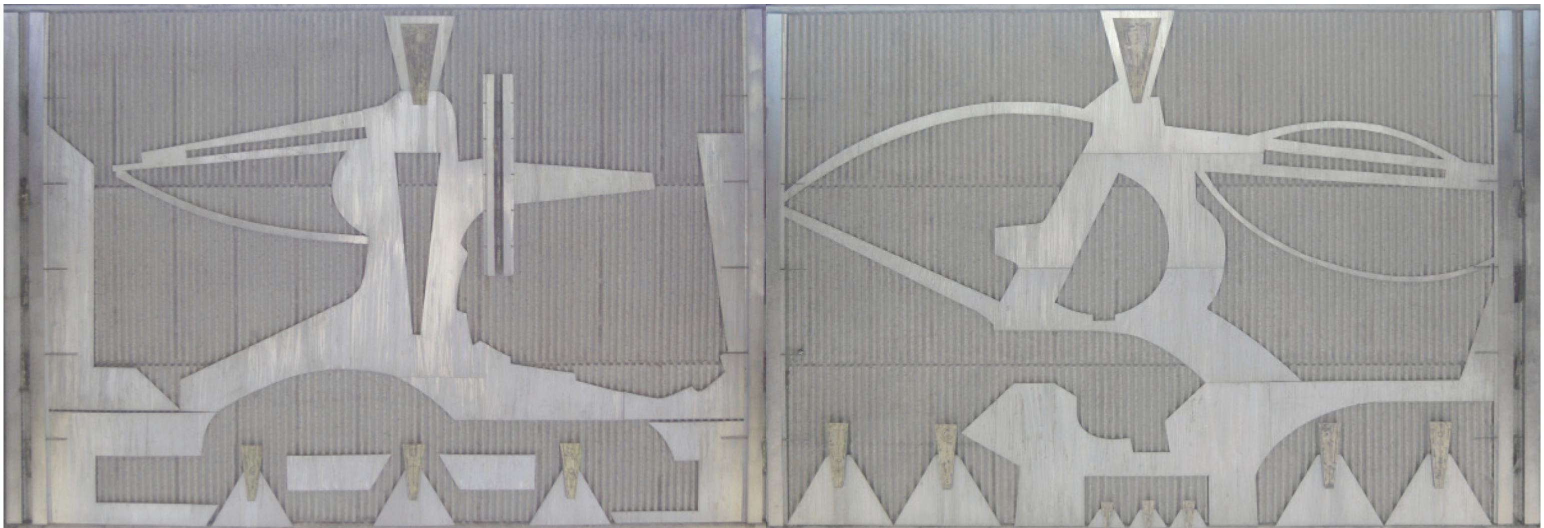
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Five Points Station

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

Atlanta, Georgia



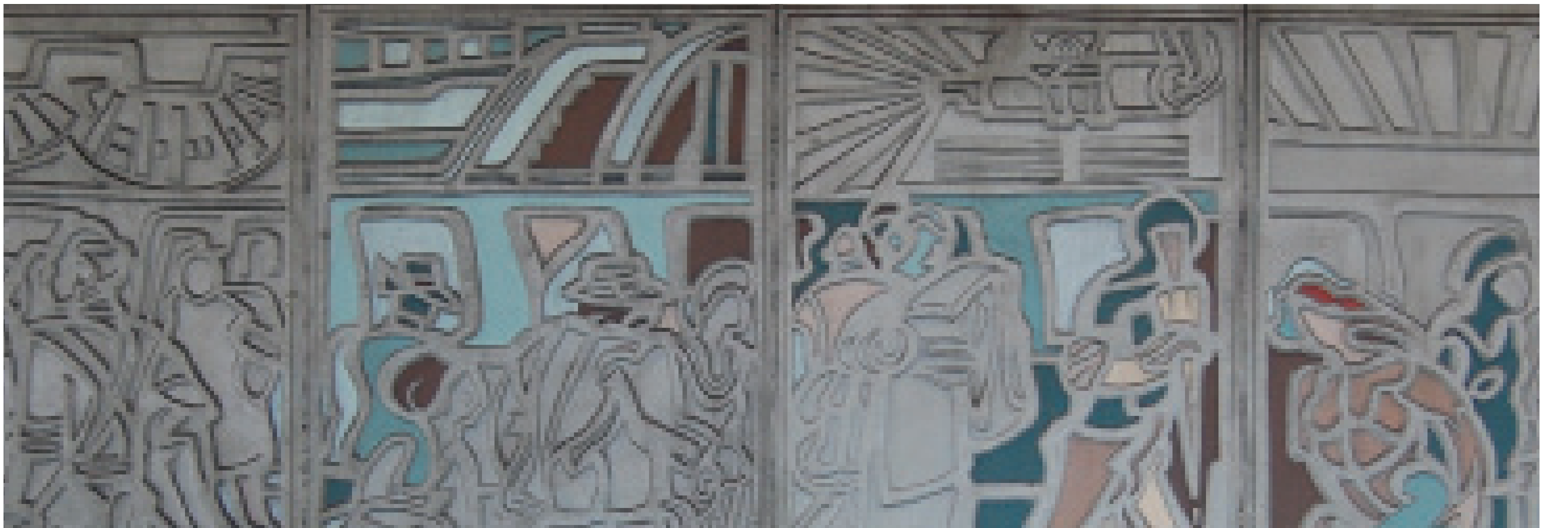
Kensington Station

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

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

2424 Piedmont Road, NE
Atlanta, Georgia



Arts Center Station

Introductory Section

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

November 27, 2012

Board of Directors
Metropolitan Atlanta Rapid Transit Authority

Ladies and Gentlemen:

We are pleased to respectfully submit the Metropolitan Atlanta Rapid Transit Authority's (MARTA's) 19th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 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, 2011. 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, 2012 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, 2012, are presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

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

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

ORGANIZATION AND MANAGEMENT

The government of MARTA is vested in a Board of Directors (the Board) composed of 11 voting members and one non-voting member. Three members are appointed by Fulton County, four members by DeKalb County, three members by the City of Atlanta. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation (non-voting) Authority serve as ex officio members of the Board.

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

THE RAPID TRANSIT SYSTEM

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

Rail

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

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

Bus

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

Mobility

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

BUDGET

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. Budgets are allocated to monthly spending levels and a monthly Budget Performance Report is prepared. The monthly Budget Performance Report analyzes expenditures by office relative to monthly and total budgets, and revenues anticipated for the reporting period. For 2012, the Authority had an approved budget of $743 million with $413.84 million allocated to operating expenses and $329.19 million allocated to the capital improvement program and debt service expenses.

FINANCIAL RESULTS

For 2012, MARTA's total net assets were $1.595 billion. Net assets decreased by $87.4 million from the previous fiscal year when net assets were $1.682 billion. Details to all financial results can be found in the accompanying Management's Discussion and Analysis, financial statements and associated notes.

REGIONAL AND STATE OUTLOOK

2012 began with a historic accomplishment for the Atlanta region; pursuant to the Transportation Investment Act passed by the Georgia General Assembly in 2010, a 21-member roundtable of county commissioners and mayors unanimously agreed on a list of transportation and transit projects that would be funded by a 10-year one-cent sales tax to be placed before the region's voters on July 31, 2012. Included in this multi-modal project list was $600 million for various MARTA capital projects that would have extended the useful life of the Authority's existing critical infrastructure, as well as more than $1.5 billion for transit expansion projects within the MARTA service area, including funds for the Atlanta BeltLine, rail along the Clifton Corridor, and new high-capacity transit along the I-20 East corridor. However, the referendum failed to pass in the 10-county Atlanta region, with only 37% of voters voting for the tax, and 63% voting against it.

Despite the failure of the measure, MARTA remains committed to providing safe, affordable, and customer-focused transit service, which will continue to be increasingly necessary for the still-growing and ever-changing Atlanta region. MARTA's plans for two rail projects slated to be funded by the tax will continue. The first project along the Clifton Corridor is nearly 9 miles of new light rail service from the Lindbergh Center MARTA Station to the Avondale station. The second is an I-20 East line connecting the Indian Creek rail station to the Stonecrest Mall area. About 35 percent of the planning process has been completed on both projects, and both are in line to be "ready" should additional funding become available.

Since the formation of MARTA, the Georgia state government has not contributed directly to MARTA's operational needs. Currently, MARTA is the largest mass transit system in the United States not receiving dedicated state funding. The Georgia State Constitution restricts revenue from the state motor fuels tax for use only on roads and bridges – it cannot be used for public transportation. In order to allow itself greater flexibility, MARTA sought during the 2012 session of the Georgia General Assembly additional relief from outdated financial restrictions. Legislation lifting these restrictions for a period of three years, and which would have made modifications to MARTA's board structure and certain other provisions, failed to pass the General Assembly on the final day of the session.

MARTA will continue to work with its state partners to find sensible solutions to the fiscal challenges facing the Authority, as well as other state transportation organizations. MARTA's "steady state" transit service commitment would not have been possible over the past few years without the continuation of internal cost-reduction measures.

DEBT ADMINISTRATION

As of June 30, 2012, MARTA had a total of $1,835,220 bonds outstanding and issued under three debt indentures. Bonds issued under the first indenture bear credit ratings of Aa2 by Moody's Investors Service and AAA by Standard & Poor's; bonds issued under the second and third indentures bear underlying ratings of A1 by Moody's and AA+ 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 2012 was 2.57. 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 2012 was 38.9%.

MAJOR INITIATIVES

In fiscal year 2012, MARTA implemented an Environmental Policy which reinforces MARTA's management and employees' commitment to continual improvement in environmental compliance. This aims to contribute to the environmental well-being of the community; a safe and healthful workplace' and the overall quality of life of the people living in the region.

- MARTA is proud to be more socially and technically competent in raising our community's awareness for sustainable development and a cleaner Atlanta environment. As such, MARTA helps the environment by contributing to less traffic, less carbon. With less traffic clouding our roads and highways, we lower traffic and reduce the resultant emissions. By placing 20 riders (who would normally each drive a car) on one bus for the same total mileage, we have reduced the greenhouse gas emissions by 90%.
- MARTA did an early adoption and use of Natural Gas Vehicles. A majority of MARTA's fleet is powered by Compressed Natural Gas (CNG), a clear, odorless, and non-corrosive gas. MARTA is committed to reducing emissions and pollutants for an easier breathing Atlanta.
- MARTA also offers commuter options. MARTA has several sustainable commuting options: parking and kiss-ride; advanced route planning; bus/HOV lanes commuting; employer incentive programs, etc.
- MARTA spearheads regional partnership. MARTA serves as the backbone of a growing transit network with connections to Cobb, Clayton, DeKalb and Gwinnett counties by saving customers time, stress, gas and oil, maintenance, tires (wear and tear on your vehicle) and parking. MARTA is the only multi-modal transit system in the State, reducing the need for taxis while lowering emissions.

CAPITAL PLAN PRIORITIES AND ISSUES

While MARTA is still in a state of good repair, our systems are becoming increasingly difficult to upgrade and maintain because of equipment and software obsolescence. Down time has increasingly impacted operations and service to our patrons. Despite budget constraints, MARTA is making safety critical infrastructure improvements a priority.

MARTA is committed to provide the most technologically advanced train control system available in the transit industry. The train control improvements will not only be robust, but it is designed to be sustainable for future needs. MARTA will completely overhaul our automated train control and Supervisory Control and Data Acquisition (SCADA) computer systems. This project is a demonstration of our commitment to move forward with the next generation of automated train control and safety systems. It also positions MARTA to broaden its reach in terms of creating an integrated transit network that will have the capacity to serve the entire Atlanta region.

The new system will be a single integrated platform that will direct all train movements, control third rail power, enable better monitoring and communications, and allow for faster response time. For the MARTA riders, this will mean – improve on-time performance, provide real time information and increase overall reliability.

The implementation of this project began in July 2012. Construction is expected to be completed December 2014 and will go live in July 2015.

AWARDS

MARTA received the following awards and recognition during 2012:

- GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2011.
- GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2011 Comprehensive Annual Financial Report.
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for FY 2011

ACKNOWLEDGEMENTS

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

Sincerely,

Davis Allen
Assistant General Manager Finance/CFO

Beverly A. Scott, Ph.D.
General Manager/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, 2011

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

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Jeffrey L. Esser
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Fulton County

Ex-Officio

Jannine Miller
Georgia Regional Transportation Authority (GRTA)

Keith Golden
Department of Transportation

General Manager/CEO and Executive Staff

GENERAL MANAGER/CEO

Beverly A. Scott, Ph.D.

EXECUTIVE STAFF

Deputy General Manager/COO
Dwight A. Ferrell

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

Assistant General Manager of Finance /CFO
Davis Allen

Assistant General Manager of Internal Audit
Robin Howard

Assistant General Manager of Legal Services
Elizabeth O'Neill

Assistant General Manager of Bus Operations
Mary Ann Jackson

Assistant General Manager of Rail Operations
Richard Krisak

Assistant General Manager of Police & Emergency Management
Wanda Dunham

Assistant General Manager of Technology/CIO
Ben Graham

Assistant General Manager of Communications & External Affairs
Ryland McClendon

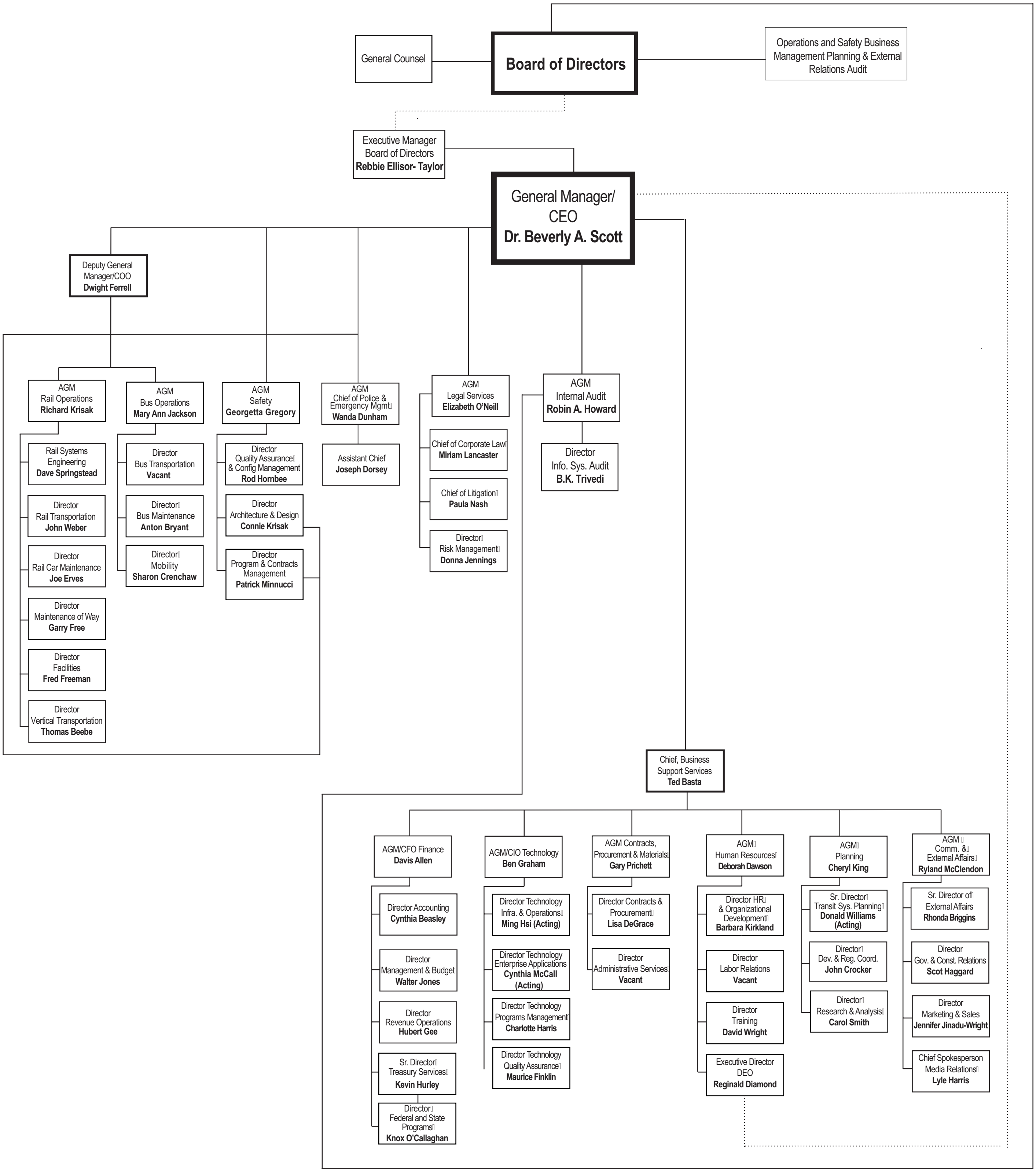
Assistant General Manager of Planning
Cheryl King

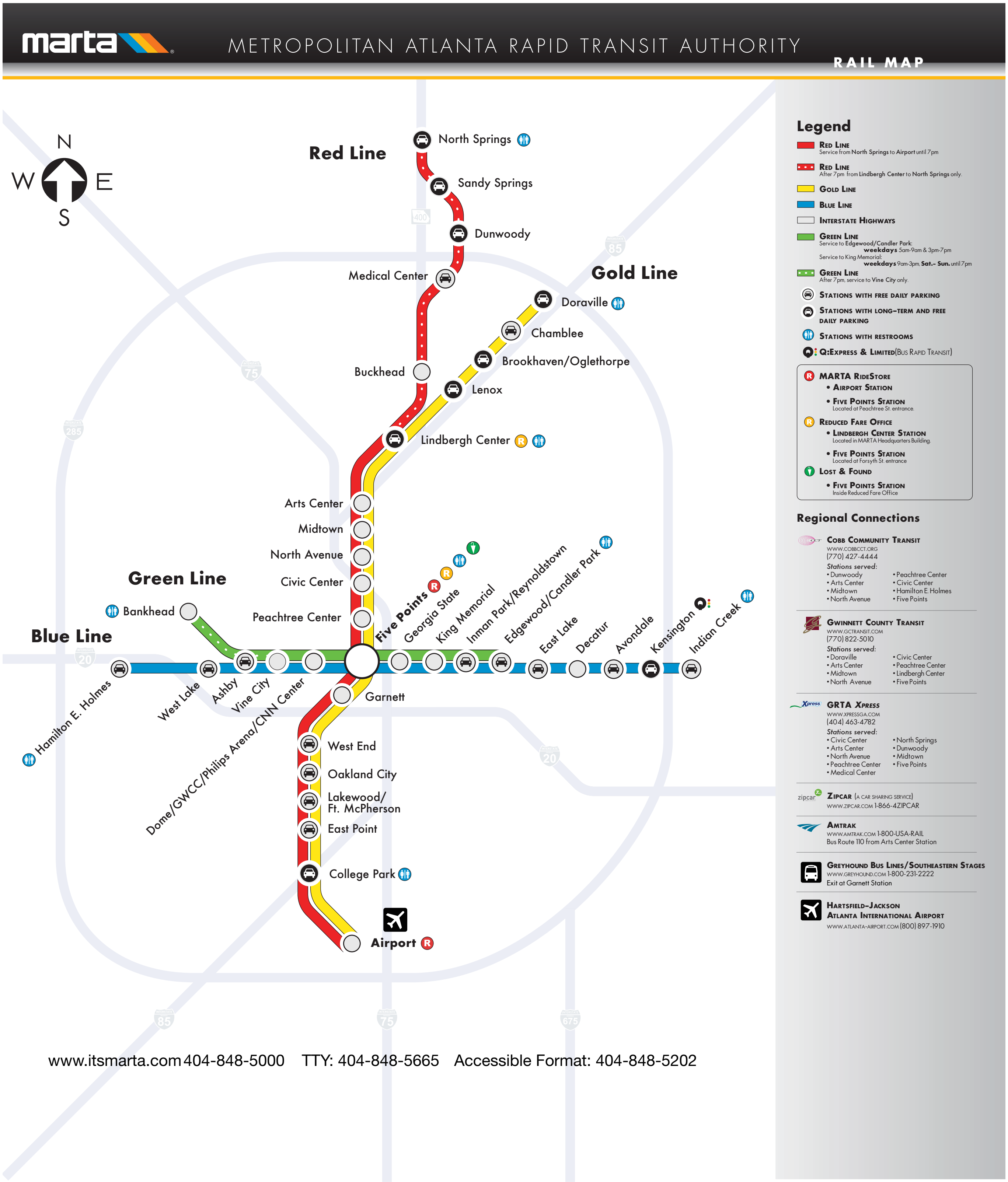
Assistant General Manager of Contracts and Procurement/Material
Gary Pritchett

Assistant General Manager of Human Resources
Deborah Dawson

Assistant General Manager of Safety & Quality Assurance
Georgetta Gregory

Organizational Chart




marta
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
RAIL MAP
N
W
E
S
Red Line
North Springs
Sandy Springs
Dunwoody
Medical Center
Buckhead
Lindbergh Center
Gold Line
Doraville
Chamblee
Brookhaven/Oglethorpe
Lenox
Arts Center
Midtown
North Avenue
Civic Center
Peachtree Center
Five Points
Green Line
Bankhead
Blue Line
Hamilton E. Holmes
West Lake
Ashby
Vine City
Dome/GWCC/Philips Arena/CNN Center
Georgia State
King Memorial
Inman Park/Reynoldstown
Edgewood/Candler Park
East Lake
Decatur
Avondale
Kensington
Indian Creek
Garnett
West End
Oakland City
Lakewood/ Ft. McPherson
East Point
College Park
Airport
Legend
Red Line
Service from North Springs to Airport until 7pm
Red Line
After 7pm from Lindbergh Center to North Springs only.
Gold Line
Blue Line
Interstate Highways
Green Line
Service to Edgewood/Candler Park: weekdays 5am-9am & 3pm-7pm
Service to King Memorial: weekdays 9am-3pm, Sat.- Sun. until 7pm
Green Line
After 7pm, service to Vine City only.
Stations with free daily parking
Stations with long-term and free daily parking
Stations with restrooms
Q:Express & Limited (Bus Rapid Transit)
MARTA RideStore
• Airport Station
• Five Points Station
Located at Peachtree St. entrance.
Reduced Fare Office
• Lindbergh Center Station
Located in MARTA Headquarters Building.
• Five Points Station
Located at Forsyth St. entrance
Lost & Found
• Five Points Station
Inside Reduced Fare Office
Regional Connections
Cobb Community Transit
WWW.COBBCCT.ORG
(770) 427-4444
Stations served:
• Dunwoody • Arts Center • Midtown • North Avenue • Peachtree Center • Civic Center • Hamilton E. Holmes • Five Points
Gwinnett County Transit
WWW.GCTRANSIT.COM
(770) 822-5010
Stations served:
• Doraville • Arts Center • Midtown • North Avenue • Civic Center • Peachtree Center • Lindbergh Center • Five Points
GRTA Xpress
WWW.XPRESSGA.COM
(404) 463-4782
Stations served:
• Civic Center • Arts Center • North Avenue • Peachtree Center • Medical Center • North Springs • Dunwoody • Midtown • Five Points
zipcar
Zipcar (a car sharing service)
WWW.ZIPCAR.COM 1-866-4ZIPCAR
Amtrak
WWW.AMTRAK.COM 1-800-USA-RAIL
Bus Route 110 from Arts Center Station
Greyhound Bus Lines/Southeastern Stages
WWW.GREYHOUND.COM 1-800-231-2222
Exit at Garnett Station
Hartsfield-Jackson Atlanta International Airport
WWW.ATLANTA-AIRPORT.COM (800) 897-1910
www.itsmarta.com 404-848-5000 TTY: 404-848-5665 Accessible Format: 404-848-5202

West End Station

Financial Section

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Metropolitan Atlanta Rapid Transit Authority

We have audited the accompanying statement of net assets of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2012, and the related statements of revenues, expenses and change in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the MARTA's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of MARTA as of June 30, 2011. Those financial statements were audited by other auditors whose report dated March 12, 2012, expressed an unqualified opinion on those statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2012, on our consideration of MARTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on MARTA's basic financial statements. The supplemental schedule of revenue and expenses, budget versus actual (budget basis) on pages 46 through 47, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule of revenues and expense, budget versus actual (budget basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Atlanta, Georgia
November 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) Dollars in Thousands

As management of the Metropolitan Atlanta Rapid Transit Authority (MARTA or the Authority), we offer readers of MARTA's basic financial statements this narrative overview and analysis of the financial activities of MARTA for the fiscal years ended June 30, 2012 and 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

Overview of Financial Statements

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

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

The Statements 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 Statements 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 Statements 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) Dollars in Thousands

Financial Position Summary

Net assets may serve over time as a useful indicator of MARTA's financial position. MARTA's assets exceed liabilities by $1.6 billion at June 30, 2012, an $87 million decrease from June 30, 2011 when assets exceed liabilities by $1.7 billion

The largest portion of MARTA's net assets each year, 50% and 54% as of June 30, 2012 and 2011, 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.

The following table presents a condensed summary of net assets:

	2012	2011	2010
ASSETS:			
Current and Other Assets	$ 1,025,232	$ 981,904	$ 1,083,778
Capital Assets	3,078,070	3,158,340	3,272,708
Total Assets	4,103,302	4,140,244	4,356,486
LIABILITIES:			
Long-term Debt	1,891,457	1,630,427	1,691,104
Current and Other Liabilities	616,716	827,251	815,870
Total Liabilities	2,508,173	2,457,678	2,506,974
NET ASSETS:			
Invested in Capital Assets Net of Debt	795,754	914,578	987,068
Restricted	767,843	717,411	709,606
Unrestricted	31,532	50,577	152,838
TOTAL NET ASSETS	$ 1,595,129	$ 1,682,566	$ 1,849,512

An additional portion of MARTA's net assets, 48% and 43% as of June 30, 2012 and 2011, 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% and 3% as of June 30, 2012 and 2011, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) Dollars in Thousands

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 calculation. Transit related revenues were 68.3% and 53.4% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2012 and 2011, respectively.

	2012	2011	2010
Operating Revenues	$ 144,164	$ 127,229	$ 122,291
Operating Expenses	641,868	632,766	630,392
Operating Loss	(497,704)	(505,537)	(508,101)
Nonoperating Revenues (Expenses) - net	370,399	311,838	370,261
Capital Grants	39,868	26,753	34,192
Decrease in Net Assets	$ (87,437)	$ (166,946)	$ (103,648)

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

In fiscal year 2012, operating revenues increased by $16.9 million and operating expenses increased by $9.1 million, which resulted in an overall decrease in the operating loss of $ 7.8 million from the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) Dollars in Thousands

Since 2001, Management has used measured steps to reign in controllable labor costs and expenses through administrative wage freezes and furloughs, increased benefit cost sharing, and lastly, service cutbacks and modifications. The use of these measures varies each year as MARTA works to keep its base of customers and employees. In 2010, MARTA implemented numerous service modifications. The service modifications are one of several measures MARTA implemented to address an extremely challenging financial period. The service adjustments represent one of the largest service modifications ever implemented by the Authority. In 2011, MARTA implemented reductions in bus service, rail service and customer service call center hours. MARTA also closed Ridestores and reduced the availability of restrooms to the public. With cost reductions, new avenues to generate additional revenue were also implemented in 2011. MARTA introduced new beverage and vending machines at numerous stations. The concessions and vending program will provide customers with new amenities to enjoy and will help MARTA generate additional revenue. In 2012, MARTA focused on increasing productivity and efficiencies while reducing cost. As such, MARTA continued its cost containment measures to ensure riders receive the best service at an affordable fare. MARTA eliminated the non-represented based merit increases, improved represented employee availability, and reduced Non-labor.

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:

	2012	2011	2010
Summary of Revenues			
Operating			
Fare Revenues	$ 132,870	$ 115,828	$ 109,546
Other Revenues	11,294	11,401	12,745
Total Operating Revenues	144,164	127,229	122,291
Nonoperating			
Sales and Use Tax	340,945	319,850	307,525
Federal Revenues	70,576	85,777	100,960
Investment Income	833	1,272	2,181
Net Capital Lease Transaction Activity	51,745	(11,820)	50,561
Other Revenues	12,938	12,799	10,829
Loss on Sale of Property and Equipment	(113)	(1,260)	(171)
Total Nonoperating Revenues	476,924	406,618	471,885
Total Revenues	621,088	533,847	594,176
Summary of Expenses			
Operating			
Transportation	186,144	183,875	180,360
Maintenance and Garage Operations	146,672	146,844	146,875
General and Administrative	78,660	79,743	76,125
Depreciation	230,392	222,304	227,032
Total Operating Expenses	641,868	632,766	630,392
Nonoperating			
Interest Expense	70,334	73,381	74,205
Interest Expense Capitalized	(542)	(305)	(241)
Amortization of Financing Related Changes and Income from Derivative Activity	(5,639)	(5,426)	(4,880)
Loss on Investment Derivatives	(8,977)	(7,569)	(6,429)
Other Nonoperating Expenses	51,349	34,699	38,969
Total Nonoperating Expenses	106,525	94,780	101,624
Total Expenses	748,393	727,546	732,016
Loss Before Capital Contributions	(127,305)	(193,699)	(137,840)
Capital Grants	39,868	26,753	34,192
Decrease in Net Assets	(87,437)	(166,946)	(103,648)
Net Asssets, July 1	1,682,566	1,849,512	1,971,241
Cumulative Effect of Restatement	-	-	(18,081)
Net Assets, June 30	$ 1,595,129	$ 1,682,566	$ 1,849,512

Net assets decreased by $87.4 million in 2012 after decreasing by $167 million in 2011. Both operating and non-operating expenses continue to exceed incoming revenues. As a result, management used cash reserves to cover the gap.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) Dollars in Thousands

MARTA had a 15% increase in passenger revenue from 2011 to 2012, and a 6% increase in passenger revenue from 2010 to 2011. The growth in 2012 is directly related to the fare increase implemented in October 2011. Due to stagnant sales tax growth, as well as the future revenue estimates, MARTA modified its fare structure by raising its regular, discounted, and mobility fares.

In 2012, MARTA's other operating revenues decreased by $107 thousand or 1%. Included in other operating revenues are advertising, Transit Oriented Development Lease (TOD), and alternative fuel tax revenues.

In 2012, MARTA's largest component of nonoperating revenues, sales and use tax, was up from 2011 by $21 million or 7%. The largest growth was in capital lease revenue by $63 million. This growth resulted from an increase in market value of investments in securities. Overall, nonoperating revenues increased by $70 million; a 17% change from 2011.

The 2012 operating expenses increased by $9.1 million from 2011, primarily due to an increase in depreciation expense. The 2012 nonoperating expenses increased by $11.7 million from 2011; this was a result of the growth in general and administrative expenses related to capital projects.

Capital Acquisitions and Construction Activities

In 2012, MARTA expended $147,973 on capital activities. The expenditures were primarily for the replacement, rehabilitation, and enhancement of facilities and equipment required to support transit operations, regulatory requirements, and system safety. The net change in capital assets, including changes in accumulated depreciation and retirements was $(80,270), $(114,368) and $(87,779) as of June 30, 2012, 2011 and 2010 respectively. Additional information on MARTA's debt and capital asset activity and commitments can be found in Notes 6 and 7 of the Notes to the Financial Statements.

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

	2012	2011	2010
Capital Assets			
Property and Equipment	$ 3,078,070	$ 3,158,340	$ 3,272,708
Capital Debt			
Current maturities of Bonds and Notes	51,035	287,860	283,370
Noncurrent maturities of Bonds	1,840,422	1,567,567	1,632,734
Capital Lease Obligations	390,859	388,335	369,536
	2,282,316	2,243,762	2,285,640
Capital Assets, Net of Debt	$ 795,754	$ 914,578	$ 987,068

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited) Dollars in Thousands

Long Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds and Bond Anticipation Notes Commercial Paper to raise capital funds for construction and expansion, and rehabilitation of the transit system. 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's 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 A1 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 $1,891,457, $1,855,427 and $1,916,104 as of June 30, 2012, 2011 and 2010, respectively.

Economic Condition and Outlook

The current economy in the state of Georgia is similar to the economy throughout the rest of the country, but with a lag period. Unemployment has decreased slightly but is bouncing between eight and nine percent; the housing market is still rather unstable but is showing growth of 37% in housing permits with the majority in multi-family housing. Housing prices have stabilized with some areas experiencing slight price increases, but small businesses that use home equity as a source of capital is still being heavily impacted.

Consumer confidence, which drives consumer spending, has increased slightly, but continues to fluctuate. MARTA's largest revenue source, Sales Tax Revenue, is directly related to consumer spending. MARTA's 2012 Sales Tax Revenue was up from 2011 by $21.0 million or 7%. Current sales tax forecasts show positive growth of .5% in 2013 and 2.5% in 2014.

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

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, 2012 and 2011

(Dollars In Thousands)

	2012	2011
Assets		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 46,887	$ 47,250
Investments (Note 2)	54,035	86,202
Material and Supplies Inventories	26,174	35,132
Sales Tax Receivables, Prepayments and Other	105,867	68,291
Total Unrestricted Current Assets	232,963	236,875
Restricted Investments (Notes 2 and 3)	118,574	62,860
Current portion, Investment held to pay Capital Lease (Notes 2 and 3)	3,883	6,266
Total Restricted Current Assets	122,457	69,126
Total Current Assets	355,420	306,001
Noncurrent Assets:		
Restricted Investments (Notes 2 and 3)	175,203	243,737
Investment held to pay Capital Lease Obligations (Notes 2 and 3)	481,099	424,447
Investment Derivatives (Notes 1 - 3 and 8)	(10,780)	(19,757)
Total Restricted Non Current Assets	645,522	648,427
Capital Assets: (Note 6)		
Land, non-depreciable	555,668	553,356
Rail System and Buildings	3,289,889	3,225,958
Transportation Equipment	1,214,610	1,212,392
Other	1,071,271	1,030,395
	6,131,438	6,022,101
Less Accumulated Depreciation	(3,361,744)	(3,139,102)
	2,769,694	2,882,999
Construction in Progress, non-depreciable	308,376	275,341
Capital Assets - Net	3,078,070	3,158,340
Other Noncurrent Investments (Note 2)	10,000	10,000
Bond Issue Costs - Net	9,794	8,300
Deferred Outflow of Resources from Hedging (Notes 1 and 8)	3,571	7,606
Derivative Asset (Notes 1 and 8)	25	680
Other	900	890
Total Noncurrent Assets	3,747,882	3,834,243
Total Assets	$ 4,103,302	$ 4,140,244

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

STATEMENTS OF NET ASSETS *(continued)*

June 30, 2012 and 2011
(Dollars In Thousands)

	2012	2011
Liabilities and Net Assets		
Current Liabilities:		
Payable from NonRestricted Assets:		
Accounts and Contracts Payable	$ 58,893	$ 42,519
Salaries and Employee Benefits (Notes 11 and 12)	23,338	19,232
Self-Insurance Accruals (Note 13)	14,771	13,581
Other Current Liabilities	4,447	3,845
Total Current Liabilities Payable from NonRestricted Assets	101,449	79,177
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds (Note 7)	51,035	62,860
Commercial Papers (Note 7)	-	225,000
Accrued Interest	34,892	34,950
Due to Federal Transportation Administration	135	142
Current Maturities of Obligations Under Capital Leases (Note 10)	3,749	6,086
Total Current Liabilities Payable from Restricted Assets	89,811	329,038
Total Current Liabilities	191,260	408,215
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Discount and Deferred Loss on Refunding (Note 7)	1,840,422	1,567,567
Noncurrent Self Insurance Accruals (Note 13)	19,576	17,419
Deferred Revenue (Notes 8 and 14)	66,209	73,942
Obligations Under Capital Leases (Note 10)	387,110	382,249
Deferred Inflows of Resources from Hedging (Notes 1 and 8)	25	680
Derivative Liability - Interest Rate Swap (Notes 1 and 8)	3,571	7,606
Total Noncurrent Liabilities	2,316,913	2,049,463
Total Liabilities	2,508,173	2,457,678
Net Assets		
Invested in Capital Assets, net of Related Debt	795,754	914,578
Restricted for debt service	125,935	156,927
Restricted for Investment Derivative	(10,780)	(19,757)
Restricted for other projects	36,564	37,859
Restricted for capital projects	131,142	111,669
Restricted for capital leases	484,982	430,713
Unrestricted	31,532	50,577
Total Net Assets	$ 1,595,129	$ 1,682,566

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2012 and 2011

(Dollars In Thousands)

	2012	2011
Operating Revenues:		
Fare Revenues (Note 5)	$ 132,870	$ 115,828
Other Revenues	11,294	11,401
Total Operating Revenues	144,164	127,229
Operating Expenses:		
Transportation	186,144	183,875
Maintenance and Garage Operations	146,672	146,844
General and Administrative	78,660	79,743
Depreciation	230,392	222,304
Total Operating Expenses	641,868	632,766
Operating Loss	(497,704)	(505,537)
Nonoperating Revenues (Expenses):		
Sales and Use Tax (Notes 1 and 4)	340,945	319,850
Federal Revenues	70,576	85,777
Investment Income	833	1,272
Net Capital Lease Transaction Activity (Note 10)	51,745	(11,820)
Other Revenues	12,938	12,799
Loss on Sale of Property and Equipment	(113)	(1,260)
Interest Expense	(70,334)	(73,381)
Interest Expense Capitalized	542	305
Amortization of Financing Related Charges and Income from Derivative Activity	5,639	5,426
Other NonOperating Expenses	(51,349)	(34,699)
Gain on Investment Derivatives (Note 1)	8,977	7,569
	370,399	311,838
Loss Before Capital Contributions	(127,305)	(193,699)
Capital Grants	39,868	26,753
Net Assets		
Decrease in Net Assets	(87,437)	(166,946)
Net Assets, July 1	1,682,566	1,849,512
Net Assets, June 30	$ 1,595,129	$ 1,682,566

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

(Dollars In Thousands)

	2012	2011
Cash Flows from Operating Activities:		
Cash Received from Providing Services	$ 141,109	$ 122,709
Cash Paid to Suppliers	(194,419)	(209,783)
Cash Paid to Employees	(225,917)	(221,530)
Net Cash Used by Operating Activities	(279,227)	(308,604)
Cash Flows from Noncapital Financing Activities:		
Sales and Use Tax Collections	339,156	319,229
Federal Operating Subsidy	33,941	103,851
Net Cash Provided by Noncapital Financing Activities	373,097	423,080
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Bond and Debt Related Derivative Receipts	103,035	3,953
Repayment of Bond Payable	(62,860)	(58,370)
Capital Contributions	39,868	26,753
Interest Paid on Revenue Bonds	(70,392)	(75,088)
Acquisition and Construction of Capital Assets	(149,703)	(108,861)
Net Cash Used by Capital and Related Financing Activities	(140,052)	(211,613)
Cash Flows from Investing Activities:		
Purchases of Investments	(2,028,324)	(1,971,475)
Processed from Sales and Maturities of Investments	2,073,310	2,093,063
Interest Received on Investments	833	1,272
Net Cash Provided by Investing Activities	45,819	122,860
Net Increase (Decrease) in Cash and Cash Equivalents	(363)	25,723
Cash and Cash Equivalents, Beginning of Year	47,250	21,527
Cash and Cash Equivalents, End of Year	$ 46,887	$ 47,250
Reconciliation of Operating Income to Net Cash Used by Operating Activities:		
Operating Loss	$ (497,704)	$ (505,537)
Other Revenues and (Expenses)	(38,411)	(21,900)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	230,392	222,304
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	8,958	(844)
Prepayments and Other	848	241
Current Liabilities and Due Federal Transportation Administration	24,423	6,092
Deferred Revenue	(7,733)	(8,960)
Net Cash Used by Operating Activities	$ (279,227)	$ (308,604)
Noncash Investing, Capital and Financing Activities:		
Amortization of Bond Issuance Costs and Other Related Expenses	$ 5,639	$ 5,426
Increase in Fair Value of Investments	80,247	332
Net Noncash Investing, Capital and Financing Activities	$ 85,886	$ 5,758

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(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 a twelve member board of directors. As defined by the Governmental Accounting Standards Board (GASB), the financial reporting entity is comprised of the primary government and its component units. The primary government includes all departments and operations of MARTA, which are not legally separate organizations. Component units are legally separate organizations, which are fiscally dependent on MARTA or for which MARTA is financially accountable, or which raises and holds economic resources for the direct benefit of MARTA. An organization is fiscally dependent if it must receive MARTA's approval for its budget, levying of taxes or issuance of debt. MARTA is financially accountable for an organization if it appoints a majority of the organization's board, and either a) has the ability to impose its will on the organization or b) there is the potential for the organization to provide a financial benefit to or impose a financial burden on MARTA. The reporting entity of MARTA consists solely of the primary government. MARTA has no component units.

MARTA is a jointly governed organization. Of its twelve member board, three members are appointed by Fulton County, four members by DeKalb County, and three members by the City of Atlanta. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority serve as ex-officio members of the Board. None of the participating governments appoint a majority of MARTA's Board and none have an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2012 or 2011.

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

(Dollars In Thousands)

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

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

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

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

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

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

Rail system and Buildings	5-50 years
Transportation Equipment	5-20 years
Other Property and Equipment	4-20 years

MARTA uses a three hundred-dollar capitalization threshold for its capital assets. Donated properties are stated at their fair value on the date donated. When assets are sold or retired, the cost of the asset and related accumulated depreciation is removed from the accounts and the resulting gain or loss, if any, is charged to non-operating revenue or expense.

Ordinary maintenance and repairs are charged to expense as incurred, while property additions and betterments are capitalized. MARTA capitalizes, as a cost of its constructed assets, the interest expense based upon the weighted average cost of borrowings of MARTA.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

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

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

Recently Issued Statements of Governmental Accounting Standards - Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, is effective for MARTA's fiscal year ending June 30, 2013. The intent of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. This Statement requires a retroactive reclassification of MARTA's Statement of Net Assets and balance sheet information, if practical, for all prior periods presented. MARTA has not yet fully determined the impact of adopting this Statement.

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* is effective for MARTA's fiscal year ending June 30, 2013. The intent of this Statement is to identify deferred outflows and inflows that are to be separated from assets and liabilities under GASB Statement No. 63 and provide for immediate recognition of certain costs and fees. This standard also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. MARTA has not determined the impact of adopting this Statement.

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, is effective for MARTA's fiscal year ending June 30, 2014. This Statement replaces the requirements of Statements No. 25 and No. 50, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

(Dollars In Thousands)

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

The Standard provides for financial statements to be presented in accordance with Statement No. 63, which separates the deferred inflows and outflows and arrives at a net position, and requires disclosure of the pension plan's fiduciary net position, net pension liability, the pension plan's fiduciary net position as a percentage of total pension liability, and related assumptions used to calculate the pension liability. The standard also provides for presentation of required supplementary information for each of the ten most recent fiscal years, including the sources of changes in the net pension liability and information about the components of the liability and related ratios. MARTA has not determined the impact of adopting this Statement.

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

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

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

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

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

Grants for capital asset acquisition, facility development, and rehabilitation are reported in the Statements of Revenues, Expenses and Changes in Net assets, after non-operating revenues and expenses as capital grants.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

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

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

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

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

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

Operating Revenues and Expenses - Fare and parking revenue from transporting passengers, concessions, and advertising are reported as operating revenues.

Transactions that are capital, financing or investing related, or which cannot be attributed to MARTA's transportation focus, are reported as non-operating revenues. All expenses related to operating the bus and rail system are reported as operating expenses. Interest expenses, financing costs, and planning costs are reported as non-operating expenses.

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

2. CASH AND INVESTMENTS

Cash - At June 30, 2012 and 2011, the carrying amounts of MARTA's total cash on hand were $1,286 and $1,145, respectively.

At June 30, 2012 and 2011, the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $45,601 and $46,105, respectively.

The bank balances were $44,752 and $45,227, respectively. Of the bank balances at June 30, 2012 and 2011, $463 and $463, respectively, were covered by federal depository insurance and $44,288 and $44,764, respectively, were collateralized by government securities held by the pledging financial institution's trust department or agent in MARTA's name.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

2. CASH AND INVESTMENTS *(continued)*

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

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

Interest Rate Risk - is the risk that changes in interest rates will adversely affect the fair value of financial instruments or cash flows.

As a means of limiting its exposure to this, MARTA's investment policy prohibits investments in U.S. Treasuries and Agencies and State Obligations with maturities greater than five years and six months at the date of purchase. The policy also limits Repurchase Agreements to three months from the date of purchase. Investments held and managed by an independent trustee are not subject to these restrictions.

Credit Quality Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of MARTA's debt securities to credit quality risk as of June 30, 2012 is as follows:

Investment Type	Fair Value	Credit Rating	Rating Agency
Repurchase Agreements	$ 58,969	FDIC	
U.S. Government Treasuries	101,045	Aaa	
U.S. Government Agencies	298,224	AA+/Aaa	
State of Georgia GA Fund 1	46,000	AAAm	S&P
FDIC Public Funds	100,623	AAA/AA+	S&P
Certificate of Deposit (CDAR)	49,623	FDIC	
Guaranteed Inv Contracts	188,310		
Investment Derivatives	(10,780)		
Total	$ 832,014		

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

2. CASH AND INVESTMENTS *(continued)*

Custodial Credit Risk - for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MARTA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of MARTA's investment at June 30, 2012 and 2011, of $832,014 and $813,755, respectively, $10,288 and $10,354, respectively, are securities held by a trustee, not in the name of MARTA. These investments are the only securities not held in MARTA's name as per the terms of a trust agreement between MARTA and a Railroad company.

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

3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30:

	2012	2011
Restricted Cash and Investments:		
Sinking Fund	$ 125,931	$ 156,922
Railroad Trust Fund Agreement	10,000	10,000
Capital Asset Purposes	63,196	63,194
Proceeds From Real Estate Sales	56,118	36,661
Investment Held to Pay Capital Lease Obligation	484,982	430,713
Investment Derivatives	(10,780)	(19,757)
Other	38,531	39,820
Total Restricted Cash and Investments	767,978	717,553
Due to FTA	135	142
Total Restricted, Net of Related Debt	$ 767,843	$ 717,411

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, 2012 and 2011, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

3. RESTRICTED ASSETS *(continued)*

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

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

Restricted net assets of $767,843 and $717,411 at June 30, 2012 and 2011, respectively, are reported in the Statements of Net Assets and are restricted by law or binding agreements with outside parties.

4. SALES AND USE TAX

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

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

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

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

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

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

During the years ended June 30, 2012 and 2011, MARTA used 58% and 61%, respectively, of the sales and use tax proceeds to subsidize the net operating costs.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

(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, 2012 and 2011 were 68.3% and 53.4%, respectively, of operating costs of the previous fiscal year as defined under the MARTA Act.

6. CAPITAL ASSETS

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

6. CAPITAL ASSETS *(continued)*

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

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

7. LONG-TERM DEBT

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

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2011	Outstanding Additions	Principal Retirements	Balance June 30, 2012
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2019	4.60% - 6.25%	$ 52,625	$ -	$ (5,235)	$ 47,390
P*	1992	296,755	2021	3.30% - 6.25%	148,535	-	(47,000)	101,535
1998A*	1998	144,535	2011	5.50% - 6.250%	-	-	-	-
2000A*	2000	100,000	2026	Variable	100,000	-	-	100,000
2000B*	2000	100,000	2026	Variable	100,000	-	-	100,000
2003A*	2003	103,075	2021	3.00% - 5.00%	53,560	-	(21,670)	31,890
2005A*	2005	190,490	2021	5.00%	190,490	-	-	190,490
2006A*	2006	163,890	2021	5.00%	158,440	-	(9,085)	149,355
2007A*	2007	145,725	2033	5.00%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.25%	389,830	-	-	389,830
2009A*	2009	250,000	2040	5.00%	250,000	-	-	250,000
2012A*	2012	311,075	2041	4.25% - 5.25%	-	311,075	-	311,075
2012B*	2012	17,930	2021	3.00% - 5.00%	-	17,930	-	17,930
Subtotal					1,589,205	329,005	(82,990)	1,835,220
Less portion due within one year					(62,860)	11,825	-	(51,035)
Plus unamortized premium (discount)					62,520	18,828	(6,294)	75,054
Less unamortized deferred loss on refunding					(21,298)	(519)	3,000	(18,817)
Sales Tax Revenue Bonds total long-term portion					$ 1,567,567	$ 359,139	$ (86,284)	$ 1,840,422

*Refunding bonds

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

7. LONG-TERM DEBT *(continued)*

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

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2010	Outstanding Additions	Principal Retirements	Balance June 30, 2011
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2019	4.60% - 6.25%	$ 57,545	$ -	$ (4,920)	$ 52,625
P*	1992	296,755	2021	3.30% - 6.25%	164,775	-	(16,240)	148,535
1998A*	1998	144,535	2011	5.50% - 6.250%	27,715	-	(27,715)	-
2000A*	2000	100,000	2026	Variable	100,000	-	-	100,000
2000B*	2000	100,000	2026	Variable	100,000	-	-	100,000
2003A*	2003	103,075	2021	3.00% - 5.00%	61,675	-	(8,115)	53,560
2005A*	2005	190,490	2021	5.00%	190,490	-	-	190,490
2006A*	2006	163,890	2021	5.00%	159,820	-	(1,380)	158,440
2007A*	2007	145,725	2033	5.00%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.25%	389,830	-	-	389,830
2009A*	2009	250,000	2040	5.00%	250,000	-	-	250,000
Subtotal					1,647,575	-	(58,370)	1,589,205
Less portion due within one year					(58,370)	(4,490)	-	(62,860)
Plus unamortized premium (discount)					67,765	-	(5,245)	62,520
Less unamortized deferred loss on refunding					(24,236)	-	2,938	(21,298)
Sales Tax Revenue Bonds total long-term portion					$ 1,632,734	$ (4,490)	$ (60,677)	$ 1,567,567

*Refunding bonds

Sales Tax Revenue Bonds - Principal on all the Sales Tax Revenue Bonds (the “Bonds”) is payable in an annual installment on July 1; interest is payable semi-annually on January 1 and July 1 on all Bonds except the Series 2000A and 2000B Bonds, which interest is payable on the first day of each month for the previous month. Series N and P Bonds are payable from and secured by a first lien on sales and use tax receipts. Series 1998A, 2000A, 2000B and 2003A Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A, 2007B, 2009A, 2012A and 2012B are payable from and secured by a third lien on sales and use tax receipts (Note 4).

The Series 2000A and 2000B Bonds are variable-rate sales tax revenue bonds. Each series was issued in the aggregate principal amount of $100,000 each and was initially issued in the weekly mode. Interest in the weekly mode is payable on the first business day of each month, for the previous month. The bonds may bear interest at daily rates, weekly rates, commercial paper rates, or term rates for periods selected from time to time by the Authority. In addition, the bonds may be converted to bear interest at a fixed rate. The rate of interest to be borne during any particular interest period will be determined by the remarketing agents. The interest rate at June 30, 2012 on the Series 2000A and 2000B Bonds were 0.13% and 0.13%, 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
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7. LONG-TERM DEBT *(continued)*

Annual debt service requirements on the Bonds outstanding at June 30, 2012 are as follows:

Year Ending June 30	Principal	Interest	Swap Agreement, net	Total
2013	$ 51,035	$ 73,670	$ (1,286)	$ 123,419
2014	53,815	76,911	(1,229)	129,497
2015	55,685	74,079	(1,168)	128,596
2016	59,870	71,084	(1,103)	129,851
2017	63,145	67,898	(1,023)	130,020
2018 to 2022	328,015	289,348	(3,801)	613,562
2023 to 2027	230,310	248,192	(1,459)	477,043
2028 to 2032	283,295	201,517	(282)	484,530
2033 to 2037	357,390	125,926	-	483,316
2038 to 2041	352,660	32,541	-	385,201
	$ 1,835,220	$ 1,261,166 *	$ (11,351) **	$ 3,085,035

* Variable rate bond interest requirement computed at year-end rates.
** SIFMA reference rate and One-month LIBOR computed using year-end rate with the assumption rates will remain the same for the term of the derivative instrument. See Note 8.

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 $731,060 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 $1,891,457 in sales tax revenue bonds issued in 1992, 2000, 2003, 2005, 2006, 2007, 2008, 2009 and 2012 of which $1,840,422 is considered long-term debt. Proceeds from the bonds were used for the rehabilitation or expansion of MARTA's rail and bus systems. Principal and interest on the bonds are payable through 2041, 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, 2012 and 2011 were $132,610 and $131,767, respectively.

Sales and use tax revenues are initially deposited into a Sinking Fund held by the bond trustee as required by the Bond Trust Indentures. At June 30, 2012 and 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

7. LONG-TERM DEBT *(continued)*

Following is a summary of the activity in the Sinking Funds for the years ended June 30, 2012 and 2011:

	2012	2011
Balance, Beginning of Year	$ 156,922	$ 151,892
Sales and Use Tax Proceeds	124,948	126,386
Investment Income	208	151
Principal and Interest Payment on Bonds	(132,610)	(131,767)
Excess Sales Tax Withheld Refunded	(27,974)	6,892
Trustee Fees	4,437	3,368
Balance, End of Year	$ 125,931	$ 156,922

8. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

(Dollars In Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

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

Interest Rate Swap Agreements - As a means of interest rate management, to expand bonding capacity and to provide immediately available funds, MARTA entered into interest rate swap agreements in November 2004 with two counterparties in connection with its fixed rate outstanding bond issues, including the Series 1996A (Refunded by Series 2006A), 1998A (matured in 2011), Series 1998B (Refunded by Series 2005A), and Series 2002 Bonds (Refunded by Series 2007A), and its variable rate Series 2000A and Series 2000B Bonds. A summary of those agreements are as follows:

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

[1] Securities Industry and Financial Market Association

[2] London Interbank Offered Rate.
Payment for both are USD-SIFMA

NOTES TO THE FINANCIAL STATEMENTS

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8. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

Deferred revenue in the Statements of Net Assets related to these interest rate swaps was $13,011 and $14,917 at June 30, 2012 and 2011, respectively.

Hedging derivative instruments must meet annual effectiveness tests. MARTA assessed whether the hedging derivatives were highly effective in offsetting changes in fair value or cash flows of hedged items. MARTA's interest rate swap related to the Series 2000A & 2000B bonds with a $200 million notional amount met the effectiveness conditions of the dollar offset method again in fiscal year 2012, while the interest rate swap related to the Series 1996A, 1998B & 2002 bonds with a notional amount of $518,310 did not meet the effectiveness test in fiscal year 2010 and was not reconsidered.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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(Dollars In Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

MARTA is exposed to interest rate risk when a generally adverse move in variable rates increases the overall cost of borrowing or if credit concerns relating to MARTA have the same impact. MARTA currently has $200,000 exposure to variable rates (VRDB's and Commercial Paper) and the basis swaps will not increase that exposure.

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

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

Commodity Swap Agreements - In order to help plan its diesel and natural gas costs for the fiscal year and to protect itself against price volatility in the market prices of the commodities, MARTA has entered into contracts to hedge diesel (using low sulfur diesel) and natural gas. It is possible that the index prices may be lower than the price at which MARTA committed to in the contracts.

This would reduce the value of the contract and MARTA could sell the contract at a loss, or likewise if the index prices are higher, the value of the contracts would increase and MARTA could sell the contracts at a profit. If MARTA continues to hold the contract until maturity, MARTA may make or receive termination payments to or from the counterparty to settle the obligation under the contract. Three contracts terminated on June 30, 2012. A summary of agreements is as follows:

Date of Execution	Effective Dates	Termination Dates	Fixed Price	Counterparty	Net Settlement In FY 2012
Natural Gas:					
10/19/2010	11/1/2010	6/30/2012	$4.39 per MMBTU	Citigroup Energy, Inc.	$ (346)
3/25/2011	7/1/2011	6/30/2012	$4.87 per MMBTU	Koch Supply & Trading Co.	$ (635)
1/30/2012	7/1/2012	6/30/2013	$3.424 per MMBTU	Canadian Imperial Bank of Commerce	$ -
Diesel:					
8/24/2010	9/1/2010	7/8/2011	$2.063 per gallon	Canadian Imperial Bank of Commerce	$ 36
10/19/2010	11/1/2010	6/30/2012	$2.338 per gallon	Deutsche Bank AG London Branch	$ 635
2/23/2012	7/1/2012	6/30/2013	$3.221 per gallon	Citigroup Energy, Inc.	$ -

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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

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

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

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

When MARTA entered into these agreements an upfront cash payment of $11,350 was received by MARTA which represented the present value of the future interest cash flows. The cash received was recorded as deferred revenue and is being amortized over the life of the agreements. Deferred revenue in the Statements of Net Assets related to these forward delivery agreements was $4,923 and $5,637 at June 30, 2012 and 2011, respectively.

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

9. BOND REFUNDINGS

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

9. BOND REFUNDINGS *(continued)*

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, 2012, the amount of defeased debt outstanding but removed from MARTA's Statement of Net Assets totaled $198,130.

10. CAPITAL LEASE OBLIGATIONS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

10. CAPITAL LEASE OBLIGATIONS *(continued)*

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

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

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

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

- A collateral replacement of approximately $17.0 million supporting the remediated transactions related to the 2001-1 through 2001-4; 2001-6; 2001-8 and 2002-1 LILO arrangements will need to be in place on January 2, 2018 and can take the form of securities or a Letter of Credit. The replacement of collateral determination method and actual final collateral replacement amounts is not determinable at June 30, 2012.

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2012:

Fiscal Year (s)	
2013	$ 3,749
2014	3,354
2015	3,023
2016	3,434
2017	3,168
2018 - 2022	161,223
2023 -2027	66,928
2028 - 2032	39,141
2033 - 2036	106,839
Present value of net minimum lease payments	390,859
Less: current principal maturities	(3,749)
Obligations under capital lease	$ 387,110

The liability of these leases changed from 2011 to 2012 as follows:	
Outstanding - June 30, 2011	$ 388,335
Net change in obligation	2,524
Outstanding - June 30, 2012	$ 390,859

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

(Dollars In Thousands)

11. PENSION PLANS

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

11. PENSION PLANS (*continued*)

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the plans as of January 1, 2012 for the Union Plan and Non-Rep Plan:

	Union	Non-Rep
Active employees	2,630	881
Pensioners	1,640	1,035
Inactive vestees	201	113
Total	4,471	2,029

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, 2012 and 2011
(Dollars In Thousands)

11. PENSION PLANS *(continued)*

MARTA's annual pension cost and contributions are based on the actual covered payroll as of June 30, 2012. All other related information is based on actuarial valuations performed as of January 1, 2012 for Union and Non-Rep plans. The information is as follows:

	Union	Non-Rep
Contribution rates:		
MARTA	8.09%	18.00%
Plan members	4.41%	5.00%
Transit Police	-	6.50%
Annual pension cost	$7,398	$23,230
Contributions made	$7,398	$23,230
Actuarial valuation date	01/01/2012	01/01/2012
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level Percentage of	Fixed Dollar
Remaining amortization period	30 years, Open	12 years, Closed
Asset valuation method	5 - Year weighted index	5 - Year weighted index
Actuarial assumptions		
Investment rate of	7.5%	7.5%
Projected salary increases:		
Inflation and productivity	4.5% per year	3.8% per year
Merit or	1.0% per year	1.6% per year
Post retirement benefit increases	none	none

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
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11. PENSION PLANS *(continued)*

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

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

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

Schedule of Annual Pension Cost

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2010	5,397	100	0
2011	4,701	100	0
2012	7,398	100	0

Non-Represented Pension Plan

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2010	18,373	100	0
2011	22,024	100	0
2012	23,230	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 Statement No. 50.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
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11. PENSION PLANS *(continued)*

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

Plan Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2010	$ 454,137	$ 456,999	99.4	$ 2,862	$ 116,392	2.5
1/1/2011	461,403	468,654	98.5	7,251	102,253	7.1
1/1/2012	455,999	470,926	96.8	14,927	106,554	14.0

Non-Represented Pension Plan

Beginning with the 2008 fiscal year, GASB Statement No. 50 requires the funding status to be reported using the Entry Age Normal Cost Method if the Actuarial Cost Method used to develop the Annual Required Contribution does not directly compute the Accrued Actuarial Liability. The schedule of funding progress thereafter reflects this change.

Plan Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2010	$ 250,963	$ 386,559	64.9	$ 135,596	$ 58,614	231.3
1/1/2011	256,977	407,108	63.1	150,130	58,140	258.2
1/1/2012	266,810	431,419	61.8	164,609	58,225	282.7

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 2012 and 2011 were $877 and $694, respectively.

Employee contributions to the D.C. Plan for the years ended June 30, 2012 and 2011 were $1,681 and $1,316, respectively.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
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12. EMPLOYEE BENEFITS

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

The 457 Plan allows any employee to voluntarily defer receipt of up to 25% of gross compensation, not to exceed $17.0 per year or if age 50 and over not to exceed $22.5 per year. All administration costs of the 457 Plan are deducted from the participant's account. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). The 457 Plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA's Statements of Net Assets.

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

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

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

MARTA's annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) with increasing payments over a period not to exceed thirty years. For the years ended June 30, 2012 and 2011, respectively, MARTA contributed $18,414 and $19,589 to its OPEB Plan (the Plan).

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

Dollars In Thousands

12. EMPLOYEE BENEFITS *(continued)*

The following schedule (derived from the most recent actuarial valuation report) shows the components of MARTA's Annual OPEB costs for 2012 and 2011, the amounts actually contributed to the Plan and changes in MARTA's Net OPEB Obligation (Asset):

	2012	2011
Annual required contribution	$ 21,405	$ 19,791
Interest on net OPEB obligation	-	-
Adjustment to OPEB obligation	(2,991)	(202)
Annual OPEB cost	18,414	19,589
Actual employer contributions	(18,414)	(19,589)
Increase(decrease) in net OPEB obligation(asset)	-	-
Net OPEB obligation (asset), beginning of year	-	-
Net OPEB obligation (asset), end of year	$ -	$ -
Percentage of annual OPEB cost contributed	100%	100%

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

For the July 1, 2010 actuarial valuation, the Individual Entry Age Normal Actuarial Cost Method was used. Under the Entry Age Normal Actuarial Cost Method, the Normal Cost is computed as the dollar amount which, if paid from the earliest time each Participant would have been eligible to join the Plan if it then existed (entry age) until their retirement, termination or death, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to pay all benefits under the Plan. The total Normal Cost for the Plan is determined by adding the Normal Costs for each individual participant.

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

The amortization method used is a 30 year closed level percent of pay formula assuming a 2.0% annual payroll growth assumption. There are currently 25 years remaining in the amortization period. For purposes of the fiscal years 2012 and 2011 actuarial valuations, a discount rate of 7.5% was used for both years. The Plan changed the long-term discount rate assumption from 4.7% used in the initial valuation to 7.5% in connection with the establishment of an exclusive trust.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

Dollars In Thousands

12. EMPLOYEE BENEFITS *(continued)*

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

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

The healthcare trend rate used for determining the cost of future benefits for the Plan was 7.5% for 2011-2012.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$ 17,232	100%	$ -
2011	19,589	100%	-
2012	18,414	100%	-

` The funded status of the Plan as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	$ 197,579
Actuarial value of plan assets	27,856
Unfunded actuarial acccrued liability (UAAL)	$ 169,723
Funded ratio	14.1%
Covered payroll	$ 169,001
UAAL as a percentage of covered payroll	100.4%

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
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12. EMPLOYEE BENEFITS *(continued)*

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Individual Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/1/2010	$ 14,181	$ 189,101	$ 174,920	7.5%	$ 165,493	105.7%
6/1/2011	20,793	191,777	170,984	10.8%	162,234	105.4%
6/1/2012	27,856	197,579	169,723	14.1%	169,001	100.4%

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

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

13. RISK MANAGEMENT

MARTA is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. MARTA is self-insured for workers' compensation risks 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 a $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, 2012 and 2011, and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

13. RISK MANAGEMENT *(continued)*

The changes in the liabilities for self-insurance for the years ended June 30, 2012 and 2011, are as follows:

	Workers' Compensation	Public Liability and Property Damage	Total
Balance, June 30, 2010	$ 15,297	$ 9,088	$ 24,385
Incurred claims, net of any changes	13,758	5,605	19,363
Payments	(8,395)	(4,353)	(12,748)
Balance, June 30, 2011	20,660	10,340	31,000
Incurred claims, net of any changes	12,383	4,992	17,375
Payments	(8,184)	(5,844)	(14,028)
Balance, June 30, 2012	$ 24,859	$ 9,488	$ 34,347
Due within one year	$ 10,598	$ 4,173	$ 14,771

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

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

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

14. DEFERRED REVENUE

From the year ended June 30, 2001 to 2007, MARTA entered into several agreements to lease a number of its rail cars; the Avondale Rail Maintenance Facility, the East Rail Line (from Five Points station to Indian Creek station),and the South Rail Line (from Five Points station to Airport station). MARTA then leased these same assets back from the third-party investors as a capital sublease. The effect of the transaction was to transfer the tax benefits of ownership to the investors; in exchange, MARTA received cash consideration equal to the difference between the lease and sublease payments. The total consideration net of expenses as of June 30, 2007 was $105.30 million. Since that time, a number of these arrangements have been terminated. MARTA is required to maintain the cars and the stations at an operating level over the life of the sublease as specified in the terms of the lease agreements. Because of the ongoing maintenance and renovation expenditures required to meet this operating level, the net proceeds were deferred and are being amortized over the life of the respective leases (approximately 18.5 years to 32 years) on a straight-line basis.

During the year ended June 30, 2012, MARTA terminated two agreements involving the rail cars. As a result of these terminations, MARTA incurred a book loss of $7.3 million and recognized $2 million of revenue initially recorded as deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

14. DEFERRED REVENUE *(continued)*

During the year ended June 30, 2012, the unamortized portion of Deferred Revenue for the South Line agreement was $24.5 million and $16 million for the Rail Cars agreements.

15. COMMITMENTS AND CONTINGENCIES

Commitments - MARTA's long-range plan provides for the planning, construction, financing, and operation of a rapid transit system in multiple phases, consisting of approximately 60 miles of double track and 45 stations, of which 47.6 miles and 38 stations were in service June 30, 2012. At June 30, 2012, MARTA was committed to future capital expenditures for various other projects.

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

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

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

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, 2012:

Fiscal Year	Amount
2013	$ 6,801
2014	6,821
2015	6,976
2016	7,060
2017	7,109
	$ 34,767

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011
(Dollars In Thousands)

15. COMMITMENTS AND CONTINGENCIES *(continued)*

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

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

16. POLLUTION REMEDIATION OBLIGATION

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* requires MARTA, if certain criteria are met, to report, in the financial statements, the estimated liability for the remediation of the detrimental effects of existing pollution.

MARTA has three active bus facilities and a closed maintenance facility at which underground fuel storage tanks have released fuel at various times in prior years. MARTA has for a number of years and continues to use various methods to remediate the effects of these releases. In addition, MARTA has been named as a potentially responsible party (PRP) for the cleanup of the Crymes Landfill located in Gwinnett County, Georgia. MARTA estimates its obligation to remediate the sites at the bus and maintenance facilities and its share in the remediation of the landfill at June 30, 2012 and 2011 was $6,222, which is included in current liabilities on the Statement of Net Assets.

17. SUBSEQUENT EVENT

While MARTA is fully hedged for the fiscal year 2013 Budget period, MARTA may execute additional fuel hedge contracts to facilitate hedging for the fiscal year 2014 Operating Budget. Counterparties will be determined through a bid process at some point in fiscal years 2013 and 2014 as dictated by market conditions. These contracts will be executed to hedge fiscal years 2014 and potentially 2015 at levels not to exceed 75% of the forecast usage for either year.

MARTA plans to sell approximately $100,000 of commercial paper from the new 2012C and D series notes in the November to December window. This will be the first issue of the new series which will bring the total of outstanding commercial paper to $100,000. Letters of Credit will be issued to support the $100,000 of commercial paper sold. Any subsequent draw will require and extension of existing or an additional Letter(s) of Credit being put in place.

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

For the Year Ended June 30, 2012

(Dollars In Thousands)

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	$ 132,670	$ 132,870	$ 200
Other Revenues	7,465	11,294	3,829
Total Operating Revenues	140,135	144,164	4,029
Operating Expenses:			
Transportation	176,959	186,144	(9,185)
Maintenance and Garage Operations	144,323	146,672	(2,349)
General and Administrative	92,560	78,660	13,900
Total Operating Expenses	413,842	411,476	2,366
Operating Loss	(273,707)	(267,312)	6,395
Nonoperating Revenues (Expenses)			
Sales and Use Tax	347,299	340,945	(6,354)
Federal Operating Revenues	37,782	70,576	32,794
Investment Income	324	833	509
Other Revenues	11,684	12,938	1,254
	397,089	425,292	28,203
Increase in Net Assets - Budget Basis	$ 123,382	157,980	$ 34,598
Basic Differences			
Depreciation		(230,392)	
Loss on Sale of Property and Equipment		(113)	
Interest Expense		(70,334)	
Interest Expense Capitalized		542	
Amortization of Financing Related Charges and Income from Derivative Activity		5,639	
Other - Nonoperating Expense		(51,349)	
Capital Grants		39,868	
Net Capital Lease Transaction Activity		51,745	
Gain on Investment Derivatives		8,977	
Decrease in Net Assets - GAAP Basis		$ (87,437)	

See note to supplemental schedule.

NOTES TO THE SUPPLEMENTAL SCHEDULE

For the Year Ended June 30, 2012 and 2011

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 2012 net operating expenses were $411 million which excludes depreciation. This was $2.3 million (.6 %) less than the fiscal year 2012 budget, which was $9 million (2.3 %) more than the previous year's budget. MARTA continued a number of cost containment measures in fiscal year 2012 by focusing on increasing productivity and efficiencies while reducing cost. Operating revenue performed favorable to the budget, ending the year $4 million (2.8 %) better than budget primarily due to fare increase implemented in October 2011. Non-operating revenues were 7.1 % or $28 million more than budget. The largest variance was for federal operating revenues; MARTA received $33 million more than budgeted. This positive variance is directly related to the additional Federal Operating Assistance, such as Federal Highway funds and the ARC Flex that the Authority received.

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Civic Center Station

Statistical Section

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.

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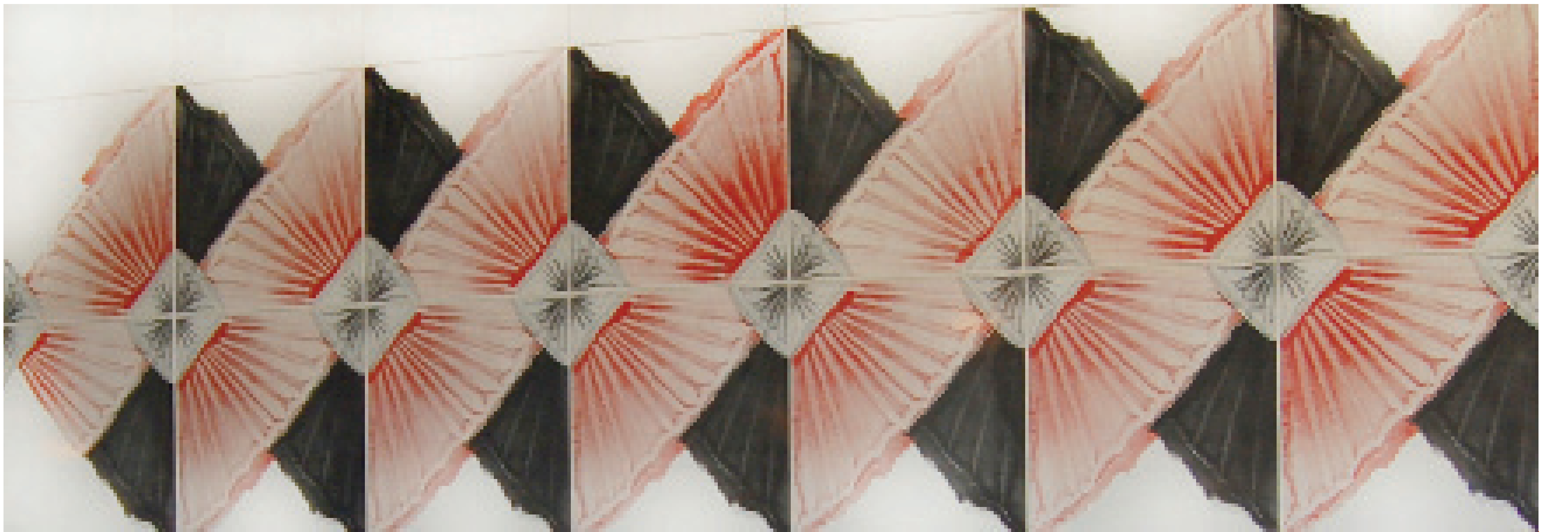


Chamblee Station

Financial Trends

CONDENSED SUMMARY OF NET ASSETS

Last Ten Fiscal Years
(Dollars in Millions)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ASSETS:										
Current and Other Assets	$ 1,025	$ 982	$ 1,084	$ 904	$1,142	$1,059	$540	$511	$464	$530
Capital Assets	3,078	3,158	3,273	3,360	3,393	3,350	3,304	3,240	3,194	3,138
Total Assets	4,103	4,140	4,357	4,264	4,535	4,409	3,844	3,751	3,658	3,667
LIABILITIES:										
Long-term Debt	1,891	1,631	1,691	1,482	1,686	1,581	1,426	1,358	1,288	1,326
Current and Other Liabilities	617	827	816	811	741	690	251	239	219	187
Total Liabilities	2,508	2,458	2,507	2,293	2,426	2,271	1,677	1,597	1,508	1,512
NET ASSETS:										
Invested in Capital Assets, Net of Debt	796	915	987	1,307	1,707	1,769	1,885	1,888	1,912	1,819
Restricted	768	717	709	621	307	292	269	234	221	218
Unrestricted	32	51	153	43	95	77	14	32	18	118
TOTAL NET ASSETS	$ 1,595	$ 1,682	$ 1,849	$ 1,971	$ 2,109	$ 2,138	$ 2,167	$ 2,154	$ 2,150	$ 2,155

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Last Ten Fiscal Years

(Dollars in Millions)

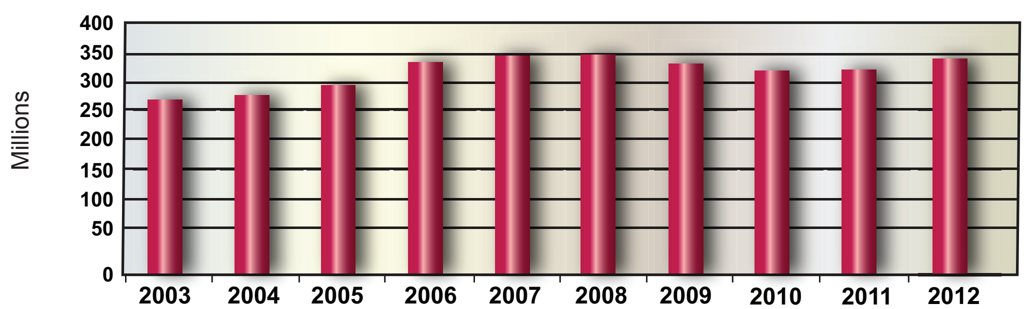
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues											
	Fare Revenues	$133	$116	$110	$105	$104	$105	$99	$96	$95	$96
	Other Revenues	11	11	13	9	14	5	6	7	12	10
	Total Operating Revenues	144	127	122	114	118	110	105	104	107	106
Non-Operating Revenues											
	Sales and Use Tax	341	320	308	313	350	351	334	307	283	271
	Federal Operating Revenues	71	86	101	52	49	40	39	40	42	40
	Investment Income	1	1	2	7	18	20	13	8	4	8
	Net Capital Lease Transaction Activity	52	(12)	50	3	3	0	0	0	0	0
	Other Revenues	13	13	11	48	11	10	10	10	9	7
	Gain (Loss) on Sale of Property and Equip.	(0)	(1)	(0)	(2)	0	1	1	(3)	(6)	0
	Total Nonoperating Revenues	477	407	471	422	431	421	397	362	332	327
Total Revenues		621	534	594	535	549	531	503	466	439	433
Summary of Expenses											
Operating:											
	Transportation	186	184	180	178	175	158	146	142	149	144
	Maintenance and Garage Operations	147	147	147	141	129	117	110	118	114	118
	General and Administrative	79	80	76	72	64	54	50	50	40	53
	Depreciation	230	222	227	226	196	164	147	139	133	135
	Total Operating Expenses	642	633	630	617	565	493	454	448	436	450
Non-Operating Expenses											
	Interest Expenses	70	73	74	73	76	70	66	64	63	64
	Interest Expenses Capitalized	(1)	(0)	(0)	(0)	(0)	(2)	(3)	(12)	(10)	(9)
	Amortization of Financing Related Charges and Income from Derivative Activity	(6)	(5)	(5)	(2)	(4)	(3)	(1)	1	1	2
	(Gain) Loss on Investment Derivatives	(9)	(8)	(6)	6	-	-	-	-	-	-
	Other Expenses-Special Pension Plan						45				
	Other Nonoperating Expenses	51	35	39	33	23	13	13	13	10	10
	Total Nonoperating Expenses	107	95	102	109	95	123	74	66	64	67
Total Expenses		748	728	732	726	660	616	528	514	499	517
Loss Before Capital Contributions		(127)	(194)	(138)	(190)	(111)	(86)	(25)	(48)	(60)	(84)
	Capital Grants	40	27	34	80	81	41	39	52	56	88
Increase (Decrease) in Net Assets		(87)	(167)	(104)	(110)	(29)	(44)	13	3	(4)	4
Net Assets, July 1		1,682	1,849	1,971	2,109	2,123	2,167	2,154	2,150	2,155	2,151
Prior period adjustment				(18)	(28)	15					
Net Assets, July 1		1,682	1,849	1,953	2,081	2,138	-	-	-	-	-
Net Assets, June 30		$1,595	$1,682	$1,849	$1,971	$2,109	$2,123	$2,167	$2,154	$2,150	$2,155

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)
2003	$ 272,578	(4.8) %	$ 99,213	$ 37,076	$ 157,732	58 %	$ (21,443)
2004	280,663	3.0	93,361	46,970	143,439	51	(3,107)
2005	296,351	5.6	107,703	40,472	152,135	51	(3,959)
2006	331,213	11.8	111,523	54,083	145,617	44	19,990
2007	349,215	5.4	118,276	56,331	158,931	46	15,677
2008	351,596	0.7	125,311	50,487	182,671	52	(6,873)
2009	327,425	(6.9)	128,137	35,575	216,835	66	(53,122)
2010	317,775	(2.9)	123,471	35,417	180,452	57	(21,565)
2011	319,229	0.5	126,386	33,228	194,573	61	(34,958)
2012	339,156	6.2	124,948	17,739	196,891	58	(422)

Sales and Use Tax Receipts



(1) Sales Tax collection is stated on the cash basis.

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

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

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

REVENUES AND OPERATING ASSISTANCE COMPARISON TO INDUSTRY TREND DATA

Last Ten Fiscal Years

(As a Percentage of Total)

	Fiscal Year	Operating and Other Miscellaneous Revenue			Operating Assistance			Total Revenue
		Fares	Other [2]	Total	Sales & Use Tax	Federal	Total	
Transportation Industry [1]								
	2003	32.6 %	18.1 %	50.7 %	43.6 %	5.7 %	49.3 %	100.0 %
	2004	32.9	16.7	49.6	43.4	7.0	50.4	100.0
	2005	32.4	15.7	48.1	44.6	7.3	51.9	100.0
	2006	33.2	7.0	40.2	52.1	7.7	59.8	100.0
	2007	31.4	6.5	37.9	54.6	7.5	62.1	100.0
	2008	31.2	6.5	37.7	55.3	7.0	62.3	100.0
	2009	31.5	5.9	37.4	54.4	8.2	62.6	100.0
	2010	32.1	5.4	37.5	53.1	9.4	62.5	100.0
	2011	*	*	*	*	*	*	*
	2012	*	*	*	*	*	*	*
MARTA								
	2003	22.2 %	5.9 %	28.1 %	62.6 %	9.3 %	71.9 %	100.0 %
	2004	21.3	5.8	27.1	63.6	9.3	72.9	100.0
	2005	20.5	5.3	25.8	65.6	8.6	74.2	100.0
	2006	20.5	5.8	26.3	66.0	7.7	73.7	100.0
	2007	19.8	6.5	26.3	66.2	7.5	73.7	100.0
	2008	18.9	8.4	27.3	63.7	9.0	72.7	100.0
	2009	19.6	12.2	31.8	58.4	9.8	68.2	100.0
	2010	18.4	12.8	31.2	51.8	17.0	68.8	100.0
	2011	21.7	2.3	24.0	59.9	16.1	76.0	100.0
	2012	21.4	12.3	33.7	54.9	11.4	66.3	100.0

* Not Available

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

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

TOTAL EXPENSES BY FUNCTION

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Transportation	Maintenance	General and Administrative	Depreciation	Total Operating Expenses	Interest	Other	Total
2003	$ 143,755	$ 118,446	$ 52,588	$ 135,116	$ 449,905	$ 55,320	$ 12,109	$ 517,334
2004	149,278	113,930	39,849	132,612	435,669	52,071	11,462	499,202
2005	141,833	117,871	49,678	138,976	448,358	52,175	13,757	514,290
2006	146,162	110,065	50,278	147,052	453,557	62,361	11,983	527,901
2007	158,300	116,746	53,912	163,939	492,897	68,616	54,852	616,365
2008	174,927	129,430	64,410	195,892	564,659	75,381	19,573	659,613
2009	177,869	141,438	71,616	226,104	617,027	72,212	36,355	725,594
2010	180,360	146,875	76,125	227,032	630,392	73,964	27,660	732,016
2011	183,875	146,844	79,743	222,304	632,766	73,076	21,704	727,546
2012	186,144	146,672	78,660	230,392	641,868	69,792	36,733	748,393

TOTAL OPERATING EXPENSES BY OBJECT

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Depreciation	Other	Total Operating Expenses
2003	$ 238,776	$ 17,751	$ 30,403	$ 13,229	$ 6,896	-	$ 135,116	$ 7,734	$ 449,905
2004	239,408	15,410	31,893	12,875	(487)	-	132,612	3,958	435,669
2005	236,793	15,691	32,437	13,014	7,682	-	138,976	3,765	448,358
2006	238,085	15,411	31,561	13,898	5,700	-	147,052	1,850	453,557
2007	250,759	16,755	33,871	15,511	9,777	-	163,939	2,285	492,897
2008	285,757	15,409	39,514	16,550	8,861	-	195,892	2,676	564,659
2009	296,838	17,994	47,093	17,569	8,954	-	226,104	2,475	617,027
2010	302,260	22,633	49,680	17,891	9,077	-	227,032	1,819	630,392
2011	307,041	25,029	45,506	18,956	11,734	-	222,304	2,196	632,766
2012	309,851	24,880	48,785	18,257	7,383	-	230,392	2,320	641,868

OPERATING EXPENSES COMPARISON TO INDUSTRY TREND DATA

Last Ten Fiscal Years

(As a Percentage of Total)

	Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Other	Total Operating Expenses [1]
Transportation Industry	**2003**	69.0 %	6.0 %	9.0 %	3.0 %	2.6 %	13.4 %	(3.0) %	100.0 %
	2004	68.7	5.8	9.1	3.0	2.6	13.4	(2.6)	100.0
	2005	66.9	5.8	10.1	3.2	2.5	13.8	(2.3)	100.0
	2006	66.1	5.9	11.3	3.2	2.5	13.4	(2.4)	100.0
	2007	65.8	6.1	11.6	3.4	2.4	13.0	(2.3)	100.0
	2008	64.0	6.3	12.8	3.4	2.2	13.7	(2.4)	100.0
	2009	64.8	6.6	11.3	3.5	2.3	14.0	(2.5)	100.0
	2010	*	*	*	*	*	*	*	*
	2011	*	*	*	*	*	*	*	*
	2012	*	*	*	*	*	*	*	*
MARTA									
	2003	75.9 %	5.6 %	9.7 %	4.2 %	2.2 %	0.0 %	2.4 %	100.0 %
	2004	79.0	5.1	10.5	4.2	(0.1)	0.0	1.3	100.0
	2005	76.5	5.1	10.5	4.2	2.5	0.0	1.2	100.0
	2006	77.7	5.0	10.3	4.5	1.9	0.0	0.6	100.0
	2007	76.2	5.1	10.3	4.7	3.0	0.0	0.7	100.0
	2008	77.5	4.2	10.7	4.5	2.4	0.0	0.7	100.0
	2009	75.9	4.6	12.1	4.5	2.3	0.0	0.6	100.0
	2010	74.9	5.6	12.3	4.4	2.3	0.0	0.5	100.0
	2011	74.8	6.1	11.1	4.6	2.9	0.0	0.5	100.0
	2012	75.3	6.1	11.9	4.4	1.8	0.0	0.5	100.0

[1] Excludes Depreciation

*Not Available

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

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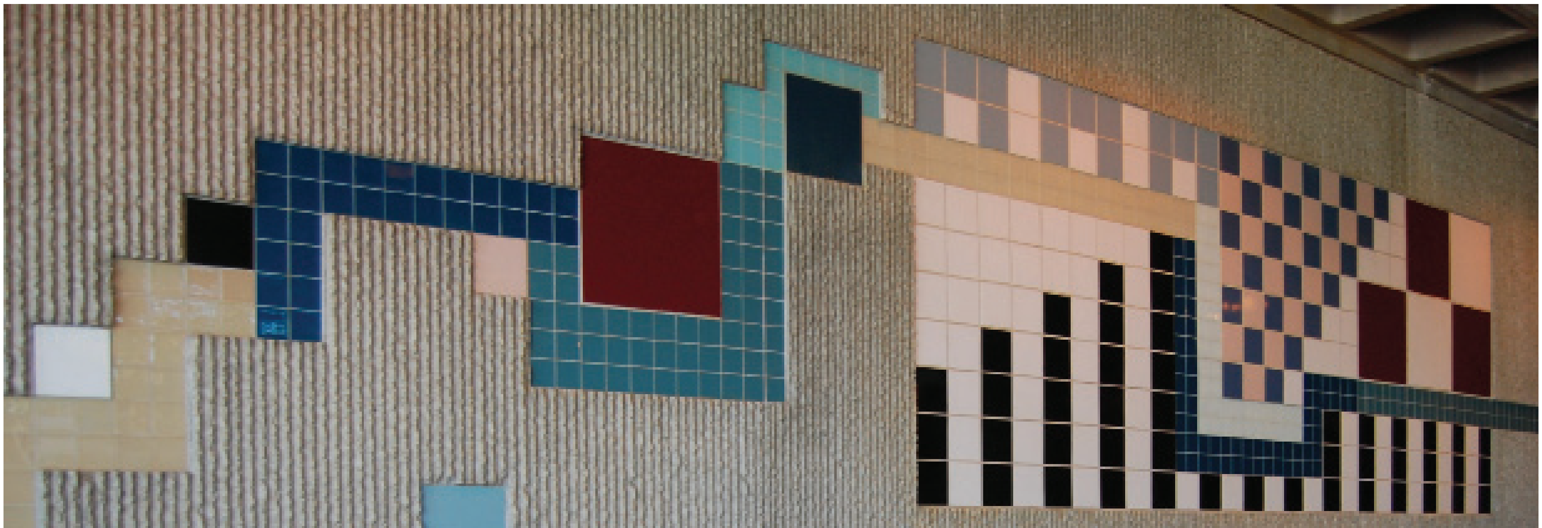


Medical Center Station

Revenue Capacity

REVENUES BY SOURCE

Last Ten Fiscal Years

(Dollars in Thousands)

Fiscal Year	Fare Revenues	Federal Operating Revenues[1]	Sales & Use Tax [2]	Auxiliary Transportation	Investment Income	Non-Transportation[3]	Total
2003	$ 96,059	$ 40,157	$ 271,006	$ 9,955	$ 8,227	$ 7,602	$ 433,006
2004	95,082	41,556	283,381	12,225	4,305	2,680	439,229
2005	96,244	40,374	307,227	7,425	7,778	6,874	465,922
2006	99,148	39,045	334,486	6,112	13,136	10,660	502,587
2007	104,678	40,142	350,526	5,277	19,609	10,447	530,679
2008	103,963	49,253	349,668	13,595	18,068	14,495	549,042
2009	105,235	52,313	312,704	8,563	6,933	49,735	535,483
2010	109,546	100,960	307,525	12,745	2,181	61,219	594,176
2011	115,828	85,777	319,850	11,401	1,272	(281)	533,847
2012	132,870	70,576	340,945	11,294	833	64,570	621,088

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

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

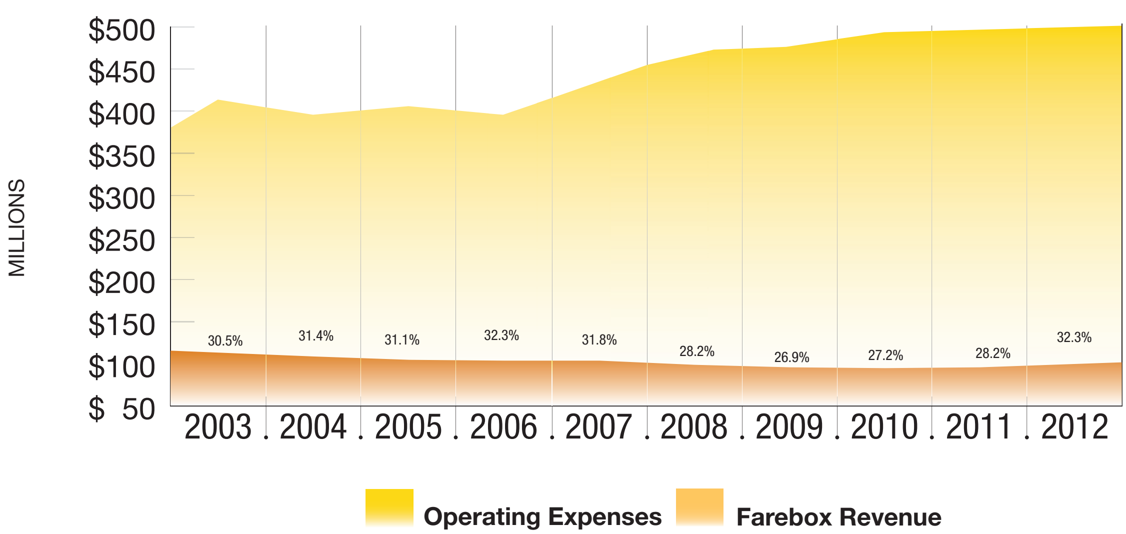
(3) Includes the net gain or loss on the disposition of fixed assets.

FAREBOX RECOVERY PERCENTAGE

Last Ten Fiscal Years

(Dollars in Thousands)

Fiscal Year	Farebox Revenue	Percent Change	Operating Expenses[1]	Percent Change	Farebox Recovery
2003	$ 96,059	(6.0) %	$ 314,789	5.6 %	30.5 %
2004	95,082	(1.0)	303,057	(3.7)	31.4
2005	96,244	1.2	309,382	2.1	31.1
2006	99,148	3.0	306,505	(0.9)	32.3
2007	104,678	5.6	328,958	7.3	31.8
2008	103,963	(0.7)	368,767	12.1	28.2
2009	105,235	1.2	390,923	6.0	26.9
2010	109,546	4.1	403,360	3.2	27.2
2011	115,828	5.7	410,462	1.8	28.2
2012	132,870	14.7	411,476	0.2	32.3



[1] Excludes Depreciation

SALES & USE TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Year	State of Georgia (1)	MARTA (2)	DeKalb County (3 & 8)	Fulton County (4 & 8)	Clayton County (5)	Cobb County (6)	Gwinnett County (7)
2003	4	1	2	2	2	1	2
2004	4	1	2	2	2	1	2
2005	4	1	2	2	3	2	2
2006	4	1	2	2	3	2	2
2007	4	1	2	2	3	2	2
2008	4	1	2	2	3	2	2
2009	4	1	2	2	3	2	2
2010	4	1	3	3	3	2	2
2011	4	1	3	3	3	2	2
2012	4	1	3	3	3	2	2

(1) Charged in all counties.

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

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

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

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

(6) Education tax effective April 1, 1999.

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

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

Source: Georgia Department of Revenue

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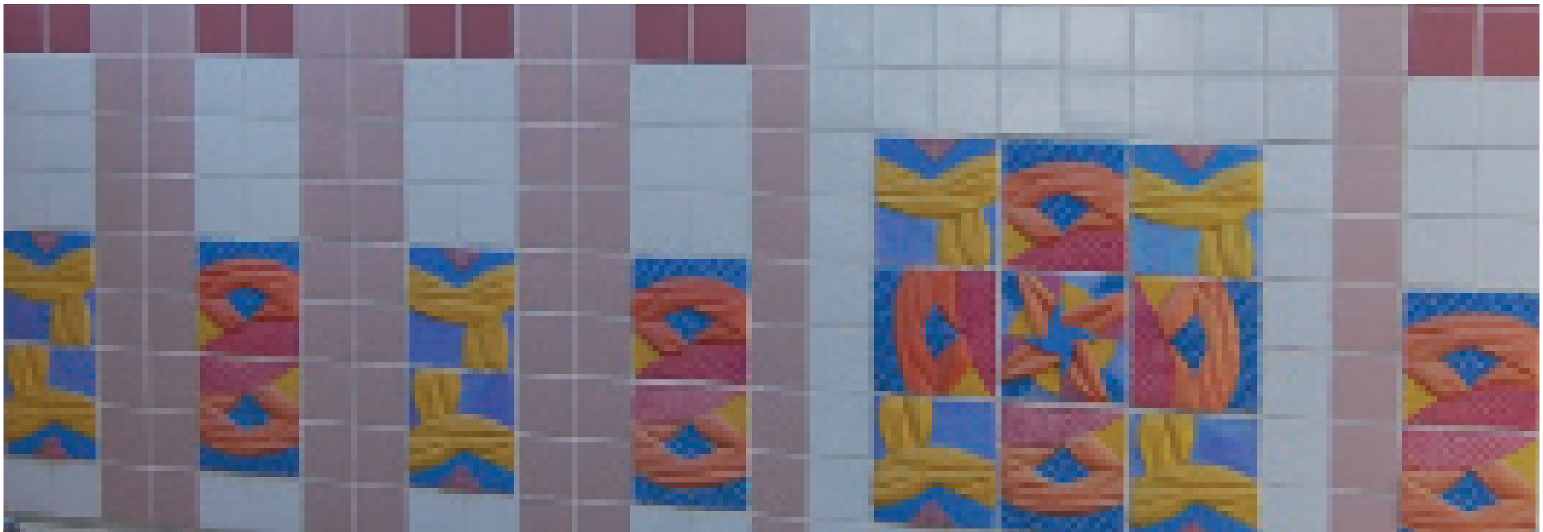

Buckhead Station

Debt Capacity

SALES & USE TAX REVENUE BOND DEBT COVERAGE

Last Ten Fiscal Years

(Dollars in Thousands)

		Debt Service Requirements			
Fiscal Year	**Sales & Use Tax**	**Principal**	**Interest**	**Total**	**Debt Service Coverage** [1]
2003	$ 271,006	$ 35,655	$ 56,883	$ 92,538	2.93 %
2004	283,381	37,525	62,047	99,572	2.85
2005	307,227	30,730	59,920	90,650	3.39
2006	334,486	43,000	58,368	101,368	3.30
2007	350,526	45,160	54,769	99,929	3.51
2008	349,668	48,685	49,876	98,561	3.55
2009	312,704	51,640	67,449	119,089	2.63
2010	307,525	54,930	67,622	122,552	2.51
2011	319,850	58,370	73,397	131,767	2.43
2012	340,945	62,860	69,750	132,610	2.57

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

SALES & USE TAX REVENUE BOND DEBT SERVICE LIMIT

June 30, 2012

(Dollars in Thousands)

Sales & Use Tax	$340,945
Debt Service Limitation [1]	45%
Debt Service Limit	153,425
Required for Debt Service	132,610
Excess	$20,815

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

SALES & USE TAX REVENUE BOND DEBT SERVICE LIMIT

Last Ten Years
(Dollars in Thousands)

Fiscal Year	Sales & UseTax	Required for Debt Service	Ratio of Debt Service [1]
2003	$ 271,006	$ 92,538	34.1 %
2004	283,381	99,572	35.1
2005	307,227	90,650	29.5
2006	334,486	101,368	30.3
2007	350,526	99,929	28.5
2008	349,668	98,561	28.2
2009	312,704	119,089	38.1
2010	307,525	122,552	39.9
2011	319,850	131,767	41.2
2012	340,945	132,610	38.9

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

SALES & USE TAX REVENUE BOND DEBT RATIOS

Last Ten Fiscal Years - June 30, 2012 and 2011

(Dollars in Thousands)

Fiscal Year	Outstanding Debt [1]	Total Unlinked Passenger Count [2]	Per Capita [3]	As a Share of Personal Income[4]
2003	$ 1,325,757	142,501	$ 9.30	2.10 %
2004	1,288,364	135,851	9.48	1.90
2005	1,357,907	142,050	9.56	1.87
2006	1,425,964	138,040	10.33	1.82
2007	1,581,188	147,151	10.75	1.94
2008	1,685,722	150,503	11.20	2.08 **
2009	1,707,386	156,062	10.94	2.25 **
2010	1,916,104	145,741	13.15	2.44
2011	1,855,427	139,333	13.32	*
2012	1,891,457	134,308	14.08	*

* Not available
** Revised
(1) From MARTA Financial Statements FY 2003 to FY 2012
(2) See Unlinked Passenger Changes on Page 74
(3) Outstanding Sales Tax Revenue Bond Debt per Unlinked Passenger Count
(4) Outstanding Sales Tax Revenue Bond Debt per Total Service District Personal Income
(see Trends in Personal Income on Page 68)

COMPUTATION OF OVERLAPPING DEBT

December 31, 2011
(Dollars in Thousands)

Jurisdiction	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Fulton County Library Bonds	$ 165,564	100	$ 165,564
Fulton County School District	134,370	100	134,370
Fulton County Building Authority	21,629	100	21,629
Fulton County Urban Redevelopment Agency	30,458	100	30,458
DeKalb County	297,039	100	297,039
Municipalities:			
Atlanta	230,680	100	230,680
Alpharetta	26,220	100	26,220
Hapeville	10,085	100	10,085
Union City	11,185	100	11,185
Roswell	22,180	100	22,180
Fulton-DeKalb Hospital Authority			
Series 2003	154,745	100	154,745
Series 2010	15,330	100	15,330
Series 2011	15,480	100	15,480
Atlanta-Fulton County Recreation Authority (Zoo)	17,910	100	17,910
Atlanta-Fulton County Recreation Authority (Arena)	120,730	100	120,730
College Park Business and Industrial Development Authority	2,545	100	2,545
East Point Building Authority	73,920	100	73,920
Total Overlapping Debt	$ 1,350,070		$1,350,070

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.

Source: Year Ended December 31, 2011 CAFRs for the City of Atlanta, Fulton County and DeKalb County.

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Doraville Station

Demographic and Economic Information

TRENDS IN PERSONAL INCOME

Last Ten Fiscal Years

(Dollars in Millions)

						PER CAPITA*** Personal Income	
Calendar Year	Fulton County	DeKalb County	Total Service District	Change Fulton County	Change DeKalb County	Fulton County	DeKalb County
2003	$ 40,645,306	$ 23,294,993	$ 63,940,299	1.5 %	1.6 %	$ 45,202	$ 34,410
2004	43,670,962	24,062,496	67,733,458	7.4	3.3	47,163	35,837
2005	47,393,823	25,404,453	72,798,276	8.5	5.6	49,291	**
2006	51,539,185	26,792,937	78,332,122	8.7	5.5	51,476	**
2007	53,867,066	27,837,206	81,704,272	4.5	3.9	51,552	34,997
2008 *	52,969,637	27,942,551	80,912,188	-1.7	0.4	53,579	32,354
2009 *	49,122,894	26,824,512	75,947,406	-7.3	-4.0	50,474	**
2010	51,302,609	27,227,145	78,529,754	4.4	1.5	55,729	**
2011 **	**	**	**	**	**	**	**

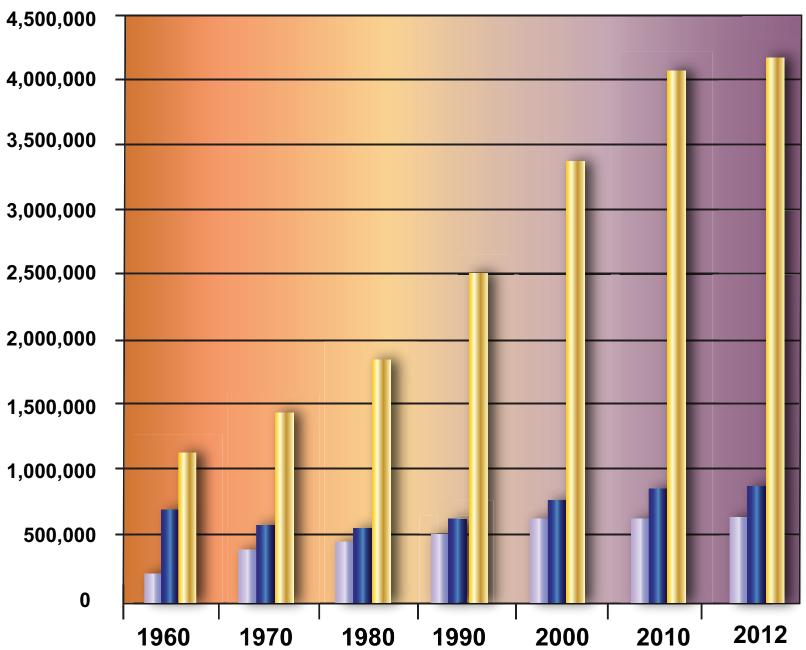
*Revised
**Not available
***Actual dollar amounts

Sources: U.S. Department of Commerce, Bureau of Economic Analysis per Capita Personal Income taken from Year Ended December 31, 2011 CAFRs of Fulton County and DeKalb County. DeKalb County's 2008 per capita personal income from ESRI is estimated. Fulton County's 2011 per capital personal income was not available, 2010's total was revised to reflect Bureau of Economic Analysis data.

POPULATION AND EMPLOYMENT

June 30, 2012

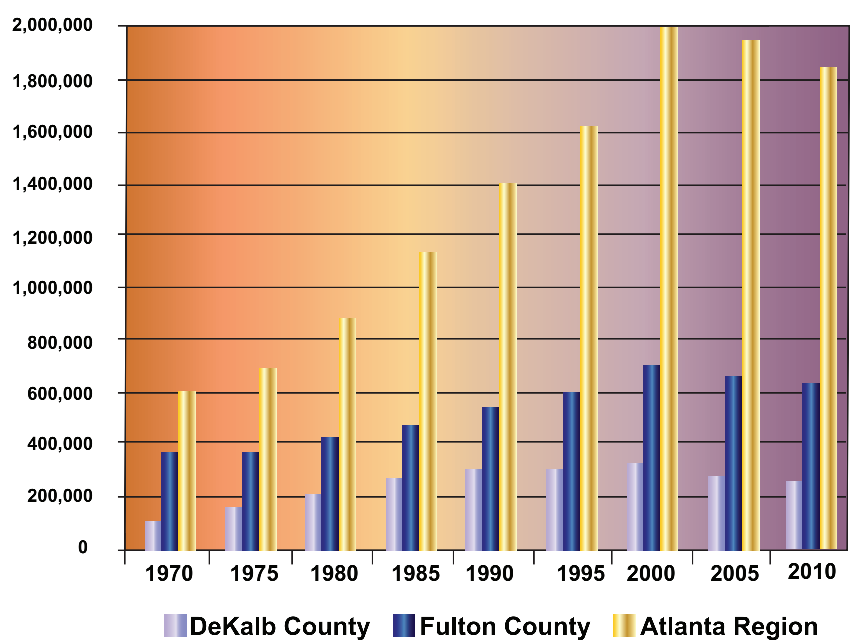
Population Growth Since 1960



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
2010	920,581	691,893	4,107,750
2012	936,100	700,700	4,179,500

Employment Growth Since 1970

Year	Fulton County	DeKalb County	Atlanta Region
1970	386,988	120,554	619,693
1975	388,394	167,839	705,120
1980	445,341	218,142	901,157
1985	490,000	279,000	1,146,850
1990	560,600	318,300	1,426,000
1995	616,000	331,800	1,640,000
2000	730,900	346,900	1,991,500
2005	691,100	299,400	1,936,700
2010	671,998	289,686	1,860,067

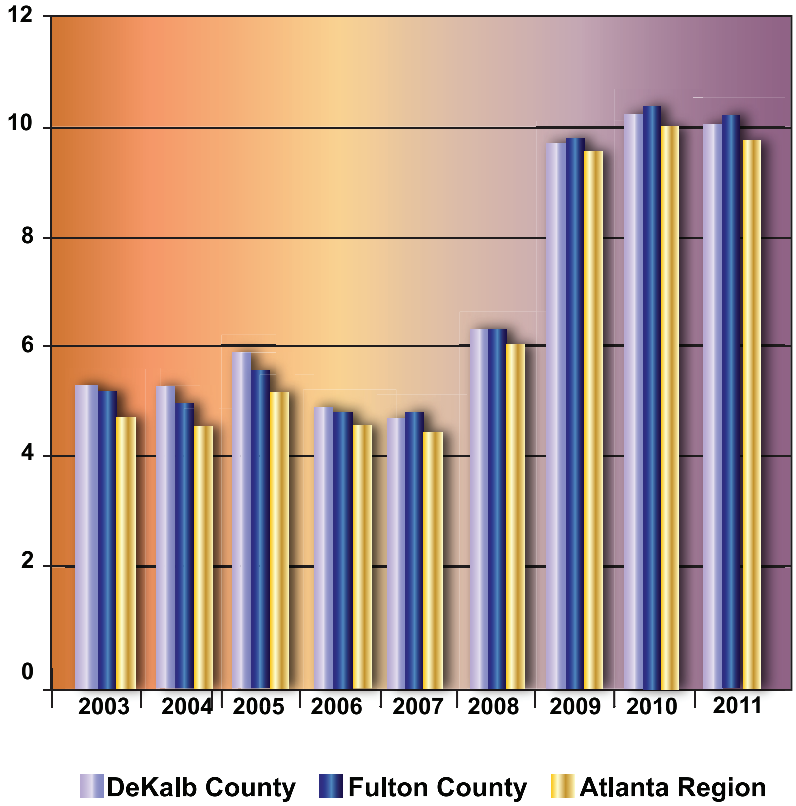


Source: Atlanta Regional Commission

UNEMPLOYMENT RATES

Last Ten Fiscal Years

Unemployment Rates Since 2003



Year	Fulton County	DeKalb County	Atlanta Region
2003	5.3	5.4	4.8
2004	5.1	5.4	4.7
2005	5.7	6.0	5.3
2006	5.0	5.1	4.7
2007	5.0	4.9	4.6
2008	6.5	6.5	6.2
2009	9.9	9.8	9.7
2010	10.6	10.4	10.2
2011	10.5	10.1	9.6
2012	*	*	*

* Not Available

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

TOP TEN CORPORATE EMPLOYERS IN THE ATLANTA REGION

Current Year and Nine Years Ago

	2010			2001		
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.	27,000	1	1.13	26,237	1	1.12
Wal-Mart Stores, Inc.	26,000	2	1.09	15,600	3	0.67
Publix Supermarkets, Inc.	9,453	3	0.40			
The Home Depot Inc.	9,000	4	0.38	9,652	5	0.41
Wellstar Health System, Inc.	8,583	5	0.36			
SunTrust Banks, Inc.	6,917	6	0.29	9,889	8	0.42
Cox Enterprises, Inc.	6,746	7	0.28	6,174	9	0.26
Turner Broadcasting System, Inc.	6,702	8	0.28			
United Parcel Service, Inc.	6,285	9	0.26	8,100	7	0.35
Wells Fargo & Company	5,300	10	0.22			
Bellsouth Corp.	-		-	22,000	2	0.94
IBM Corporation				8,400	6	0.36
AT&T Corporation	-		-	10,000	4	0.43
Wachovia Corporation				6,000	10	
	111,986		4.69	122,052		4.97

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

Midtown Station

Operating Information

TRANSIT SERVICE EFFORT AND ACCOMPLISHMENTS PER MILE

Last Ten Fiscal Years
(Vehicle Miles in Thousands)

	Revenue Vehicle Miles [1]						
Fiscal Year	Bus	Rail	Total	% Change	Operating Expense [2] Per Mile	Operating Expense [2] Per Passenger Mile [1] [3]	Unlinked Passenger Trips Per Mile [1] [3]
2003	25,842	22,707	48,549	(4) %	$ 6.48	$ 0.44	2.9
2004	25,646	22,050	47,696	(2)	6.35	0.41	2.9
2005	21,757	22,981	44,738	(6)	6.91	0.43	3.2
2006	22,233	21,091	43,324	(3)	7.07	0.41	3.2
2007	23,710	21,993	45,703	5	7.20	0.44	3.2
2008	27,099	23,208	50,307	10	7.33	0.46	2.7
2009	27,345	24,566	51,911	3	7.53	0.48	2.7
2010	27,030	22,061	49,091	(5)	8.22	0.81	2.6
2011	23,059	18,662	41,721	(15)	9.84	0.57	2.9
2012	22,804	17,661	40,465	(3)	10.17	0.60	3.1

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

Source: MARTA

TRANSIT SERVICE EFFORT AND ACCOMPLISHMENTS PER HOUR

Last Ten Fiscal Years
(Vehicle Hours in Thousands)

Fiscal Year	Revenue Vehicle Hours [1] Bus	Rail	Total	% Change	Operating Expense [2] Per Hour	Operating Expense [2] Per Passenger Trip [1] [3]	Unlinked Passenger Trips Per Revenue Vehicle Hour [1] [3]
2003	2,070	856	2,926	(4)%	$ 107.58	$ 2.20	48.6
2004	2,058	837	2,895	(1)	104.68	2.23	46.9
2005	1,798	875	2,673	(8)	115.74	2.18	53.1
2006	1,812	803	2,615	(2)	117.21	2.22	52.8
2007	1,942	833	2,775	6	118.54	2.23	53.0
2008	2,191	873	3,064	10	120.36	2.45	49.1
2009	2,193	921	3,114	2	125.55	2.50	50.1
2010	2,137	829	2,966	(5)	135.96	2.77	49.1
2011	1,867	709	2,576	(13)	141.50	2.95	54.1
2012	1,877	674	2,551	(1)	161.30	3.06	52.7

(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

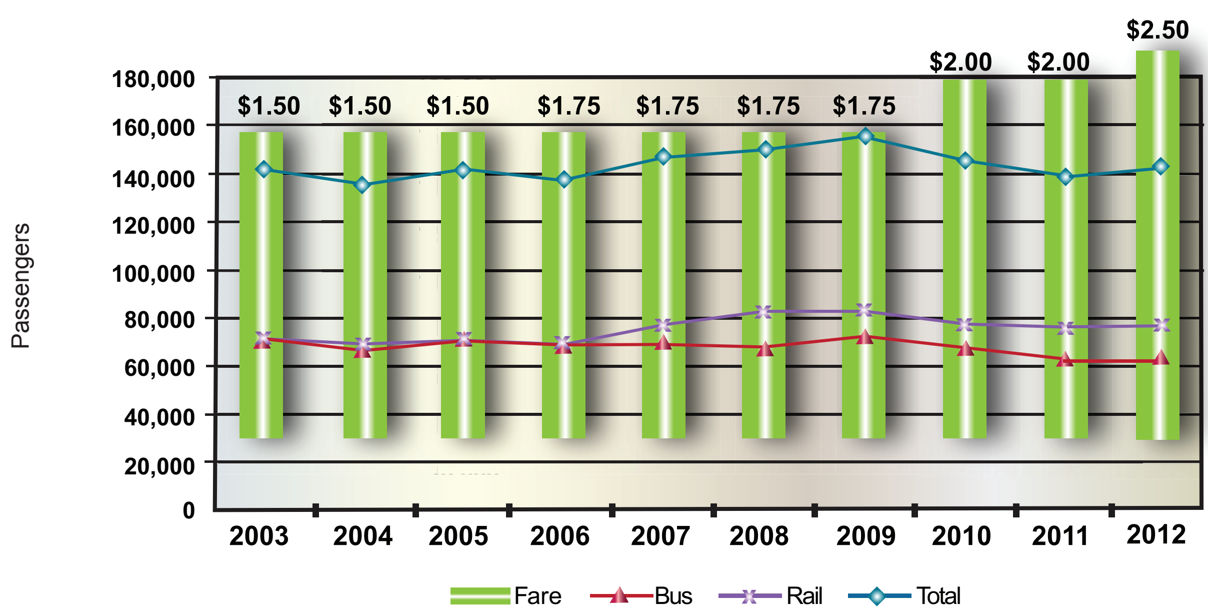
UNLINKED PASSENGER CHANGES

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Bus [1]	% Change	Rail [1]	% Change	Total [1]	% Change
2003	70,641	(8.0)%	71,860	(12.7)%	142,501	(10.5)%
2004	66,762	(5.5)	69,089	(3.9)	135,851	(4.7)
2005	71,066	6.4	70,984	2.7	142,050	4.6
2006	68,831	(3.1)	69,209	(2.5)	138,040	(2.8)
2007	69,465	0.9	77,686	12.2	147,151	6.6
2008	67,519	(2.8)	82,984	6.8	150,503	2.3
2009	72,716	7.7	83,346	0.4	156,062	3.7
2010	68,009	(6.5)	77,732	(6.7)	145,741	(6.6)
2011	63,105	(7.2)	76,228	(1.9)	139,333	(4.4)
2012	61,597	(2.4)	72,711	(4.6)	134,308	(3.6)

Relationship of Fare Changes to Unlinked Passenger Count



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

Source: MARTA

FARE STRUCTURE

For the Fiscal Year Ended June 30, 2012

REGULAR FARE

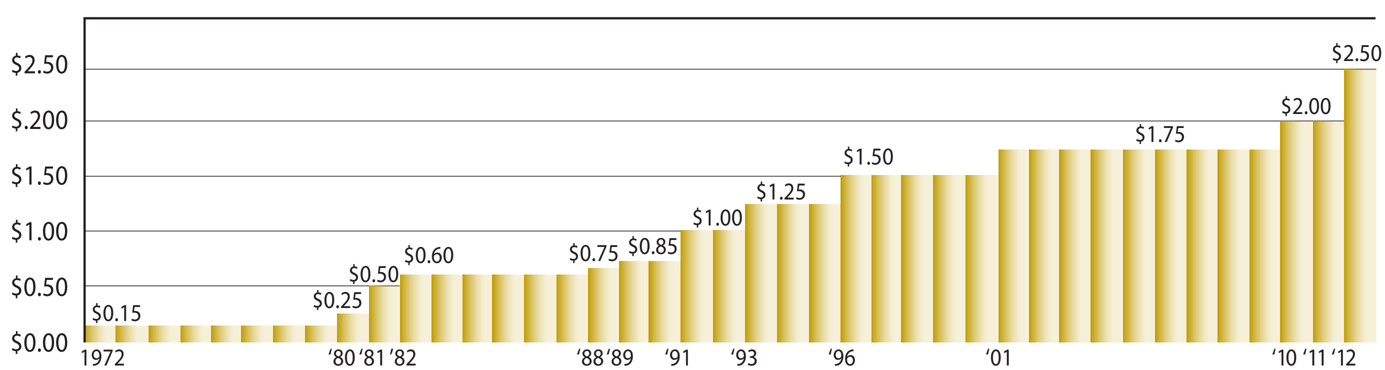
Single Trip (stored on Breeze Card or Breeze Ticket)	$ 2.50
Round Trip (including transfers, stored on Breeze Card or Breeze Ticket)	$ 5.00
Children's Fare (children 46" and under, maximum two per paying adult)	FREE
Ten (10) Single Trips (10 trips on Breeze Card or Breeze Ticket)	$ 25.00
Twenty (20) Single Trips (20 trips stored on one Breeze Card or Breeze Ticket)	$ 42.50
30 Day Pass (unlimited travel for 30 consecutive days, all regular service)	$ 95.00
Day Passes (unlimited consecutive day travel on all regular service) 1 Day	$ 9.00
2 Day	$ 14.00
3 Day	$ 16.00
4 Day	$ 19.00
7 Day	$ 23.75

MARTA MOBILITY AND REDUCED FARE SERVICES

Reduced Fare (for pre-qualified customers 65 and older with disabilities or medicare using regular service)	$ 0.95
Mobility Service. (One way on-demand service for certified customers; personal care attendant may ride free, if required)	$ 3.80
Discounted Mobility Service (20 single trips)	$ 64.60
Discounted Mobility Service (unlimited travel for 30 days on Breeze Card)	$122.00
Mobility Fixed Route (for certified customers riding fixed route; no charge with Mobility Breeze Card)	No Charge

Discount passes are available through employer, visitor or student programs.
Call 404-848-5000 for more information.

Single Cash Fare History From Inception



VEHICLES OPERATED IN MAXIMUM SERVICE

Last Ten Fiscal Years

Fiscal Year	Bus	Rail	Total [1]
2003	555	180	735
2004	590	184	774
2005	556	182	738
2006	554	184	738
2007	483	182	665
2008	504	188	692
2009	505	182	687
2010	491	188	679
2011	490	188	678
2012	443	182	625

[1] Does not include demand response

Source: MARTA

NUMBER OF EMPLOYEES

Last Ten Fiscal Years

Fiscal Year	Full-Time	Part-Time	Total
2003	4,357	254	4,611
2004	4,096	219	4,315
2005	4,029	326	4,355
2006	4,118	310	4,428
2007	4,436	293	4,729
2008	4,646	351	4,997
2009	4,548	314	4,862
2010	4,505	208	4,713
2011	4,223	206	4,429
2012	4,275	222	4,497

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Population served	1,649,492	1,619,099	1,781,030	1,689,100	1,652,000	1,610,600	1,574,600	1,547,600	1,354,871	1,541,000
Size of area served (in square miles)	483	483	475	466	466	466	498	498	498	498
Number of Bus Routes	92	92	92	130	132	132	120	120	118	121
Annual Bus Passenger Miles (in millions) (Excludes Paratransit/Demand Response)	228.2	236.2	272.6	285	213.5	208.5	256.5	231	277.7	234.6
Miles of Bus Route	1,445	1,435	1,784.00	1,765.00	1,084.00	1,069.00	986.00	986.00	986.00	1,127.90
-Average On Time Performance	74.6%	72.1%	72.4%	70.0%	63.7%	67.0%	93.4%	93.4%	93.4%	90.5%
Miles of Rail Route	48	48	48	48	48	48	48	48	48	48
-Average On Time Performance	97.8	97.6	97.0%	96.4%	93.3%	89.7%	91.5%	91.5%	91.7%	90.3%
Annual Rail Passenger Miles (in millions)	463.2	487.6	493.2	527	593.4	541.4	488.5	481.1	455.4	487.3
Number of Rail Stations	38	38	38	38	38	38	38	38	38	38
Number of Bus Stop Locations	8,913	8,700	8,700	11,482	11,500	11,430	11,500	11,483	11,483	11,568
Number of Bus Park And Ride Facilities	8	8	8	7	6	6	8	8	8	6
Number of Bus Shelters	791	772	750	741	751	748	540	540	540	515
Bus Passenger Parking Capacity	2,744	2,711	2,607	2,254	1,798	1,847	2,630	3,243	3,243	1,910
Rail Passenger Parking Capacity	21,607	21,677	22,301	23,888	24,622	25,736	27,372	25,586	25,583	26,701
No. of Buses in Active Fleet	531	531	597	615	616	624	554	556	559	690
-Average Vehicle Age (in years)	7.6	6.6	5.6	7.6	5.6	4.6	4.6	4.9	5.6	7.6
No. of Paratransit Vehicles in Active Fleet	172	172	173	174	129	121	140	110	110	110
-Average Vehicle Age (in years)	4.2	3.2	2.2	1.2	0.4	2.6	1.6	2.4	1.4	1.6
No. of Rapid Rail Vehicles	338	338	338	338	338	338	338	338	332	318
-Average Vehicle Age (in years)	23.6	22.6	21.6	20.6	19.6	18.6	17.6	16.5	15.6	15.6
Annual Paratransit Vehicle Miles (in millions)	8.4	7.3	7.2	7.3	5.0	4.4	3.7	3.7	3.7	3.2
Investment In Property and Equipment (in billions)	$ 6.440	$ 6.297	$ 6.224	$ 6.099	$ 5.919	$ 5.685	$ 5.491	$ 5.318	$ 5.162	$ 4.996

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East Point Station

Single Audit

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 statement of net assets of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2012 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of MARTA is responsible for establishing and maintaining effective 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of MARTA's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

We noted certain matters that we reported to management of MARTA in a separate letter dated November 19, 2012.

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.

Atlanta, Georgia
November 19, 2012

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

Compliance

We have audited the Metropolitan Atlanta Rapid Transit Authority's ("MARTA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MARTA's major federal programs for the year ended June 30, 2012. MARTA's major federal programs are identified in the summary of auditors' 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MARTA's internal control over compliance.

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

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

Schedule of Expenditure of Federal Awards

We have audited the financial statements of MARTA as of and for the year ended June 30, 2012, and have issued our report thereon dated November 19, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements 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.

Atlanta, Georgia
November 19, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title	CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Transportation - Federal Transit Administration			
Direct Programs:			
Federal Transit Capital Improvement Grants:			
Bus Procurement	20.500	GA-03-0062	$ 837,876
FY 06-10 Sec 5309 Fixed Guideway	20.500	GA-05-0031	10,074,846
ARRA Sec 5309 FG Fixed Gudeway- Economic Recovery	20.500	GA-56-0001	2,408,493
FY 11-12 Sec 5309 Fixed Guideway	20.500	GA-05-0036	24,350,000
Atl Stn Pass-Thru	20.500	GA-03-0088	862
Dekalb Mem Dr. Buford Pass-Thru	20.500	GA-03-0082	19,583
Total Federal Transit Capital Improvement Grants			37,691,660
Federal Transit Capital and Planning Assistance Formula Grants:			
FY06 SEC 5307 - Prev Maint	20.507	GA-90-X232	435,916
FY07 SEC 5307 - Prev Maint	20.507	GA-90-X252	326
FY09 SEC 5307 - Prev Maint	20.507	GA-90-X277	32,980
FY 10 SEC 5307	20.507	GA-90-X288	6,664,901
FY 11 SEC 5307	20.507	GA-90-X305	19,399,005
FY 12 SEC 5307	20.507	GA-90-X313	27,317,629
FY 09 ARRA Sec 5307 Ecomonic Recovery SEC 5307 - ARRA	20.507	GA-96-X005	3,981,616
FY 09 STP ARRA Ecomonic Recovery Flex SEC 5307-ARRA	20.507	GA-66-X001	1,214,542
Buckhead Station N. Entrance	20.507	GA-90-X131	1,501,667
Pedestrian Projects	20.507	GA-90-X136	299,207
GRTA Pass-Thru/ TIB	20.507	GA-90-X257	573
GRTA Pass Thru	20.507	GA-90-X260	72,953
Memorial BRT/ITS proj CMAQ	20.507	GA-95-X013	3,901,646
Atlanta Luckie Street Pass-Thru	20.507	GA-95-X019	59,750
Total Fedral Transit Capital and Planning Assistance Formula Grants			64,882,711
Total Fedral Transit Cluster			102,574,371
Highway Planning and Construction Cluster			
Clifton Corridor CCTMA	20.205	GA-12-X001	793,663
Total Highway Planning and Construction Cluster			793,663
Transit Services Programs Cluster			
FY06/10 JARC W/COBB & MARTA	20.516	GA-37-X014	227,778
FY06/10 New Freedom Pass-Thru	20.521	GA-57-X002	833,312
Total Transit Services Programs Cluster			1,061,090
Other Federal Transit Grants			
Beltline Study	20.522	GA-39-0002	1,048,856
Atlanta Streetcar-Tiger II Pass-Thru	20.933	GA-79-0001	8,675,752
ARRA - Laredo Bus Facility	20.523	GA-77-0001	5,445,661
Total Other Federal Transit Grants			15,170,269
Total U.S. Department of Transporation - Federal Transit Administration			119,599,393
U.S. Department of Homeland Security:			
FY07 TGSP	97.075	2007-RL-T7-K019	387,310
FY07 TGSP	97.075	2007-RL-T7-K015	675,253
FY08 TGSP	97.075	2008-RL-T8-K016	24,645
Canine Team Program	97.072	TSA-HSTS04-04-H-LEF 161	1,585,406
ARRA - Canine Team Program	97.072	RA-R1-0099	465,240
Total U.S. Department of Homeland Security			3,137,854
Total Federal Financial Assistance			$ 122,737,247

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

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: **None reported**

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

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

e) The type of report issued on compliance for major programs: **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
Atlanta Streetcar-Tiger II Pass-Thru	20.933
ARRA - Laredo Bus Facility	20.523

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

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

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

Year Ended June 30, 2012

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

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

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

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

Status: This recommendation has been effectively addressed and no similar finding was noted in the 2012 audit.

2011-2 Accounting and Financial Reporting for Pollution Remediation Obligations

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

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

Status: This recommendation has been effectively addressed and no similar finding was noted in the 2012 audit.

2011-3 Retainage Payable Subledger

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

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

Status: During the fiscal year ended June 30, 2012 the Authority performed a detailed review of retainage payable balances and made any needed adjustment. No similar finding was noted in the 2012 audit.

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS

Year Ended June 30, 2012

2011-4 - Davis-Bacon

Program: CFDA No. 20.523

Agency: Department of Transportation

CFDA Program Title: ARRA - Laredo Bus Facility

Federal Award NumberlYears: 2009/GA-77-0001

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

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

Status: This recommendation has been effectively addressed.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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