METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

# Comprehensive Annual Financial Report

Year Ended June 30, 2009 Atlanta, Georgia


# Comprehensive Annual Financial Report

Year Ended June 30, 2009

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

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# Introductory Section

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



March 23, 2010

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") sixteenth Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2009 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, 2008. 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, 2009 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, 2009, 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.

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## ORGANIZATION AND MANAGEMENT

The government of MARTA is vested in a Board of Directors (the "Board") composed of 18 members. Three members are appointed by Fulton County, five members by DeKalb County, four members by the City of Atlanta, one member by each of Clayton and Gwinnett Counties. In addition, the Commissioner of the State Department of Transportation, the Commissioner of the State Department of Revenue, the Executive Director of the State Properties Commission, and the Executive Director of the Georgia Regional Transit 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.

### 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 338 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 new CQ312 BREDA vehicles, 120 CQ311 vehicles and 118 CQ310 vehicles. The ongoing vehicle rehabilitation program will overhaul the 238 CQ310 and CQ311 vehicles.

### Bus

The Atlanta Transit System, Inc., a privately owned bus company, was acquired in February, 1972, by MARTA to provide extensive bus transportation services throughout Fulton and DeKalb and a small portion of Cobb, Clayton, and Gwinnett Counties. MARTA's bus fleet and facilities consists of 600 diesel and compressed natural gas buses and 15 small buses; a heavy maintenance facility and four operating garages; several park and ride lots and an extensive system of patron bus shelters and stops. MARTA operates 130 different bus routes providing approximately 27.3 million annual vehicle miles.

### MARTA Mobility

Paratransit Service, newly branded as 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 three-quarters of a mile on each side of all MARTA fixed route services 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 175 Lift Vans and 15 Sedans to provide this service which is offered during the same hours and days as the regular bus and rail service.

# FINANCIAL RESULTS

## FY 2009 Expenses $493,434,000
(Excluding Depreciation Expense)

MARTA's FY 2009 total expenses by function, excluding depreciation, increased from FY 2008 by $29.7 million or 6.4%. Transportation and maintenance represent 64.7% or $319 million of MARTA's total expense by function, an increase of $14.9 million from FY 2008. Other expenses comprised 6.1% of total expenses which increased in FY 2009 by 10.7 million. MARTA finances most of its capital equipment and rail construction with bond funds; thus, interest expense is expected to represent a significant portion of total expenses. General and administrative expenses include, but are not limited to, salaries and benefits for administrative personnel, office materials and supplies, and casualty reserves. These expenses account for 14.5% or $71.6 million of total expenses by function, an increase of $7.2 million over FY 2008; this increase is primarily for maintenance and improvement initiatives and for healthcare related benefits.

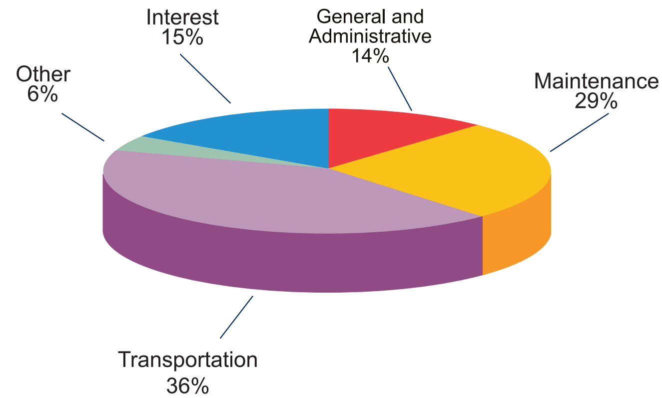
## FY 2009 Operating Expenses $390,923,000
(Excluding Depreciation Expense)

The percentage composition of MARTA's operating expenses by object excluding depreciation declined by about 2% in labor and benefits compared to FY 2008. However, services, materials and supplies increased by 1% compared to last fiscal year due to reliability improvement initiatives. For further operating analysis see the MD&A in the Financial Section of this report.

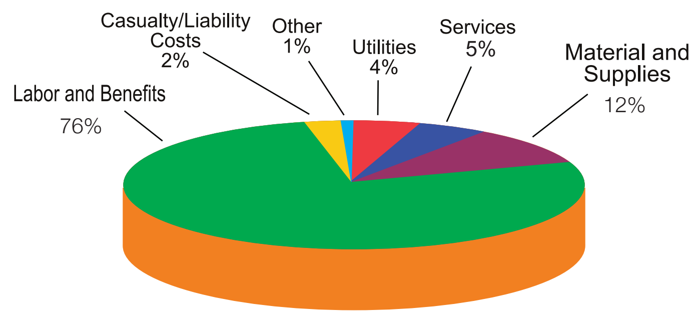
## FY 2009 Revenues $535,483,000

In fiscal year 2009, total revenues decreased by $14 million or 2.5%. The decrease is primarily attributable to an 11% or $36.9 million drop in sales tax revenue, 37% decline in auxilliary or other transportation income, and a 61.6% decrease in investment income. The large decrease in investment is due to problems stemming from the global financial downturn. Other non-transportation revenue increased by $35.2 million or 243% compared to FY 2008. This large decrease is due to the termination of two major lease-leaseback contracts where MARTA had already received cash benefits and was able to release the deferred revenue liability and recognize the unamortized amount as revenue.

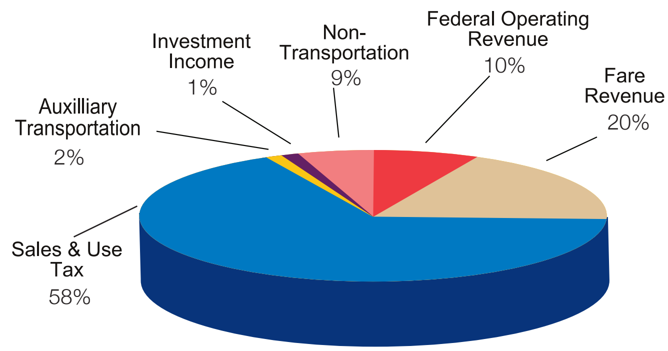
### Total Expenses by Function
(Excluding Depreciation)




### Total Expenses by Object
(Excluding Depreciation)




### Revenue by Source



# ECONOMIC CONDITION AND OUTLOOK

The nation's current recession will be the longest one in postwar history, and may last about 30 months, almost as long as the period of double-dip recession in the early 1980s. This was the forecast provided by Dr. Rajeev Dhawan of the Economic Forecasting Center at Georgia State University in his Forecast of the Nation in February 2009. He commented that despite the passage of the economic stimulus bill, the recession will continue to deepen until there is a detailed plan to fix the nation's banking system. The stimulus plan will not see any positive impact until mid-2010 and 2011.

For Georgia and Atlanta, Mr. Dhawan's prognosis for the coming 12 to 18 months is bleak and things will get worse before they get better. The sharp rise in unemployment and foreclosures, increase in bank failures, and a plunge in the housing market has bled Georgia's economy dry and any significant job recovery will be delayed until 2011. The state and local governments continue to see a big hit with falling retail sales and property tax collections. This explains the $37 million or 11% decrease in the Authority's sales tax collection for fiscal year 2009. MARTA's management is reviewing aspects internal and external to the organization in order to address the impact of the revenue reduction.

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

## Debt Administration

At June 30, 2009, MARTA had a total of $1,452,505,000 bonds outstanding and issued under three debt indentures. Bonds issued under the first indenture bear credit ratings of AAA by Moody's Investors Service and AA+ by Standard & Poor's; bonds issued under the second and third indentures bear underlying ratings of AAA by Moody's and AA+ by Standard & Poor's. During FY2009 MARTA issued an additional $75,000,000 in commercial paper bond anticipation notes increasing the aggregate amount of commercial paper issued to $225,000,000. The notes bear underlying ratings of P-1 by Moody's and A-1+ by Standard & Poor's.

Legally, MARTA's estimated sales tax receipts must be at least twice the total debt service. The debt ratio for fiscal year 2009 was 2.63. 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 2009 was 38.1%.

## Major Initiatives

Financial challenges facing MARTA since the mid 1990's have been significantly worsened by the current serious economic downturn. In January 2008, MARTA recognized that the predicted sales tax growth was not being realized and, as such, implemented a number of cost containment initiatives that ultimately produced a savings in excess of $10 million. These "early on" actions resulted in the Authority's ability to reduce its use of Operating Reserves–from $21.35 million budgeted for use in FY 2008 to $6.88 million (a budget savings of $14.5 million or 68%) by fiscal year-end 2008. By the end of the first quarter of FY 2009, the Authority's fiscal challenges were further exacerbated by the severe international economic downturn. Additional internal cost containment initiatives were implemented in December 2008, and were expanded as cost containment initiatives in the FY 2010-12 time period. MARTA is advancing a total of $70.4 million over the FY2009-12 periods in a series of cost containment measures that include: the elimination of non-represented based merit increases; the implementation of a ten (10) day furlough for non-represented employees excluding police and operating supervisors; an increase in the share that non-represented employees pay for healthcare; the elimination of non-represented employee vacancies; an improvement in represented employee availability; and a reduction in non-labor (other than personnel services) expenses. It is anticipated that these actions, including MARTA's legislative efforts described in detail below, will reduce the multi-year FY 2009-12 shortfalls of $371.2 million.

### Long-Term Financial Planning

At the outset of the FY 2010-12 Operating Budget Financial Plan and FY 2010 Operating Budget Development Process, a total multi-year (2009-2012) financial shortfall of $441.5 million has been forecasted. This total includes $27.8 million in new investments over the next three years in conjunction with providing resources to address safety issues identified in a recently completed TRA Safety Assessment review, and bringing Breeze fare gate maintenance in-house. In response to the resulting financial shortfall, a series of deficit reduction strategies have been advanced for the consideration of the Board of Directors. These potential actions include internal cost containment measures, fare and parking fee increases, legislative relief aimed at the removal of sales tax and interest use restrictions, the development of new and/or revenue streams, core service modifications and/or service reductions, and the use of one-time federal economic recovery funds for eligible preventive maintenance purposes.

In addition, MARTA is continuing to work with the Georgia legislature to identify alternative sources of funding. These financial remedies could include innovative bond financing to allow the Authority to leverage existing revenues, or a short-term "bridge" to sustain MARTA until economic conditions improve. MARTA is also seeking elimination of the outdated and overly restrictive requirement that allows MARTA to use only 50 percent of its sales tax revenues on operations, while requiring the other 50 percent to be used for capital expenses. While removal of the "50-50" restriction will provide a measure of financial assistance, it will not resolve MARTA's fundamental funding challenges. It is imperative that a new dedicated source of funding be identified for transit as soon as possible in order to maintain and expand MARTA to sustain the economic success and quality of life in this region and state.

## AWARDS

MARTA received the following awards and recognition during FY 2009:

GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2008.

GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2008 Comprehensive Annual Financial Report.

GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for FY 2008.

## ACKNOWLEDGEMENT

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

Sincerely,

Davis Allen
Assistant General Manager Finance/CFO

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

# 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, 2008

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

# Board of Directors

## Officers

| | |
|---|---|
| ***Chairman*** | Michael Walls<br>*City of Atlanta* |
| ***Vice Chair*** | JoAnn Godfrey McClinton<br>*DeKalb County* |
| ***Secretary*** | Michael W. Tyler<br>*Fulton County* |
| ***Treasurer*** | Barbara Babbit Kaufman<br>*Fulton County* |

## Directors

| | |
|---|---|
| *City of Atlanta* | Juanita Jones Abernathy<br>Clara H. Axam<br>Gloria Leonard |
| *Clayton County* | George E. Glaze |
| *DeKalb County* | Keith E. Adams<br>Harold Buckley, Sr.<br>Mukesh "Mike" Patel<br>Edmund J. Wall |
| *Fulton County* | Walter L. Kimbrouigh |
| *Gwinnett County* | Bruce E. LeVell |

*State of Georgia (Ex-Officio members while holding state office)*

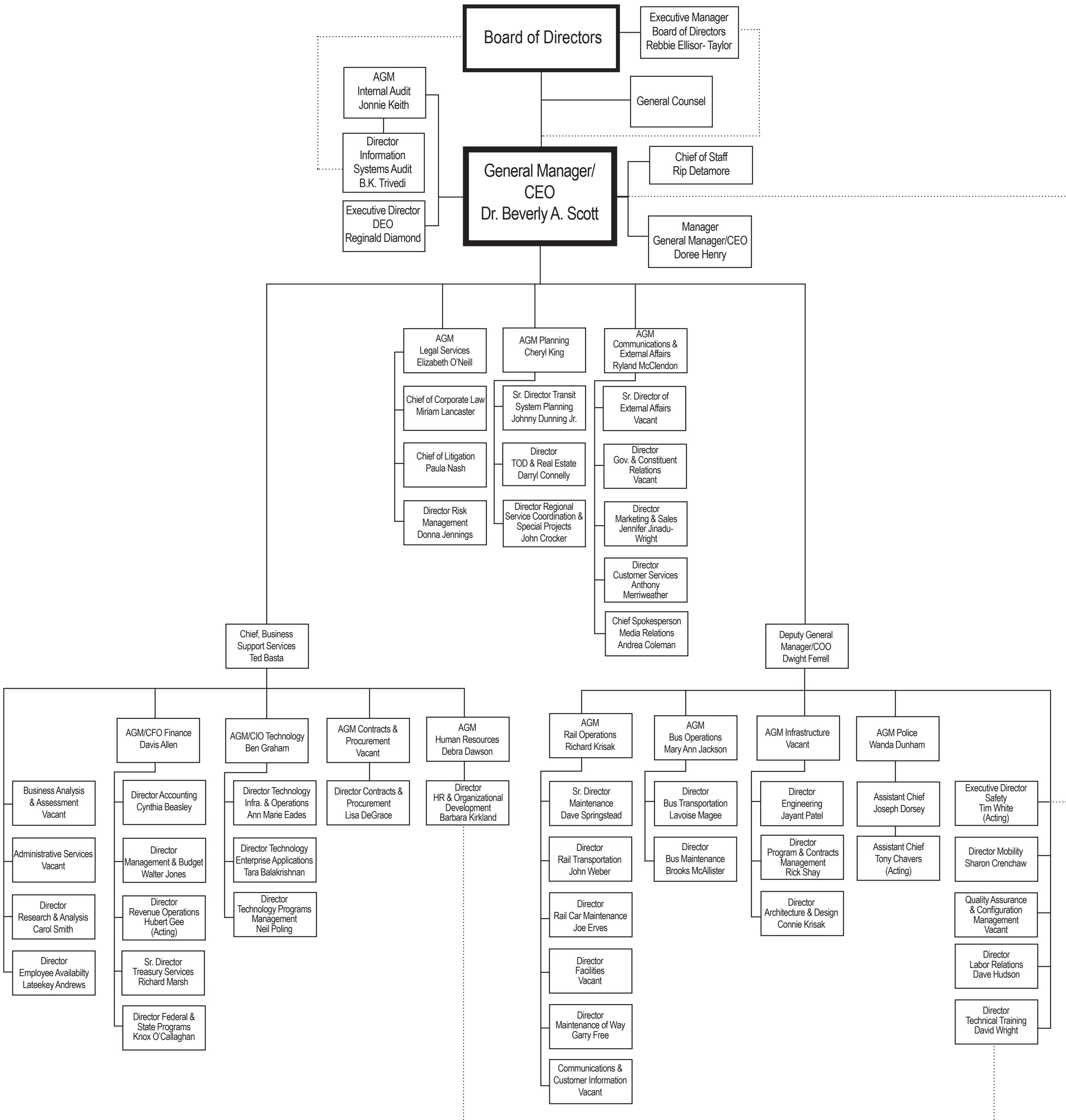
| | |
|---|---|
| *Department of Revenue* | *Bart L. Graham* |
| *Department of Transportation* | *Vance C. Smith, Jr.* |
| *State Properties Commission* | Steve Stancil |
| *Georgia Regional Transportation Authority* | Richard A. Anderson |

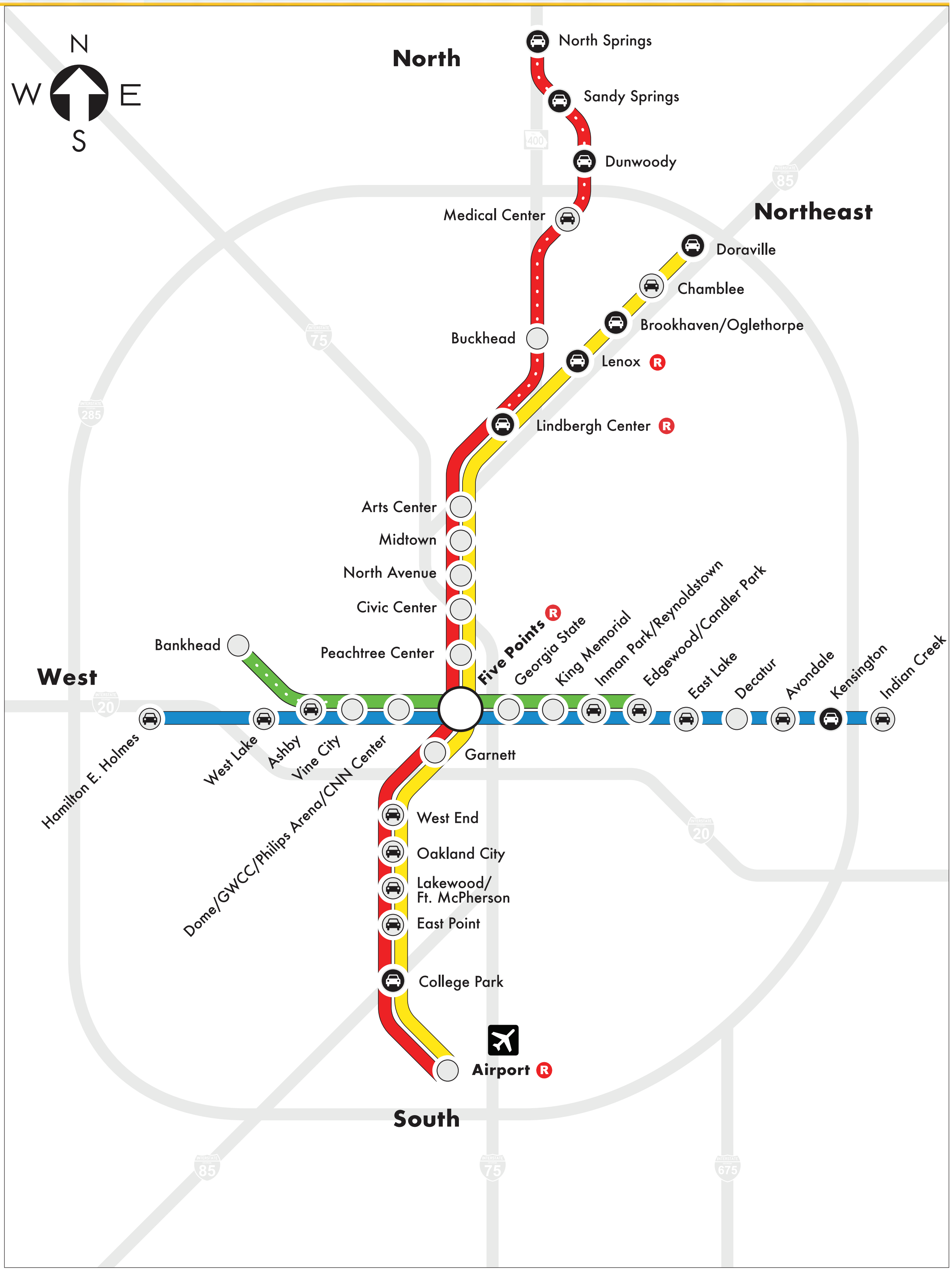
# General Manager/CEO and Executive Staff

| | |
|---|---|
| General Manager /CEO | Beverly A. Scott, Ph.D. |
| Executive Staff | Deputy General Manager/COO<br>Dwight A. Ferrell |
| | Chief, Business Support Services<br>Theodore J. Basta, Jr. |
| | Assistant General Manager<br>of Finance /CFO<br>Davis Allen |
| | Assistant General Manager<br>of Internal Audit<br>Jonnie T. Keith |
| | Assistant General Manager<br>of Legal Services<br>Elizabeth O'Neill |
| | Assistant General Manager<br>of Bus Operations<br>Mary Ann Jackson |
| | Assistant General Manager<br>of Rail Operations<br>Richard Krisak |
| | Assistant General Manager<br>of Police/Chief of Police<br>Wanda Dunham |
| | Assistant General Manager<br>of Technology/CIO<br>Ben Graham |
| | Assistant General Manager<br>of External Affairs<br>Ryland McClendon |
| | Assistant General Manager<br>of Planning<br>Cheryl King |
| | Assistant General Manager<br>of Contracts and Procurement/Materials & Administration<br>Gary Pritchett |
| | Assistant General Manager<br>of Human Resources<br>Deborah Dawson |
| | Assistant General Manager<br>of Infrastructure<br>Vacant |

# Organizational Chart






N
W
E
S
North
North Springs
Sandy Springs
Dunwoody
Medical Center
Northeast
Doraville
Chamblee
Brookhaven/Oglethorpe
Buckhead
Lenox R
Lindbergh Center R
Arts Center
Midtown
North Avenue
Civic Center
Bankhead
Peachtree Center
West
Five Points R
Georgia State
King Memorial
Inman Park/Reynoldstown
Edgewood/Candler Park
East Lake
Decatur
Avondale
Kensington
Indian Creek
Hamilton E. Holmes
West Lake
Ashby
Vine City
Dome/GWCC/Philips Arena/CNN Center
Garnett
West End
Oakland City
Lakewood/
Ft. McPherson
East Point
College Park
Airport R
South
400
85
75
285
20
675


# Financial Section

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

# INDEPENDENT AUDITORS' REPORT

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

We have audited the accompanying statements of net assets of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2009 and 2008 (As Restated), and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of MARTA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the MARTA as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended June 30, 2008, were audited by us, and our report dated October 29, 2008, expressed an unqualified opinion on those statements. As disclosed in Note 1 to the financial statements, MARTA has restated its 2008 financial statements to reflect the correction of the accounting treatment for various Lease-in/Lease-out transactions. We have not performed any auditing procedures with respect to the 2008 financial statements since the date of our previous report.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2010 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 the internal control over financial reporting or on compliance. That report in an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on MARTA's basic financial statements. The supplemental schedule of revenues and expenses, budget versus actual (budget basis), listed in the table of contents, is 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) has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cherry, Bekaert & Holland, L.L.P.

March 23, 2010
Atlanta, Georgia

## 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, 2009 and 2008. 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. 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. Cash amounts are restricted for debt service and state and federal regulations. See the notes to the financial statements for a summary of MARTA's significant accounting policies.

Included in MARTA's financial statements are the statements of net assets, the statements of revenues, expenses and changes in net assets, the statements of cash flows, and the related notes.

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

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

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

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

**Fiscal Year 2008 Restatement**

MARTA management concluded that the Authority's financial statements for the year ended June 30, 2008 should be restated. Therefore, all references and comparisons to the 2008 financials in the accompanying financial statements will be to the restated financials. In accordance with generally accepted accounting standards, the fiscal year 2008 financial statements presented in the accompanying financials have been restated to reflect the correction of the accounting treatment for the Lease-in/Lease-out (LILO) transactions. The restatement of the 2008 financial statements was required to properly record the various lease/sublease financing arrangements for rail cars, rail lines, and a rail maintenance facility. The sublease payments have been economically defeased (prepaid) by MARTA. The funds and all funds relative to this defeasance have been placed in a trust. The trust is not an irrevocable trust; therefore, all funds in the trust and the corresponding liabilities have been recorded as components of MARTA's assets and liabilities. Subsequent to issuing the fiscal year 2008 financial statements, management has determined that the previous accounting treatment understated the 2008 statement of revenues, expenses, and changes in net assets as well as other current assets and other liabilities. Therefore, management has restated the fiscal year 2008 financial statements to reflect additional nonoperating revenue of $3,434, an increase in other asset of $465,292, and an increase in other liabilities of $446,477.

**Financial Position Summary**

Net assets may serve over time as a useful indicator of MARTA's financial position. MARTA's assets exceed liabilities by $2 billion at June 30, 2009 a $103.7 million decrease from June 30, 2008 when assets also exceeded liabilities by $2.1 billion, a $14 million decrease from June 30, 2007.

The largest portion of MARTA's net assets each year, 83%, 81%, and 83% as of June 30, 2009, 2008 and 2007, respectively, represents its investment in capital assets (e.g., land, rail system, buildings and transportation equipment), less any related outstanding debt used to acquire those assets. MARTA uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although MARTA's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

| | 2009 | Restated 2008 | Restated 2007 |
|---|---|---|---|
| **ASSETS:** | | | |
| Current and Other Assets | $ 923,365 | $ 1,141,752 | $ 1,058,814 |
| Capital Assets | 3,360,487 | 3,393,197 | 3,350,154 |
| Total Assets | 4,283,852 | 4,534,949 | 4,408,968 |
| **LIABILITIES** | | | |
| Long-term Debt | 1,707,386 | 1,685,722 | 1,581,188 |
| Other Liabilities | 571,470 | 740,549 | 689,722 |
| Total Liabilities | 2,278,856 | 2,426,271 | 2,270,910 |
| **NET ASSETS** | | | |
| Invested in Capital Assets, Net of Debt | 1,653,101 | 1,707,475 | 1,768,966 |
| Restricted | 308,574 | 306,633 | 291,828 |
| Unrestricted | 43,321 | 94,570 | 77,264 |
| **TOTAL NET ASSETS** | $ 2,004,996 | $ 2,108,678 | $ 2,138,058 |

**Condensed Summary of Net Assets:**

An additional portion of MARTA's net assets (15%, 14%, 13%, as of June 30, 2009, 2008 and 2007, respectively), represents resources that are subject to external restrictions on how they can be used under bond resolutions, lease agreements, and State and Federal regulations. The remaining unrestricted net assets (2%, 4%, and 4% as of June 30, 2009, 2008 and 2007, respectively) may be used to meet any of MARTA's ongoing obligations.

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

**Financial Operations Highlights**

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

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

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

calculation. Transit related revenues were 60%, 59%, and 59% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2009, 2008 and 2007, respectively.

The following table presents the summary of Changes in Net Assets:

| | 2009 | Restated 2008 | Restated 2007 |
|---|---|---|---|
| Operating revenues | $ 113,798 | $ 117,558 | $ 109,955 |
| Operating expenses | 617,027 | 564,659 | 492,897 |
| Operating loss | (503,229) | (447,101) | (382,942) |
| Non-operating revenues (expenses) - net | 319,174 | 336,530 | 297,256 |
| Capital grants | 80,373 | 81,191 | 41,277 |
| (Decrease) increase in net assets | $ (103,682) | $ (29,380) | $ (44,409) |

In fiscal year 2009 operating revenues decreased by $3.7 million and operating expenses increased by $52.3 million, which resulted in an overall increase in the operating loss of $56.1 million from the previous year. In fiscal year 2008 operating revenues increased by $7.6 million and operating expenses increased by $71.7 million, which resulted in an overall increase in the operating loss of $64.1 million from the previous year.

Since 2001, Management has used measured steps to reign in controllable labor costs and expenditures, through administrative wage freezes and furloughs; increased benefit cost sharing and lastly, service cutbacks and modifications. These measures have not been used consistently each year, as MARTA works to keep its base of customers and employees. As a result, there is a roller coaster appearance when comparing financial results.

## 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 assets:

| Summary of Revenues | 2009 | Restated 2008 | Restated 2007 |
|---|---|---|---|
| **Operating** | | | |
| Fare Revenues | $ 105,235 | $ 103,963 | $ 104,678 |
| Other Revenues | 8,563 | 13,595 | 5,277 |
| Total Operating Revenues | 113,799 | 117,558 | 109,955 |
| **Nonoperating** | | | |
| Sales and Use Tax | 312,704 | 349,668 | 350,526 |
| Federal Revenues | 52,313 | 49,253 | 40,142 |
| Investment Income | 6,933 | 18,068 | 19,609 |
| Capital Lease and Other Revenues | 2,903 | 3,434 | |
| Other Revenues | 48,443 | 10,786 | 9,614 |
| Gain (Loss) on Sale of Property and Equipment | (1,611) | 275 | 833 |
| Total Nonoperating Revenues | 421,685 | 431,484 | 420,724 |
| **Total Revenues** | 535,484 | 549,042 | 530,679 |
| **Summary of Expenses** | | | |
| **Operating** | | | |
| Transportation | 177,869 | 174,927 | 158,300 |
| Maintenance and Garage Operations | 141,438 | 129,430 | 116,746 |
| General and Administrative | 71,616 | 64,410 | 53,912 |
| Depreciation | 226,104 | 195,892 | 163,939 |
| Total Operating Expenses | 617,027 | 564,659 | 492,897 |
| **Nonoperating** | | | |
| Interest Expenses | 72,568 | 75,558 | 70,326 |
| Interest Expenses Capitalized | (356) | (177) | (1,710) |
| Amortization of Bond Discount, issue Costs and Deferred Loss on Refunding | (2,310) | (3,715) | (2,966) |
| Other Expense - Special Pension Plan Contribution | - | - | 45,000 |
| Other Nonoperating Expenses | 32,609 | 23,288 | 12,818 |
| Total Nonoperating Expenses | 102,511 | 94,954 | 123,468 |
| **Total Expenses** | 719,538 | 659,613 | 616,365 |
| **Loss Before Capital Contributions** | (184,055) | (110,571) | (85,686) |
| Capital Grants | 80,373 | 81,191 | 41,277 |
| **Decrease in Net Assets** | (103,682) | (29,380) | (44,409) |
| **Net Assets, July 1 as previously reported** | | 2,138,058 | 2,167,086 |
| **Prior period adjustment (Note 1)** | | | 15,381 |
| **Net Assets, July 1 as restated** | 2,108,678 | 2,138,058 | 2,182,467 |
| **Net Assets, June 30** | $ 2,004,996 | $ 2,108,678 | $ 2,138,058 |

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

Net assets decreased by $103.6 million in fiscal year 2009 after decreasing by $29.4 million in fiscal year 2008 and decreasing by $44.4 million in 2007. The large decrease in net assets resulted from the increase in routine operating expenses and healthcare and other postemployment benefit expenses; this was compounded with negative growth in MARTA's largest revenue component, sales and use tax. MARTA sales tax revenue decreased by $37 million.

In 2009 MARTA also received a full year's depreciation on a number of major capital programs. This includes the Rail Car Rehabilitation Program, Fare collection System Replacement Program and a number of new Paratransit vans. Depreciation expense increased by $30.2 or 15% from fiscal 2008 and by $31.9 million or 19% from fiscal year 2007 to 2008.

MARTA had a 1% increase in passenger revenue from 2008 to 2009 and saw a 1% decrease in passenger revenue between 2007 and 2008. This growth is directly related to the increase in gas prices in metropolitan Atlanta and the nation. There was an 8% decrease in station parking revenue.

In 2009, MARTA's other operating revenues decreased by $5 million or 37%. Included in other operating revenues are advertising, Transit Oriented Development Lease (TOD), and alternative fuel tax revenues. MARTA saw a $3.8 million decrease in other operating revenues in alternative fuel tax revenue compared to 2008.

In 2009, MARTA's largest component to nonoperating revenues, sales and use tax, was down from Fiscal year 2008 by $37 million or 11%. This decrease is directly related to the contracting of the local economy. The largest growth in nonoperating revenues is found in other revenues. In fiscal year 2009 there was a $37.6 million or 349% growth in this category in comparison to a $1.1M or 12% growth from 2007 to 2008. The large increase in other nonoperating revenues from 2008 to 2009 was due to the termination of two major lease leaseback contracts. As a result of the termination of these contracts, where MARTA had already received cash benefits at inception, MARTA was able to release the deferred revenue liability and recognize the unamortized amount as revenue.

The 2009 nonoperating expenses increased by $7.5 millions from 2008; this increase was a result of additional health care cost. In 2008, nonoperating expenses decreased by $28.5 million; this decrease was the result of special pension contribution that was required in 2007 but not required in 2008.

### Long Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds and Bond Anticipation Notes Commercial Paper to raise capital funds for construction and expansion, and rehabilitation of the transit system. During fiscal year 2005 MARTA initiated its commercial paper program, in the form of Bond Anticipation Notes, to provide flexibility and optimization to the issuance of debt. MARTA management believes this will provide for the timelier issuance of long-term debt. The bonds and notes are payable from and secured by a first, second and third lien on sales and use tax receipts. The Bonds carry debt ratings of A-1 by Moody's Investors Service and AA by Standard and Poor's. The notes bear underlying ratings of P-1 by Moody's and A-1+ by Standard & Poor's. MARTA's total bond debt outstanding was $1,707,386, $1,685,722, and $1,581,188 as of June 30, 2009, 2008 and 2007, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited) Dollars in Thousands 9

### Capital Acquisitions and Construction Activities

During fiscal year 2009, MARTA expended $196,104 on capital activities. The expenditures were primarily for the Automated Fare Collection system, rehabilitation of railcars, railcar and bus purchases, track replacement, implementation of an integrated financial and maintenance information system and other information technology upgrades. The net change in Capital Assets, including changes in accumulated depreciation and retirements was $32,710, $43,043, and $45,807 as of June 30, 2009, 2008 and 2007, 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.

### Invested in Capital Assets, Net of Related Debt:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Capital Assets** | | | |
| Property & Equipment - Net | $ 3,360,487 | $ 3,393,197 | $ 3,350,154 |
| **Capital Debt** | | | |
| Current maturities of Bonds and Notes | 54,930 | 51,640 | 48,685 |
| Noncurrent maturities of Bonds and Notes | 1,652,456 | 1,634,082 | 1,532,503 |
| | 1,707,386 | 1,685,722 | 1,581,188 |
| **Capital Assets, Net of Debt** | $ 1,653,101 | $ 1,707,476 | $ 1,768,966 |

### Economic Condition and Outlook

The nation's current recession will be the longest one in postwar history, and may last about 30 months, almost as long as the period of double-dip recession in the early 1980s. This was the forecast provided by Dr. Rajeev Dhawan of the Economic Forecasting Center at Georgia State University in his Forecast of the Nation in February 2009. He commented that despite the passage of the economic stimulus bill, the recession will continue to deepen until there is a detailed plan to fix the nation's banking system. The stimulus plan will not see any positive impact until mid-2010 and 2011.

For Georgia and Atlanta, Mr. Dhawan's prognosis for the coming 12 to 18 months is bleak and things will get worse before they get better. The sharp rise in unemployment and foreclosures, increase in bank failures, and a plunge in the housing market has bled Georgia's economy dry that any significant job recovery will be delayed until 2011. State and local governments continue to see a big hit with falling retail sales and property tax collections. This explains the $37 million or 11% decrease in the Authority's sales tax collection for fiscal year 2009. MARTA's management is reviewing aspects internal and external to the organization in order to address the impact of the revenue reduction.

### Request for Information

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

## STATEMENTS OF NET ASSETS – June 30, 2009 and 2008 (As Restated) Dollars in Thousands

| Assets | 2009 | 2008 |
|---|---|---|
| **Current Assets:** | | |
| Cash and Cash Equivalents (Note 2) | $ 7,561 | $ 6,893 |
| Investments (Note 2) | 109,373 | 257,342 |
| Material and Supplies Inventories | 35,981 | 35,240 |
| Sales Tax Receivables, Prepayments and Other | 95,573 | 68,720 |
| Total Unrestricted Current Assets | 248,488 | 368,195 |
| Restricted Cash and Cash Equivalents (Notes 2 and 3) | - | 2,131 |
| Restricted Investments (Notes 2 and 3) | 87,069 | 84,012 |
| Current portion,Investments for Capital Lease (Notes 2 and 3) | 3,045 | 34,083 |
| Total Restricted Current Assets | 90,114 | 120,226 |
| Total Current Assets | 338,602 | 488,421 |
| **Noncurrent Assets:** | | |
| Restricted Investments (Notes 2 and 3) | 199,942 | 201,837 |
| Investments Held to Pay Capital Lease Obligations (Notes 2 and 3) | 364,632 | 431,209 |
| Total Restricted Non Current Assets | 564,574 | 633,046 |
| Capital Assets: (Note 6) | | |
| Land | 552,323 | 546,435 |
| Rail System and Buildings | 3,174,347 | 3,135,289 |
| Transportation Equipment | 1,179,013 | 1,093,577 |
| Other | 962,595 | 913,649 |
| | 5,868,278 | 5,688,950 |
| Less Accumulated Depreciation | (2,738,821) | (2,526,191) |
| | 3,129,457 | 3,162,759 |
| Construction in Progress | 231,030 | 230,438 |
| Capital Assets - Net | 3,360,487 | 3,393,197 |
| Other Noncurrent Investments | 10,000 | 10,000 |
| Bond Issue Costs - Net | 8,265 | 9,083 |
| Other | 1,924 | 1,202 |
| Total Noncurrent Assets | 3,945,250 | 4,046,528 |
| Total Assets | $ 4,283,852 | $ 4,534,949 |

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

## STATEMENTS OF NET ASSETS – June 30, 2009 and 2008 (As Restated) Dollars in Thousands

| Liabilities and Net Assets | 2009 | 2008 |
|---|---|---|
| **Current Liabilities:** | | |
| Payable from NonRestricted Assets: | | |
| Accounts and Contracts Payable | $ 55,434 | $ 85,080 |
| Salaries and Employee Benefits (Notes 10 and 11) | 19,468 | 19,559 |
| Self-Insurance Accruals (Note 12) | 1,464 | 1,408 |
| Other Current Liabilities | 7,050 | 7,446 |
| Total Current Liabilities Payable from NonRestricted Assets | 83,416 | 113,493 |
| Payable from Restricted Assets: | | |
| Current Maturities of Sales Tax Revenue Bonds (Note 7) | 54,930 | 51,640 |
| Accrued Interest | 31,984 | 34,341 |
| Due to Federal Transportation Administration | 155 | 162 |
| Current Maturities of Obligations Under Capital Leases (Note 9) | 3,028 | 33,827 |
| Total Current Liabilities Payable from Restricted Assets | 90,097 | 119,970 |
| Total Current Liabilities | 173,513 | 233,463 |
| **Noncurrent Liabilities:** | | |
| Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Discount and Deferred Loss on Refunding (Note 7) | 1,652,456 | 1,634,082 |
| Noncurrent Self Insurance Accruals Note 12 | 18,767 | 18,745 |
| Other Post Employment Benefits Note 11 | | 6,530 |
| Deferred Revenue (Notes 7 and 13) | 91,189 | 120,801 |
| Obligations Under Capital Leases (Note 9) | 342,931 | 412,650 |
| Total Noncurrent Liabilities | 2,105,343 | 2,192,808 |
| Total Liabilities | 2,278,856 | 2,426,271 |
| **Commitments and Contingencies** (Note 14) | | |
| **Net Assets** | | |
| Invested in Capital Assets, net of Related Debt | 1,653,101 | 1,707,475 |
| Restricted for debt service | 106,592 | 105,639 |
| Restricted for other projects | 49,602 | 49,602 |
| Restricted for capital projects | 130,662 | 132,577 |
| Restricted for capital leases | 21,718 | 18,815 |
| Unrestricted | 43,321 | 94,570 |
| Total Net Assets | 2,004,996 | 2,108,678 |
| Total Liabilities and Net Assets | $ 4,283,852 | $ 4,534,949 |

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

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008 (As Restated) Dollars in Thousands

| | 2009 | 2008 |
|---|---|---|
| **Operating Revenues:** | | |
| Fare Revenues (Note 5) | $ 105,235 | $ 103,963 |
| Other Revenues | 8,563 | 13,595 |
| Total Operating Revenues | 113,798 | 117,558 |
| **Operating Expenses:** | | |
| Transportation | 177,869 | 174,927 |
| Maintenance and Garage Operations | 141,438 | 129,430 |
| General and Administrative | 71,616 | 64,410 |
| Depreciation | 226,104 | 195,892 |
| Total Operating Expenses | 617,027 | 564,659 |
| **Operating Loss** | (503,229) | (447,101) |
| **Nonoperating Revenues (Expenses):** | | |
| Sales and Use Tax (Notes 1 and 4) | 312,704 | 349,668 |
| Federal Revenues | 52,313 | 49,253 |
| Investment Income | 6,933 | 18,068 |
| Capital Lease and Other revenues | 2,903 | 3,434 |
| Other Revenues | 48,443 | 10,786 |
| Gain (Loss) on Sale of Property and Equipment | (1,611) | 275 |
| Interest Expense | (72,568) | (75,558) |
| Interest Expense Capitalized | 356 | 177 |
| Amortization of Bond Discount, Issue Costs and Deferred Loss on Refunding | 2,310 | 3,715 |
| Other Nonoperating Expenses | (32,609) | (23,288) |
| Total Nonoperating Revenues (Expenses) | 319,174 | 336,530 |
| **Loss Before Capital Contributions** | (184,055) | (110,571) |
| **Capital Grants** | 80,373 | 81,191 |
| **Net Assets** | | |
| **Increase (Decrease) in Net Assets** | (103,682) | (29,380) |
| **Net Assets, July 1 as previously reported** | | 2,122,677 |
| **Prior period adjustment (Note 1)** | | 15,381 |
| **Net Assets, July 1 as restated** | 2,108,678 | 2,138,058 |
| **Net Assets, June 30** | $ 2,004,996 | $ 2,108,678 |

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

## STATEMENTS OF CASH FLOWS – For Years Ended June 30, 2009 and 2008

(As Restated) Dollars in Thousands

| | 2009 | 2008 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Cash Received from Providing Services | $ 85,391 | $ 99,388 |
| Cash Paid to Suppliers | (169,205) | (116,263) |
| Cash Paid to Employees | (239,271) | (235,543) |
| Net Cash Used by Operating Activities | (323,085) | (252,418) |
| **Cash Flows From Noncapital Financing Activities:** | | |
| Sales and Use Tax Collections | 327,426 | 351,596 |
| Federal Operating Subsidy | 5,590 | 88,251 |
| Net Cash Provided by Noncapital Financing Activities | 333,016 | 439,847 |
| **Cash Flows From Capital and Related Financing Activities:** | | |
| Proceeds from Issuance of Bond | 1,432 | 406,934 |
| Proceeds from Issuance of Commercial Paper | 75,000 | 150,000 |
| Repayment of Bond Payable | (51,640) | (448,685) |
| Capital Contributions | 80,373 | 81,191 |
| Interest Paid on Revenue Bonds | (74,925) | (69,801) |
| Acquisition and Construction of Capital Assets | (195,375) | (238,484) |
| Net Cash Used by Capital and Related Financing Activities | (165,135) | (118,845) |
| **Cash Flows from Investing Activities:** | | |
| Purchases of Investments | (3,559,119) | (6,837,991) |
| Proceeds from Sales and Maturities of Investments | 3,706,692 | 6,753,804 |
| Interest Received on Investments | 6,168 | 18,878 |
| Net Cash Provided (Used) by Investing Activities | 153,741 | (65,309) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (1,463) | 3,275 |
| **Cash and Cash Equivalents, Beginning of Year** | 9,024 | 5,749 |
| **Cash and Cash Equivalents, End of Year** | $ 7,561 | $ 9,024 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities:** | | |
| Operating Loss | $ (503,229) | $ (447,101) |
| Other Revenues and (Expenses) | 18,496 | (12,502) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation | 226,104 | 195,892 |
| Changes in Assets and Liabilities: | | |
| Materials and Supplies Inventories | (740) | (6,870) |
| Prepayments and Other | 5,148 | (3,961) |
| Current Liabilities and Due Federal Transportation Administration | (36,592) | 28,785 |
| Deferred Revenue | (32,272) | (6,661) |
| Net Cash Used by Operating Activities | $ (323,085) | $ (252,418) |
| **Noncash Investing, Capital and Financing Activities:** | | |
| Amortization of Bond Issuance Costs | $ 2,310 | $ 3,715 |
| Increase in Fair Value of Investments | 1,030 | 11,594 |
| Net Noncash Investing, Capital and Financing Activities | $ 3,340 | $ 15,309 |

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

# NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

***Reporting Entity*** - MARTA is a municipal corporation governed by an eighteen-member board of directors. MARTA has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 of The Financial Reporting Entity, including additional guidance promulgated by GASB Statement No. 39. As defined by the 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.

Under the guidelines of GASB Statement No. 14, MARTA is a jointly governed organization. Of its eighteen member board, three members are appointed by Fulton County, five members by DeKalb County, four members by the City of Atlanta, and one member by each County of Clayton and Gwinnett. In addition, the Commissioner of the State Department of Transportation, the Commissioner of the State Department of Revenue, the Executive Director of the State Properties Commission, and the Executive Director of the Georgia Regional Transportation Authority serve as ex-officio members of the Board. None of the participating governments appoints a majority of MARTA's Board and none has an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2009 or 2008.

***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.

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

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

***Investments*** - MARTA carries all investments at fair value based on quoted market prices. U.S. Treasury and Agency obligations are reported at amortized cost if MARTA acquires them within one year of maturity.

***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.

***Inventories*** - Materials (principally maintenance parts) and supplies inventories are stated at average cost and expenditure is based on the consumption method.

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

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

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

***Bond Proceeds, Discount, Issue Costs, and Losses on Refundings*** - Proceeds from the issuance of Sales Tax Revenue Bonds are initially deposited with the Bond Trustee in a Construction Fund as required by the Trust Indenture between MARTA and the Trustee. MARTA requisitions the funds as needed for construction of the transit system. Bond discount and issue costs are amortized using the bond outstanding method, over the term of the related debt. Losses on debt refundings are deferred and amortized over the shorter of the life of the refunded debt or the new debt, principally using the bond outstanding method.

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

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

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

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

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

***Budgetary Controls*** - An annual operating and capital budget is developed by MARTA's Management. After a public hearing the proposed budget is revised, if necessary, finalized and adopted by MARTA's Board of Directors. The budget is prepared on the same basis of accounting as the financial statements except that depreciation, interest expense, gains (losses) on sale of property, unrealized gains (losses) on investments and other 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 non-operating general and administrative expense in the accompanying statements of revenues and expenses and changes in net assets.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands



***Restatement of Previously Issued Financial Statements*** - MARTA management has concluded that the Authority's financial statements for the year ended June 30, 2008 should be restated to reflect the correction of the accounting treatment for various LILO transactions entered into by MARTA in previous years. Therefore, all references and comparisons to the 2008 financials in the accompanying financial statements will be to the restated financials. The restatement of the 2008 financial statements was required to properly record certain assets and liabilities resulting from the various LILO arrangements related to the Authority's rail cars, rail lines, and a rail maintenance facility. Under these LILO arrangements MARTA had placed into a trust the amounts to fund the future obligations as they come due. Prior to the year ended June 30, 2009 MARTA management believed these trust were irrevocable trusts and had therefore removed the assets and corresponding obligations from its financial statements. However, subsequent to the year ended June 30, 2008 MARTA management determined that these trust were not irrevocable and therefore the LILO transactions did not qualify for defeasance accounting treatment and therefore as of June 30, 2008 the Authority's assets were understated by $465,292, liabilities were understated by $446,477 and restricted net assets was understated by $18,815. The effect of the correction as of and for the year ended June 30, 2008 financial statements are presented in the following tables:

**Statement of Net Assets**
**June 30, 2008**

| | As Originally Reported | Restated | Effect of Change |
|---|---|---|---|
| Assets | | | |
| Current and Other Assets | $ 676,460 | $ 1,141,752 | $ 465,292 |
| Capital Assets | 3,393,197 | 3,393,197 | - |
| Total Assets | $ 4,069,657 | $ 4,534,949 | $ 465,292 |
| Liabilities | | | |
| Long-term Debt Outstanding | $ 1,685,722 | $ 1,685,722 | $ - |
| Other Liabilities | 294,072 | 740,549 | 446,477 |
| Total Liabilities | 1,979,794 | 2,426,271 | 446,477 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Debt | 1,707,475 | 1,707,475 | - |
| Restricted | 287,818 | 306,633 | 18,815 |
| Unrestricted | 94,570 | 94,570 | - |
| Total Net Assets | 2,089,863 | 2,108,678 | 18,815 |
| Total Liabilities & Net Assets | $ 4,069,657 | $ 4,534,949 | $ 465,292 |

# NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

**Statement of Revenues, Expenses and Changes in Net Assets**
**Year Ended June 30, 2008**

| | As Originally Reported | Restated | Effect of Change |
|---|---|---|---|
| Operating revenues | $ 117,558 | $ 117,558 | $ - |
| Operating expenses | 564,659 | 564,659 | - |
| Operating loss | (447,101) | (447,101) | - |
| Non-operating revenues (expenses) - net | 333,096 | 336,530 | 3,434 |
| Capital grants | 81,191 | 81,191 | |
| (Decrease) increase in net assets | $ (32,814) | $ (29,380) | $ 3,434 |

**Statement of Cash Flows**
**Year Ended June 30, 2008**

| | As Originally Reported | Restated | Effect of Change |
|---|---|---|---|
| Net Cash used by Operating Activities | $ (252,418) | $ (252,418) | $ - |
| Net Cash Provided by Non-Capital Financing Activities | 439,847 | 439,847 | - |
| Net Cash used by Capital and Related Financing Activities | (118,845) | (118,845) | - |
| Net Cash Provided (used by) by Investing Activities | (65,309) | (65,309) | - |
| Net Increase(Decrease) in Cash and Cash Equivalents | 3,275 | 3,275 | - |
| Cash and Cash Equivalents, Beginning of Year | 5,749 | 5,749 | - |
| Cash and Cash Equivalents, End of Year | $ 9,024 | $ 9,024 | $ - |
| Net Cash Provided by Operating Activities | | | |
| Operating Loss | $ (447,101) | $ (447,101) | $ - |
| Change in Operating Assets and Liabilities | 194,683 | 194,683 | - |
| Net Cash Used by Operating Activities | $ (252,418) | $ (252,418) | $ - |
| Noncash Investing, Capital and Financing Activities | | | |
| Amortization of Bond Issuance Costs | $ 3,715 | $ 3,715 | $ - |
| Increase in Fair Value of Investments | 417 | 11,594 | 11,177 |
| | $ 4,132 | $ 15,309 | $ 11,177 |

***Future Adoption of Governmental Accounting Standards*** - In 2008, the GASB issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets and GASB Statement No 53, Accounting and Financial Reporting for Derivative Instruments. Both statements are effective for MARTA's fiscal year ending June 30, 2010. MARTA has not yet determined the impact that adopting these standards will have on its financial position and results of operations.

# NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008
(As Restated) Dollars in Thousands

## 2. CASH AND INVESTMENTS

***Cash*** - At June 30, 2009 and 2008, the carrying amounts of MARTA's total cash on hand were $1,248 and $1,218, respectively. At June 30, 2009 and 2008 the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $6,312 and $7,806, respectively. The bank balances were $4,874 and $6,437, respectively. Of the bank balances at June 30, 2009 and 2008, $455 and $387, respectively, were covered by federal depository insurance and $4,419 and $6,050, respectively, were collateralized by government securities held by the pledging financial institution's trust department or agent in MARTA's name.

***Investments*** - Georgia statutes authorize MARTA to invest in U.S. Government obligations, U.S. Government agency obligations, obligations of any instrumentality of the U.S. Government, or in repurchase agreements collateralized by any of the aforesaid securities, prime Bankers' Acceptances or in State of Georgia obligations, or in the State of Georgia sponsored investment pool or in other obligations or instruments as allowed by Georgia Law. MARTA's code, policy and guidelines mandate no deviation from the highest credit quality – only AAA and A1/P1. Under the terms of MARTA's Sales Tax Revenue Bond Trust Indenture, the Authority may not invest in securities with a remaining term to maturity greater than 5 years from the purchase date. In addition, MARTA requires that repurchase agreement collateral must have a market value ranging from 101% to 104% of the cost of the repurchase agreement, depending upon the maturity date and type of security. MARTA's policy states that collateral pledged for repurchase agreements and not delivered to MARTA's safekeeping agent must be held by the pledging bank's trust department in MARTA's name.

As of June 30, 2009, 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 | $ 18,290 | $ 18,290 | $ - | $ - | $ - |
| U.S. Treasuries | 51,220 | 39,844 | 6,630 | 242 | 4,504 |
| U.S. Agencies | 110,394 | 68,987 | 2,338 | 569 | 38,500 |
| State of Georgia GA Fund 1 | 115,000 | 115,000 | | | |
| FDIC Public Funds | 105,500 | 105,500 | | | |
| Corporate-BAC Prime BA | 43,540 | 43,540 | | | |
| Certificate of deposit (CDAR) | 5,295 | 5,295 | | | |
| Guaranteed Inv Contracts | 324,822 | | 3,045 | | 321,777 |
| Total | $ 774,061 | $ 396,456 | $ 12,013 | $ 811 | $ 364,781 |

***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.

# NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

***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 is indicated below:

| Investment Type | Fair Value | Credit Rating | Rating Agency |
|---|---|---|---|
| Repurchase Agreements | $ 18,290 | AAA/Aaa | S&P/Moody's |
| U.S. Government Treasuries | 51,220 | | |
| U.S. Government Agencies | 110,394 | AAA/Aaa | S&P/Moody's |
| State of Georgia GA Fund 1 | 115,000 | AAA/m | S&P |
| FDIC Public Funds | 105,500 | AAA/AAA | |
| Corporate-BAC Prime BA | 43,540 | A-1+/P-1 | S&P/Moody's Short |
| Certificate of Deposit (CDAR) | 5,295 | | |
| Guaranteed Inv Contracts | 324,822 | | |
| Total | $ 774,061 | | |

***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 of $774,061, $10,245 of the securities is 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.

(As Restated) Dollars in Thousands

## 3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30, 2009 and 2008:

| | 2009 | 2008 |
|---|---|---|
| Restricted Cash and Investments: | | |
| Sinking Fund | $ 106,592 | $ 105,646 |
| Railroad Trust Fund Agreement | 10,000 | 10,000 |
| Capital Asset Purposes | 63,193 | 63,193 |
| Georgia DOT Project | - | 2,131 |
| Proceeds From Real Estate Sales | 55,661 | 54,477 |
| Investments Held to Pay Capital Lease Obligation | 367,677 | 465,292 |
| Other | 51,565 | 52,533 |
| Total Restricted Cash and Investments | 654,688 | 753,272 |
| Capital Lease Obligations | 345,959 | 446,477 |
| Due to FTA | 155 | 162 |
| Total Restricted Assets, Net of Related Debt | $ 308,574 | $ 306,633 |

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, 2009 and 2008, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

Certain investments are restricted for repairing, rebuilding, or replacing capital assets and for a Georgia Department of Transportation project.

Proceeds from sales of certain real estate and the interest earned thereon through June 30, 1988 have been restricted until the year 2012. For the period from July 1, 1988 to June 30, 2009, interest earned on these funds is unrestricted.

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

Restricted net assets of $308,574 and $306,633 at June 30, 2009 and 2008, respectively, are reported in the statements of net assets and are restricted by law or binding agreements with outside parties.

(As Restated) Dollars in Thousands

## 4. SALES AND USE TAX

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

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

1) No more than 50% of the annual sales and use tax proceeds can be used to subsidize the net operating costs, as defined, of the system, exclusive of depreciation and amortization, and other costs and charges as defined in Section 25(l) of the MARTA Act, except for the period beginning January 1, 2002 and ending December 31, 2008 when no more than 55% shall be used.

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.

The Georgia General Assembly approved certain amendments to the MARTA Act which provided that, commencing on July 1, 1988 until June 30, 2008, interest earnings from the real estate reserve and the capital rehabilitation replacement reserve may be treated as "transit related operating revenue" for purposes of the legislative provided percentage requirement.

During the years ended June 30, 2009 and 2008, MARTA used 66% and 52% of the sales and use tax proceeds to subsidize the net operating costs. The cumulative over-utilization of sales tax receipts for June 30, 2009 was $17,487. A summary of cumulative sales tax proceeds under utilization activity for the years ended June 30, 2009 and 2008 is as follows:

| | 2009 | 2008 |
|---|---|---|
| Cumulative under utilization, beginning of year | $ 35,635 | $ 42,508 |
| (Over)/under utilization during year | (53,122) | (6,873) |
| Cumulative (over)/under utilization, end of year | $ (17,487) | $ 35,635 |

(As Restated) Dollars in Thousands

## 5. FARE REVENUES

The MARTA Act places certain requirements on the rates that MARTA is to charge for transportation services provided. The rates charged to the public for transportation services must be such that the total transit related revenues are no less than 35% of the operating costs, exclusive of depreciation and amortization, and other costs and charges as provided in the Act, of the preceding fiscal year. 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, 2009 and 2008 were 60% and 59%, 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, 2009 was as follows:

| | Balance June 30,2008 | Additions | Decreases | Balance June 30,2009 |
|---|---|---|---|---|
| Capital Assets, not being depreciated: | | | | |
| Land | $ 546,435 | $ 6,628 | $ (740) | $ 552,323 |
| Construction in progress | 230,438 | 196,104 | (195,512) | 231,030 |
| Total capital assets not being depreciated | 776,873 | 202,732 | (196,252) | 783,353 |
| Capital Assets being depreciated: | | | | |
| Rail systems & buildings | 3,135,289 | 39,068 | (10) | 3,174,347 |
| Transportation equipment | 1,093,577 | 89,732 | (4,296) | 1,179,013 |
| Other | 913,649 | 59,629 | (10,683) | 962,595 |
| Total capital assets being depreciated | 5,142,515 | 188,429 | (14,989) | 5,315,955 |
| Less accumulated depreciation for: | | | | |
| Rail systems & buildings | (1,389,229) | (91,332) | 10 | (1,480,551) |
| Transportation equipment | (545,408) | (58,826) | 3,685 | (600,549) |
| Other | (591,554) | (75,953) | 9,786 | (657,721) |
| Total accumulated depreciation | (2,526,191) | (226,111) | 13,481 | (2,738,821) |
| Total capital assets being depreciated, net | 2,616,324 | (37,682) | (1,508) | 2,577,134 |
| Capital Assets, net | $ 3,393,197 | $ 165,050 | $ (197,760) | $ 3,360,487 |

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Balance June 30,2007 | Additions | Decreases | Balance June 30,2008 |
|---|---|---|---|---|
| Capital Assets, not being depreciated: | | | | |
| Land | $ 546,345 | $ 90 | - | $ 546,435 |
| Construction in progress | 292,953 | 239,438 | (301,953) | 230,438 |
| Total capital assets not being depreciated | 839,298 | 239,528 | (301,953) | 776,873 |
| Capital Assets being depreciated: | | | | |
| Rail systems & buildings | 3,094,640 | 40,649 | - | 3,135,289 |
| Transportation equipment | 979,103 | 117,005 | (2,531) | 1,093,577 |
| Other | 771,465 | 144,209 | (2,025) | 913,649 |
| Total capital assets being depreciated | 4,845,208 | 301,863 | (4,556) | 5,142,515 |
| Less accumulated depreciation for: | | | | |
| Rail systems & buildings | (1,304,442) | (84,787) | - | (1,389,229) |
| Transportation equipment | (498,025) | (49,553) | 2,170 | (545,408) |
| Other | (531,885) | (61,570) | 1,901 | (591,554) |
| Total accumulated depreciation | (2,334,352) | (195,910) | 4,071 | (2,526,191) |
| Total capital assets being depreciated, net | 2,510,856 | 105,953 | (485) | 2,616,324 |
| Capital Assets, net | $ 3,350,154 | $ 345,481 | $ (302,438) | $ 3,393,197 |

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

### 7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2009 was as follows:

| Series | Year Issued | Original Principal Issued | Year of Maturity | Interest Rates | Balance June 30, 2008 | Outstanding Additions | Principal Retirements | Balance June 30, 2009 |
|---|---|---|---|---|---|---|---|---|
| Sales Tax Revenue Bonds: | | | | | | | | |
| N* | 1992 | $ 122,245 | 2018 | 4.60% - 6.25% | $ 66,515 | $ - | $ (4,345) | $ 62,170 |
| P* | 1992 | 296,755 | 2020 | 3.30% - 6.25% | 194,365 | | (14,335) | 180,030 |
| 1996A* | 1996 | 163,650 | 2020 | 4.00% - 5.625% | - | | - | - |
| 1998A* | 1998 | 144,535 | 2010 | 5.50% - 6.250% | 78,145 | | (24,410) | 53,735 |
| 1998B* | 1998 | 200,000 | 2020 | 5.10% - 5.19% | - | | - | - |
| 2000A | 2000 | 100,000 | 2025 | Variable | 100,000 | | | 100,000 |
| 2000B | 2000 | 100,000 | 2025 | Variable | 100,000 | | | 100,000 |
| 2002* | 2002 | 160,000 | 2032 | 5.00% - 5.25% | - | | - | - |
| 2003A* | 2003 | 103,075 | 2020 | 3.00% - 5.00% | 76,700 | | (7,310) | 69,390 |
| 2005A* | 2005 | 190,490 | 2020 | 5.00% | 190,490 | | | 190,490 |
| 2006A* | 2006 | 163,890 | 2020 | 5.00% | 162,375 | | (1,240) | 161,135 |
| 2007A* | 2007 | 145,725 | 2032 | 5.25% | 145,725 | - | | 145,725 |
| 2007B | 2008 | 389,830 | 2037 | 5.00% | 389,830 | - | | 389,830 |
| Subtotal | | | | | 1,504,145 | - | (51,640) | 1,452,505 |
| Less portion due within one year | | | | | (51,640) | (3,290) | | (54,930) |
| Plus unamortized premium (discount) | | | | | 62,597 | - | (5,208) | 57,389 |
| Less unamortized deferred loss on refunding | | | | | (31,020) | - | 3,512 | (27,508) |
| Sales Tax Revenue Bonds Total | | | | | 1,484,082 | (3,290) | (53,336) | 1,427,456 |
| Sales Tax Revenue Commercial Paper Bond Anticipation Notes: | | | | | | | | |
| 2004A | 2004 | 50,000 | 2008 | Variable | - | | - | - |
| 2004B | 2004 | 50,000 | 2008 | Variable | - | | - | - |
| 2004A | 2007 | 100,000 | 2008 | Variable | - | | - | - |
| 2004B | 2007 | 100,000 | 2008 | Variable | - | | - | - |
| 2007C | 2008 | 51,000 | 2011 | Variable | 51,000 | 50,000 | | 101,000 |
| 2007D | 2008 | 99,000 | 2011 | Variable | 99,000 | 25,000 | | 124,000 |
| Sales Tax Revenue Commercial Paper Bond Anticipation Notes Total | | | | | 150,000 | 75,000 | - | 225,000 |
| Total | | | | | $ 1,634,082 | $ 71,710 | $ (53,336) | $ 1,652,456 |

*Refunding bonds

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

Long-term debt activity for the year ended June 30, 2008 was as follows:

| Series | Year Issued | Principal Issued | Year of Maturity | Interest Rates | Balance June 30, 2007 | Outstanding Additions | Principal Retirements | Balance June 30, 2008 |
|---|---|---|---|---|---|---|---|---|
| Sales Tax Revenue Bonds: | | | | | | | | |
| N* | 1992 | $122,245 | 2018 | 4.60% - 6.25% | $ 70,605 | $ - | $ (4,090) | $ 66,515 |
| P* | 1992 | 296,755 | 2020 | 3.30% - 6.25% | 207,850 | | (13,485) | 194,365 |
| 1996A* | 1996 | 163,650 | 2020 | 4.00% - 5.625% | - | | - | - |
| 1998A* | 1998 | 144,535 | 2010 | 5.50% - 6.250% | 101,150 | | (23,005) | 78,145 |
| 1998B* | 1998 | 200,000 | 2020 | 5.10% - 5.19% | - | | - | - |
| 2000A | 2000 | 100,000 | 2025 | Variable | 100,000 | | | 100,000 |
| 2000B | 2000 | 100,000 | 2025 | Variable | 100,000 | | | 100,000 |
| 2002* | 2002 | 160,000 | 2032 | 5.00% - 5.25% | - | | - | - |
| 2003A* | 2003 | 103,075 | 2020 | 3.00% - 5.00% | 83,640 | | (6,940) | 76,700 |
| 2005A* | 2005 | 190,490 | 2020 | 5.00% | 190,490 | | | 190,490 |
| 2006A* | 2006 | 163,890 | 2020 | 5.00% | 163,540 | | (1,165) | 162,375 |
| 2007A* | 2007 | 145,725 | 2032 | 5.25% | 145,725 | - | | 145,725 |
| 2007B | 2008 | 389,830 | 2037 | 5.00% | | 389,830 | | 389,830 |
| Subtotal | | | | | 1,163,000 | 389,830 | (48,685) | 1,504,145 |
| Less portion due within one year | | | | | (48,685) | (2,955) | | (51,640) |
| Plus unamortized premium (discount) | | | | | 52,938 | 15,124 | (5,465) | 62,597 |
| Less unamortized deferred loss on refunding | | | | | (34,750) | - | 3,730 | (31,020) |
| Sales Tax Revenue Bonds Total | | | | | 1,132,503 | 401,999 | (50,420) | 1,484,082 |
| Sales Tax Revenue Commercial Paper Bond Anticipation Notes: | | | | | | | | |
| 2004A | 2004 | 50,000 | 2008 | Variable | 100,000 | | (100,000) | - |
| 2004B | 2004 | 50,000 | 2008 | Variable | 100,000 | | (100,000) | - |
| 2004A | 2007 | 100,000 | 2008 | Variable | 100,000 | | (100,000) | - |
| 2004B | 2007 | 100,000 | 2008 | Variable | 100,000 | | (100,000) | - |
| 2007C | 2008 | 51,000 | 2011 | Variable | | 51,000 | | 51,000 |
| 2007D | 2008 | 99,000 | 2011 | Variable | | 99,000 | | 99,000 |
| Sales Tax Revenue Commercial Paper Bond Anticipation Notes Total | | | | | 400,000 | 150,000 | (400,000) | 150,000 |
| Total | | | | | $ 1,532,503 | $ 551,999 | $ (450,420) | $ 1,634,082 |

* Refunding bonds

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

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

The Series 2000A and 2000B Bonds are variable-rate sales tax revenue bonds. Each series was issued in the aggregate principal amount of $100,000 each and was initially issued in the weekly mode. Interest in the weekly mode is payable on the first business day of each month, for the previous month. The bonds may bear interest at daily rates, weekly rates, commercial paper rates, or term rates for periods selected from time to time by the Authority. In addition, the bonds may be converted to bear interest at a fixed rate. The rate of interest to be borne during any particular interest period will be determined by the remarketing agents. The interest rate at June 30, 2009 on the Series 2000A and 2000B Bonds was 0.75% and 0.65%, respectively. There are a variety of operational and financial covenants associated with the Bonds. Management believes that MARTA is in compliance with all such covenants.

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

Annual debt service requirements on the Bonds outstanding at June 30, 2009 are as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2010 | $ 54,930 | $ 68,877 | $ 123,807 |
| 2011 | 58,370 | 65,630 | 124,000 |
| 2012 | 62,860 | 62,208 | 125,068 |
| 2013 | 51,035 | 58,562 | 109,597 |
| 2014 | 53,815 | 55,324 | 109,139 |
| 2015 to 2019 | 316,395 | 232,766 | 549,161 |
| 2020 to 2024 | 274,975 | 153,199 | 428,174 |
| 2025 to 2029 | 209,310 | 118,872 | 328,182 |
| 2030 to 2034 | 216,100 | 74,864 | 290,964 |
| 2035 to 2039 | 154,715 | 24,534 | 179,249 |
| | $ 1,452,505 | $ 914,836 * | $ 2,367,341 |

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

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

MARTA has pledged future sales tax revenues to repay $1,652,456 in sales tax revenue bonds issued in 1992, 1996, 1998, 2000, 2002, 2003, 2005, 2006, 2007, and 2008. Proceeds from the bonds were used for rehabilitation or expansion of MARTA's rail and bus systems. Principal and interest on the bonds are payable through 2037, 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, 2009 and 2008 were $119,089 and $98,561, respectively.

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

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, 2009 and 2008, the amounts held in the Sinking Funds exceeded the amounts required to be held pursuant to the Bond Trust Indentures. All such amounts are classified as restricted cash and investments in the statements of net assets. Following is a summary of the activity in the Sinking Funds for the years ended June 30, 2009 and 2008:

| | 2009 | 2008 |
|---|---|---|
| Balance, beginning of year | $ 105,646 | $ 94,326 |
| Sales and use tax proceeds | 128,137 | 125,311 |
| Investment income | 311 | 1,099 |
| Principal and interest payments on Bonds | (119,089) | (98,561) |
| Excess sales tax withheld refunded | (9,497) | (16,126) |
| Trustee fees | 1,084 | (403) |
| Balance, end of year | $ 106,592 | $ 105,646 |

***Sales Tax Revenue Commercial Paper Notes*** – On June 30, 2009 MARTA had outstanding $225,000 of Sales Tax Revenue Commercial Paper Notes (the “Notes”), Series 2007C and 2007D, The effective interest rate paid on the Notes outstanding ranged from 0.90% to 7.00% with an average of 3.95% for the year ended June 30, 2009. 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. In addition, direct payment revolving credit agreement in the amount of $400,000 was entered into for the purpose of making funds readily available for the payment of principal. The outstanding balance, totaling $225,000, has been included in the long-term liabilities, rather than in current liabilities, in accordance with SFAS No. 6, as MARTA intends to refinance the Notes with long-term sales tax revenue bonds.

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

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

| Date of Execution | Notional Amount | Termination Date | Associated Bonds | Payment | Counterparty Payment | Counterparty & Credit Rating | Fair Value at 6/30/09 | Initial Cash Received |
|---|---|---|---|---|---|---|---|---|
| 11/05/2004 | $ 518,310 | 07/01/2032 | Series 1996A, 1998B, & 2002 | USD-BMA (1) | 65% of one-month LIBOR(2) + 11 basis points | Goldman Sachs Capital Markets A+ | $ (26,264) | $ 19,250 |
| 11/05/2004 | $ 200,000 | 07/01/2025 | Series 2000A & 2000B | USD-BMA | 61% of one-month LIBOR + 30 basis points | Merrill Lynch Capital Services A+ | $ (13,409) | $ 10,790 |

(1) The Bond Market Association Municipal Swap Index ™.
(2) London Interbank Offered Rate.

The interest rate swap exposes MARTA to basis risk when the interest rates on the transactions are reset. The interest rate on the Bonds is a tax-exempt interest rate, while the basis on the variable receipt on the interest rate swaps is taxable. 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 BMA 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. The cash received at the inception of the interest rate swap agreements was deferred and is being amortized over the life of the agreements and is included in deferred revenue in the statements of net assets.

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 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 $225,000 exposure to variable rates and the basis swaps will not increase that exposure. However, variable rate exposure under the basis swap relates to the fact that MARTA's obligations under the basis swap will vary with market conditions and will not be fixed. Variability is associated with the absolute level of interest rates as well as the relationship between BMA 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.

(As Restated) Dollars in Thousands

MARTA is exposed to market-access risk; there is the risk that MARTA will not be able to enter the credit market or that credit will become more costly.

***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, 2007, 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, providing for the upfront payment in an amount equal to the present value of the future interest cash flows. A portion of the proceeds from the upfront interest payments will be used towards fulfillment of debt service requirements on the related Bonds.

The cash received at the inception of the agreements was $11,350 and was allocated by Bond Series as follows:

| | |
|---|---|
| Series N | $ 1,348 |
| Series P | 4,130 |
| Series 1998A | 2,252 |
| Series 2005A | 3,620 |
| Total | $ 11,350 |

These amounts were deferred and are being amortized over the life of the agreements and are included in deferred revenue in the statements of net assets.

## 8. BOND REFUNDINGS

In prior years, MARTA has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from MARTA's financial statements. At June 30, 2009, the amount of defeased debt outstanding but removed from MARTA's statement of net assets totaled $217,585.

## 9. CAPITAL LEASE OBLIGATIONS

The Authority has entered into various 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 at their market values. Unrealized and realized gains and losses on these investments will be recorded as non-operating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Assets.

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

American Insurance Group (AIG) and Ambac were participants in a majority of these structured lease transactions. The downgrade of AIG and Ambac ratings triggered, at the option of the counterparties, replacement of the Payment Undertaking Agreements and the surety bonds for 18 of the 19 transactions. Of the 18 transactions that fell below the threshold, replacement was requested for 16. None of MARTA's counterparties in these transactions have declared a default nor are there any indications of their intent to do so. The statuses of these transactions are as follows:

- As discussed above, two transactions have been terminated and one transaction has been remediated. These transactions represented approximately 67% of the original exposure to MARTA.

- Five transactions, representing an additional 10% of the original exposure, have a negotiated memorandum of understanding to remediate the threshold event. Remediation documents have been drafted and are expected to be executed in fiscal year 2010.

- Terms have been reached to remediate four additional transactions, representing an additional 13% of the original exposure; memorandums of understanding are currently being drafted for execution with finalization of the remediation expected in fiscal year 2010.

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2009:

| | |
|---|---|
| Fiscal Year (s) | |
| 2010 | $ 5,620 |
| 2011 | 5,407 |
| 2012 | 25 |
| 2013 | 3,327 |
| 2014 | 2,603 |
| 2015 – 2019 | 112,544 |
| 2020 – 2024 | 32,112 |
| 2025 – 2029 | 62,761 |
| 2030 – 2034 | 121,560 |
| Present value of net minimum lease payments | 345,959 |
| Less: current principal maturities | (3,028) |
| Obligations under capital leases | $ 342,931 |

| | |
|---|---|
| The liability of these leases changed in 2009 and 2008 as follows: | |
| Outstanding - June 30, 2007 | $ 425,612 |
| Net change in obligation | 20,865 |
| Outstanding - June 30, 2008 | 446,477 |
| Net change in obligation | (100,518) |
| Outstanding - June 30, 2009 | $ 345,959 |

### 10. 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. 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 or calling the plan.

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

Non-Represented Pension Plan
2424 Piedmont Road NE
Atlanta, GA 30324

MARTA/ATU Local 732 Employees Retirement Plan
2424 Piedmont Road NE
Atlanta, GA 30324

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

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

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the plans as of January 1, 2009 for the Union Plan and Non-Rep Plan:

| | Union | Non-Rep |
|---|---|---|
| Active employees | 2,987 | 1,048 |
| Pensioners | 1,414 | 910 |
| Inactive vestees | 192 | 140 |
| Total | 4,593 | 2,098 |

***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.

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.

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

MARTA's annual pension cost for the current year, based on actuarial valuations performed as of January 1, 2009 for Union and Non-Rep plans and related information for each plan, is as follows:

| | Union | Non-Rep |
|---|---|---|
| Contribution rates: | | |
| MARTA | 4.48% | 18.00% |
| Plan members | 2.45% | 5.00% |
| Transit Police | - | 6.50% |
| Annual pension cost | $5,429 | $18,433 |
| Contributions made | $8,272 | $23,159 |
| Actuarial valuation date | 01/01/2009 | 01/01/2009 |
| Actuarial cost method | Entry Age Cost Method | Entry Age Cost Method |
| Amortization method | Level % of pay, open | Level % of pay, open |
| Remaining amortization period | N/A | N/A |
| Asset valuation method | 5 - year weighted index | 5 - year weighted index |
| Actuarial assumptions | | |
| Investment rate of return | 7.5% | 7.5% |
| Projected salary increases: | | |
| Inflation and productivity | 4.5% per year | 3.8% per year |
| Merit or seniority | 1.0% per year | 1.6% per year |
| Post retirement benefit increases | none | none |

***Entry Age 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 cost.

# NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

***Four-Year Trend Information***

**MARTA/ATU Local 732 Retirement Plan**

| Plan Year | Annual Pension Cost (APC) | % of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2005 | 4,498 | 100 | 0 |
| 2006 | 4,757 | 100 | 0 |
| 2007 | 4,903 | 100 | 0 |
| 2008 | 5,429 | 100 | 0 |

**Non-Represented Pension Plan**

| Plan Year | Annual Pension Cost (APC) | % of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 2005 | 9,493 | 100 | 0 |
| 2006 | 10,515 | 100 | 0 |
| 2007 | 13,053 | 100 | 0 |
| 2008 | 18,433 | 100 | 0 |

**Schedule of Funding Progress**

**MARTA/ATU Local 732 Employees Retirement Plan**

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

| Plan Year | Actuarial Value of Assets | Unfunded Frozen Actuarial Accrued Liability (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|
| 2006 | 429,513 | (40,301) | 95,036 | (42.4) |
| 2007 | 444,445 | (38,659) | 105,031 | (36.8) |
| 2008 | 471,361 | (47,316) | 108,031 | (43.9) |
| 2009 | 430,449 | 11,688 | 116,744 | 10.0 |

(As Restated) Dollars in Thousands

### Non-Represented Pension Plan

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

| Plan Year | Actuarial Value of Assets | Unfunded Frozen Actuarial Accrued Liability (UAAL) | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|
| 1/1/2006 | 177,925 | 115,725 | 59,819 | 196.5 |
| 1/1/2007 | 239,243 | 82,121 | 62,163 | 132.1 |
| 1/1/2008 | 251,492 | 115,429 | 66,692 | 173.1 |
| 1/1/2009 | 237,791 | 143,544 | 67,012 | 214.2 |

***Defined Contribution Pension Plan*** – The MARTA Non-represented Defined Contribution Plan and Trust (the D.C. Plan) was established to provide benefits at retirement to non-represented employees of MARTA who were hired on or after January 1, 2005 and to those members of the Non-Rep Plan who elected to transfer to this Plan. The D.C. Plan is administered by the Hartford Group. The employee is required to contribute 6% of their annual compensation and MARTA matches at 3% of the enrolled employee's annual compensation. Plan provisions and contributions requirements are established and may be amended by the pension committee after approval by resolution of the MARTA Board of Directors. Employer contributions to the D.C. Plan for the years 1/1/2009 and 2008 were $506 and $360, respectively.

Employee contributions to the D.C. Plan for the years ended June 30, 2009 and 2008 were $1,005 and $718, respectively.

## 11. 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 $15.5 per year. All administration costs of the 457 Plan are deducted from the participant's account. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). The 457 Plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA's Statements of Net Assets.

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

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

(As Restated) Dollars in Thousands

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

MARTA's annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) with increasing payments over a period not to exceed thirty years. For the years ended June 30, 2009 and 2008, respectively, MARTA contributed $22,508 and $13,509 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 2009 and 2008, the amounts actually contributed to the Plan and changes in MARTA's Net OPEB Obligation (Asset):

| | 2009 | 2008 |
|---|---|---|
| Annual required contribution | $ 17,602 | $ 20,039 |
| Interest on net OPEB obligation | - | - |
| Adjustment to OPEB obligation | (1,624) | - |
| Annual OPEB cost | 15,978 | 20,039 |
| Actual employer contributions | (22,508) | 13,509 |
| Increase(decrease) in net OPEB obligation(asset) | (6,530) | 6,530 |
| Net OPEB obligation (asset), beginning of year | 6,530 | - |
| Net OPEB obligation (asset), end of year | $ - | $ 6,530 |
| Percentage of annual OPEB cost contributed | 141% | 67% |

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 June 30, 2008 actuarial valuation, the Individual Entry Age Normal cost method was used. Under the Entry Age Normal Actuarial Cost Method, the Normal Cost is computed as the dollar amount which, if paid from the earliest time each Participant would have been eligible to join the Plan if it then existed (entry age) until their retirement, termination or death, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to pay all benefits under the Plan. The total Normal Cost for the Plan is determined by adding the Normal Costs for each individual Participant.

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

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 devia tions in experience from the actuarial assumptions, decrease or increase the Unfunded Actuarial Accrued Liability.

The amortization method used is a 30 year closed level percent of pay formula assuming a 3.0% annual payroll growth assumption. There are currently 28 years remaining in the amortization period. For purposes of the fiscal year 2009 and 2008 actuarial valuations, discount rates of 7.5% and 4.7% 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. This trust was established in the 2008-2009 Plan Year and currently, no audited GAAP basis report is available for the Plan. The Authority has no fiduciary relationship with the referenced trust. Accordingly, the OPEB Plan assets are not included in MARTA's statements of net assets. The healthcare trend rate used for determining the cost of future benefits for the Plan was 8.0% for 2008-2009 trending down by 1% annually to an ultimate rate of 5%.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 were as follows:

| Fiscal Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2008 | 20,039 | 67% | 6,530 |
| 2009 | 15,978 | 141% | - |

The funded status of the Plan as of June 30, 2009 was as follows:

| | |
|---|---|
| Actuarial accrued liability (AAL) | 177,614 |
| Actuarial value of plan assets | 9,937 |
| Unfunded actuarial acccrued liability (UAAL) | 167,677 |
| Funded ratio | 6% |
| Covered payroll | 175,312 |
| UAAL as a percentage of covered payroll | 96% |

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

The schedule of funding progress of the Plan as of June 30, 2009 was as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Individual Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/08 | - | 169,391 | 169,391 | 0% | 170,717 | 99% |
| 6/30/09 | 9,937 | 177,614 | 167,677 | 6% | 175,312 | 96% |

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 | 933 | 170 | 1,103 |
| Not yet fully eligible | 1,187 | 636 | 1,823 |
| Total number of lives | 2,120 | 806 | 2,926 |

### 12. 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 and public liability and property damage claims up to $5,000 per occurrence. MARTA carries liability insurance for amounts exceeding the self-insured limits. For property and casualty insurance, the coverage over the self insured retention is $5,000 to $150,000.

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

There have been no significant reductions in insurance coverage during the years ended June 30, 2009 and 2008 and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

(As Restated) Dollars in Thousands

The changes in the liabilities for self-insurance for the years ended June 30, 2009 and 2008 are as follows:

| | Workers' Compensation | Public Liability and Property Damage | Totals |
|---|---|---|---|
| Balance, July 1, 2007 | $ 9,656 | $ 8,060 | $ 17,716 |
| Incurred claims, net of any changes | 6,739 | 6,176 | 12,915 |
| Payments | (5,544) | (4,934) | (10,478) |
| Balance, June 30, 2008 | 10,851 | 9,302 | 20,153 |
| Incurred claims, net of any changes | 7,276 | 6,424 | 13,700 |
| Payments | (6,035) | (7,587) | (13,622) |
| Balance, June 30, 2009 | $ 12,092 | $ 8,139 | $ 20,231 |
| Due within one year | $ 869 | $ 595 | $ 1,464 |

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. The three medical plans have both specific and aggregate stop loss insurance coverages.

## 13. DEFERRED REVENUE

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

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

During the year ended June 30, 2003, MARTA entered into an additional lease leaseback arrangement for rail cars with third party investors. A lease leaseback arrangement was also entered into for the Avondale Rail Maintenance Facility. MARTA received cash consideration of $15.3 million for the two transactions (less expenses totaling $1.5 million, resulting in net proceeds of $13.8 million).

The net proceeds are being amortized over the life of the respective leases on a straight-line basis (approximately 25 years for the rail cars and 31½ for the maintenance facility). In 2009, MARTA terminated the Avondale lease agreement.

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

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

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

During the year ended June 30, 2007, MARTA received additional cash consideration of $4.1 million, less a negligible amount of expenses, for liquidating securities on the lease service deposits related to the South Rail Line, east rail and MARTA Rail STAT Custody (Avondale Account) leaseback transactions. The agreements were entered into on July 10, 2006 and April 10, 2007. The net proceeds are being amortized over the life of the agreements, which are approximately 25 years for South/East Line and 26 years respectively, on a straight-line basis.

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

## 14. 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, 2009. At June 30, 2009 MARTA was committed to future capital expenditures for various other projects.

## NOTES TO THE FINANCIAL STATEMENTS – June 30, 2009 and 2008

(As Restated) Dollars in Thousands

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, replacement and rehabilitation of transit operating equipment, development work for construction support techniques, purchase and installation of a computer, and other purposes not directly related to the rail construction program.

MARTA plans to fund its committed projects through the unencumbered capital portion of its sales tax, future new bond proceeds, issuance of commercial paper and federal and state capital grants. MARTA also has lease and interest revenue and capital reserves available to supplement its needs.

During the year ended June 30, 2001, MARTA began construction of a Transit Oriented Development Program whereby MARTA would lease office, retail, and residential space. The BellSouth Towers and related parking and retail space were completed in October 2002. Several lease agreements have been signed, the terms of which provide for various payments to be made to MARTA over a variety of years.

Atlanta Gas Light Company constructed a refueling station on MARTA's Perry Boulevard property. MARTA leased this refueling station under an operating lease. The non-cancelable lease term is for five years after which the lease provided three renewal options of five years each but did not include a bargain renewal option. MARTA exercised the option to purchase the refueling station in September 2009, at a price of $849. The cost for this lease was $585 and $629 for the years ended June 30, 2009 and 2008, respectively.

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, 2009:

| Fiscal Year | Amount |
|---|---|
| 2010 | $ 4,292 |
| 2011 | 4,463 |
| 2012 | 4,619 |
| 2013 | 4,599 |
| 2014 | 4,721 |
| | $ 22,694 |

***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 heating oil) 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. These contracts settle on a monthly basis and will expire on June 30, 2010.

(As Restated) Dollars in Thousands

A summary of these contracts is as follows:

| Date of Execution | Notional Amount | Termination Date | Fixed Price | Counterparty | Fair Value at 6/30/09 | Net Settlement In FY 2009 |
|---|---|---|---|---|---|---|
| **Natural Gas:** | | | | | | |
| 9/18/2008 | $ 489,000 | 06/30/2010 | $8.58 per MMBTU | Canadian Imperial Bank of Commerce | $ (3,746) | $ (1,961) |
| **Diesel:** | | | | | | |
| 9/18/2008 | $ 1,192,020 | 06/30/2010 | $2.9425 cents per gallon | J.P. Morgan Ventures Energy Corp. | $ 2,793 | $ 296 |

MARTA is exposed to the failure of the counterparty to fulfill the forward-fuel contract. The terms of the contract 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.

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

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

### 15. SUBSEQUENT EVENT

***Sales Tax Revenue Bonds*** – On September 17, 2009 MARTA sold tax exempt sales tax revenue bonds with a par value of $250,000,000. The total interest cost of the bonds was 4.68%.

# SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES, BUDGET VS ACTUAL (BUDGET BASIS)

For the Year Ended June 30, 2009 (Dollars in Thousands)

| | Budget | (Budget Basis) | Favorable/ (Unfavorable) |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Fare Revenues | $ 105,967 | $ 105,235 | $ (732) |
| Other Revenues | 7,026 | 8,563 | 1,537 |
| Total Operating Revenues | 112,993 | 113,798 | 805 |
| **Operating Expenses:** | | | |
| Transportation | 170,573 | 177,869 | (7,296) |
| Maintenance and Garage Operations | 142,810 | 141,438 | 1,372 |
| General and Administrative | 79,944 | 71,616 | 8,328 |
| Contingency | 2,135 | - | 2,135 |
| Total Operating Expenses | 395,462 | 390,923 | 4,539 |
| **Operating Loss** | (282,469) | (277,125) | 5,344 |
| **Nonoperating Revenues (Expenses):** | | | |
| Sales and Use Tax | 366,476 | 312,704 | (53,772) |
| Federal Operating Revenues | 41,793 | 52,313 | 10,520 |
| Investment Income | 4,044 | 6,933 | 2,889 |
| Capital Lease and other revenues | | 2,903 | 2,903 |
| Other Revenues | 9,654 | 48,443 | 38,789 |
| | 421,967 | 423,296 | 1,329 |
| **Increase in Net Assets - Budget Basis** | $ 139,498 | 146,171 | $ 6,673 |
| **Basis Differences** | | | |
| Depreciation | | (226,104) | |
| Gain (Loss) on Sales of Property and Equipment | | (1,611) | |
| Interest Expense | | (72,568) | |
| Interest Expense Capitalized | | 356 | |
| Amortization of Bond Discount, Issue Costs and Deferred Loss on Refunding | | 2,310 | |
| Other - Nonoperating Expense | | (32,609) | |
| Capital Grants | | 80,373 | |
| **Decrease in Net Assets - GAAP Basis** | | $ (103,682) | |

*See note to supplemental schedule.*

# NOTES TO SUPPLEMENTAL SCHEDULE

For the Year Ended June 30, 2009 (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 2009 net operating expenses were $391 million which excludes depreciation. This was $4 million (1.1%) less than the fiscal year 2009 budget, which was $12 million (3.1%) more than the previous year's budget. MARTA continued a number of cost containment measures in fiscal year 2009 by focusing on the Board of Director's priorities, which includes improving service reliability and cleanliness, as well as improving financial stability. The continuing weakness in the economy pushed Sales and Use Tax collections lower than budget by $54 million. In 2009 MARTA terminated two major lease contracts; this lead to a $41 million favorable variance in Other Nonoperating Revenues.

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# Statistical Section

Unaudited

# STATISTICAL SECTION – Unaudited

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

## Contents



**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.

# CONDENSED SUMMARY OF NET ASSETS

Last Six Fiscal Years (Dollars in Thousands)

| | 2009 | 2008* | 2007* | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| **ASSETS:** | | | | | | |
| Current and Other Assets | $ 923,365 | $ 1,141,752 | $ 1,058,814 | $ 539,981 | $ 510,527 | $ 463,672 |
| Capital Assets | 3,360,487 | 3,393,197 | 3,350,154 | 3,304,347 | 3,240,064 | 3,194,420 |
| Total Assets | 4,283,852 | 4,534,949 | 4,408,968 | 3,844,328 | 3,750,591 | 3,658,092 |
| **LIABILITIES:** | | | | | | |
| Long-term Debt Outstanding | 1,707,386 | 1,685,722 | 1,581,188 | 1,425,964 | 1,357,907 | 1,288,364 |
| Other Liabilities | 571,470 | 740,549 | 689,722 | 251,278 | 238,927 | 219,286 |
| Total Liabilities | 2,278,856 | 2,426,271 | 2,270,910 | 1,677,242 | 1,596,834 | 1,507,650 |
| **NET ASSETS:** | | | | | | |
| Invested in Capital Assets, Net of Debt | 1,653,101 | 1,707,475 | 1,768,966 | 1,884,865 | 1,887,897 | 1,912,103 |
| Restricted | 308,574 | 306,633 | 291,828 | 268,520 | 234,055 | 220,527 |
| Unrestricted | 43,321 | 94,570 | 77,264 | 13,701 | 31,805 | 17,812 |
| **TOTAL NET ASSETS** | $ 2,004,996 | $ 2,108,678 | $ 2,138,058 | $ 2,167,086 | $ 2,153,757 | $ 2,150,442 |

*FY 2008 and FY 2007 were restated.

# SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Last Six Fiscal Years (Dollars in Thousands)

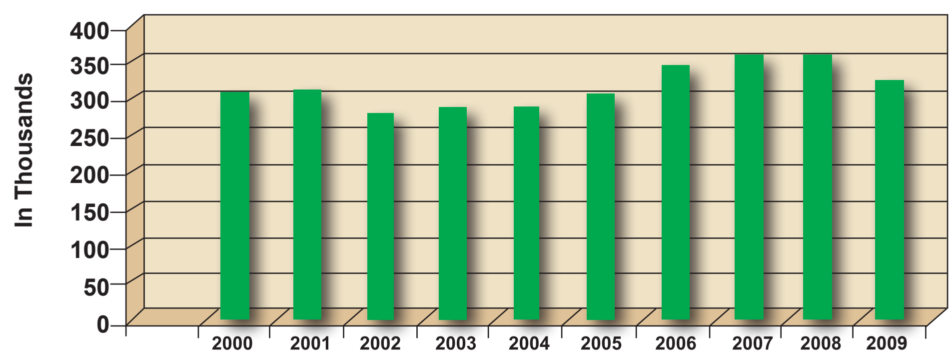
| | 2009 | 2008* | 2007* | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| **Operating Revenues** | | | | | | |
| Fare Revenues | $105,235 | $103,963 | $104,678 | $99,148 | $96,244 | $95,082 |
| Other Revenues | 8,563 | 13,595 | 5,277 | 6,112 | 7,425 | 12,225 |
| Total Operating Revenues | 113,798 | 117,558 | 109,955 | 105,260 | 103,669 | 107,307 |
| **Non-Operating Revenues** | | | | | | |
| Sales and Use Tax | 312,704 | 349,668 | 350,526 | 334,486 | 307,227 | 283,381 |
| Federal Operating Revenues | 52,313 | 49,253 | 40,142 | 39,045 | 40,374 | 41,556 |
| Investment Income | 6,933 | 18,068 | 19,609 | 13,136 | 7,778 | 4,305 |
| Capital Leases and Other Revenues | 2,903 | 3,434 | | | | |
| Other Revenues | 48,443 | 10,786 | 9,614 | 10,088 | 9,615 | 8,904 |
| Gain (Loss) on Sale of Property and Equip. | (1,611) | 275 | 833 | 572 | (2,741) | (6,224) |
| Total Nonoperating Revenues | 421,685 | 431,484 | 420,724 | 397,327 | 362,253 | 331,922 |
| **Total Revenues** | 535,483 | 549,042 | 530,679 | 502,587 | 465,922 | 439,229 |
| **Summary of Expenses** | | | | | | |
| **Operating:** | | | | | | |
| Transportation | 177,869 | 174,927 | 158,300 | 146,162 | 141,833 | 149,278 |
| Maintenance and Garage Operations | 141,438 | 129,430 | 116,746 | 110,065 | 117,871 | 113,930 |
| General and Administrative | 71,616 | 64,410 | 53,912 | 50,278 | 49,678 | 39,849 |
| Depreciation | 226,104 | 195,892 | 163,939 | 147,052 | 138,976 | 132,612 |
| Total Operating Expenses | 617,027 | 564,659 | 492,897 | 453,557 | 448,358 | 435,669 |
| **Non-Operating Expenses** | | | | | | |
| Interest Expenses | 72,568 | 75,558 | 70,326 | 65,831 | 64,165 | 62,505 |
| Interes Expenses Capitalized | (356) | (177) | (1,710) | (3,470) | (11,989) | (10,434) |
| Amortization of Bond Discount, Issue Costs and Deffered Loss on Refunding | (2,310) | (3,715) | (2,966) | (1,177) | 653 | 1,191 |
| Other Expenses-Special Pension Plan | | | 45,000 | | | |
| Other Nonoperating Expenses | 32,609 | 23,288 | 12,818 | 13,160 | 13,103 | 10,271 |
| Total Nonoperating Expenses | 102,511 | 94,954 | 123,468 | 74,344 | 65,932 | 63,533 |
| **Total Expenses** | 719,538 | 659,613 | 616,365 | 527,901 | 514,290 | 499,202 |
| **Loss Before Capital Contributions** | (184,055) | (110,571) | (85,686) | (25,314) | (48,368) | (59,973) |
| Capital Grants | 80,373 | 81,191 | 41,277 | 38,643 | 51,683 | 55,529 |
| **Increase (Decrease) in Net Assets** | (103,682) | (29,380) | (44,409) | 13,329 | 3,315 | (4,444) |
| **Net Assets, July 1 as previously reported** | | 2,138,058 | 2,167,086 | 2,153,757 | 2,150,442 | 2,154,886 |
| **Prior period adjustment** | | | 15,381 | | | |
| **Net Assets, July 1 restated** | 2,108,678 | 2,138,058 | 2,182,467 | | | |
| **Net Assets, June 30** | $2,004,996 | $2,108,678 | $2,138,058 | $2,167,086 | $2,153,757 | $2,150,442 |

*FY 2008 and FY 2007 were restated.

# SALES TAX COLLECTION AND USAGE – Last Ten Fiscal Years (Dollars in Thousands)

| | | | Usage (2 & 3) | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Sales Tax for Operations | | |
| Fiscal Year | Sales Tax[1] | Percent Change | Sinking Fund Withheld | Capital Construction | Subsidy | Percent Used | Overage/ (Shortage) |
| **2000** | 295,796 | 8.4 | 91,858 | 56,040 | 163,747 | 55 | (15,849) |
| **2001** | 304,388 | 2.9 | 98,601 | 53,593 | 167,334 | 55 | (15,140) |
| **2002** | 286,435 | (5.9) | 92,449 | 50,769 | 144,209 | 51 | (992) |
| **2003** | 272,578 | (4.8) | 99,213 | 37,076 | 157,732 | 58 | (21,443) |
| **2004** | 280,663 | 3.0 | 93,361 | 46,970 | 143,439 | 51 | (3,107) |
| **2005** | 296,351 | 5.6 | 107,703 | 40,472 | 152,135 | 51 | (3,959) |
| **2006** | 331,213 | 11.8 | 111,523 | 54,083 | 145,617 | 44 | 19,990 |
| **2007** | 349,215 | 5.4 | 118,276 | 56,331 | 158,931 | 46 | 15,677 |
| **2008** | 351,596 | 0.7 | 125,311 | 50,487 | 182,671 | 52 | (6,873) |
| **2009** | 327,425 | (6.9) | 128,137 | 35,575 | 216,835 | 66 | (53,122) |

**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.

## 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]** | | | | | | | | |
| | **2000** | 36.1 | 17.4 | 53.5 | 42.4 | 4.1 | 46.5 | 100.0 % |
| | **2001** | 35.2 | 14.1 | 49.3 | 46.2 | 4.5 | 50.7 | 100.0 |
| | **2002** | 32.5 | 17.3 | 49.8 | 45.3 | 4.9 | 50.2 | 100.0 |
| | **2003** | 32.6 | 18.1 | 50.7 | 43.6 | 5.7 | 49.3 | 100.0 |
| | **2004** | 32.9 | 16.7 | 49.6 | 43.4 | 7.0 | 50.4 | 100.0 |
| | **2005** | 32.4 | 15.7 | 48.1 | 44.6 | 7.3 | 51.9 | 100.0 |
| | **2006** | 33.2 | 7.0 | 40.2 | 52.1 | 7.7 | 59.8 | 100.0 |
| | **2007** | * | * | * | * | * | * | * |
| | **2008** | * | * | * | * | * | * | * |
| | **2009** | * | * | * | * | * | * | * |
| **MARTA** | | | | | | | | |
| | **2000** | 20.7 | 6.9 | 27.6 | 65.2 | 7.2 | 72.4 | 100.0 % |
| | **2001** | 20.4 | 8.9 | 29.3 | 61.0 | 9.9 | 70.7 | 100.0 |
| | **2002** | 22.7 | 5.9 | 28.6 | 63.3 | 8.1 | 71.4 | 100.0 |
| | **2003** | 22.2 | 5.9 | 28.1 | 62.6 | 9.3 | 71.9 | 100.0 |
| | **2004** | 21.3 | 5.8 | 27.1 | 63.6 | 9.3 | 72.9 | 100.0 |
| | **2005** | 20.5 | 5.3 | 25.8 | 65.6 | 8.6 | 74.2 | 100.0 |
| | **2006** | 20.5 | 5.8 | 26.3 | 66.0 | 7.7 | 73.7 | 100.0 |
| | **2007** | 19.8 | 6.5 | 26.3 | 66.2 | 7.5 | 73.7 | 100.0 |
| | **2008**** | 18.9 | 8.4 | 27.3 | 63.7 | 9.0 | 72.7 | 100.0 |
| | **2009** | 19.6 | 12.2 | 31.8 | 58.4 | 9.8 | 68.2 | 100.0 |

* Not Available

** Restated

[1] Source: The American Public Transportation Association, APTA 2008 Transportation Fact Book, Table 47

[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 |
|---|---|---|---|---|---|---|---|---|
| **2000** | 121,001 | 124,859 | 60,055 | 116,097 | 422,012 | 58,840 | 8,091 | 488,943 |
| **2001** | 128,445 | 141,819 | 59,924 | 121,088 | 451,276 | 59,662 | 13,832 | 524,770 |
| **2002** | 135,377 | 107,713 | 54,901 | 132,082 | 430,073 | 53,790 | 12,920 | 496,783 |
| **2003** | 143,755 | 118,446 | 52,588 | 135,116 | 449,905 | 55,320 | 12,109 | 517,334 |
| **2004** | 149,278 | 113,930 | 39,849 | 132,612 | 435,669 | 52,071 | 11,462 | 499,202 |
| **2005** | 141,833 | 117,871 | 49,678 | 138,976 | 448,358 | 52,175 | 13,757 | 514,290 |
| **2006** | 146,162 | 110,065 | 50,278 | 147,052 | 453,557 | 62,361 | 11,983 | 527,901 |
| **2007** | 158,300 | 116,746 | 53,912 | 163,939 | 492,897 | 68,616 | 54,852 | 616,365 |
| **2008** | 174,927 | 129,430 | 64,410 | 195,892 | 564,659 | 75,381 | 19,573 | 659,613 |
| **2009** | 177,869 | 141,438 | 71,616 | 226,104 | 617,027 | 72,212 | 30,299 | 719,538 |

## TOTAL 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 |
|---|---|---|---|---|---|---|---|---|---|
| **2000** | 224,300 | 19,089 | 32,212 | 10,915 | 9,699 | - | 116,097 | 9,700 | 422,012 |
| **2001** | 243,196 | 36,865 | 28,914 | 12,347 | 4,657 | - | 121,088 | 4,209 | 451,276 |
| **2002** | 228,859 | 14,589 | 28,559 | 13,220 | 6,196 | - | 132,082 | 6,568 | 430,073 |
| **2003** | 238,776 | 17,751 | 30,403 | 13,229 | 6,896 | - | 135,116 | 7,734 | 449,905 |
| **2004** | 239,408 | 15,410 | 31,893 | 12,875 | (487) | - | 132,612 | 3,958 | 435,669 |
| **2005** | 236,793 | 15,691 | 32,437 | 13,014 | 7,682 | - | 138,976 | 3,765 | 448,358 |
| **2006** | 238,085 | 15,411 | 31,561 | 13,898 | 5,700 | - | 147,052 | 1,850 | 453,557 |
| **2007** | 250,759 | 16,755 | 33,871 | 15,511 | 9,777 | - | 163,939 | 2,285 | 492,897 |
| **2008** | 285,757 | 15,409 | 39,514 | 16,550 | 8,861 | - | 195,892 | 2,676 | 564,659 |
| **2009** | 296,838 | 17,994 | 47,093 | 17,569 | 8,954 | - | 226,104 | 2,475 | 617,027 |

# OPERATING EXPENSES COMPARISON TO INDUSTRY TREND DATA

Last Ten Fiscal Years

| | Fiscal Year | Labor and Benefits | Services | Material and Supplies | Utilities | Casualty/ Liability Costs | Purchased Transportation | Other | Total Operating Expenses ** |
|---|---|---|---|---|---|---|---|---|---|
| Transportation Industry (1) | | | | | | | | | |
| | 2000 | 69.8 | 5.7 | 10.0 | 3.2 | 2.2 | 12.2 | (3.1) | 100.0 % |
| | 2001 | 69.5 | 5.9 | 10.0 | 3.3 | 2.1 | 12.6 | (3.4) | 100.0 |
| | 2002 | 70.2 | 6.2 | 9.2 | 3.1 | 2.5 | 12.0 | (3.2) | 100.0 |
| | 2003 | 69.0 | 6.0 | 9.0 | 3.0 | 2.6 | 13.4 | (3.0) | 100.0 |
| | 2004 | 68.7 | 5.8 | 9.1 | 3.0 | 2.6 | 13.4 | (2.6) | 100.0 |
| | 2005 (P) | 66.9 | 5.8 | 10.1 | 3.2 | 2.5 | 13.8 | (2.3) | 100.0 |
| | 2006 | * | * | * | * | * | * | * | * |
| | 2007 | * | * | * | * | * | * | * | * |
| | 2008 | * | * | * | * | * | * | * | * |
| | 2009 | * | * | * | * | * | * | * | * |
| MARTA | | | | | | | | | |
| | 2000 | 73.0 | 6.2 | 10.5 | 3.6 | 3.2 | 0.0 | 3.5 | 100.0 % |
| | 2001 | 73.6 | 11.2 | 8.8 | 3.7 | 1.4 | 0.0 | 1.3 | 100.0 |
| | 2002 | 76.8 | 4.9 | 9.6 | 4.4 | 2.1 | 0.0 | 2.2 | 100.0 |
| | 2003 | 75.9 | 5.6 | 9.7 | 4.2 | 2.2 | 0.0 | 2.4 | 100.0 |
| | 2004 | 79.0 | 5.1 | 10.5 | 4.2 | (0.1) | 0.0 | 1.3 | 100.0 |
| | 2005 | 76.5 | 5.1 | 10.5 | 4.2 | 2.5 | 0.0 | 1.2 | 100.0 |
| | 2006 | 77.7 | 5.0 | 10.3 | 4.5 | 1.9 | 0.0 | 0.6 | 100.0 |
| | 2007 | 76.2 | 5.1 | 10.3 | 4.7 | 3.0 | 0.0 | 0.7 | 100.0 |
| | 2008 | 77.5 | 4.2 | 10.7 | 4.5 | 2.4 | 0.0 | 0.7 | 100.0 |
| | 2009 | 75.9 | 4.6 | 12.1 | 4.5 | 2.3 | 0.0 | 0.6 | 100.0 |

P Preliminary
* Not Available
** Excludes Depreciation
(1) Source: The American Public Transportation Association, APTA 2007 PublicTransportation Fact Book, Table 47.

# 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 [3] | Non-Transportation [4] | Total |
|---|---|---|---|---|---|---|---|
| **2000** | 95,095 | 32,763 | 299,103 | 6,628 | 21,559 | 3,576 | 458,724 |
| **2001** | 101,278 | 48,513 | 303,562 | 5,825 | 30,559 | 7,667 | 497,404 |
| **2002** | 102,207 | 36,477 | 284,427 | 9,434 | 14,211 | 2,956 | 449,712 |
| **2003** | 96,059 | 40,157 | 271,006 | 9,955 | 8,227 | 7,602 | 433,006 |
| **2004** | 95,082 | 41,556 | 283,381 | 12,225 | 4,305 | 2,680 | 439,229 |
| **2005** | 96,244 | 40,374 | 307,227 | 7,425 | 7,778 | 6,874 | 465,922 |
| **2006** | 99,148 | 39,045 | 334,486 | 6,112 | 13,136 | 10,660 | 502,587 |
| **2007** | 104,678 | 40,142 | 350,526 | 5,277 | 19,609 | 10,447 | 530,679 |
| **2008 *** | 103,963 | 49,253 | 349,668 | 13,595 | 18,068 | 14,495 | 549,042 |
| **2009** | 105,235 | 52,313 | 312,704 | 8,563 | 6,933 | 49,735 | 535,483 |

(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) In fiscal year 1998, MARTA changed its method of accounting for investments from the amortized cost method to the fair value method.

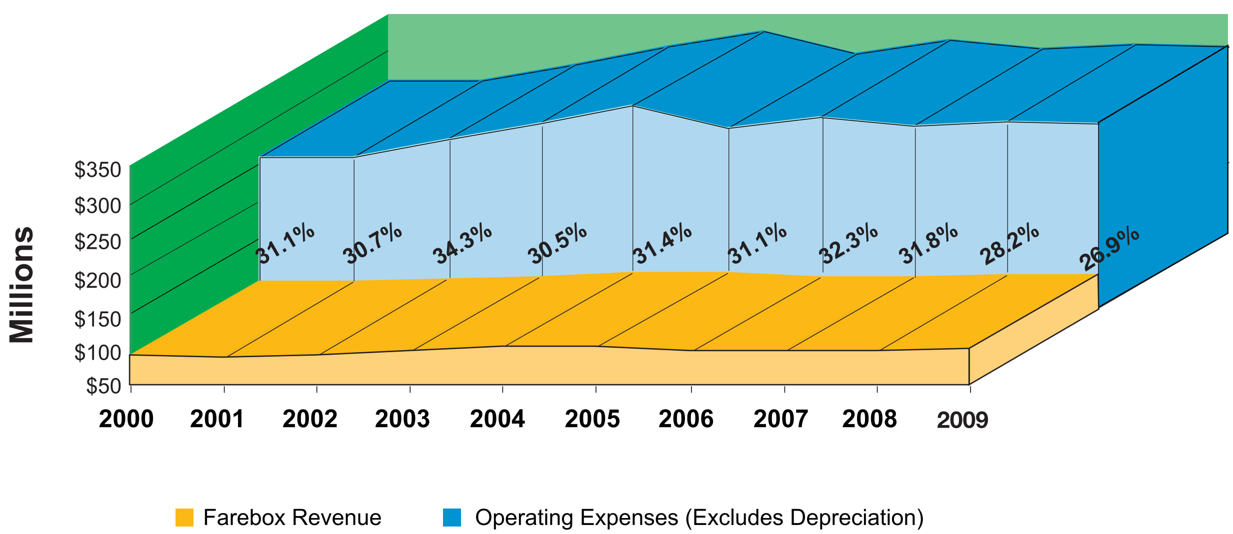
(4) Includes the net gain or loss on the disposition of fixed assets.

* Restated

# FAREBOX RECOVERY PERCENTAGE

Last Ten Fiscal Years (Dollars in Thousands)

| Fiscal Year | Farebox Revenue | Percent Change | Operating Expenses [(1)] | Percent Change | Farebox Recovery |
|---|---|---|---|---|---|
| **2000** | 95,095 | 4.0 | 305,915 | 7.9 | 31.1 |
| **2001** | 101,278 | 6.5 | 330,187 | 7.9 | 30.7 |
| **2002** | 102,207 | 0.9 | 297,991 | (9.8) | 34.3 |
| **2003** | 96,059 | (6.0) | 314,789 | 5.6 | 30.5 |
| **2004** | 95,082 | (1.0) | 303,057 | (3.7) | 31.4 |
| **2005** | 96,244 | 1.2 | 309,382 | 2.1 | 31.1 |
| **2006** | 99,148 | 3.0 | 306,505 | (0.9) | 32.3 |
| **2007** | 104,678 | 5.6 | 328,958 | 7.3 | 31.8 |
| **2008** | 103,963 | (0.7) | 368,767 | 12.1 | 28.2 |
| **2009** | 105,235 | 1.2 | 390,923 | 6.0 | 26.9 |




[(1)] Excludes depreciation expense

# SALES & USE TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

| Fiscal Year | State of Georgia [1] | MARTA [2] | DeKalb County [3 & 8] | Fulton County [4 & 8] | Clayton County [5] | Cobb County [6] | Gwinnett County [7] |
|---|---|---|---|---|---|---|---|
| **2000** | 4 | 1 | 2 | 2 | 3 | 1 | 2 |
| **2001** | 4 | 1 | 2 | 2 | 3 | 1 | 2 |
| **2002** | 4 | 1 | 2 | 2 | 2 | 1 | 2 |
| **2003** | 4 | 1 | 2 | 2 | 2 | 1 | 2 |
| **2004** | 4 | 1 | 2 | 2 | 2 | 1 | 2 |
| **2005** | 4 | 1 | 2 | 2 | 3 | 2 | 2 |
| **2006** | 4 | 1 | 2 | 2 | 3 | 2 | 2 |
| **2007** | 4 | 1 | 2 | 2 | 3 | 2 | 2 |
| **2008** | 4 | 1 | 2 | 2 | 3 | 2 | 2 |
| **2009** | 4 | 1 | 2 | 2 | 3 | 2 | 2 |

(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

# SALES & USE TAX REVENUE BOND DEBT COVERAGE

Last Ten Fiscal Years (Dollars in Thousands)

| Fiscal Year | Sales & Use Tax | Debt Service Requirements: Principal | Interest | Total | Debt Service Coverage [1] |
|---|---|---|---|---|---|
| **2000** | 299,103 | 30,360 | 62,930 | 93,290 | 3.21 |
| **2001** | 303,562 | 31,965 | 67,264 | 99,229 | 3.06 |
| **2002** | 284,427 | 33,735 | 56,883 | 90,618 | 3.14 |
| **2003** | 271,006 | 35,655 | 56,883 | 92,538 | 2.93 |
| **2004** | 283,381 | 37,525 | 62,047 | 99,572 | 2.85 |
| **2005** | 307,227 | 30,730 | 59,920 | 90,650 | 3.39 |
| **2006** | 334,486 | 43,000 | 58,368 | 101,368 | 3.30 |
| **2007** | 350,526 | 45,160 | 54,769 | 99,929 | 3.51 |
| **2008** | 349,668 | 48,685 | 49,876 | 98,561 | 3.55 |
| **2009** | 312,704 | 51,640 | 67,449 | 119,089 | 2.63 |

(1) Bond indebtedness 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, 2009 (Dollars in Thousands)

| | |
|---|---|
| Sales & Use Tax | $ 312,704 |
| Debt Service Limitation [1] | 45% |
| Debt Service Limit | 140,717 |
| Required for Debt Service | 119,089 |
| Excess | $ 21,628 |

[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 & Use Tax | Required for Debt Service | Ratio of Debt Service (1) |
|---|---|---|---|
| **2000** | 299,103 | 93,290 | 31.2 |
| **2001** | 303,562 | 99,230 | 32.7 |
| **2002** | 284,427 | 90,618 | 31.9 |
| **2003** | 271,006 | 92,538 | 34.1 |
| **2004** | 283,381 | 99,572 | 35.1 |
| **2005** | 307,227 | 90,650 | 29.5 |
| **2006** | 334,486 | 101,368 | 30.3 |
| **2007** | 350,526 | 99,929 | 28.5 |
| **2008** | 349,668 | 98,561 | 28.2 |
| **2009** | 312,704 | 119,089 | 38.1 |

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

# SALES & USE TAX REVENUE BOND DEBT RATIOS

Last Ten Fiscal Years – June 30, 2009 and 2008 (Dollars in Thousands)

| Fiscal Year | Outstanding Debt [1] | Total Linked Passenger Count [2] | Per Capita [3] | As a Share of Personal Income [4] |
|---|---|---|---|---|
| **2000** | 1,065,143 | 166,916 | 6.38 | 1.81 |
| **2001** | 1,233,903 | 163,886 | 7.53 | 2.02 |
| **2002** | 1,201,102 | 159,145 | 7.55 | 1.93 |
| **2003** | 1,325,757 | 142,501 | 9.30 | 2.10 |
| **2004** | 1,288,364 | 135,851 | 9.48 | 1.93 |
| **2005** | 1,357,907 | 142,050 | 9.56 | 1.91 |
| **2006** | 1,425,964 | 138,040 | 10.33 | 1.85 |
| **2007** | 1,581,188 | 147,151 | 10.75 | 1.94 |
| **2008** | 1,685,722 | 150,503 | 11.20 | * |
| **2009** | 1,707,386 | 156,062 | 10.94 | * |

* Not available

(1) From MARTA Financial Statements FY 2000 to FY 2009
(2) See UnLinked Passenger Changes on Page 69
(3) Outstanding Sales Tax Revenue Bond Debt per Linked Passenger Count
(4) Outstanding Sales Tax Revenue Bond Debt per Total Service District Personal Income (see Trends in Personal Income on Page 63)

# COMPUTATION OF OVERLAPPING DEBT

December 31, 2008 (Dollars in Thousands)

| Jurisdiction | Amount Outstanding | Percentage Applicable to MARTA | Amount Applicable to MARTA |
|---|---|---|---|
| Atlanta Downtown Development Authority | $ 47,900 | 100% | $ 47,900 |
| Fulton County | 1,760 | 100 | 1,760 |
| Fulton County School District | 178,755 | 100 | 178,755 |
| Fulton County Building Authority | 50,919 | 100 | 50,919 |
| DeKalb County | 372,641 | 100 | 372,641 |
| Municipalities: | | | |
| Atlanta | 279,715 | 100 | 279,715 |
| Alpharetta | 49,220 | 100 | 49,220 |
| Hapeville | 11,545 | 100 | 11,545 |
| Union City | 14,275 | 100 | 14,275 |
| Roswell | 41,595 | 100 | 41,595 |
| Fulton-DeKalb Hospital Authority | 198,715 | 100 | 198,715 |
| Atlanta-Fulton County Recreation Authority (Zoo) | 21,310 | 100 | 21,310 |
| Atlanta-Fulton County Recreation Authority (Arena) | 129,555 | 100 | 129,555 |
| College Park Business and Industrial Development Authority | 3,875 | 100 | 3,875 |
| East Point Building Authority | 77,000 | 100 | 77,000 |
| Total Overlapping Debt | $ 1,478,780 | | $ 1,478,780 |
| Total Direct Debt | $ 1,478,780 | | $ 1,478,780 |

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, 2008 CAFR for the City of Atlanta, Fulton County, and DeKalb County.

# TRENDS IN PERSONAL INCOME

Last Ten Fiscal Years (Dollars in Billions)

| Calendar Year | Fulton County | DeKalb County | Total Service District | Percentage Change Fulton County | Percentage Change DeKalb County |
|---|---|---|---|---|---|
| **2000** | 37.497 | 21.434 | 58.931 | 12.2 | 9.8 |
| **2001 *** | 38.587 | 22.912 | 61.499 | 2.9 | 6.9 |
| **2002 *** | 39.453 | 22.994 | 62.447 | 2.2 | 0.4 |
| **2003 *** | 39.801 | 23.062 | 62.863 | 0.9 | 0.3 |
| **2004 *** | 43.055 | 23.869 | 66.924 | 8.2 | 3.5 |
| **2005 *** | 47.068 | 25.339 | 72.407 | 9.3 | 6.2 |
| **2006 *** | 50.498 | 26.525 | 77.023 | 7.3 | 4.7 |
| **2007 *** | 53.807 | 27.783 | 81.590 | 6.6 | 4.7 |
| **2008 **** | ** | ** | ** | ** | ** |
| **2009 **** | ** | ** | ** | ** | ** |

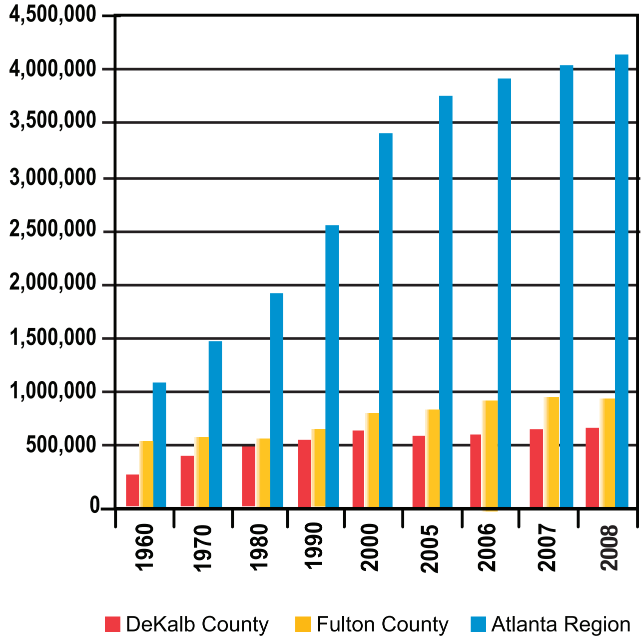
* Revised
** Not available

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

# POPULATION AND EMPLOYMENT

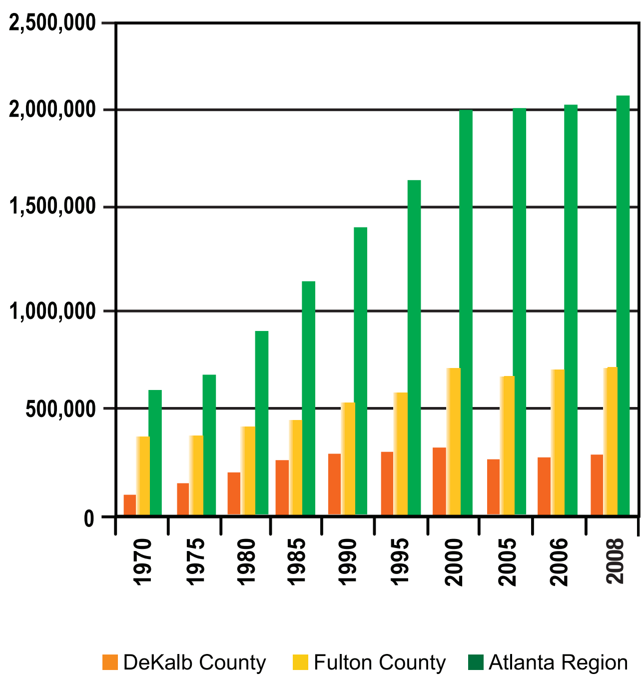
June 30, 2009

## Population Growth Since 1960




| Year | Fulton County | DeKalb County | Atlanta Region |
|---|---|---|---|
| 1960 | 556,226 | 256,782 | 1,093,220 |
| 1970 | 605,210 | 415,387 | 1,500,823 |
| 1980 | 589,904 | 483,024 | 1,896,182 |
| 1990 | 670,800 | 553,800 | 2,557,800 |
| 2000 | 816,000 | 665,900 | 3,429,400 |
| 2005 | 874,100 | 700,500 | 3,813,700 |
| 2006 | 900,200 | 710,400 | 3,925,400 |
| 2007 | 933,600 | 718,400 | 4,029,400 |
| 2008 | 951,500 | 727,600 | 4,099,600 |

## Employment Growth Since 1970



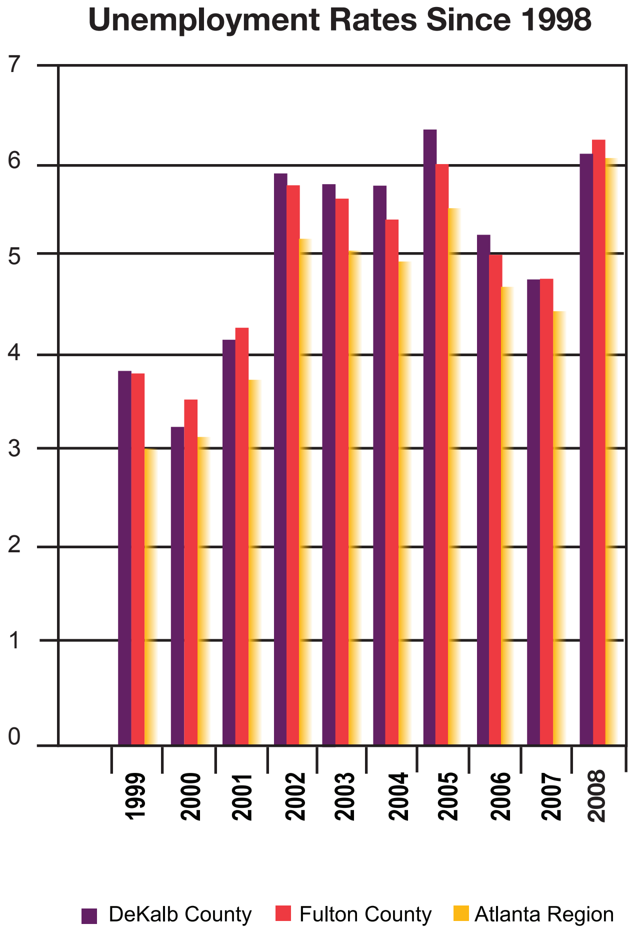

| Year | Fulton County | DeKalb County | Atlanta Region |
|---|---|---|---|
| 1970 | 386,988 | 120,554 | 619,693 |
| 1975 | 388,394 | 167,839 | 705,120 |
| 1980 | 445,341 | 218,142 | 901,157 |
| 1985 | 490,000 | 279,000 | 1,146,850 |
| 1990 | 560,600 | 318,300 | 1,426,000 |
| 1995 | 616,000 | 331,800 | 1,640,000 |
| 2000 | 730,900 | 346,900 | 1,991,500 |
| 2006 | 716,100 | 303,800 | 2,003,500 |
| 2008 | 727,740 | 307,116 | 2,015,093 |

*Revised

Source: Atlanta Regional Commission

# UNEMPLOYMENT RATES

Last Ten Fiscal Years




| Year | | Fulton County | DeKalb County | Atlanta Region |
|---|---|---|---|---|
| 1999 | | 3.7 % | 3.7% | 3.0% |
| 2000 | | 3.4 | 3.2 | 3.1 |
| 2001 | | 4.1 | 4.0 | 3.6 |
| 2002 | | 5.4 | 5.5 | 4.9 |
| 2003 | | 5.3 | 5.4 | 4.8 |
| 2004 | | 5.1 | 5.4 | 4.7 |
| 2005 | * | 5.7 | 6.0 | 5.2 |
| 2006 | * | 5.0 | 5.1 | 4.6 |
| 2007 | * | 4.8 | 4.8 | 4.5 |
| 2008 | | 6.4 | 6.3 | 6.2 |

*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

| | 2007 | | | 1998 | | |
|---|---|---|---|---|---|---|
| Company | Number of Full Time Employees | Rank | Percentage of Total Employment | Number of Full Time Employees | Rank | Percentage of Total Employment |
| Delta Air Lines, Inc. | 26,433 | 1 | 1.02 | 27,552 | 1 | 1.28 |
| Wal-Mart Stores, Inc. | 24,751 | 2 | 0.95 | 11,200 | 3 | 0.52 |
| AT&T, Inc. | 21,400 | 3 | 0.82 | 10,100 | 4 | 0.47 |
| Publix Supermarkets, Inc. | 9,447 | 4 | 0.36 | - | - | |
| The Home Depot, Inc. | 9,153 | 5 | 0.35 | 7,179 | 7 | 0.33 |
| Emory Healthcare, Inc. | 8,648 | 6 | 0.33 | - | - | - |
| Wellstar Health System, Inc. | 8,585 | 7 | 0.33 | - | - | |
| IBM Corporation | 7,081 | 8 | 0.27 | 7,100 | 8 | 0.33 |
| United Parcel, Inc. | 6,999 | 9 | 0.27 | - | - | |
| Suntrust Banks, Inc. | 6,771 | 10 | 0.26 | 6,118 | 10 | 0.29 |
| Bellsouth Corp. | - | | - | 19,503 | - | 0.91 |
| Lockheed Martin Aeronautical Systems | - | | - | 9,500 | 5 | 0.44 |
| The Kroger Company | - | | - | 7,500 | 6 | 0.35 |
| Lucent Technologies | - | | - | 7,100 | 9 | 0.33 |
| | 129,268 | | 4.97 | 112,852 | | 5.26 |

SOURCES : The Atlanta Business Chronicle, 2008-2009 Book of Lists (information current as of Dec. 2007)
The Atlanta Business Chronicle, 1999 Book of Lists (information current as of Dec. 1998)
U.S. Department of Labor-Bureau of Labor Statistics Local Area Unemployment Statistics

# TRANSIT SERVICE EFFORT AND ACCOMPLISHMENTS PER MILE

Last Ten Fiscal Years (Vehicle Miles in Thousands)

| Fiscal Year | Revenue Vehicle Miles [1] | | | | Operating Expense [2] Per Mile | Operating Expense [2] Per Passenger Mile [1] [3] | Unlinked Passenger Trips Per Mile [1] [3] |
|---|---|---|---|---|---|---|---|
| | Bus | Rail | Total | % Change | | | |
| 2000 | 27,246 | 21,561 | 48,807 | (1) | 6.27 | 0.37 | 3.4 |
| 2001 | 27,262 | 22,665 | 49,927 | 2 | 6.61 | 0.39 | 3.4 |
| 2002 | 26,818 | 23,552 | 50,370 | 1 | 5.91 | 0.37 | 3.2 |
| 2003 | 25,842 | 22,707 | 48,549 | (4) | 6.48 | 0.44 | 2.9 |
| 2004 | 25,646 | 22,050 | 47,696 | (2) | 6.35 | 0.41 | 2.9 |
| 2005 | 21,757 | 22,981 | 44,738 | (6) | 6.91 | 0.43 | 3.2 |
| 2006 | 22,233 | 21,091 | 43,324 | (3) | 7.07 | 0.41 | 3.2 |
| 2007 | 23,710 | 21,993 | 45,703 | 5 | 7.20 | 0.44 | 3.2 |
| 2008 | 27,099 | 23,208 | 50,307 | 10 | 7.33 | 0.46 | 2.7 |
| 2009 | 27,345 | 24,566 | 51,911 | 3 | 7.53 | 0.48 | 2.7 |

[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 Miles (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) |
|---|---|---|---|---|---|---|---|
| **2000** | 2,190 | 817 | 3,007 | 0 | 101.73 | 1.83 | 55.5 |
| **2001** | 2,183 | 861 | 3,044 | 1 | 108.47 | 2.01 | 53.8 |
| **2002** | 2,150 | 896 | 3,046 | 0 | 97.83 | 1.87 | 52.3 |
| **2003** | 2,070 | 856 | 2,926 | (4) | 107.58 | 2.20 | 48.6 |
| **2004** | 2,058 | 837 | 2,895 | (1) | 104.68 | 2.23 | 46.9 |
| **2005** | 1,798 | 875 | 2,673 | (8) | 115.74 | 2.18 | 53.1 |
| **2006** | 1,812 | 803 | 2,615 | (2) | 117.21 | 2.22 | 52.8 |
| **2007** | 1,942 | 833 | 2,775 | 6 | 118.54 | 2.23 | 53.0 |
| **2008** | 2,191 | 873 | 3,064 | 10 | 120.36 | 2.45 | 49.1 |
| **2009** | 2,193 | 921 | 3,114 | 2 | 125.55 | 2.50 | 50.1 |

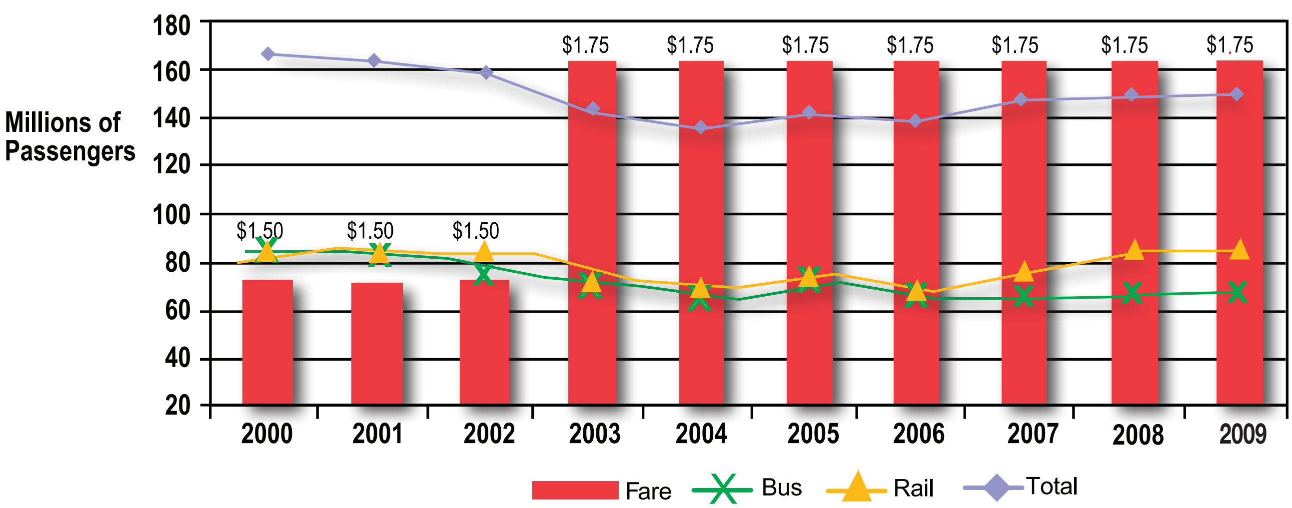
(1) Does not include demand response.
(2) Operating expense excludes depreciation.
(3) Unlinked Passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.

SOURCE: MARTA

## UNLINKED PASSENGER CHANGES – Last Ten Fiscal Years (In Thousands)

| Fiscal Year | Unlinked Passenger Count [1] Bus | % Change | Rail | % Change | Total | % Change |
|---|---|---|---|---|---|---|
| 2000 | 83,119 | (0.2) | 83,797 | 4.2 | 166,916 | 2.0 |
| 2001 | 81,497 | (2.0) | 82,389 | (1.7) | 163,886 | (1.8) |
| 2002 | 76,806 | (5.8) | 82,339 | (0.1) | 159,145 | (2.9) |
| 2003 | 70,641 | (8.0) | 71,860 | (12.7) | 142,501 | (10.5) |
| 2004 | 66,762 | (5.5) | 69,089 | (3.9) | 135,851 | (4.7) |
| 2005 | 71,066 | 6.4 | 70,984 | 2.7 | 142,050 | 4.6 |
| 2006 | 68,831 | (3.1) | 69,209 | (2.5) | 138,040 | (2.8) |
| 2007 | 69,465 | 0.9 | 77,686 | 12.2 | 147,151 | 6.6 |
| 2008 | 67,519 | (2.8) | 82,984 | 6.8 | 150,503 | 2.3 |
| 2009 | 72,716 | 7.7 | 83,346 | 0.4 | 156,062 | 3.7 |

### Relationship of Fare Changes to Unlinked 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

## Fares

**Regular Fare**

Single Trip (stored on Breeze Card or Breeze Ticket)............ $1.75
Round Trip-including transfers (stored on Breeze Card or Breeze Ticket)............$3.50
Ten (10) single trips (10 trips store on Breeze Card or Breeze Ticket)............$17.50

**Discounted Fare**

Twenty (20) single trips (20 trips stored on one Breeze Card or Breeze Ticket)............$30.00
30 day pass (unlimited travel for 30 consecutive days, all regular service)............$52.50
7 day pass (unlimited travel for 7 consecutive days, all regular service)............$13.00
Day passes (unlimited travel for consecutive days, all regular service)............1 day: $ 8.00

**Mobility and Half-Fare Programs**

Half-Fare (for pre-qualified customers 65 and older and disabled customers using regular service).......$0.85
Mobility Service (Demand response for certified customers)............Each Way $3.50
Personal care attendant may ride free, if required
Discounted Mobility Service (Unlimited travel for 30 days on Breeze Card)............$105.00
Mobility on Fixed Route............No charge
(For Paratransit certified customers riding fixed route with Mobility Breeze Card)

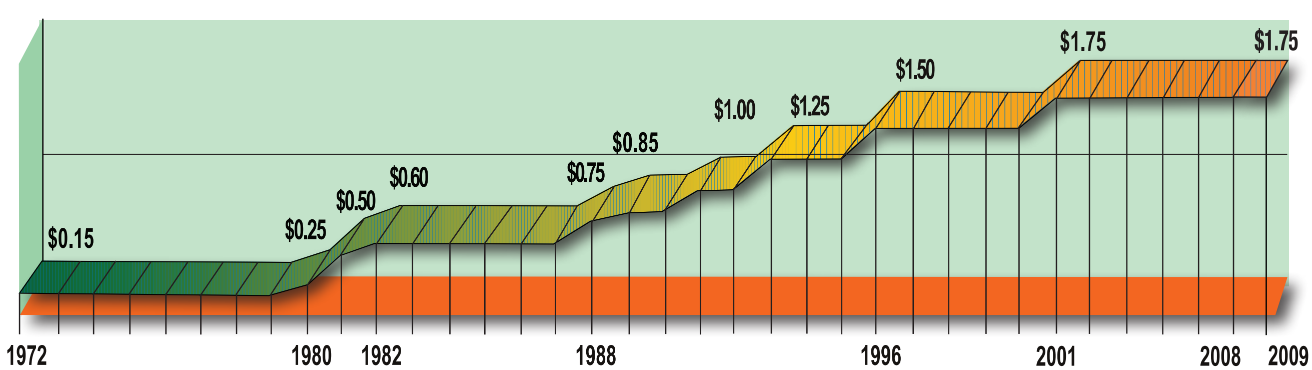
**Student Programs**

K-12 Program (Grade school and High school students K-12, Monday through Friday............$10.00
Ten (10) Trip Pass (to and from school), all regular school

**Convention and Visitors Pass**

For groups of 15 or more, ordered a minimum of 20 days in advance............1 day: $ 8.00
2 day: $ 9.00
3 day: $11.00
4 day: $12.00
7 day: $13.00
8 days: $3.00
per day and over

### Single Cash Fare History From Inception



## VEHICLES OPERATED IN MAXIMUM SERVICE – Last Ten Fiscal Years

| Fiscal Year | Bus | Rail | Total[1] |
|---|---|---|---|
| **2000** | 576 | 178 | 754 |
| **2001** | 603 | 186 | 789 |
| **2002** | 596 | 186 | 782 |
| **2003** | 555 | 180 | 735 |
| **2004** | 590 | 184 | 774 |
| **2005** | 556 | 182 | 738 |
| **2006** | 554 | 184 | 738 |
| **2007** | 483 | 182 | 665 |
| **2008** | 504 | 188 | 692 |
| **2009** | 505 | 182 | 687 |

(1) Does not include demand response

SOURCE: MARTA

## NUMBER OF EMPLOYEES – Last Ten Fiscal Years

| Fiscal Year | Full-time | Part-time | Total |
|---|---|---|---|
| 2000 | 4,057 | 569 | 4,626 |
| 2001 | 4,456 | 486 | 4,942 |
| 2002 | 4,378 | 304 | 4,682 |
| 2003 | 4,357 | 254 | 4,611 |
| 2004 | 4,096 | 219 | 4,315 |
| 2005 | 4,029 | 326 | 4,355 |
| 2006 | 4,118 | 310 | 4,428 |
| 2007 | 4,436 | 293 | 4,729 |
| 2008 | 4,646 | 351 | 4,997 |
| 2009 | 4,548 | 314 | 4,862 |

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

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Population served | 1,689,100 | 1,652,000 | 1,610,600 | 1,574,600 | 1,547,600 | 1,354,871 | 1,541,000 | 1,458,484 | 1,354,871 | 1,396,100 |
| Size of area served (in square miles) | 466 | 466 | 466 | 498 | 498 | 498 | 498 | 498 | 804 | 805 |
| Number of Bus Routes | 130 | 132 | 132 | 120 | 120 | 118 | 121 | 126 | 158 | 158 |
| Annual Bus Passenger Miles (in millions) (Excludes Paratransit/Demand Response) | 285 | 213.5 | 208.5 | 256.5 | 231 | 277.7 | 234.6 | 304.1 | *286.5 | 274.4 |
| Miles of Bus Route | 1,765.00 | 1,084.00 | 1,069.00 | 986.00 | 986.00 | 986.00 | 1,127.90 | 1,127.90 | 1,478.70 | 1,475.00 |
| -Average On Time Performance | 70.0% | 63.7% | 67.0% | 93.4% | 93.4% | 93.4% | 90.5% | 85.6% | 84.1% | 90.2% |
| Miles of Rail Route | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 47.6 | 46.1 |
| -Average On Time Performance | 96.4% | 93.3% | 89.7% | 91.5% | 91.5% | 91.7% | 90.3% | 89.2% | 89.8% | 89.7% |
| Annual Rail Passenger Miles (in millions) | 527 | 593.4 | 541.4 | 488.5 | 481.1 | 455.4 | 487.3 | 510.4 | 563 | 503.5 |
| Number of Rail Stations | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 36 |
| Number of Bus Stop Locations | 11,482 | 11,500 | 11,430 | 11,500 | 11,483 | 11,483 | 11,568 | 10,392 | 10,000 | 10,000 |
| Number of Bus Park And Ride Facilities | 7 | 6 | 6 | 8 | 8 | 8 | 6 | 9 | 3 | 3 |
| Number of Bus Shelters | 741 | 751 | 748 | 540 | 540 | 540 | 515 | 476 | 401 | 401 |
| Bus Passenger Parking Capacity | 2,254 | 1,798 | 1,847 | 2,630 | 3,243 | 3,243 | 1,910 | 3,341 | 2,839 | 2,839 |
| Rail Passenger Parking Capacity | 23,888 | 24,622 | 25,736 | 27,372 | 25,586 | 25,583 | 26,701 | 26,701 | 25,755 | 21,962 |
| No. of Buses in Active Fleet | 615 | 616 | 624 | 554 | 556 | 559 | 690 | 691 | 712 | 698 |
| -Average Vehicle Age (in years) | 7.6 | 5.6 | 4.6 | 4.6 | 4.9 | 5.6 | 7.6 | 7.6 | 8.8 | 9.8 |
| No. of Paratransit Vehicles in Active Fleet | 174 | 129 | 121 | 140 | 110 | 110 | 110 | 93 | 90 | 77 |
| -Average Vehicle Age (in years) | 1.2 | 0.4 | 2.6 | 1.6 | 2.4 | 1.4 | 1.6 | 2.3 | 1.7 | 2.4 |
| No. of Rapid Rail Vehicles | 338 | 338 | 338 | 338 | 338 | 332 | 318 | 284 | 252 | 232 |
| -Average Vehicle Age (in years) | 20.6 | 19.6 | 18.6 | 17.6 | 16.5 | 15.6 | 15.6 | 16.5 | 16.9 | 17 |
| Annual Paratransit Vehicle Miles (in millions) | 7.3 | 5.0 | 4.4 | 3.7 | 3.7 | 3.7 | 3.2 | 2.4 | 2.4 | ** |
| Investment In Property and Equipment (in billions) | $ 6.099 | $ 5.919 | $ 5.685 | $ 5.491 | $ 5.318 | $ 5.162 | $ 4.996 | $ 4.770 | $ 4.313 | $ 4.294 |

Notes:
* includes Paratransit
**Data not available

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# Single Audit Section

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS



**Independent Auditors' 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 the statements of net assets of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and have issued our report thereon dated March 23, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered MARTA's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MARTA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MARTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of MARTA's financial statements that is more than inconsequential will not be prevented or detected by MARTA's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding No. 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by MARTA's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

## Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, the Board of Directors, others within MARTA, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Atlanta, Georgia
March 23, 2010

CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

## Compliance

We have audited the compliance of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. MARTA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MARTA's management. Our responsibility is to express an opinion on MARTA's compliance based on our audit.

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

In our opinion, MARTA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of MARTA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MARTA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control *deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditure of Federal Awards

We have audited the basic financial statements of MARTA as of and for the year ended June 30, 2009, and have issued our report thereon dated March 23, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, others within MARTA and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Atlanta, Georgia
March 23, 2010

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2009

| Federal Grantor/Program or Cluster Title | CFDA Number | Contract Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Transportation - Federal Transit Administration | | | |
| Federal Transit Cluster: | | | |
| Direct Programs: | | | |
| Federal Transit Capital Improvement Grants: | | | |
| FY 06-07 SEC 5309 Fixed Guideway Mods | 20.500 | GA-05-0031 | $ 32,569,448 |
| Rail Modernization Projects/PM | 20.500 | GA-03-0061 | 11,227,644 |
| Auto Fare Collection (Breeze) System | 20.500 | GA-03-0077 | 3,883,494 |
| Clean Fuel Buses & Fare Equipment | 20.500 | GA-04-0003 | 979,607 |
| Total Federal Transit Capital Improvement Grants | | | 48,660,193 |
| Federal Transit Formula Grants: | | | |
| ITS MARTA 2 Project | 20.507 | GA-90-X111 | 39,862 |
| Transit Projects | 20.507 | GA-90-X118 | 373,926 |
| Buckhead Station N. Entrance & Bridge | 20.507 | GA-90-X131 | 455,929 |
| Pedestrian Access Projects | 20.507 | GA-90-X136 | 144 |
| AA/DEIS West Line Ext | 20.507 | GA-90-X159 | 1,111 |
| Auto Fare Collection System | 20.507 | GA-90-X188 | 10,928,289 |
| Auto Fare Collection System | 20.507 | GA-90-X226 | 9,500,000 |
| Memorial Drive BRT | 20.507 | GA-90-X227 | 3,978,889 |
| Bus Procurement & Hamilton CNG Facility | 20.507 | GA-90-X228 | 50,753 |
| Inner Core/System Reengineering Studies | 20.507 | GA-90-X230 | 1,456,505 |
| Clayton County (C-Tran) | 20.507 | GA-90-X253 | 449,072 |
| GRTA Pass-Thru/ TIB | 20.507 | GA-90-X257 | 53,506 |
| Auto Fare Collection System | 20.507 | GA-95-X003 | 8,234,160 |
| FY04 SEC 5307 - Prev Maint | 20.507 | GA-90-X195 | 561,330 |
| FY05 SEC 5307 - Prev Maint | 20.507 | GA-90-X212 | 2,222,790 |
| FY06 SEC 5307 - Prev Maint | 20.507 | GA-90-X232 | 498,721 |
| FY09 SEC 5307 - Prev Maint | 20.507 | GA-90-X277 | 16,122,763 |
| Total Fedral Transit Capital and Planning Assistance Formula Grants | | | 54,927,750 |
| Total Fedral Transit Cluster | | | 103,587,943 |
| Other Federal Transit Administration Grants: | | | |
| Auto Fare Collection System | 20.514 | GA-26-0004 | 603,108 |
| FY06/07 JARC W/COBB & MARTA | 20.516 | GA-37-X014 | 10,346 |
| SEC 5308 Clean Fuel Bus Program | 20.519 | GA-58-0001 | 41,599 |
| FY06 New Freedom Pass-Thru | 20.521 | GA-57-X002 | 1,414 |
| Total Other Federal Transit Grants | | | 656,467 |
| Total Federal Transit Programs | | | 104,244,410 |
| U.S. Department of Homeland Security: | | | |
| DHS Security Grant GEMA FY03 | 97.075 | GAN 2003 | 1,371 |
| DHS Security Grant GEMA FY 05 | 97.075 | 2005-GB-T5-0006 | 72,769 |
| DHS Security Grant GEMA | 97.075 | 2004-GE-T4-0012 | 194,992 |
| DHS Security Grant | 97.075 | 2003EUT30061 | 160,308 |
| HGSP | 97.075 | EOD/GEMA | 21,345 |
| FY06 TGSP | 97.075 | 2006-RL-T6-001706 | 1,091,922 |
| FY07 TGSP | 97.075 | 2007-RL-T7-K019 | 51,342 |
| Canine Team Program | 97.072 | TSA-HSTS04-04-H-LEF 161 | 2,740,647 |
| Total U.S. Department of Homeland Security | | | 4,334,696 |
| Total Federal Financial Assistance | | | $ 108,579,106 |

See accompanying notes to the Schedule of Expenditures of Federal Awards

# NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2009

## 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.

## 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.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

## I. Summary of Auditors' Results

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

b) Internal control over financial reporting:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **Yes**

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: **Unqualified**

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: | |
| Federal Transit - Capital Improvement Grants | 20.500 |
| Federal Transit - Formula Grants | 20.507 |

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**

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

## II. Financial Statement Findings

### Finding No. 2009-1 Accounting for Lease-in/Lease-out Arrangements

***Statement of condition***

Beginning in 2001 MARTA entered into several lease-in/lease-out arrangements. MARTA continued to enter into similarly structured LILO arrangements with multiple equity investors for rail cars and other fixed assets from 2002 through 2005. MARTA utilized the services of various financial and legal advisors to review these highly complex and multi-faceted arrangements. As a result of these analyses it was believed that MARTA's obligations under these arrangements were defeased due to the setting aside of funds in various irrevocable trusts to fund all future obligations. However, as underlying investments in some of the trusts were restructured and in some cases the LILO arrangements terminated during the fiscal year ended June 30, 2009 it was discovered that the trusts were not irrevocable and therefore defeasance accounting treatment was not proper in accordance with generally accepted accounting principles. Consequentially, the year ended June 30, 2008 financial statements were restated.

***Criteria***

Under generally accepted accounting principles assets and liabilities must be presented on the financial statements unless there is a legal defeasance; which is a matter of law.

***Cause***

The underlying trusts utilized by MARTA to prepay its obligations under the various LILO arrangements were revocable trusts. Therefore the transactions did not qualify for defeasance accounting treatment.

***Effect***

The condition resulted in the understatement of MARTA's assets and liabilities related to the LILO arrangements.

***Recommendation***

We recommend that MARTA continue to emphasize the need to proactively involve the Finance, Accounting, Treasury and Legal Offices when transactions that are financial in nature are being researched and entered into to ensure that all salient facts are thoroughly analyzed and documentation reviewed so that the information needed to summarize, accumulate and properly present these transactions in the financial statements and footnote disclosures is obtained.

***Management's Response***

As stated in the Observation, MARTA initially entered into its first Lease-in Lease-out (LILO) transactions during fiscal year 2001. Because LILO transactions were relatively foreign to both MARTA and the transit industry, we requested that our external independent auditors take the lead on how these transactions were to be recorded in our financials and disclosed in our footnotes. Our auditors at that time were KPMG. KPMG did their research and guided MARTA on how the transactions should be recorded and presented. These transactions go back a number of years. Each year KPMG was responsible for auditing our financials and our footnotes. Each year the presentation in our financial statements and footnotes were blessed by KPMG.

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS



For The Year Ended June 30, 2009

In 2003, KPMG's contract expired and we hired Cherry Bekaert and Holland. Because LILO transactions are not very common, our current auditors reviewed specific aspects of the transactions and ultimately agreed with management's presentation. Although the information regarding the LILO transactions has been updated to account for new transactions, the overall presentation has remained the same.

The sublease payments relating to the LILO transactions have been economically defeased (prepaid) by MARTA. The funds and all funds relative to this defeasance have been placed in a trust. During the initial LILO transaction, which occurred in fiscal year ended June 30, 2001, it was believed that all funds relating to the LILO transactions were in an ***irrevocable trust***. During the process of unwinding the terminated lease contracts in fiscal year 2009, it was determined that the trust holding the funds did not meet the legal definition of *irrevocable*. Consequently, the funds associated with this trust are still the official property of MARTA and should therefore be carried on its books as an asset. The resulting accounting transaction was to record the asset and the corresponding liability on MARTA's book. This also resulted in a positive impact to MARTA's non-operating revenue, as MARTA adjusted the LILO investments to the appreciated market value. These accounting transactions do not affect MARTA's cash balances.

In short, nine years ago, there was a misinterpretation on the type of trust that held the LILO funds. The individuals on the Finance, Accounting, Treasury and Legal management team involved in the initial establishment of the trust and the recording of the accounting transactions are no longer with the Authority; thus, it is impossible to determine how they misinterpreted the information regarding the trust. The circumstances that lead to this misinterpretation no longer exists and have not existed for many years now. Controls and communication lines are in place between management, the audit committee and the external auditors to eliminate the possibility of anything similar to this happening again.

Although our former auditors did provide guidance on this issue, we do realize that the financial statements belong to MARTA and we will continue to do everything possible to always read between the lines, keep the channels of communications open and make solid decisions.

## III. Federal Award Findings and Questioned Costs

None

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