whether it is the first boarding of an origin-to-destination journey, or a subsequent transfer.

Source: MARTA

# Fare Structure

For the Fiscal Year Ended June 30, 2013

**Regular Fare**

| | | |
|---|---|---|
| Single Trip (stored on Breeze Card or Breeze Ticket) | | **$2.50** |
| Round Trip-including transfers(stored on Breeze Card or Breeze Ticket) | | **$5.00** |
| Ten(10) single trips(10 trips on Breeze Card or Breeze Ticket) | | **$25.00** |

**Discounted Fare**

| | | |
|---|---|---|
| Twenty (20) single trips (20 trips stored on one Breeze Card or Breeze Ticket) | | **$42.50** |
| 30 day pass (unlimited travel for 30 consecutive days, all regular service) | | **$95.00** |
| 7 day pass (unlimited travel for 7 consecutive days, all regular service) | | **$23.75** |
| Day passes (unlimited travel for consecutive days, all regular service). Price per day: | 1 day: | **$9.00** |
| | 2 day: | **$14.00** |
| | 3 day: | **$16.00** |
| | 4 day: | **$19.00** |

**Mobility and Reduced Fare Programs**

| | |
|---|---|
| Reduced Fare (for pre-qualified customers 65 and older and | **$1.00** |
| disabled customers using regular service) | |
| Mobility Service (Demand response for certified customers. | **$4.00** |
| Personal care attendant may ride free, if required) | |
| Discounted Mobility Service (20 single trips) | **$68.00** |
| Discounted Mobility Service (unlimited travel for 30 days on Breeze Card) | **$128.00** |
| Mobility on Fixed Route (For Mobility certified customers riding fixed route with Mobility Breeze Card) | **No charge** |

**Student Programs**

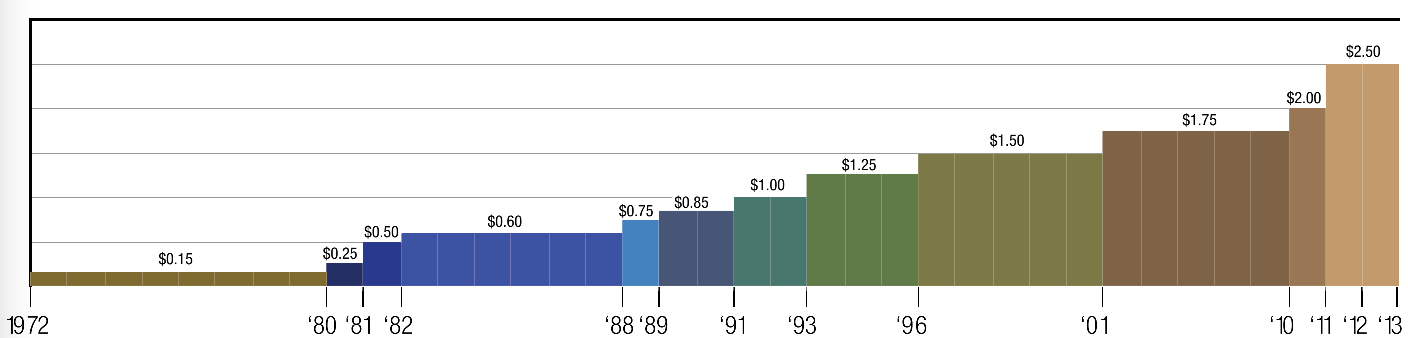
| | |
|---|---|
| K-12 Program (Grade School and High School students K-12, Monday through Friday | **$14.40** |
| ten(10) trip pass (to/from school), all regular school | |

**University Pass (U-Pass) Program**

| | | |
|---|---|---|
| Monthly discount program for college or university students and staff | Students: | **$68.50** |
| | Faculty/ Staff: | **$83.80** |

**Convention and Visitors Pass**

| | | |
|---|---|---|
| For groups of 15 or more, ordered a minimum of 20 days in advance. Price per day: | 1 day: | **$9.00** |
| | 2 day: | **$14.00** |
| | 3 day: | **$16.00** |
| | 4 day: | **$19.00** |
| | 7 day: | **$23.75** |
| | 30 day: | **$95.00** |






# Vehicles Operated in Maximum Service

Last Ten Fiscal Years

| Fiscal Year | Bus | Rail | Total(1) |
|---|---|---|---|
| **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 |
| **2012** | 443 | 182 | 625 |
| **2013** | 446 | 182 | 628 |

(1) Does not include demand response

Source: MARTA

# Number of Employees

Last Ten Fiscal Years

| Fiscal Year | Full-Time | Part-Time | Total |
|---|---|---|---|
| **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 |
| **2012** | 4,275 | 222 | 4,497 |
| **2013** | 4,234 | 186 | 4,420 |

**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

| | **2013** | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** | **2005** | **2004** |
|---|---|---|---|---|---|---|---|---|---|---|
| Population served | 1,684,862 | 1,649,492 | 1,619,099 | 1,781,030 | 1,689,100 | 1,652,000 | 1,610,600 | 1,574,600 | 1,547,600 | 1,354,871 |
| Size of area served (in square miles) | 467 | 483 | 483 | 475 | 466 | 466 | 466 | 498 | 498 | 498 |
| Number of Bus Routes | 91 | 92 | 92 | 92 | 130 | 132 | 132 | 120 | 120 | 118 |
| Annual Bus Passenger Miles (in millions) (Excludes Paratransit/Demand Response) | 230.6 | 228.2 | 236.2 | 272.6 | 285 | 213.5 | 208.5 | 256.5 | 231 | 277.7 |
| Miles of Bus Route | 1,439 | 1,445 | 1,435 | 1,784 | 1,765 | 1,084 | 1,069 | 986 | 986 | 986 |
| -Average On Time Performance | 76.4% | 74.6% | 72.1% | 72.4% | 70.0% | 63.7% | 67.0% | 93.4% | 93.4% | 93.4% |
| Miles of Rail Route | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| -Average On Time Performance | 97.5% | 97.8% | 97.6% | 97.0% | 96.4% | 93.3% | 89.7% | 91.5% | 91.5% | 91.7% |
| Annual Rail Passenger Miles (in millions) | 444.0 | 463.2 | 487.6 | 493.2 | 527 | 593.4 | 541.4 | 488.5 | 481.1 | 455.4 |
| Number of Rail Stations | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 |
| Number of Bus Stop Locations | 8,954 | 8,913 | 8,700 | 8,700 | 11,482 | 11,500 | 11,430 | 11,500 | 11,483 | 11,483 |
| Number of Bus Park And Ride Facilities | 9 | 8 | 8 | 8 | 7 | 6 | 6 | 8 | 8 | 8 |
| Number of Bus Shelters | 791 | 791 | 772 | 750 | 741 | 751 | 748 | 540 | 540 | 540 |
| Bus Passenger Parking Capacity | 2,686 | 2,744 | 2,711 | 2,607 | 2,254 | 1,798 | 1,847 | 2,630 | 3,243 | 3,243 |
| Rail Passenger Parking Capacity | 22,554 | 21,607 | 21,677 | 22,301 | 23,888 | 24,622 | 25,736 | 27,372 | 25,586 | 25,583 |
| No. of Buses in Active Fleet | 528 | 531 | 531 | 597 | 615 | 616 | 624 | 554 | 556 | 559 |
| -Average Vehicle Age (in years) | 8.6 | 7.6 | 6.6 | 5.6 | 7.6 | 5.6 | 4.6 | 4.6 | 4.9 | 5.6 |
| No. of Mobility Vehicles in Active Fleet | 171 | 172 | 172 | 173 | 174 | 129 | 121 | 140 | 110 | 110 |
| -Average Vehicle Age (in years) | 5.2 | 4.2 | 3.2 | 2.2 | 1.2 | 0.4 | 2.6 | 1.6 | 2.4 | 1.4 |
| No. of Rapid Rail Vehicles | 336 | 338 | 338 | 338 | 338 | 338 | 338 | 338 | 338 | 332 |
| -Average Vehicle Age (in years) | 24.6 | 23.6 | 22.6 | 21.6 | 20.6 | 19.6 | 18.6 | 17.6 | 16.5 | 15.6 |
| Annual Mobility Vehicle Miles (in millions) | 7.7 | 8.4 | 7.3 | 7.2 | 7.3 | 5.0 | 4.4 | 3.7 | 3.7 | 3.7 |
| Investment In Property and Equipment (in billions) | $6,560 | $6,440 | $6,297 | $6,224 | $6,099 | $5,919 | $5,685 | $5,491 | $5,318 | $5,162 |

# Single Audit

Cherry Bekaert LLP
CPAs & Advisors

## Independent Auditor's 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*

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

We have audited, in accordance with the 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, the statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements, and have issued our report thereon dated November 27, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MARTA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MARTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MARTA's internal control.

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 MARTA's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether MARTA's financial statements are free from 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*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MARTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MARTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Atlanta, Georgia
November 27, 2013





Cherry Bekaert LLP
CPAs & Advisors

***Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133***

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

### Report on Compliance for Each Major Federal Program

We have audited Metropolitan Atlanta Rapid Transit Authority's ("MARTA") 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 MARTA's major federal programs for the year ended June 30, 2013. MARTA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### Management's Responsibility

MARTA's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MARTA's major federal programs based on our audit of the types of compliance requirements referred to above. 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 MARTA'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 on compliance for each major federal program. However, our audit does not provide a legal determination of MARTA's compliance with those requirements.

### Opinion on Each Major Federal Program

In our opinion, MARTA 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, 2013.



2013 Comprehensive Annual Financial Report Year Ended June 30, 2013

## Report on Internal Control Over Compliance

Management of MARTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MARTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 MARTA'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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of MARTA, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements. We issued our report thereon dated November 27, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Atlanta, Georgia
November 27, 2013





*YEAR ENDED JUNE 30, 2013*

| Federal Grantor/Program or Cluster Title | CFDA Number | Contract Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Transportation - Federal Transit Administration | | | |
| Direct Programs: | | | |
| Federal Transit Capital Improvement Grants: | | | |
| FY06 SEC 5309 - Bus & Bus Facilities | 20.500 | GA-04-0031 | $ 187,354 |
| FY 06-10 Sec 5309 Fixed Guideway | 20.500 | GA-05-0031 | 22,855,984 |
| ARRA Sec 5309 FG Fixed Guideway- Economic Recovery | 20.500 | GA-56-0001 | 892,202 |
| DeKalb Mem Dr. Buford Pass-Thru | 20.500 | GA-03-0082 | 20,395 |
| Total Federal Transit Capital Improvement Grants | | | 23,955,935 |
| Federal Transit Capital and Planning Assistance Formula Grants: | | | |
| FY 2006 STP | 20.507 | GA-90-X230 | 465,634 |
| AA/FEIS West Line | 20.507 | GA-90-X159 | 35,393 |
| FY07 SEC 5307 - Prev Maint | 20.507 | GA-90-X252 | 821,090 |
| FY08 SEC 5307 - Prev Maint | 20.507 | GA-90-X256 | 1,076,154 |
| FY09 SEC 5307 - Prev Maint | 20.507 | GA-90-X277 | 783,731 |
| SEC 5307 - Regional Breeze Implementation | 20.507 | GA-90-X021 | 23,326 |
| FY 10 SEC 5307 | 20.507 | GA-90-X288 | 867,358 |
| FY 13 SEC 5307 | 20.507 | GA-90-X328 | 23,707,938 |
| FY 13 SGR 5337 | 20.507 | GA-54-0001 | 15,000,000 |
| FY 12/13 Flex Fund Capital/Preventive Maint | 20.507 | GA-95-X027 | 10,000,000 |
| FY06 Memorial BRT | 20.507 | GA-90-X227 | 6,155 |
| FY 12 SEC 5307 | 20.507 | GA-90-X313 | 14,239,464 |
| FY 09 ARRA Sec 5307 Economic Recovery SEC 5307 - ARRA | 20.507 | GA-96-X005 | 9,562,093 |
| FY 09 STP ARRA Economic Recovery Flex SEC 5307-ARRA | 20.507 | GA-66-X001 | 4,542,260 |
| Buckhead Station N. Entrance | 20.507 | GA-90-X131 | 4,636,782 |
| Pedestrian Projects | 20.507 | GA-90-X136 | 1,253,002 |
| GRTA Pass-Thru/ TIB | 20.507 | GA-90-X257 | 406 |
| Metro Atlanta FY10 L230 | 20.507 | GA-95-X015 | 2,465,647 |
| Atlanta Luckie Street Pass-Thru | 20.507 | GA-95-X019 | 97,586 |
| Atlanta Streetcar | 20.507 | GA-90-X020 | 852,645 |
| Total Federal Transit Capital and Planning Assistance Formula Grants | | | 90,436,664 |
| Total Federal Transit Cluster | | | 114,392,599 |
| Highway Planning And Construction Cluster | | | |
| Clifton Corridor CCTMA | 20.205 | GA-12-X001 | 1,096,341 |
| Total Highway Planning and Construction Cluster | | | 1,096,341 |
| Transit Services Programs Cluster | | | |
| FY06/10 JARC W/COBB & MARTA | 20.516 | GA-37-X014 | 702,488 |
| FY06/10 New Freedom Pass-Thru | 20.521 | GA-57-X002 | 823,499 |
| Total Transit Services Programs Cluster | | | 1,525,987 |
| Other Federal Transit Grants | | | |
| FY10 Clean Fuels Program | 20.519 | GA-58-0002 | 120,023 |
| Beltline Study | 20.522 | GA-39-0002 | 1,698,100 |
| Laredo Bus Facility - ARRA | 20.523 | GA-77-0001 | 591,823 |
| Atlanta Streetcar-Tiger II Pass-Thru | 20.933 | GA-79-0001 | 18,191,300 |
| Total Other Federal Transit Grants | | | 20,601,246 |
| Total U.S. Department of Transportation | | | 137,616,173 |
| U.S. Department of Homeland Security: | | | |
| FY07 TGSP | 97.075 | 2007-RL-T7-K019 | 2,952,106 |
| FY08 TGSP | 97.075 | 2008-RL-T8-K016 | 5,574,107 |
| FY10 TGSP | 97.075 | 2010-RA-T0-K042 | 2,106,717 |
| FY11 TSGP | 97.075 | EMWRA00072S01 | 211,629 |
| | | | 10,844,559 |
| Canine Team Program | 97.072 | HSTS04-10-H-CAN621 | 1,432,915 |
| ARRA - Canine Team Program | 97.072 | RA-R1-0099 | 174,282 |
| | | | 1,607,197 |
| Total U.S. Department of Homeland Security | | | 12,451,756 |
| Total Federal Financial Assistance | | | $ 150,067,929 |

*YEAR ENDED JUNE 30, 2013*

**Note 1—–Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") and is presented on the accrual basis of accounting consistent with the basis of accounting used by MARTA in the preparation of its basic financial statements.

**Note 2—–Matching Funds**

MARTA enters into grant agreements with federal agencies to fund various projects. Many of these agreements require MARTA to match a portion of the federal funding with non-federal funds, such as the local funds, which comes from the dedicated 1% local MARTA retail sales and use tax funds collected in DeKalb and Fulton counties and the City of Atlanta, and also from the sale of associated sales of tax revenue bonds, as required.







*YEAR ENDED JUNE 30, 2013*

**I. Summary of Auditors' Results**

a) The type of report issued on the financial statements: **Unmodified**

b) Internal control over financial reporting:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **None reported**

c) Noncompliance which is material to the financial statements: **No**

d) Internal control over major programs:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **None reported**

e) The type of report issued on compliance for major programs: **Unmodified**

f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**

g) Identification of major programs:

| Major Programs | CFDA Number |
|---|---|
| Federal Transit Cluster | 20.500 / 20.507 |
| Transit Services Programs Cluster | 20.516 / 20.521 |
| Laredo Bus Facility - ARRA | 20.523 |
| Canine Team Program | 97.072 |

h) Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**

i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes**

**II. Financial Statement Findings**

None

**III. Federal Award Findings and Questioned Costs**

None


METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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