MARTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2014 and 2013

Atlanta, Georgia

35th Anniversary

COMBINED BUS AND RAIL SERVICE FOR THIRTY-FIVE YEARS

marta

Comprehensive Annual Financial Report

For the Years Ended June 30, 2014 and 2013

Atlanta, Georgia

Prepared by the Department of Finance

Gordon Hutchinson, Chief Financial Officer

marta | METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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Introduction

Art: Woman on a MARTA subway train in the '80s.

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December 29, 2014

COMBINED BUS AND RAIL SERVICE FOR THIRTY-FIVE YEARS
2424 Piedmont Rd., N.E.
Atlanta, GA 30324-3330
404-848-5000

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) 21st Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014 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, 2013. 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, 2014 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, 2014, 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 CQ311Hitachi vehicles and 98 CQ310 Franco Belge 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 532 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 187 Lift Vans 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 fiscal year 2014, the Authority had an approved budget of $857 million with $427 million allocated to operating expenses and $430 million allocated to the capital improvement program and debt service expenses.

FINANCIAL RESULTS

In fiscal year 2014, MARTA's total net assets were $1.4 billion. Net position decreased by $34 million from the previous fiscal year when net position was $1.5 billion. Details to all financial results can be found in the accompanying Management's Discussion and Analysis, financial statements and associated notes.

REGIONAL AND STATE OUTLOOK

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

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

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

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

DEBT ADMINISTRATION

As of June 30, 2014, MARTA had a total of $1.8 billion bonds outstanding and issued under three debt indentures. Bonds issued under the first indenture bear credit ratings of Aa2 by Moody's Investors Service and AAA by Standard & Poor's; bonds issued under the second and third indentures bear underlying ratings of Aa3 by Moody's, AA+ by Standard & Poor's, and AA- by Fitch Rating Service.

Legally, MARTA's estimated sales tax receipts must be at least twice the total debt service. The debt ratio for fiscal year 2014 was 2.20. 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 2014 was 36.7%.

MAJOR INITIATIVES

In fiscal year 2014, MARTA faced the challenges it has been experiencing head-on. The Authority acknowledged challenges in declining ridership, low employee morale, mediocre regional unity and support for transit, and structural deficits. MARTA's leaders adopted solutions to transform the system through Customer Service Initiatives, Employee Initiatives, and Fiscal Sustainability Initiatives.

For Customer Service Initiatives, management gave its customers a "relief" by improving bus and rail frequency during peak periods, improving bus on time performance, and removing the $0.25 fare increase from approved fiscal year 2014 budget. To improve customer perception, police presence was increased in conjunction with a new passenger code of conduct "Ride with Respect". To ease safety concerns, Security cameras were installed and the "See & Say" App was introduced for timely incident reporting and resolution. The "secret shopper program" helped improve customer service.

After lack of merit pay raises for so many years, the Board approved a bonus in fiscal year 2014, giving the employees a much needed morale boost. In an attempt to re-establish MARTA as a Preferred Employer, a flexible work schedule, relaxed dress code, focus on employee training and career development were implemented.

For Fiscal Sustainability Initiatives, the fiscal year 2014 Budget was prepared with the "path to sustainability" in mind. Management realized that increased ridership and revenue as well as reserve stabilization are solutions to operating budget deficits and declining reserve balances. MARTA's Transformation Initiatives for cost savings included review of sourcing of certain functions (HR, Para-transit, Parking), changes to Pension/Healthcare Obligations, Capital/O&M Gap Assessment, Staffing and Personnel Cost Containment, Sourcing and Supply Chain Analysis, Increased automation of business processes, Regional Transit Analysis and Revenue Enhancement such as TOD/Advertising/Parking/Concessions/Ridership.

MARTA's New Leadership is committed to its transformation for a better MARTA!

CAPITAL PLAN PRIORITIES AND ISSUES

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

I. Vehicles

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

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

II. Facilities & Stations

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

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

III. Maintenance of Way

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

- Track maintenance and replacement
- Track structures
- Work equipment

IV. Systems

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

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

AWARDS

MARTA received the following awards and recognition during 2014:

- GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2013.
- GFOA Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2013 Comprehensive Annual Financial Report.
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for Fiscal Year 2013.

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,

G. T. Hutchinson
Gordon Hutchinson
Chief Financial Officer

Keith T. Parker
Keith Parker
General Manager/
Chief Executive Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Atlanta Rapid Transit Authority Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

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Executive Director/CEO

Board of Directors

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GM & Executive Staff

GENERAL MANAGER /CEO
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CHIEF FINANCIAL OFFICER/CFO
Gordon Hutchinson

ASSISTANT GENERAL MANAGER OF INTERNAL AUDIT
Terry Thompson

CHIEF COUNSEL LEGAL SERVICES
Elizabeth O'Neill

ASSISTANT GENERAL MANAGER OF POLICE & EMERGENCY MANAGEMENT
Wanda Dunham

ASSISTANT GENERAL MANAGER OF TECHNOLOGY/CIO
Ming Hsi

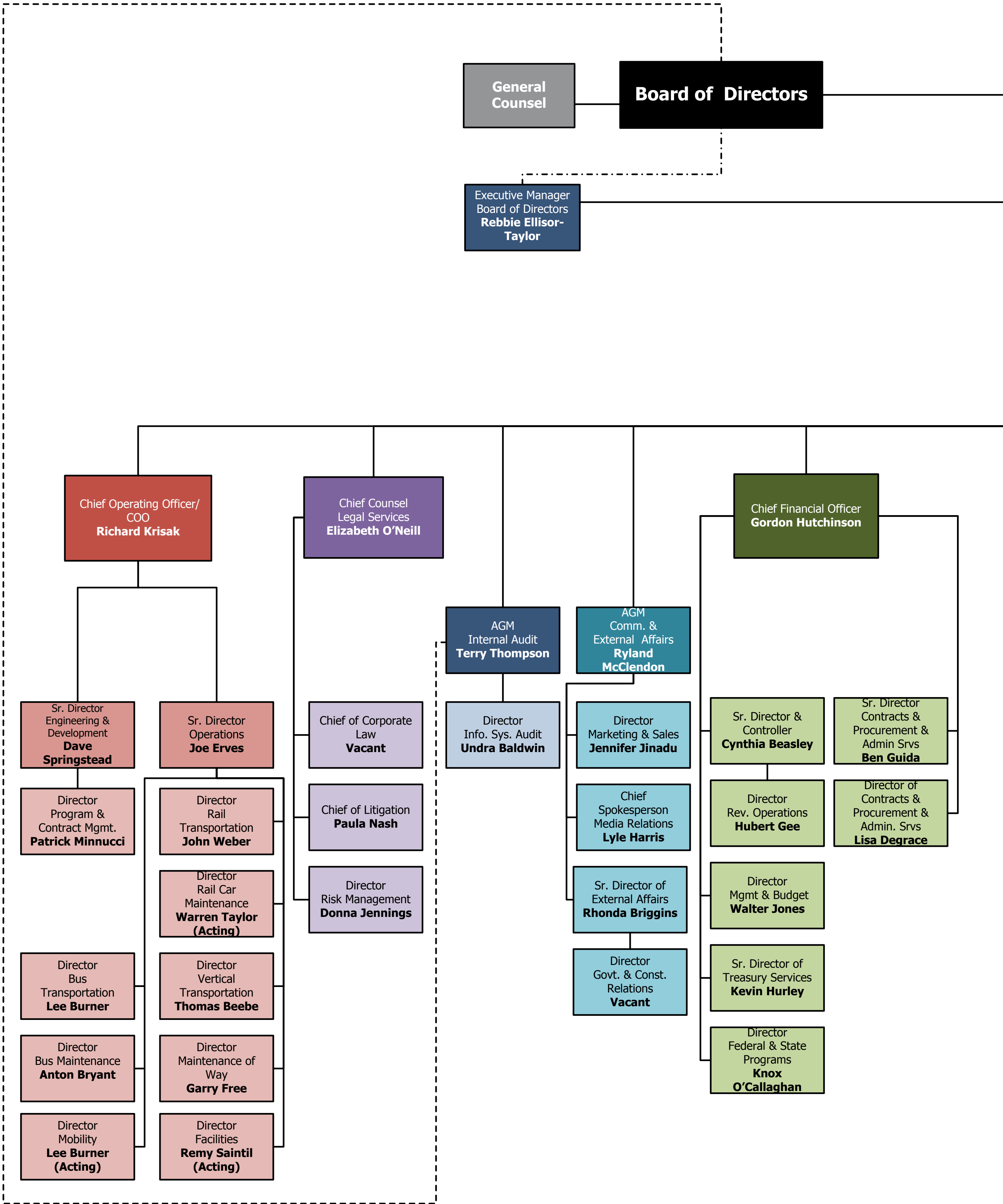
ASSISTANT GENERAL MANAGER OF COMMUNICATIONS & EXTERNAL AFFAIRS
Ryland McClendon

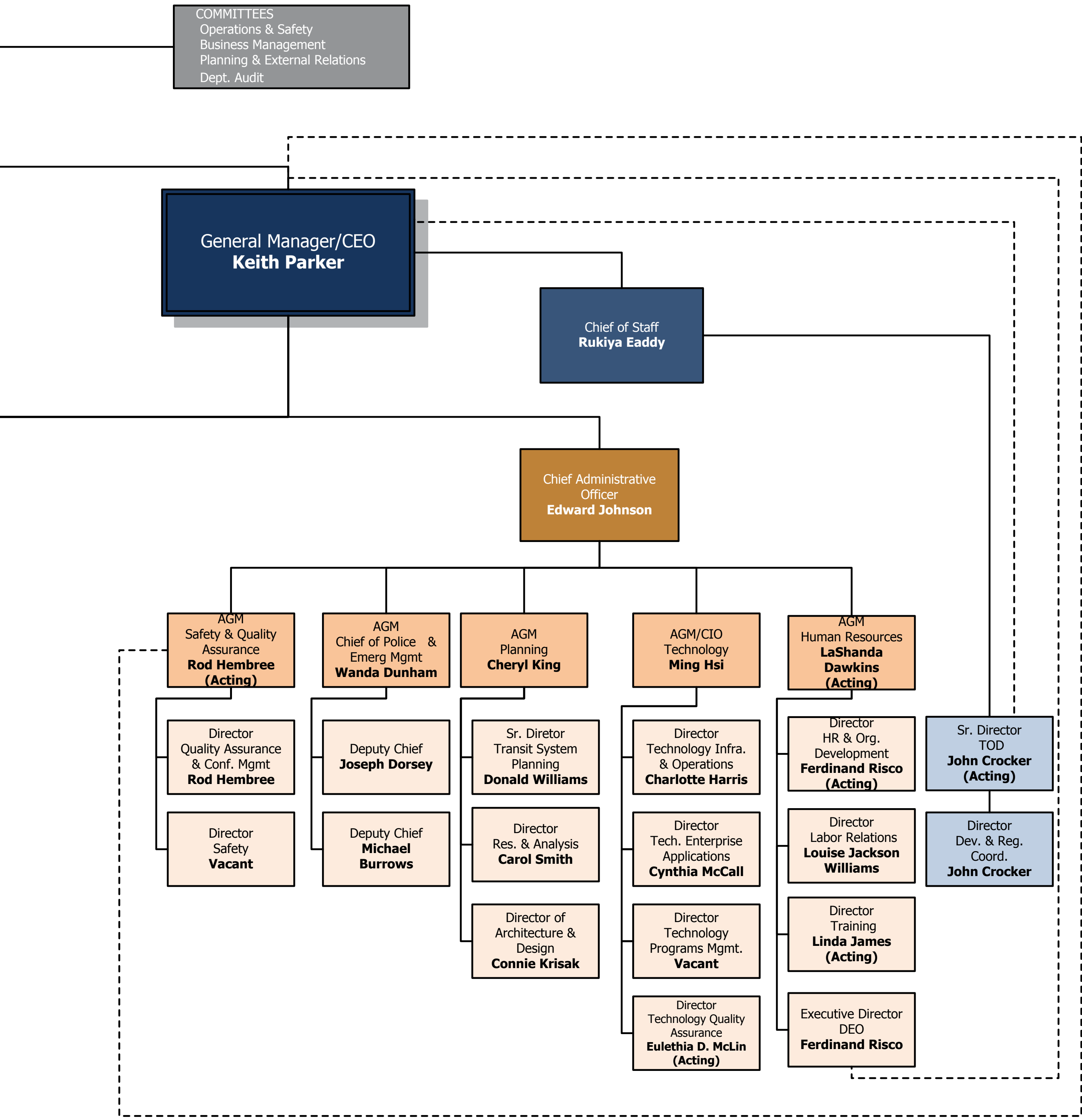
ASSISTANT GENERAL MANAGER OF PLANNING
Cheryl King

ASSISTANT GENERAL MANAGER OF HUMAN RESOURCES
LaShanda Dawkins (Acting)

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

Organizational Chart





2014 Comprehensive Annual Financial Report Years Ended June 30, 2014 and 2013

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METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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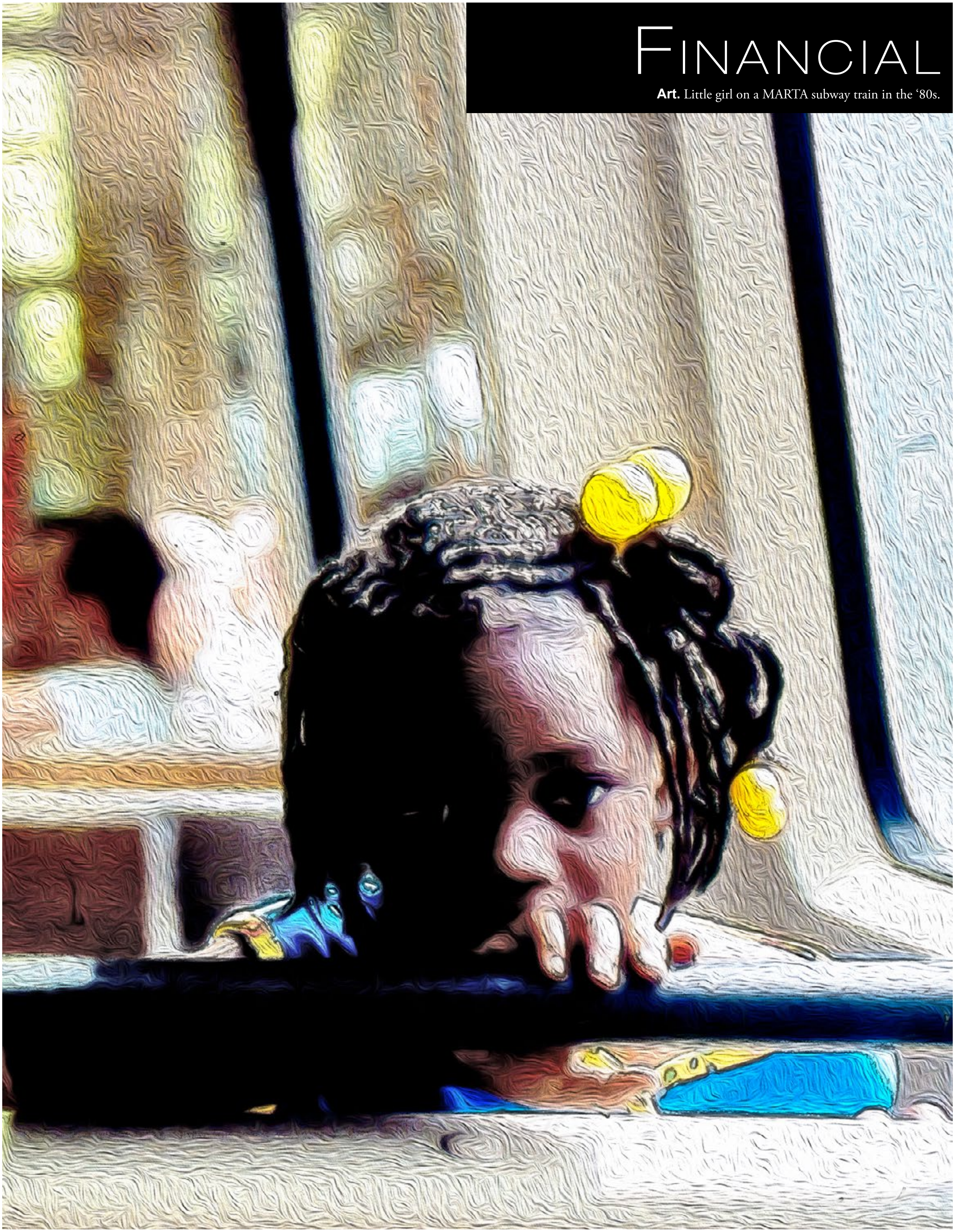

Art. Little girl on a MARTA subway train in the '80s.

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Cherry Bekaert LLP
CPAs & Advisors

Independent Auditor's Report

To the Board of Directors
Metropolitan Atlanta Rapid Transit Authority

Report on the Financial Statements

We have audited the accompanying statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MARTA, as of June 30, 2014 and 2013, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2014 MARTA adopted new accounting guidance, GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions,* GASB Statement No. 66, *Technical Corrections – 2012* and GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on MARTA's basic financial statements. The supplemental schedule of revenues and expenses, budget versus actual (budget basis) on pages 52 through 53, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of revenues and expenses, budget versus actual (budget basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of MARTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MARTA's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Atlanta, Georgia
December 29, 2014

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, 2014 and 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

Overview of Financial Statements

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

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

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

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

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

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

Financial Position Summary

Net position may serve over time as a useful indicator of MARTA's financial position. MARTA's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1.4 billion at June 30, 2014, a $34 million decrease from June 30, 2013 when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1.5 billion.

The largest portion of MARTA's net position in fiscal year 2014 was its restricted assets representing 55%. These resources are subject to external restrictions on how they can be used under bond resolutions, lease agreements, and State and Federal regulations. The second largest portion of net position representing 45% was its investment in capital assets (e.g., land, rail system, buildings and transportation equipment); less any related outstanding debt used to acquire those assets. MARTA uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although MARTA's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In fiscal year 2013, MARTA's largest portion was its restricted assets representing 54% while the next largest was its investment in capital assets (e.g., land, rail system, buildings and transportation equipment), less any related outstanding debt used to acquire those assets representing 45% The remaining unrestricted net position, 1% as of June 30, 2014 and 2013, may be used to meet any of MARTA's ongoing obligations.

At the end of the current fiscal year, MARTA was able to report positive balances in all categories of net position with the exception of the category of unrestricted. In all prior fiscal years, MARTA was able to report positive balances in all categories of net position.

(Dollars in Thousands)

The following table presents a condensed summary of net position:

	2014	2013	2012
ASSETS:			
Current and Other Assets	$ 1,033,027	$ 1,039,041	$ 1,013,140
Capital Assets	3,056,307	3,028,220	3,078,070
Total Assets	4,089,334	4,067,261	4,091,210
DEFERRED OUTFLOWS OF RESOURCES	12,033	19,603	22,388
LIABILITIES:			
Long-term Debt	1,791,781	1,880,484	1,910,275
Current and Other Liabilities	884,045	747,444	616,691
Total Liabilities	2,675,826	2,627,928	2,526,966
DEFERRED INFLOWS OF RESOURCES	248	-	25
NET POSITION:			
Net Investment in Capital Assets	646,555	654,423	795,754
Restricted	789,317	787,952	767,843
Unrestricted	(10,579)	16,561	23,011
TOTAL NET POSITION	$ 1,425,293	$ 1,458,936	$ 1,586,608

Financial Operations Highlights

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

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

Under provisions of amendments to the MARTA Act, revenues, except the sales and use tax, are included in transit related revenues for purposes of this calculation. Transit related revenues were 73.8% and 62.8% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2014 and 2013, respectively.

(Dollars in Thousands)

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

	2014	2013	2012
Operating Revenues	$ 152,653	$ 151,177	$ 144,164
Operating Expenses	622,501	619,349	641,868
Operating Loss	(469,848)	(468,172)	(497,704)
Nonoperating Revenues (Expenses) - net	365,027	293,206	368,083
Capital Grants	71,178	47,294	39,868
Decrease in Net Position	$ (33,643)	$ (127,672)	$ (89,753)

In fiscal year 2014, operating revenues increased by $1.5 million and operating expenses increased by $3.1 million, which resulted in an overall increase in the operating loss of $1.7 million from the previous year. Fiscal year 2013, operating revenues increased by $7 million and operating expense decreased by $22.5 million, which resulted in an decrease in operating loss of $29.5 million from 2012.

In 2014, MARTA placed high emphasis on customer, employee and fiscal relief. This included a 3% lump sum payment for non-represented employees, (represented employees wages are subject to ongoing labor discussions), no fare increases and the implementation of the MARTA Transformation Initiative, which provides comprehensive cost saving and efficiency-improving measures.

(Dollars in Thousands)

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

Summary of Revenues	2014	2013	2012
Operating			
Fare Revenues	$ 140,318	$ 140,697	$ 132,870
Other Revenues	12,335	10,480	11,294
Total Operating Revenues	152,653	151,177	144,164
Nonoperating			
Sales and Use Tax	347,289	338,893	340,945
Federal Revenues	102,847	119,774	70,576
Investment Income	688	1,729	833
Net Capital Lease Transaction Activity	6,607	(31,593)	51,745
Other Revenues	32,089	17,451	12,938
Loss on Sale of Property and Equipment	(11)	(1,025)	(113)
Total Nonoperating Revenues	489,509	445,229	476,924
Total Revenues	642,162	596,406	621,088
Summary of Expenses			
Operating			
Transportation	181,860	183,216	186,144
Maintenance and Garage Operations	141,584	137,747	146,672
General and Administrative	89,298	78,779	78,660
Depreciation	209,759	219,607	230,392
Total Operating Expenses	622,501	619,349	641,868
Nonoperating			
Interest Expense	75,751	78,762	70,334
Interest Expense Capitalized	(1,233)	(1,612)	(542)
Amortization of Financing Related Charges and Income from Derivative Activity	(4,404)	(5,629)	(3,323)
Gain on Investment Derivatives	(7,905)	(17)	(8,977)
Other Nonoperating Expenses	62,273	80,519	51,349
Total Nonoperating Expenses	124,482	152,023	108,841
Total Expenses	746,983	771,372	750,709
Loss Before Capital Contributions	(104,821)	(174,966)	(129,621)
Capital Grants	71,178	47,294	39,868
Decrease in Net Position	(33,643)	(127,672)	(89,753)
Net Position, July 1	1,458,936	1,586,608	1,676,361
Net Position, June 30	$ 1,425,293	$ 1,458,936	$ 1,586,608

Net position decreased by $34 million in 2014 after decreasing by $128 million in 2013.

(Dollars in Thousands)

MARTA's other operating revenues, which include advertising, Transit Oriented Development Lease (TOD), alternative fuel tax revenues, increased by $1.9 million or 18% in 2014 and decreased by $814 thousand or 7% in 2013.

In 2014, MARTA's largest component of nonoperating revenues, sales and use tax, increased by $8 million or 2% from 2013, which was down from 2012 by $2 million or 1%. In 2014, the largest revenue growth was $15 million in other revenues, which includes ad valorem tax revenue. In 2013, the largest revenue growth was $49 million in federal operating revenue. Non-capital grants, which includes preventive maintenance reimbursements decreased in 2014 by $17 million. Overall, nonoperating revenues increased by $44.3 million or 10% in 2014 and $32 million or 7% in 2013.

Operating expenses increased by $3.2 million in 2014 from 2013 and decreased by $22.5 million in 2013 from 2012. The 2014 nonoperating expenses decreased by $27.5 million from 2013. This large decrease is directly related to general and administrative expenses and a gain on investment derivatives. The 2013 nonoperating expenses increased by $43 million from 2012; this was a result of growth in general and administrative expenses related to capital projects.

Capital Acquisitions and Construction Activities

In 2014, MARTA expended $239,284 on capital activities. The expenditures were primarily for the replacement, rehabilitation, and enhancement of facilities and equipment required to support transit operations, regulatory requirements, and system safety. The net decrease in capital assets, including changes in accumulated depreciation and retirements was $28,087, $49,850 and $80,270 during the years ended June 30, 2014, 2013 and 2012 respectively. Additional information on MARTA's debt and capital asset activity and commitments can be found in notes 6 and 7 to the financial statements.

The following table summarizes MARTA's net investment in capital assets:

	2014	2013	2012
Capital Assets			
Property and Equipment - Net	$ 3,056,307	$ 3,028,220	$ 3,078,070
Capital Debt			
Current Maturities of Bonds and Notes	(255,255)	(180,875)	(51,035)
Noncurrent Maturities of Bonds	(1,736,526)	(1,799,609)	(1,859,240)
Deferred Outflows of Resources	12,033	15,732	18,818
Capital Lease Obligations	(430,004)	(409,045)	(390,859)
Total Capital Debt	(2,409,752)	(2,373,797)	(2,282,316)
Net Investment in Capital Assets	$ 646,555	$ 654,423	$ 795,754

Long-Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds, Commercial Paper, and Variable Rate Bonds in a Floating Rate Note Mode to raise capital funds for construction, expansion, and rehabilitation of the transit system. The bonds and notes are payable from and secured by a first, second and third lien on sales and use tax receipts.

The fixed and variable rate Bonds carry debt ratings of Aa3 by Moody's Investors Service, AA+ by Standard and Poor's and AA- from Fitch Rating Service. The commercial paper bears underlying ratings of P-1 by Moody's and A-1 by Standard & Poor's. MARTA's total bond debt outstanding was $1,991,781, $1,980,484 and $1,910,275 as of June 30, 2014, 2013 and 2012, 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 lagging behind other major metropolitan regions. Unemployment has declined due to moderate job growth that is anticipated to continue. While there has been strong job growth, personal income growth will rise only moderately; the housing market has experienced rapid growth which should moderate over the next 12 – 18 months.

Consumer confidence, which drives consumer spending, continues to increase. MARTA's largest revenue source, sales tax revenue, is directly related to consumer spending. MARTA's 2014 Sales Tax Revenue was up from 2013 by $8.4 million or 2.5%. Current sales tax forecasts show positive growth of 4.7% in 2015 and 3.6% in 2016.

It is anticipated that Metro Atlanta will continue to see moderate job gains, increases in tax revenue, moderate to slow increases in housing new starts, and slight decreases to unemployment with slight to moderate growth in the overall economy.

Request for Information

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

Statements of Net Position
June 30, 2014 and 2013
(Dollars in Thousands)

	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	$ 53,834	$ 36,141
Investments (Note 2)	27,401	57,877
Materials and Supplies Inventories	25,875	24,551
Sales Tax Receivables, Prepayments and Other	123,380	120,380
Total Unrestricted Current Assets	230,490	238,949
Restricted Cash and Cash Equivalents (Notes 2 and 3)	-	12
Restricted Investments (Notes 2 and 3)	292,734	220,147
Current Portion, Investment held to pay Capital Lease (Notes 2 and 3)	3,530	3,684
Total Restricted Current Assets	296,264	223,843
Total Current Assets	526,754	462,792
Noncurrent Assets:		
Restricted Investments (Notes 2 and 3)	-	107,116
Invesment held to pay Capital Lease Obligations (Notes 2 and 3)	495,611	467,891
Investment Derivatives (Notes1-3 and 8)	(2,435)	(10,763)
Total Restricted Noncurrent Assets	493,176	564,244
Capital Assets: (Note 6)		
Land, non-depreciable	559,418	556,185
Rail System and Buildings	3,373,998	3,320,240
Transportation and Equipment	1,280,656	1,204,071
Other	1,193,193	1,108,547
	6,407,265	6,189,043
Less Accumulated Depreciation	(3,724,933)	(3,532,111)
	2,682,332	2,656,932
Construction in Progress, non-depreciable	373,975	371,288
Capital Assets - Net	3,056,307	3,028,220
Other Non-current Investments (Note 2)	10,000	10,000
Other Bond Related Costs	996	1,130
Derivative Asset (Notes 1 and 8)	248	(25)
Other	1,853	900
Total Noncurrent Assets	3,562,580	3,604,469
Total Assets	4,089,334	4,067,261
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow of Resources from Hedging (Notes 1 and 8)	-	3,871
Deferred Outflow of Resources - Others (Notes 1 and 14)	12,033	15,732
Total Deferred Outflows of Resources	12,033	19,603
Total Assets and Deferred Outflows of Resources	$ 4,101,367	$ 4,086,864

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

Statements of Net Position *(Continued)*

June 30, 2014 and 2013

(Dollars in Thousands)

	2014	2013
LIABILITIES		
Current Liabilities:		
Payable from Nonrestricted Assets:		
Accounts and Contracts Payable	$ 92,094	$ 69,826
Salaries and Employee Benefits (Notes 11 and 12)	26,998	24,105
Self-Insurance Accruals (Note 13)	15,677	16,962
Other Current Liabilities	4,110	4,009
Unearned Revenue (Note 15)	1,619	1,757
Total Current Liabilities Payable from Nonrestricted Assets	140,498	116,659
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds (Note 7)	55,255	80,875
Commercial Paper (Note 7)	200,000	100,000
Accrued Interest	37,634	39,148
Due to Federal Transportation Administration	123	135
Current Maturities of Obligations Under Capital Leases (Note 10)	3,412	3,560
Total Current Liabilities Payable from Restricted Assets	296,424	223,718
Total Current Liabilities	436,922	340,377
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities,		
Unamortized Premium and Discount (Note 7)	1,736,526	1,799,609
Noncurrent Self Insurance Accruals (Note 13)	30,017	18,589
Other Long-term Liabilities	1,813	2,097
Unearned Revenue (Note 15)	43,956	57,925
Obligations Under Capital Leases	426,592	405,485
Derivative Liability - Interest Rate Swap (Note 1 and 8)	-	3,846
Total Noncurrent Liabilities	2,238,904	2,287,551
Total Liabilities	2,675,826	2,627,928
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources from Hedging (Note 1 and 8)	248	-
Total Liabilities and Deferred Inflows of Resources	2,676,074	2,627,928
NET POSITION		
Net Investment in Capital Assets	646,555	654,423
Restricted for Debt Service	130,658	149,120
Restricted for Other Projects	36,706	36,634
Restricted for Capital Projects	122,812	130,623
Restricted for Capital Leases	499,141	471,575
Unrestricted	(10,579)	16,561
Total Net Position	$ 1,425,293	$ 1,458,936

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

Statements of Revenues, Expenses & Changes in Net Position

For the Years Ended June 30, 2014 and 2013

(Dollars in Thousands)

	2014	2013
Operating Revenues:		
Fare Revenues (Note 5)	$ 140,318	$ 140,697
Other Revenues	12,335	10,480
Total Operating Revenues	152,653	151,177
Operating Expenses:		
Transportation	181,860	183,216
Maintenance and Garage Operations	141,584	137,747
General and Administrative	89,298	78,779
Depreciation	209,759	219,607
Total Operating Expenses	622,501	619,349
Operating Loss	(469,848)	(468,172)
Nonoperating Revenues (Expenses):		
Sales and Use Tax (Notes 1 and 4)	347,289	338,893
Federal Revenues	102,847	119,774
Investment Income	688	1,729
Net Capital Lease Transaction Activity (Note 10)	6,607	(31,593)
Other Revenues	32,089	17,451
Loss on Sale of Property and Equipment	(11)	(1,025)
Interest Expense	(75,751)	(78,762)
Interest Expense Capitalized	1,233	1,612
Amortization of Financing Related Charges and Income from Derivative Activity	4,404	5,629
Other Nonoperating Expenses	(62,273)	(80,519)
Gain on Investment Derivatives (Note 1)	7,905	17
	365,027	293,206
Loss Before Capital Contributions	(104,821)	(174,966)
Capital Grants	71,178	47,294
Net Position:		
Decrease in Net Position	(33,643)	(127,672)
Net Position, July 1	1,458,936	1,586,608
Net Position, June 30	$ 1,425,293	$ 1,458,936

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

Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013

(Dollars in Thousands)

	2014	2013
Cash Flows from Operating Activities:		
Cash Received from Providing Services	$ 158,657	$ 159,052
Cash Paid to Suppliers	(201,065)	(234,428)
Cash Paid to Employees	(231,205)	(225,989)
Net Cash Used for Operating Activities	(273,613)	(301,365)
Cash Flows from Noncapital Financing Activities:		
Sales and Use Tax Collections	345,825	340,491
Federal Revenues	104,327	103,055
Net Cash Provided by Noncapital Financing Activities	450,152	443,546
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Issuance of Bond and Debt Related Derivative Receipts	99,987	130,101
Repayment of Bond Payable	(80,875)	(51,035)
Capital Contributions	71,178	47,294
Interest Paid on Revenue Bonds	(77,266)	(74,506)
Acquisition and Construction of Capital Assets	(237,576)	(169,170)
Net Cash Used by Capital and Related Financing Activities	(224,552)	(117,316)
Cash Flows from Investing Activities:		
Purchases of Investments	(2,195,972)	(1,931,278)
Proceeds from Sales and Maturities of Investments	2,260,978	1,893,951
Interest Received on Investments	688	1,729
Net Cash Provided by (Used for) Investing Activities	65,694	(35,599)
Net Increase (Decrease) in Cash and Cash Equivalents	17,681	(10,734)
Cash and Cash Equivalents, Beginning of Year	36,153	46,887
Cash and Cash Equivalents, End of Year	$ 53,834	$ 36,153
Reconciliation of Operating Income to Net Cash Used for Operating Activities:		
Operating Loss	$ (469,848)	$ (468,172)
Other Expenses	(30,185)	(63,068)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation	209,759	219,607
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(1,324)	1,623
Prepayments and Other	(3,016)	609
Current Liabilities and Due to Federal Transportation Administration	35,254	12,466
Deferred Revenue	(14,253)	(4,430)
Net Cash Used for Operating Activities	$ (273,613)	$ (301,365)
Noncash Investing and Capital/Noncapital Financing Activities:		
Amortization of Financing Related Charges and Income from Derivative Activity	$ 4,404	$ 5,629
Increase (Decrease) in Fair Value of Investments	19,313	(20,974)
Net Noncash Investing and Capital/Noncapital Financing Activities	$ 23,717	$ (15,345)

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

Notes to the Financial Statements

June 30, 2014 and 2013
(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. 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, 2014 or 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

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

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

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

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

(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Unearned Revenues - Includes the remaining unamortized balance of the unearned amounts from the lease/leaseback arrangements of certain rail cars and rail lines in 2002, 2003, 2004, 2005, 2006 and 2007. The unearned gains are being amortized over the remaining lives of the respective leases on a straight-line basis. It also includes the upfront cash received from the 2004 interest basis swap agreements, the upfront cash received from the 2007 forward delivery agreement, and the remediation net benefit in 2009, all of which are being amortized over the life of the related agreements. See note 15 for further information.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Net Position - Net Position presents the difference between assets, liabilities, and deferred outflows/inflows of resources in the Statements of Net Position. Net position pertaining to investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position components are reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors. Unrestricted net position may be designated for specific purposes at the option of the MARTA Board of Directors. If restricted and unrestricted net positions are available for the same purpose, then the restricted position will be used before the unrestricted position.

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

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

Cost Allocation - MARTA allocates certain general and administrative expenses to transit operations and also capitalizes certain of these expenses in construction in progress based on its cost allocation plan prepared in accordance with FTA guidelines. General and administrative expenses not allocable to either transit operations or construction in progress under FTA guidelines are reflected as nonoperating general and administrative expense in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences - MARTA employees are granted annual paid time off and vacation in varying amounts. A liability is recognized for amounts of accrued annual paid time off and vacation 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.

Adoption of New Accounting Pronouncements - During the year ended June 30, 2014, MARTA adopted issued Statements of Governmental Accounting Standards ("GASB") No. 64. GASB No.64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.* 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 adoption of this statement did not have an impact on MARTA's financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the year ended June 30, 2014, MARTA adopted GASB No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This Statement replaces the requirements of GASB No. 25 and No. 50, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The Standard provides for financial statements to be presented in accordance with GASB No. 63, which separates the deferred inflows and outflows and arrives at a net position, and requires disclosure of the pension plan's fiduciary net position, net pension liability, the pension plan's fiduciary net position as a percentage of total pension liability, and related assumptions used to calculate the pension liability. The standard also provides for presentation of required supplementary information for each of the ten most recent fiscal years, including the sources of changes in the net pension liability and information about the components of the liability and related ratios. The impact of this pronouncement on MARTA's financial statements is contingent upon the implementation of GASB 68 which is effective for MARTA's fiscal year ending June 30, 2015; at which time, this Statement would be applicable.

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

GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No.68*, is effective for MARTA fiscal year ending June 30, 2015. The objective of this Statement is to address an issue regarding application of the transition provisions of the Statement No.68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. MARTA has not determined the impact of adopting this Statement.

2. CASH AND INVESTMENTS

Cash - At June 30, 2014 and 2013, the carrying amounts of MARTA's total cash on hand were $1,262 and $1,054, respectively.

At June 30, 2014 and 2013, the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $52,572 and $35,099, respectively.

The bank balances were $51,882 and $34,071, respectively. Of the bank balances at June 30, 2014 and 2013, $517 and $464, respectively, were covered by federal depository insurance and $51,365 and $33,595, respectively, were collateralized by government securities held by the pledging financial institution's trust department or agent in MARTA's name.

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

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

(Dollars in Thousands)

2. CASH AND INVESTMENTS (continued)

As of June 30, 2014, 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	$ 57,379	$ 57,379	$ -	$ -	$ -
U.S. Treasuries	86,348	73,046	6,722	4,362	2,218
U.S. Agencies	420,997	110,542	94,132	3,344	212,979
FDIC Public Funds	40,743	30,743	10,000	-	-
Certificate of deposit (CDAR)	12,482	8,807	3,675	-	-
Guaranteed Inv Contracts	211,327	-	88,175	45,616	77,536
Investment Derivative	(2,435)	-	-	-	(2,435)
Total	$ 826,841	$ 280,517	$ 202,704	$ 53,322	$ 290,298

As of June 30, 2013, MARTA had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Repurchase Agreements	$ 67,161	$ 67,161	$ -	$ -	$ -
U.S. Treasuries	113,788	99,183	8,292	3,295	3,018
U.S. Agencies	332,467	68,951	63,696	3,870	195,950
State of Georgia GA Fund 1	65,500	65,500	-	-	-
FDIC Public Funds	70,182	70,182	-	-	-
Certificate of Deposit (CDAR)	18,011	18,011	-	-	-
Guaranteed Inv Contracts	199,606	244	34,258	91,833	73,271
Investment Derivatives	(10,763)	-	-	-	(10,763)
Total	$ 855,952	$ 389,232	$ 106,246	$ 98,998	$ 261,476

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.

(Dollars in Thousands)

2. CASH AND INVESTMENTS (continued)

Credit Quality Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of MARTA's debt securities to credit quality risk as of June 30, 2014 is as follows:

Investment Type	Fair Value	Credit Rating	Rating Agency
Repurchase Agreements	$ 57,379	AAA/AA+	Moody's/S&P
U.S. Treasuries	86,348	AAA+/AA+	Moody's/S&P
U.S. Agencies	420,997	AAA/AA+	Moody's/S&P
FDIC Public Funds	40,743	AAA/AA+/FDIC	Moody's/S&P
Certificate of deposit (CDAR)	12,482	AAA/AA+/FDIC	Moody's/S&P
Guaranteed Inv Contracts	211,327		
Investment Derivative	(2,435)		
	$ 826,841		

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

Custodial Credit Risk - for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MARTA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of MARTA's investment at June 30, 2014 and 2013, of $826,841 and $855,952, respectively, $10,251 and $10,157, respectively, are securities held by a trustee, not in the name of MARTA. These investments are the only securities not held in MARTA's name as per the terms of a trust agreement between MARTA and a Railroad company.

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

(Dollars in Thousands)

3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30:

	2014	2013
Restricted Cash and Investments:		
Sinking Fund	$ 133,089	$ 159,830
Railroad Trust Fund Agreement	10,000	10,000
Capital Asset Purposes	55,391	63,197
Proceeds from Real Estate Sales	55,537	55,593
Investment Held to Pay Capital Lease Obligation	499,141	471,575
Investment Derivatives	(2,435)	(10,763)
Other	38,717	38,655
Total Restricted Cash and Investments	789,440	788,087
Due to FTA	123	135
Total Restricted, Net of Related Debt	$ 789,317	$ 787,952

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, 2014 and 2013, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

Included in restricted cash and investments are certain investments which, under the MARTA Act and certain grant agreements, are held for repairing, rebuilding, or replacing capital assets and for a Georgia Department of Transportation project. Proceeds from sales of certain real estate and the interest earned thereon through June 30, 1988 have been restricted. For the period from July 1, 1988 to June 30, 2014, 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 position of $789,317 and $787,952 at June 30, 2014 and 2013, respectively, are reported in the Statements of Net Position and are restricted by law or binding agreements with outside parties.

(Dollars in Thousands)

4. SALES AND USE TAX

MARTA receives proceeds from the collections of sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton and DeKalb. The tax is levied at a rate of 1% until June 30, 2047 and 0.5% through 2057.

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

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

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

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

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

During the years ended June 30, 2014 and 2013, MARTA used 46% and 47%, respectively, of the sales and use tax proceeds to subsidize the net operating costs. A summary of cumulative sales tax proceeds under-utilization activity for the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
Cumulative under-utilization, beginning of year	$ 8,588	$ -
Under-utilization during year	14,694	8,588
Cumulative-under utilization, end of year	$ 23,282	$ 8,588

(Dollars in Thousands)

5. FARE REVENUE

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

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

Under provisions of amendments to the MARTA Act, all revenues, except the sales and use taxes, are included in transit related revenues for purposes of this calculation.

Transit related revenues for the years ended June 30, 2014 and 2013 were 73.8% and 62.8%, 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, 2014 was as follows:

	Balance June 30, 2013	Additions	Decreases	Balance June 30, 2014
Capital Assets, not being depreciated:				
Land	$ 556,185	$ 4,404	$ (1,171)	$ 559,418
Construction in progress	371,288	239,284	(236,597)	373,975
Total capital assets not being depreciated	927,473	243,688	(237,768)	933,393
Capital Assets being depreciated:				
Rail systems & buildings	3,320,240	54,143	(385)	3,373,998
Transportation equipment	1,204,071	90,301	(13,716)	1,280,656
Other	1,108,547	87,749	(3,103)	1,193,193
Total capital assets being depreciated	5,632,858	232,193	(17,204)	5,847,847
Less accumulated depreciation for:				
Rail systems & buildings	(1,859,143)	(87,880)	385	(1,946,638)
Transportation equipment	(794,016)	(69,340)	13,485	(849,871)
Other	(878,952)	(52,551)	3,079	(928,424)
Total accumulated depreciation	(3,532,111)	(209,771)	16,949	(3,724,933)
Total capital assets being depreciated, net	2,100,747	22,422	(255)	2,122,914
Capital Assets, net	$ 3,028,220	$ 266,110	$ (238,023)	$ 3,056,307

(Dollars in Thousands)

6. CAPITAL ASSETS (continued)

During the year ended June 30, 2014, adjustments were made to construction in progress in the amount of $5.6 million related to reduction in cost to land parcels. Land transferred to land held for resale and land parcels are listed as assets but are not being depreciated.

Capital asset activity for the year ended June 30, 2013 was as follows:

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

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(Dollars in Thousands)

7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2014 was as follows:

Series	Year Issued	Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2013	Outstanding Additions	Principal Retirements	Balance June 30, 2014
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2019	4.60% - 6.25%	$ 41,825	$ -	$ (5,920)	$ 35,905
P*	1992	296,755	2021	3.30% - 6.25%	87,675	-	(14,745)	72,930
2000A	2000	100,000	2026	Variable	98,600	-	(1,400)	97,200
2000B	2000	100,000	2026	Variable	98,700	-	(1,500)	97,200
2003A*	2003	103,075	2021	3.00% - 5.00%	29,505	-	(29,505)	-
2005A*	2005	190,490	2021	5.00%	174,715	-	(16,520)	158,195
2006A*	2006	163,890	2021	5.00%	138,605	-	(11,285)	127,320
2007A*	2007	145,725	2033	5.25%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.00%	389,830	-	-	389,830
2009A	2009	250,000	2040	4.25% - 5.25%	250,000	-	-	250,000
2012A*	2012	311,075	2041	3.00% - 5.00%	311,075	-	-	311,075
2012B*	2012	17,930	2021	4.00% - 5.00%	17,930	-	-	17,930
2013A*	2013	22,980	2021	3.00% - 5.00%	22,980	-	-	22,980
Subtotal					1,807,165	-	(80,875)	1,726,290
Less portion due within one year					(80,875)	25,620	-	(55,255)
Plus unamortized premium (discount)					73,319	-	(7,828)	65,491
Sales Tax Revenue Bonds total long-term portion					$ 1,799,609	$ 25,620	$ (88,703)	$ 1,736,526

* Refunding bonds

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

Series	Issued	Issued	Maturity	Interest Rates	June 30, 2012	Additions	Retirements	June 30, 2013
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2019	4.60% - 6.25%	$ 47,390	$ -	$ (5,565)	$ 41,825
P*	1992	296,755	2021	3.30% - 6.25%	101,535	-	(13,860)	87,675
2000A	2000	100,000	2026	Variable	100,000	-	(1,400)	98,600
2000B	2000	100,000	2026	Variable	100,000	-	(1,300)	98,700
2003A*	2003	103,075	2021	3.00% - 5.00%	31,890	-	(2,385)	29,505
2005A*	2005	190,490	2021	5.00%	190,490	-	(15,775)	174,715
2006A*	2006	163,890	2021	5.00%	149,355	-	(10,750)	138,605
2007A*	2007	145,725	2033	5.25%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.00%	389,830	-	-	389,830
2009A	2009	250,000	2040	4.25% - 5.25%	250,000	-	-	250,000
2012A*	2012	311,075	2041	3.00% - 5.00%	311,075	-	-	311,075
2012B*	2012	17,930	2021	4.00% - 5.00%	17,930	-	-	17,930
2013A*	2013	22,980	2021	3.00% - 5.00%	-	22,980	-	22,980
Subtotal					1,835,220	22,980	(51,035)	1,807,165
Less portion due within one year					(51,035)	(29,840)	-	(80,875)
Plus unamortized premium (discount)					75,055	4,422	(6,158)	73,319
Sales Tax Revenue Bonds total long-term portion					$ 1,859,240	$ (2,438)	$ (57,193)	$ 1,799,609

* Refunding bonds

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

Sales Tax Revenue Bonds – Principal on all the Sales Tax Revenue Bonds (the "Bonds") is payable in an annual installment on July 1; interest is payable semi-annually on January 1 and July 1 on all Bonds except the Series 2000A and 2000B Bonds, which interest is payable on the first day of each month for the previous month. Series N and P Bonds are payable from and secured by a first lien on sales and use tax receipts. Series 2000A, 2000B and 2003A Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A, 2007B, 2009A, 2012A, 2012B and 2013A are payable from and secured by a third lien on sales and use tax receipts (Note 4).

The Series 2000A and 2000B Bonds are variable-rate sales tax revenue bonds. Each series was issued in the aggregate principal amount of $100,000 each and was initially issued in the weekly mode. Interest in the weekly mode is payable on the first business day of each month for the previous month. In the fall of 2012, the Series 2000A Bonds were converted to a term rate utilizing a floating rate note structure. The interest rate on these bonds is based on a defined spread to the Securities Industry Financial Markets Association (SIFMA) index on a weekly basis and interest will be paid monthly for the previous month. The interest rates at June 30, 2013 on the Series 2000A and 2000B Bonds utilizing the weekly mode were 0.22% and 0.07%, respectively. Likewise, the interest rates at June 30, 2014 on the Series 2000A and 2000B Bonds were 0.06% and 0.07%, respectively. There are a variety of operational and financial covenants associated with the Bonds. Management believes that MARTA is in compliance with all such covenants.

Approximately half of the currently outstanding Bonds, except the Series 2000A and 2000B Bonds are redeemable at the discretion of MARTA within ten years from their issue date at redemption prices above par. The Series 2000A Bonds are redeemable at par in March 2014. The Series 2000B Bonds are redeemable at par upon 30 days' notice.

Annual debt service requirements on the Bonds outstanding at June 30, 2014 were as follows:

Year Ending June 30	Principal	Interest*	Total
2015	$ 55,255	$ 73,819	$ 129,074
2016	59,425	70,841	130,266
2017	62,705	67,668	130,373
2018	65,885	64,401	130,286
2019	69,115	61,064	130,179
2020 to 2024	277,160	263,803	540,963
2025 to 2029	248,460	236,489	484,949
2030 to 2034	243,340	172,949	416,289
2035 to 2039	374,250	90,182	464,432
2040 to 2041	270,695	7,875	278,570
	$ 1,726,290	$ 1,109,091	$ 2,835,381

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

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

In September 2013, MARTA's bonding authority was revalidated by the Superior Court of Fulton County to increase its bonding capacity. Under the revalidated terms of this Third Trust Indenture, MARTA is limited to issue an additional $1,508,080 of Sales Tax Revenue Bonds. MARTA's Board established a debt limit for the Sales Tax Revenue Bonds. The total annual debt service on such bonds is limited to no more than 45% of projected sales tax receipts for each year.

MARTA has pledged future sales tax revenues to repay $1,791,781 in sales tax revenue bonds issued in 1992, 2000, 2003, 2005, 2006, 2007, 2008, 2009, 2012 and 2013 of which $1,736,526 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% of such net revenues. Principal and interest paid for in the years ended June 30, 2014 and 2013 were $157,598 and $124,971, 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, 2014 and 2013, the amounts held in the Sinking Funds exceeded the amounts required to be held pursuant to the Bond Trust Indentures. All such amounts are classified as restricted cash and investments in the Statements of Net Position.

Following is a summary of the activity in the Sinking Funds for the years ended June 30, 2014 and 2013:

	2014	2013
Balance, Beginning of Year	$ 159,830	$ 125,931
Sales and Use Tax Proceeds	132,723	135,279
Investment Income	104	1,236
Principal and Interest Payments on Bonds	(157,598)	(124,971)
Excess Sales Tax Withheld (Refunded)	(3,443)	21,061
Trustee Fees	1,473	1,294
Balance, End of Year	$ 133,089	$ 159,830

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

Sales Tax Revenue Commercial Paper Notes – On June 30, 2014 MARTA had outstanding $200,000 of Sales Tax Revenue Commercial Paper Notes (the "Notes"), Series 2012C1-2 and 2012D1-2. Letters of Credit were issued to support the $200,000 of commercial paper sold. The effective interest rate paid on the Notes outstanding ranged from 0.05% to 0.20% or an average of 0.13% for the year ended June 30, 2014. Likewise, the effective interest rate paid on the Notes outstanding ranged from 0.14% to 0.20% or an average of 0.18% for the year ended June 30, 2013. The proceeds of such Notes are being used to finance certain transit improvement projects. The accrued interest is payable as each Note matures solely from a third lien on the sales tax receipts. The Notes have varies maturities ranging from 1 day to 270 days. The outstanding balance, totaling $200,000, has been classified as short-term Investments. MARTA intends to refinance the Notes with long-term sales tax revenue bonds.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2014 and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2014 were as follows:

	Changes in Fair Value			
	Fiscal Year Classification	Change Amount	Year End Amount	Fair Value Notional
Hedging Derivatives:				
Natural Gas Commodity Swaps	Deferred Outflows of Resources	$ 242	$ 242	$ 380
Diesel Commodity Swaps	Deferred Inflows of Resources	31	6	1,141
		$ 273	$ 248	
Investment Derivatives:				
Forward delivery arrangements	Loss on Investment Derivatives	$ 355	$ (2,435)	$ 300,000
		$ 355	$ (2,435)	

(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, 2013 and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2013 were as follows:

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

Interest Rate Swap Agreements – As a means of interest rate management, to expand bonding capacity and to provide immediately available funds, MARTA entered into interest rate swap agreements in November 2004 with two counterparties in connection with its fixed rate outstanding bond issues, including the Series 1996A (Refunded by Series 2006A), 1998A (matured in 2012), Series 1998B (Refunded by Series 2005A), and Series 2002 Bonds (Refunded by Series 2007A), and its variable rate Series 2000A and Series 2000B Bonds.

(Dollars in Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

A summary of those agreements are as follows:

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

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

At the inception of the interest rate swap agreements, MARTA received $19,250 and $10,790 of upfront cash from the Series 1996A, 1998B & 2002 and the Series 2000A & 2000B interest rate swaps, respectively. The cash received at the inception of the interest rate swap agreements was deferred and is being amortized over the life of the agreements. The outstanding unamortized amount as of June 30, 2013 is $11,253, and is included in Unearned Revenue on the Statements of Net Position. On March 21 and 25, 2014 the Authority terminated the interest rate swap with Goldman Sachs with an outstanding notional amount of $450,640 and the interest rate basis swap with Merrill Lynch Capital Markets with an outstanding notional amount of $194,400, respectively. The Authority does not have any other interest rate swaps outstanding at June 30, 2014. The termination of the interest rate swaps resulted in the recognition of the remaining unamortized unearned revenue in 2014.

Hedging derivative instruments must meet annual effectiveness tests. MARTA assessed whether the hedging derivatives were highly effective in offsetting changes in fair value or cash flows of hedged items. MARTA's interest rate swap related to the Series 2000A & 2000B bonds with a $200 million notional amount met the effectiveness conditions of the dollar offset method again in fiscal year 2013, while the interest rate swap related to the Series 1996A, 1998B & 2002 bonds with a notional amount of $518,310 did not meet the effectiveness test in fiscal year 2011 and was not reconsidered.

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

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

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

(Dollars in Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

This would reduce the value of the contract and MARTA could sell the contract at a loss, or likewise if the index prices are higher, the value of the contracts would increase and MARTA could sell the contracts at a profit. If MARTA continues to hold the contract until maturity, MARTA may make or receive termination payments to or from the counterparty to settle the obligation under the contract. One contract was terminated on June 30, 2014. A summary of agreements is as follows:

Date of Execution	Effective Dates	Termination Dates	Fixed Price	Counterparty		Net Settlement In FY 2014
Natural Gas:						
8/8/2013	9/1/2013	6/30/2015	$3.705 per MMBTU	Citigroup Energy, Inc	$	184,410
10/31/2013	12/1/2013	3/31/2014	$3.670 per MMBTU	Canadian Imperial Bank of Commerce	$	79,140
Diesel:						
4/12/2013	7/1/2013	6/30/2014	$2.845 per gallon	JP Morgan Ventures Energy Corporation	$	114,026
2/23/2012	7/1/2012	6/30/2013	$3.221 per gallon	Citigroup Energy, Inc.	$	(36,567)
7/11/2012	8/1/2012	6/30/2013	$2.743 per gallon	Deutsche Bank AG	$	11,865

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

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

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

When MARTA entered into these agreements an upfront cash payment of $11,350 was received by MARTA which represented the present value of the future interest cash flows. The cash received was recorded as deferred revenue and is being amortized over the life of the agreements. The outstanding unamortized amount as of June 30, 2014 and 2013 is $3,496 and $4,210, respectively, and is included in Unearned Revenues on the Statements of Net Position.

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

9. BOND REFUNDINGS

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

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, 2014, the amount of defeased debt outstanding but removed from MARTA’s Statements of Net Position totaled $29,505.

(Dollars in Thousands)

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 Authority's rail capital assets to a financial party lessee and the sublease of such capital assets back to the Authority for a specified term.

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

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

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

(Dollars in Thousands)

10. CAPITAL LEASE OBLIGATIONS (continued)

The following table shows the net book value of the rail cars and the south line under the lease/leaseback transactions as of June 30, 2014 and 2013:

Lease Date	Property	Net Book Value 6/30/2014	Net Book Value 6/30/2013
3/22/2001	46 Hitachi CQ 310 Rail Cars	$ 27,643	$ 35,136
3/22/2001	28 Breda CQ310 Rail Cars	34,826	38,094
3/22/2001	92 Franco Belge CQ 310 Rail Cars	76,490	82,195
6/22/2001	24 Franco Belge CQ310 Rail Cars	2,843	3,439
12/27/2001	48 Hitachi CQ 311 Rail Cars	36,232	42,764
9/27/2002	20 Breda CQ 312 Rail Cars	27,567	28,748
9/29/2005	40 Breda CQ 312 Rail Cars	55,027	59,231
9/29/2003	MARTA South Line	322,257	336,646

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

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

- 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, 2014.

(Dollars in Thousands)

10. CAPITAL LEASE OBLIGATIONS (continued)

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2014:

Fiscal Year(s)		
2015	$	3,412
2016		3,875
2017		3,575
2018		99,508
2019		36,954
2020– 2024		47,624
2025 – 2029		79,268
2030 – 2034		140,659
2035		15,129
Present value of net minimum lease payments		430,004
Less: current principal maturities		(3,412)
Obligations under capital lease - long term	$	426,592

The liability of these leases changed in 2014 and 2013 as follows:		
Outstanding - June 30, 2013	$	409,045
Net change in obligation		20,959
Outstanding - June 30, 2014	$	430,004

11. PENSION PLANS

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

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

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

(Dollars in Thousands)

11. PENSION PLANS (continued)

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

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

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

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

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

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the plans as of January 1, 2014 for the Union Plan and Non-Rep Plan:

	Union	Non-Rep
Active Employees	2,592	801
Pensioners	1,785	1,194
Inactive Vestees	298	124
Total	4,675	2,119

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

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

(Dollars in Thousands)

11. PENSION PLANS (continued)

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

MARTA's annual pension cost and contributions are based on the actual covered payroll as of June 30, 2014. All other related information is based on actuarial valuations performed as of January 1, 2014 for Union and Non-Rep plans.

The information is as follows:

	Union	Non-Rep
Contribution Rates:		
MARTA	8.09%	37.40%
Plan Members	4.41%	6.00%
Transit Police	-	7.50%
Annual Pension Cost	$8,490	$18,887
Contributions Made	$8,490	$18,887
Actuarial Valuation Date	01/01/14	01/01/14
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percentage of Pay	Fixed Dollar
Remaining Amortization Period	30 years, Open	10 years, Closed
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions		
Investment Rate of Return	7.50%	7.25%
Projected Salary Increases:		
Inflation and Productivity	4.50% per year	3.20% per year
Merit or Seniority	1.00% per year	1.00% per year
Post Retirement Benefit Increases	none	none

(Dollars in Thousands)

11. PENSION PLANS (continued)

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

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

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

Schedule of Annual Pension Cost

Three-Year Trend Information

MARTA/ATU Local 732 Retirement Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$ 7,398	100%	$ -
2013	7,557	100	-
2014	8,490	100	-

Non-Represented Pension Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$ 23,230	100%	$ -
2013	26,235	100	-
2014	18,887	100	-

(Dollars in Thousands)

11. PENSION PLANS (continued)

Schedule of Funding Progress

MARTA/ATU Local 732 Employees Retirement Plan

Beginning with the 2009 fiscal year the Actual Cost Method was changed from the Frozen Entry Age to the Entry Age Normal. The new method separately identifies an Actuarial Accrued Liability and calculates a traditional UAAL. Beginning in fiscal year 2008, the funded status is required to be reported using the Entry Age Normal method if the Actuarial Cost Method used to develop the Annual Required Contribution does not directly compute the Actuarial Accrued Liability. This requirement is mandated by GASB Statement No. 50.

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

Plan Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	$ 456,045	$ 470,926	96.8%	$ 14,881	$ 102,525	14.5%
1/1/2013	450,322	468,009	96.2	17,687	106,042	16.7
1/1/2014	484,806	474,549	102.2	(10,257)	104,748	(9.8)

Non-Represented Pension Plan

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

Plan Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	$ 266,810	$ 431,419	61.8%	$ 164,609	$ 58,225	282.7%
1/1/2013	290,539	430,206	67.5	139,667	49,338	283.1
1/1/2014	348,205	445,249	78.2	97,044	45,668	212.5

11. PENSION PLANS (continued)

Defined Contribution Pension Plan - The MARTA Non-represented Defined Contribution Plan and Trust (the D.C. Plan) was established to provide benefits at retirement to non-represented employees of MARTA who were hired on or after January 1, 2005 and to those members of the Non-Rep Plan who elected to transfer to this Plan. The D.C. Plan is administered by the Mass Mutual. The employee is required to contribute 6% of their annual compensation and MARTA matches at 3% of the enrolled employee's annual compensation. Plan provisions and contributions requirements are established and may be amended by the pension committee after approval by resolution of the MARTA Board of Directors. Employer contributions to the D.C. Plan for the years ended June 30, 2014 and 2013 were $1,062 and $933, respectively.

Employee contributions to the D.C. Plan for the years ended June 30, 2014 and 2013 were $2,111 and $1,906, respectively.

12. EMPLOYEE BENEFITS

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

The 457 Plan allows any employee to voluntarily defer receipt of up to 25% of gross compensation, not to exceed $17.5 per year or if age 50 and over, not to exceed $23.0 per year. All administration costs of the 457 Plan are deducted from the participant's account. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). The 457 Plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA's Statements of Net Position.

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

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

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

(Dollars in Thousands)

12. EMPLOYEE BENEFITS (continued)

MARTA's annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) with increasing payments over a period not to exceed 30 years. For the years ended June 30, 2014 and 2013, respectively, MARTA contributed $17,437 and $17,956 to its OPEB Plan (the Plan).

The following schedule (derived from the most recent actuarial valuation report) shows the components of MARTA's Annual OPEB costs for 2014 and 2013, the amounts actually contributed to the Plan and changes in MARTA's Net OPEB Obligation (Asset):

	2014	2013
Annual Required Contribution	$ 22,056	$ 21,536
Interest on Net OPEB Obligation	-	-
Adjustment to OPEB Obligation	(4,619)	(3,580)
Annual OPEB Cost	17,437	17,956
Actual Employer Contributions	(17,437)	(17,956)
Increase in Net OPEB Obligation (Asset)	-	-
Net OPEB Obligation - Beginning of Year	-	-
Net OPEB Obligation (Asset) - End of Year	$ -	$ -
Percentage of Annual Contributions Made to ARC	100%	100%

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

For the July 1, 2012 actuarial valuation, the Individual Entry Age Normal Actuarial Cost Method was used. Under the Entry Age Normal Actuarial Cost Method, the Normal Cost is computed as the dollar amount which, if paid from the earliest time each Participant would have been eligible to join the Plan if it then existed (entry age) until their retirement, termination or death, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to pay all benefits under the Plan. The total Normal Cost for the Plan is determined by adding the Normal Costs for each individual participant.

(Dollars in Thousands)

12. EMPLOYEE BENEFITS (continued)

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

The amortization method used is a 30-year closed level percent of pay formula; no payroll growth was assumed for amortization purposes. There are currently 23 years remaining in the amortization period. For purposes of the fiscal years 2014 and 2013 actuarial valuations, a discount rate of 7.0% 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. The current long-term discount rate used in the most recent actuarial report is 7.0%.

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

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

The healthcare trend rate used for determining the cost of future benefits for the Plan was 8.5% for 2014 and 2013.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2012	$ 18,414	100%	$ -
2013	17,956	100	-
2014	17,437	100	-

(Dollars in Thousands)

12. EMPLOYEE BENEFITS (continued)

The funded status of the Plan as of June 30, 2014 was as follows:

	June 30, 2014
Actuarial Accrued Liability (AAL)	$ 204,183
Actuarial Value of Plan Assets	42,287
Unfunded Actuarial Accrued Liability (UAAL)	$ 161,896
Funded Ratio	20.7%
Covered Payroll	$ 203,248
UAAL as a Percentage of Covered Payroll	79.7%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Individual Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	$ 27,856	$ 197,579	$ 169,723	14.1%	$ 169,001	100.4%
6/30/2013	33,684	197,230	163,546	17.1	195,989	83.4
6/30/2014	42,287	204,183	161,896	20.7	203,248	79.7

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

Active Participants	Union	Non-Rep	Total
Fully Eligible	209	190	399
Not Yet Fully Eligible	2,310	537	2,847
Total Number of Lives	2,519	727	3,246

(Dollars in Thousands)

13. RISK MANAGEMENT

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

There have been no significant reductions in insurance coverage during the years ended June 30, 2014 and 2013 and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

The changes in the liabilities for self-insurance for the years ended June 30, 2014 and 2013 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Total
Balance, June 30, 2012	$ 24,859	$ 9,488	$ 34,347
Incurred claims, net of any changes	9,533	4,780	14,313
Payments	(9,406)	(3,703)	(13,109)
Balance, June 30, 2013	24,986	10,565	35,551
Incurred claims, net of any changes	12,400	10,166	22,566
Payments	(10,026)	(2,397)	(12,423)
Balance, June 30, 2014	$ 27,360	$ 18,334	$ 45,694
Due within one year	$ 10,551	$ 5,126	$ 15,677

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

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

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

14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net assets by MARTA that is applicable to future period and has a positive effect on net position similar to assets. The deferred outflows of resources other than hedging activities discussed in Note 8 represent the unamortized portion of deferred losses on debt refundings of $12,033 and $15,732 as of the years ended June 30, 2014 and 2013, respectively.

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

15. UNEARNED REVENUE

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

During the year ended June 30, 2014 and 2013, the unamortized portion of unearned revenue for the South Line agreement was $22,000 and $23,200, respectively, and $13,000 and $14,000, respectively for the Rail Cars agreements.

16. COMMITMENTS AND CONTINGENCIES

Commitments - MARTA's long-range plan provides for the planning, construction, financing, and operation of a rapid transit system in multiple phases, consisting of approximately 60 miles of double track and 45 stations, of which 47.6 miles and 38 stations were in service June 30, 2014. At June 30, 2014, MARTA was committed to future capital expenditures for various other projects.

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

FTA has also authorized other grant funds for the construction of a bus rapid transit (BRT) system, bus transit facilities, railcars, buses, replacement and rehabilitation of transit operating equipment, development work for construction support techniques, upgrading the fire protection system and other purposes not directly related to the rail construction program.
MARTA plans to fund its committed projects through the unencumbered capital portion of its sales tax, future new bond proceeds, issuance of short term and variable rate debt and federal and state capital grants. MARTA also has lease and interest revenue and capital reserves available to supplement its needs.

During the year ended June 30, 2001, MARTA began a Transit Oriented Development Program whereby MARTA ground leases office, retail, and residential space. The AT&T Towers and related parking and retail space were completed in October 2002. Several ground lease agreements have been signed, the terms of which provide for various payments to be made to MARTA over a variety of years. With the start of the economic recovery, MARTA is pursuing new opportunities in joint development for new ground leases with a primary focus on those market ready sites for multi-family housing. As of November 2014, MARTA has selected development partners for new transit-oriented developments (TODs) at the Avondale, Edgewood/Candler Park and King Memorial rail stations. A development partner for the proposed Brookhaven-Oglethorpe transit-oriented development will be selected by Spring 2015.

MARTA leases air rights and ground leases over and adjacent to its stations for the construction of office and other mixed-use developments.

(Dollars in Thousands)

16. COMMITMENTS AND CONTINGENCIES (continued)

Future lease payments scheduled to be received under non-cancelable operating leases are as follows at June 30, 2014:

Fiscal Year	Amount
2015	$ 7,137
2016	7,300
2017	7,430
2018	8,885
2019	8,197
	$ 38,949

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 require funding from local funds. The outcome of the above matters is not presently determinable; however, management believes the ultimate resolution of these matters will not materially affect the financial statements of MARTA..

17. POLLUTION REMEDIATION OBLIGATION

Governmental Accounting Standard No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, details the circumstances under which the estimated liability for remediation of the detrimental effects of existing pollution should be recorded in the financial statements.

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 prior years MARTA was named as a potentially responsible party (PRP) for the cleanup of the Crymes Landfill located in Gwinnett County, Georgia. However, during fiscal year 2013, MARTA paid $240.3 to the Crymes Landfill Trust in return for release of any and all liabilities in regard to the site.

MARTA estimates that $3,847 and $4,883 is its obligation to remediate the sites at the bus and maintenance facilities at June 30, 2014 and 2013, respectively, which is included in current liabilities on the Statements of Net Position. The obligation is subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

18. SUBSEQUENT EVENT

On July 1, 2014, MARTA will close two bond transactions: 1) MARTA will extend the Series 2000A Floating Rate Notes for an additional three years, and 2) MARTA will execute a $300 million bond transaction. The proceeds of the bond transaction will be used to refund the existing $200 million of outstanding commercial paper notes and $100 million will be used to support the Capital Improvement Program implementation.

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

MARTA will execute a mode conversion of the Series 2000B variable rate bonds with a closing scheduled for September 30, 2014. This conversion will be to a floating rate note structure in the same form as the Series 2000A floating rate notes. This will eliminate the requirement for letter of credit support and will save MARTA approximately $185 thousand per year. MARTA will also put in place a Floating Rate Note Program to facilitate any short-term borrowing. It will be utilized in the same manner as MARTA has traditionally used commercial paper.

MARTA will sell either floating rate notes or traditional fixed rate bonds over the next 12 months to support the execution of the fiscal year 2015 Capital Budget.

On the election night of November 4, 2014, Clayton County citizens voted overwhelming to join MARTA marking what will be the first jurisdictional expansion of the transit system since its inception more than 40 years ago. Starting as soon as March 2015, MARTA will bring affordable, reliable transit customer-focused service to the citizens of Clayton County. Collection of the 1 percent sales levy will also begin in March 2015, as would three bus routes and complementary transit servicing Clayton County. MARTA will host public hearings on proposed transit services in the expanded service area.

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

For the Year June 30, 2014
(Dollars in Thousands)

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	$ 140,038	$ 140,318	$ 280
Other Revenues	7,246	12,335	5,089
Total Operating Revenues	147,284	152,653	5,369
Operating Expenses:			
Transportation	176,638	181,860	(5,222)
Maintenance and Garage Operations	150,917	141,584	9,333
General and Administrative	99,319	89,298	10,021
Total Operating Expenses	426,874	412,742	14,132
Operating Loss	(279,590)	(260,089)	19,501
Nonoperating Revenues:			
Sales and Use Tax	349,413	347,289	(2,124)
Federal Operating Revenues	66,000	102,847	36,847
Investment Income	269	688	419
Other Revenues	9,992	32,089	22,097
	425,674	482,913	57,239
Increase in Net Assets - Budget Basis	$ 146,084	222,824	$ 76,740
Basis Differences			
Depreciation		(209,759)	
Loss on Sales of Property and Equipment		(11)	
Interest Expense		(75,751)	
Interest Expense Capitalized		1,233	
Amortization of Financing Related Charges and Income from Derivative Activity		4,404	
Other - Nonoperating Expense		(62,273)	
Capital Grants		71,178	
Net Capital Lease Transaction Activity		6,607	
Gain on Investment Derivatives		7,905	
Decrease in Net Assets - GAAP Basis		$ (33,643)	

See note to supplemental schedule.

Notes to the Supplemental Schedule

For the Year June 30, 2014
(Dollars in Thousands)

1. BUDGETARY HIGHLIGHTS

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. The fiscal year 2014 net operating expenses were $412,742 which excludes depreciation. This was $14,132 (3.3%) less than the fiscal year 2014 budget, which was $35,205 (8.1%) less than the previous year's budget. MARTA continued a number of cost containment measures in fiscal year 2014 by focusing on increasing productivity and efficiencies while reducing cost. Operating revenue performed favorable to the budget, ending the year $5,369 (3.7%) better than budget, primarily due to identification of untapped sources of revenue. Nonoperating revenues were $57,239 (13.5%) more than budget. The largest variance was for federal operating revenues; MARTA received $36,847 more than budgeted. This positive variance is directly related to the Federal Operating Assistance on the Past Through Grants for the Atlanta Streetcar project.

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STATISTICAL

Art: Old Atlanta Transit system bus operated by MARTA.

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

CONTENTS

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

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

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

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

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

SOURCES

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Financial Trends

Art: Old Atlanta Transit system bus operated by MARTA.

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Condensed Summary of Net Position

Last Ten Fiscal Years
(Dollars in Millions)

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
ASSETS:	Current and Other Assets	$1,033	$1,039	$1,013	$968	$1,084	$904	$1,142	$1,059	$540	$511
	Capital Assets	3,056	3,028	3,078	3,158	3,273	3,360	3,393	3,350	3,304	3,240
	Total Assets	4,089	4,067	4,091	4,126	4,357	4,264	4,535	4,409	3,844	3,751
DEFERRED OUTFLOWS OF RESOURCES		12	20	23	29	-	-	-	-	-	-
LIABILITIES:											
	Long-term Debt Outstanding	1,792	1,881	1,910	1,652	1,691	1,482	1,686	1,581	1,426	1,358
	Current and Other Liabilities	884	747	617	826	816	811	741	690	251	239
	Total Liabilities	2,676	2,628	2,527	2,478	2,507	2,293	2,426	2,271	1,677	1,597
DEFERRED INFLOWS OF RESOURCES		0	-	25	681	-	-	-	-	-	-
NET POSITION:											
	Net Investment in Capital Assets,	647	654	796	915	987	1,307	1,707	1,769	1,885	1,888
	Restricted	789	788	768	717	709	621	307	292	269	234
	Unrestricted	(11)	17	23	44	153	43	95	77	14	32
	TOTAL NET POSITION	$1,425	$1,459	$1,587	$1,676	$1,849	$1,971	$2,109	$2,138	$2,167	$2,154

Summary of Revenues, Expenses and Changes in Net Position

Last Ten Fiscal Years
(Dollars in Millions)

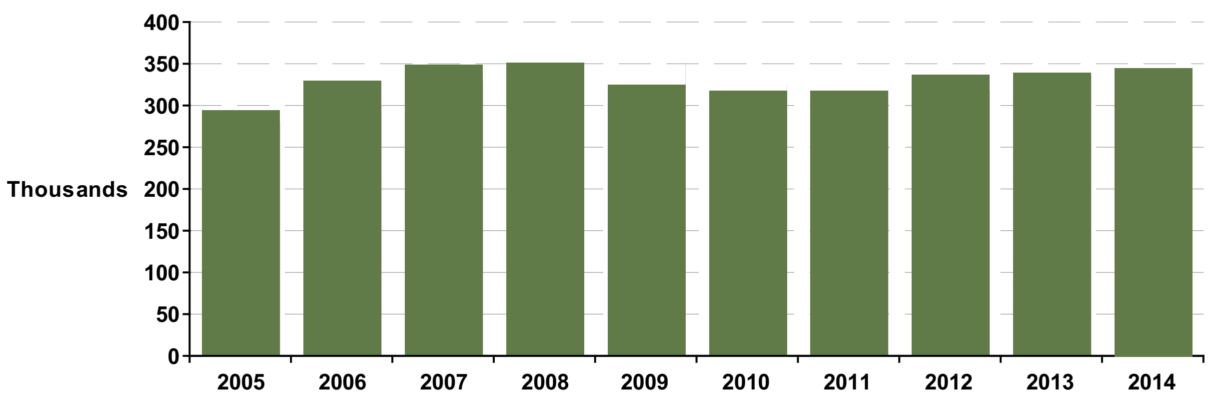
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues	Fare Revenues	$140	$141	$133	$116	$110	$105	$104	$105	$99	$96
	Other Revenues	12	10	11	11	13	9	14	5	6	7
	Total Operating Revenues	153	151	144	127	122	114	118	110	105	104
Non-Operating Revenues	Sales and Use Tax	347	339	341	320	308	313	350	351	334	307
	Federal Revenues	103	120	71	86	101	52	49	40	39	40
	Investment Income	1	2	1	1	2	7	18	20	13	8
	Net Capital Leases Transaction Activity	7	(32)	52	(12)	50	3	3	0	0	0
	Other Revenues	32	17	13	13	11	48	11	10	10	10
	Gain (Loss) on Sale of Property and Equip.	(0)	(1)	(0)	(1)	(0)	(2)	0	1	1	(3)
	Total Nonoperating Revenues	490	445	477	407	471	422	431	421	397	362
Total Revenues		642	596	621	534	594	535	549	531	503	466
Summary of Expenses Operating:											
	Transportation	182	183	186	184	180	178	175	158	146	142
	Maintenance and Garage Operations	142	138	147	147	147	141	129	117	110	118
	General and Administrative	89	79	79	80	76	72	64	54	50	50
	Depreciation	210	220	230	222	227	226	196	164	147	139
	Total Operating Expenses	623	619	642	633	630	617	565	493	454	448
Non-Operating Expenses	Interest Expenses	76	79	70	73	74	73	76	70	66	64
	Interest Expenses Capitalized	(1)	(2)	(1)	(0)	(0)	(0)	(0)	(2)	(3)	(12)
	Amortization of Financing Related Charges										
	and Income from Derivative Activity	(4)	(6)	(3)	1	(5)	(2)	(4)	(3)	(1)	1
	(Gain) Loss on Investment Derivatives	(8)	-	(9)	(8)	(6)	6	-	-	-	-
	Other Expenses-Special Pension Plan	-	-	-	-	-	-	-	45	-	-
	Other Nonoperating Expenses	62	81	51	35	39	33	23	13	13	13
	Total Nonoperating Expenses	124	152	109	101	102	109	95	123	74	66
Total Expenses		747	771	751	734	732	726	660	616	528	514
Loss Before Capital Contributions		(105)	(175)	(130)	(200)	(138)	(190)	(111)	(86)	(25)	(48)
	Capital Grants	71	47	40	27	34	80	81	41	39	52
Increase (Decrease) in Net Position		(34)	(128)	(90)	(173)	(104)	(110)	(29)	(44)	13	3
Net Position, July 1 as previously presented		1,459	1,587	1,682	1,849	1,971	2,109	2,138	2,167	2,154	2,150
Prior period adjustment			-	(6)	-	(18)	(28)	-	15	-	-
Net Position, July 1		1,459	1,587	1,676	1,849	1,953	2,081	2,138	2,182	-	-
Net Position, June 30		$1,425	$1,459	$1,587	$1,676	$1,849	$1,971	$2,109	$2,138	$2,167	$2,154

Sales Tax Collection and Usage

Last Ten Fiscal Years
(Dollars in Thousands)

			Usage (2,3,4)				
					Sales Tax for Operations		
Fiscal Year	Sales Tax(1)	Percent Change	Sinking Fund Withheld	Capital Construction	Subsidy	Percent Used	Overage/ (Shortage)
2005	$296,351	5.6%	$107,703	$40,472	$152,135	51%	$(3,959)
2006	331,213	11.8	111,523	54,083	145,617	44	19,990
2007	349,215	5.4	118,276	56,331	158,931	46	15,677
2008	351,596	0.7	125,311	50,487	182,671	52	(6,873)
2009	327,425	(6.9)	128,137	35,575	216,835	66	(53,122)
2010	317,775	(2.9)	123,471	35,417	180,452	57	(21,565)
2011	319,229	0.5	126,386	33,228	194,573	61	(34,958)
2012	339,156	6.2	124,948	17,739	196,891	58	(422)
2013	340,491	0.4	135,279	35,075	161,550	47	8,587
2014	345,825	1.6	132,723	40,190	158,218	46	14,694

Sales & Use Tax Receipts



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

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

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

(4) For the period July, 1 2010 through June 30, 2014 the Official Code of Georgia Annotated (O.C.G.A) §32-9-13 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)

		Operating and Other Miscellaneous Revenue			Operating Assistance			
	Fiscal Year	Fares	Other[2]	Total	Sales & Use Tax	Federal	Total	Total Revenue
Transportation Industry (1)								
	2005	32.4%	15.7%	48.1%	44.6%	7.3%	51.9%	100.0%
	2006	33.2	7.0	40.2	52.1	7.7	59.8	100.0
	2007	31.4	6.5	37.9	54.6	7.5	62.1	100.0
	2008	31.2	6.5	37.7	55.3	7.0	62.3	100.0
	2009	31.5	5.9	37.4	54.4	8.2	62.6	100.0
	2010	32.1	5.4	37.5	53.1	9.4	62.5	100.0
	2011	32.8	4.9	37.8	52.5	9.8	62.2	100.0
	2012**	32.5	4.6	37.2	54.0	8.9	62.8	100.0
	2013*	*	*	*	*	*	*	*
	2014*	*	*	*	*	*	*	*
MARTA								
	2005	20.5%	5.3%	25.8%	65.6%	8.6%	74.2%	100.0%
	2006	20.5	5.8	26.3	66.0	7.7	73.7	100.0
	2007	19.8	6.5	26.3	66.2	7.5	73.7	100.0
	2008	18.9	8.4	27.3	63.7	9.0	72.7	100.0
	2009	19.6	12.2	31.8	58.4	9.8	68.2	100.0
	2010	18.4	12.8	31.2	51.8	17.0	68.8	100.0
	2011	21.7	2.3	24.0	59.9	16.1	76.0	100.0
	2012	21.4	12.3	33.7	54.9	11.4	66.3	100.0
	2013	23.6	-0.5	23.1	56.8	20.1	76.9	100.0
	2014	21.9	8.0	29.9	54.1	16.0	70.1	100.0

* Not Available

** Revised

[1] Source: The American Public Transportation Association, APTA 2013 Fact Book, Appendix A Historical Table 84.

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

Total Expenses by Function

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Transportation	Maintenance	General and Administrative	Depreciation	Total Operating Expenses	Interest	Other	Total
2005	$141,833	$117,871	$49,678	$138,976	$448,358	$52,175	$13,757	$514,290
2006	146,162	110,065	50,278	147,052	453,557	62,361	11,983	527,901
2007	158,300	116,746	53,912	163,939	492,897	68,616	54,852	616,365
2008	174,927	129,430	64,410	195,892	564,659	75,381	19,573	659,613
2009	177,869	141,438	71,616	226,104	617,027	72,212	36,355	725,594
2010	180,360	146,875	76,125	227,032	630,392	73,964	27,660	732,016
2011	183,875	146,844	79,743	222,304	632,766	73,076	21,704	727,546
2012	186,144	146,672	78,660	230,392	641,868	69,792	36,733	748,393
2013	183,216	137,747	78,779	219,607	619,349	77,150	74,873	771,372
2014	181,860	141,584	89,298	209,759	622,501	74,518	49,964	746,983

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
2005	$236,793	$15,691	$32,437	$13,014	$7,682	-	$138,976	$3,765	$448,358
2006	238,085	15,411	31,561	13,898	5,700	-	147,052	1,850	453,557
2007	250,759	16,755	33,871	15,511	9,777	-	163,939	2,285	492,897
2008	285,757	15,409	39,514	16,550	8,861	-	195,892	2,676	564,659
2009	296,838	17,994	47,093	17,569	8,954	-	226,104	2,475	617,027
2010	302,260	22,633	49,680	17,891	9,077	-	227,032	1,819	630,392
2011	307,041	25,029	45,506	18,956	11,734	-	222,304	2,196	632,766
2012	309,851	24,880	48,785	18,257	7,383	-	230,392	2,320	641,868
2013	301,934	26,305	44,265	16,510	7,178	-	219,607	3,550	619,349
2014	305,107	30,902	44,243	15,800	12,558	-	209,759	4,132	622,501

Operating Expenses Comparison to Industry Trend Data

Last Ten Fiscal Years
(As a Percentage of Total)

	Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Other	Total Operating Expenses (1)
Transportation Industry(2)									
	2005	66.9%	5.8%	10.1%	3.2%	2.5%	13.8%	(2.3)%	100.0%
	2006	66.1	5.9	11.3	3.2	2.5	13.4	(2.4)	100.0
	2007	65.8	6.1	11.6	3.4	2.4	13.0	(2.3)	100.0
	2008	64.0	6.3	12.8	3.4	2.2	13.7	(2.4)	100.0
	2009	64.8	6.6	11.3	3.5	2.3	14.0	(2.5)	100.0
	2010	65.2	6.6	10.7	3.4	2.6	13.8	(2.3)	100.0
	2011	65.0	6.6	11.4	3.3	2.6	13.3	(2.2)	100.0
	2012	*	*	*	*	*	*	*	*
	2013	*	*	*	*	*	*	*	*
	2014	*	*	*	*	*	*	*	*
MARTA									
	2005	76.5%	5.1%	10.5%	4.2%	2.5%	0.0%	1.2%	100.0%
	2006	77.7	5.0	10.3	4.5	1.9	0.0	0.6	100.0
	2007	76.2	5.1	10.3	4.7	3.0	0.0	0.7	100.0
	2008	77.5	4.2	10.7	4.5	2.4	0.0	0.7	100.0
	2009	75.9	4.6	12.1	4.5	2.3	0.0	0.6	100.0
	2010	74.9	5.6	12.3	4.4	2.3	0.0	0.5	100.0
	2011	74.8	6.1	11.1	4.6	2.9	0.0	0.5	100.0
	2012	75.3	6.1	11.9	4.4	1.8	0.0	0.5	100.0
	2013	75.5	6.6	11.1	4.1	1.8	0.0	0.9	100.0
	2014	73.9	7.5	10.7	3.8	3.0	0.0	1.1	100.0

(1) Excludes Depreciation Expense
* Not Available

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Revenue Capacity

Art: Streetcars. Downtown at the intersection of Peachtree St and Forsyth St (Peachtree Center Station's entrance near the library is now on the corner, replacing Butlers Shoes). Three kinds of vehicles appear here – streetcars, trackless trolleys (at the front of the line and turning behind Butlers), and motorbuses. – circa 1940s

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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
2005	$96,244	$40,374	$307,227	$7,425	$7,778	$6,874	$465,922
2006	99,148	39,045	334,486	6,112	13,136	10,660	502,587
2007	104,678	40,142	350,526	5,277	19,609	10,447	530,679
2008	103,963	49,253	349,668	13,595	18,068	14,495	549,042
2009	105,235	52,313	312,704	8,563	6,933	49,735	535,483
2010	109,546	100,960	307,525	12,745	2,181	61,219	594,176
2011	115,828	85,777	319,850	11,401	1,272	(281)	533,847
2012	132,870	70,576	340,945	11,294	833	64,570	621,088
2013	140,697	119,774	338,893	10,480	1,729	(15,167)	596,406
2014	140,318	102,847	347,289	12,335	688	38,685	642,162

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

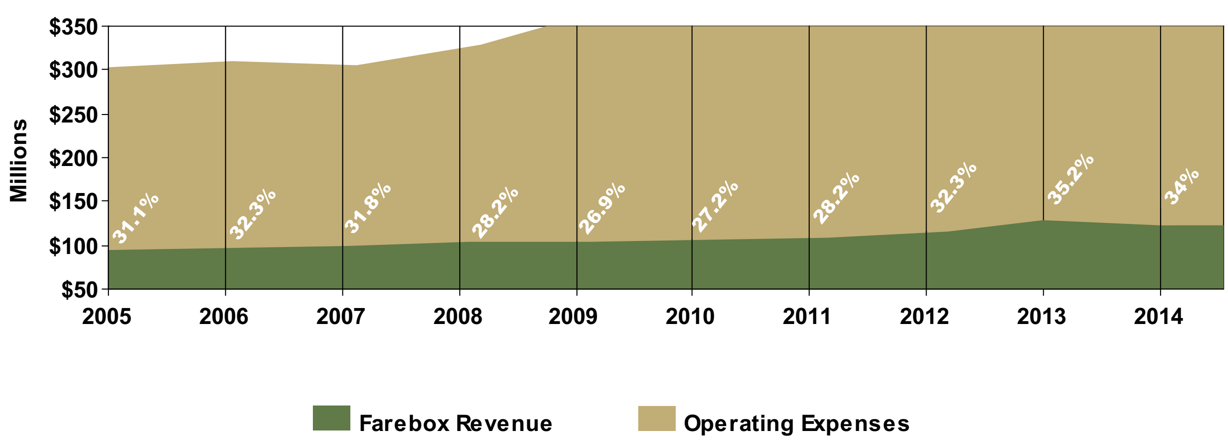
[2] MARTA is a public corporate body created as a joint public instrumentality and does not have the power to impose any tax on any subject of taxation. MARTA receives a 1% sales tax from Fulton County, DeKalb County and the City of Atlanta levied on its behalf by the aforementioned jurisdictions.

[3] Non-Transportation 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
2005	$96,244	1.2%	$309,382	2.1%	31.1%
2006	99,148	3.0	306,505	(0.9)	32.3
2007	104,678	5.6	328,958	7.3	31.8
2008	103,963	(0.7)	368,767	12.1	28.2
2009	105,235	1.2	390,923	6.0	26.9
2010	109,546	4.1	403,360	3.2	27.2
2011	115,828	5.7	410,462	1.8	28.2
2012	132,870	14.7	411,476	0.2	32.3
2013	140,697	5.9	399,742	(2.9)	35.2
2014	140,318	(0.3)	412,742	3.3	34.0



[1] Excludes Depreciation Expense

Sales & Use Tax Rates Direct and Overlapping Governments

Last Ten Fiscal Years

Year	State of Georgia (1)	MARTA (2)	DeKalb County (3 & 8)	Fulton County (4 & 8)	Clayton County (5)	Cobb County (6)	Gwinnett County (7)
2005	4%	1%	2%	2%	3%	2%	2%
2006	4	1	2	2	3	2	2
2007	4	1	2	2	3	2	2
2008	4	1	2	2	3	2	2
2009	4	1	2	2	3	2	2
2010	4	1	3	3	3	2	2
2011	4	1	3	3	3	2	2
2012	4	1	3	3	3	2	2
2013	4	1	3	3	3	2	2
2014	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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Debt Capacity

Art: MARTA's first-ever bus order on parade. New Look buses heading down Peachtree St, splitting around the Flatiron Building at Broad St.

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Sales & Use Tax Revenue Bond Debt Coverage

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Sales & Use Tax	Debt Service Requirements			Debt Service
		Principal	Interest	Total	Coverage [1]
2005	$307,227	$30,730	$59,920	$90,650	3.39%
2006	334,486	43,000	58,368	101,368	3.30
2007	350,526	45,160	54,769	99,929	3.51
2008	349,668	48,685	49,876	98,561	3.55
2009	312,704	51,640	67,449	119,089	2.63
2010	307,525	54,930	67,622	122,552	2.51
2011	319,850	58,370	73,397	131,767	2.43
2012	340,945	62,860	69,750	132,610	2.57
2013	338,893	51,035	73,936	124,971	2.71
2014	347,289	80,875	76,723	157,598 *	2.20*

[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.

* See Page 79 for Required Debt Service Requirement and adjustment. Debt Service Coverage is 2.73 when "Required Debt Service" is reduced by the Refunding of Series 2003A Bond.

Sales & Use Tax Revenue Bond Debt Service Limit

June 30, 2013
(Dollars in Thousands)

Sales & Use Tax		$347,289
Debt Service Limitation [1]		45%
Debt Service Limit		156,280
Required for Debt Service[2]	$157,598	
Less: Refunding Series 2003	(30,179)	127,419
Excess		$28,861

[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.

[2] From page 77 - Sales & Use Tax Revenue Bond Debt Service Limit

Sales & Use Tax Revenue Bond Debt Service Limit

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Sales & UseTax	Required for Debt Service	Ratio of Debt Service [1]
2005	$307,227	$90,650	29.5%
2006	334,486	101,368	30.3
2007	350,526	99,929	28.5
2008	349,668	98,561	28.2
2009	312,704	119,089	38.1
2010	307,525	122,552	39.9
2011	319,850	131,767	41.2
2012	340,945	132,610	38.9
2013	338,893	124,971	36.9
2014	347,289	127,419*	36.7*

(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.

* Actual debt service paid in fiscal year 2014 of $157,598 included refunding of bond series 2003A of $30,179. For purposes of calculating Ratio of Debt Service for fiscal year 2014, the $30,179 was deducted from Required for Debt Service.

Sales & Use Tax Revenue Bond Debt Ratios

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Net Outstanding Sales Tax Revenue Bond	Capital Leases	Total Debt Outstanding	Total Unlinked Passenger Count [1]	Per Capita [2]	As a Share of Personal Income[3]
2005	$1,357,907	*	$1,357,907	142,050	$9.56	1.88%**
2006	1,425,964	*	1,425,964	138,040	10.33	1.83**
2007	1,581,188	*	1,581,188	147,151	10.75	1.96**
2008	1,685,722	446,477	2,132,199	150,503	14.17	2.64**
2009	1,707,386	345,959	2,053,345	156,062	13.16	2.71**
2010	1,916,104	369,536	2,285,640	145,741	15.68	3.03**
2011	1,651,725*	388,335	2,040,060	139,333	14.64	2.49**
2012	1,910,275*	390,859	2,301,134	134,308	17.13	2.67
2013	1,880,484	409,045	2,289,529	129,320	17.70	*
2014	1,791,781	430,004	2,221,785	128,540	17.28	*

* Not available

** Revised

[1] See Unlinked Passenger Changes on Page 93

[2] Outstanding Debt per Unlinked Passenger Count

[3] Outstanding Debt per Total Service District Personal Income, revised in fiscal year 2014; see Trends in Personal Income on Page 85

Computation of Overlapping Debt

December 31, 2013
(Dollars in Thousands)

Jurisdiction:	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Fulton County Library Bonds	$157,374	100%	$157,374
Fulton County School District	102,740	100	102,740
Fulton County Building Authority	7,573	100	7,573
Fulton County Urban Redevelopment Agency	26,965	100	26,965
DeKalb County	244,276	100	244,276
Municipalities:			
Atlanta	199,215	100	199,215
Alpharetta	47,575	100	47,575
Hapeville	9,350	100	9,350
Union City	47,459	100	47,459
Roswell	16,505	100	16,505
Fulton-DeKalb Hospital Authority Series 2012	136,990	100	136,990
Atlanta-Fulton County Recreation Authority (Zoo 2007)	15,330	100	15,330
Atlanta-Fulton County Recreation Authority (Arena 2010)	112,090	100	112,090
College Park Business and Industrial Development Authority	1,535	100	1,535
East Point Building Authority	66,490	100	66,490
Total Overlapping Debt	$1,191,467		$1,191,467

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

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

Sources: Year Ended December 31, 2013 CAFR for the City of Atlanta, Fulton County, and Dekalb County.

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Demographic & Economic Information

Art: Father and son on a MARTA subway train in the '80s.

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Trends in Personal Income

Last Ten Fiscal Years
(Dollars in Thousands)

Calendar Year	Fulton County	DeKalb County	Total Service District[1]	% Change Fulton County	% Change DeKalb County	PER CAPITA*** Personal Income Fulton County	PER CAPITA*** Personal Income DeKalb County
2005*	$47,142,388	$25,264,530	$72,406,918	7.9%	5.0%	$57,579	$37,765
2006*	51,333,202	26,604,044	77,937,246	8.9	5.3	60,736	39,315
2007*	53,162,470	27,615,771	80,778,241	3.6	3.8	61,153	40,554
2008*	52,888,363	27,853,121	80,741,484	-0.5	0.9	59,512	40,623
2009*	48,952,940	26,910,500	75,863,440	-7.4	-3.4	54,061	38,964
2010*	48,733,047	26,726,447	75,459,494	-0.4	-0.7	52,621	38,592
2011*	53,234,047	28,797,748	82,031,795	9.2	7.8	56,061	41,292
2012 *	56,258,497	29,806,486	86,064,983	5.7	3.5	57,537	42,154
2013 **	57,199,599	**	**	**	**	58,112	**
2014 **							

* Revised per latest update from US Department of commerce BEA

** Not available

*** Actual dollar amounts

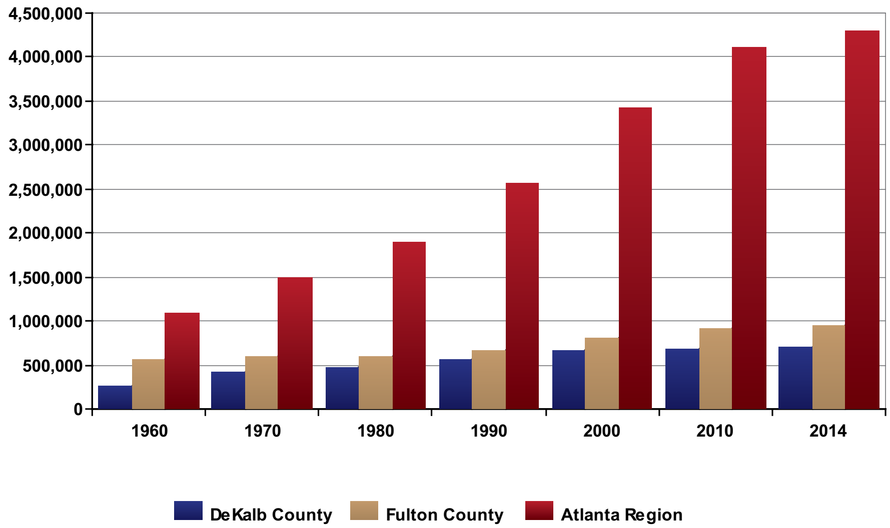
(1) Represents Total Personal Income.

Sources: U.S. Department of Commerce, Bureau of Economic Analysis
Per Capita Personal Income taken from Year Ended December 31, 2013 CAFR of Fulton County and Dekalb County.

Population and Employment

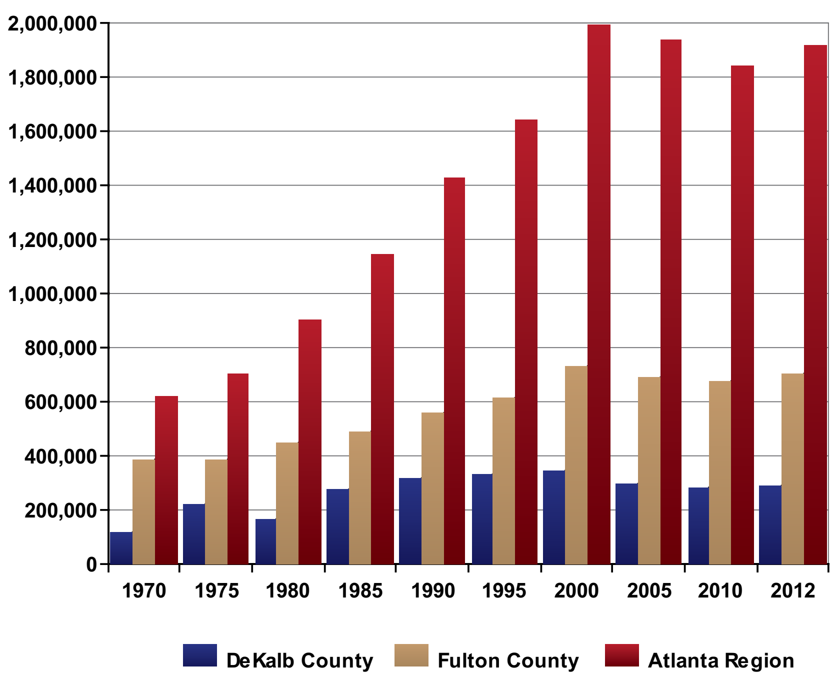
June 30, 2014

Population Growth Since 1960



Year	Fulton County	DeKalb County	Atlanta Region
1960	556,226	256,782	1,093,220
1970	605,210	415,387	1,500,823
1980	589,904	483,024	1,896,182
1990	670,800	553,800	2,557,800
2000	816,000	665,900	3,429,379
2010	920,581	691,893	4,107,750
2014	958,100	712,900	4,272,300

Employment Growth Since 1970



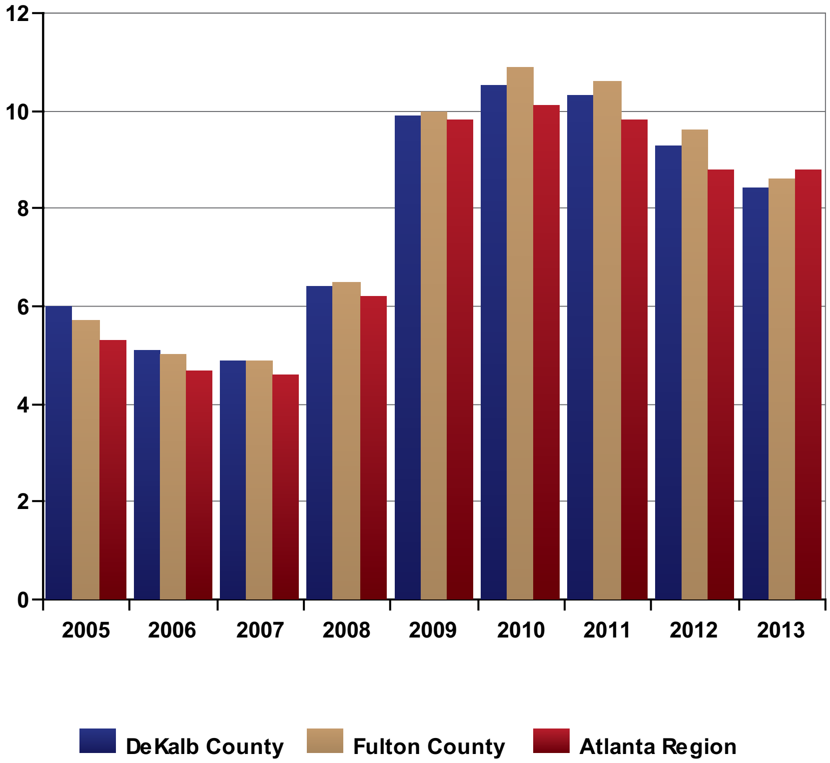
Year	Fulton County	DeKalb County	Atlanta Region
1970	386,988	120,554	619,693
1975	388,394	167,839	705,120
1980	445,341	218,142	901,157
1985	490,000	279,000	1,146,850
1990	560,600	318,300	1,426,000
1995	616,000	331,800	1,640,000
2000	730,900	346,900	1,991,500
2005	691,100	299,400	1,936,700
2010	679,041	280,111	1,842,224
2012	702,611	286,444	1,918,797

Source: Atlanta Regional Commission

Unemployment Rates

Last Ten Fiscal Years

Unemployment Rates Since 2005



Year	Fulton County	DeKalb County	Atlanta Region
2005	5.7%	6.0%	5.3%
2006	5.0	5.1	4.7
2007	4.9	4.9	4.6
2008	6.5	6.4	6.2
2009*	9.9	9.8	9.7
2010	10.9	10.5	10.1
2011*	10.5	10.2	9.8
2012	9.6	9.3	8.8
2013	8.6	8.3	7.9
2014**			

** Not Available

* Revised

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

Top Ten Corporate Employers in the Atlanta Region

Current Year and Nine Years Ago

	2012			2003		
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.	30,000	1	1.21%	28,200	1	1.21%
AT&T, Inc.	18,339	2	0.74	6,000	7	0.26
United Parcel Service, Inc.	10,849	3	0.44	6,120	6	0.26
Wellstar Health System, Inc.	9,717	4	0.39	-	-	-
Public Super Markets Inc	9,656	5	0.39	-	-	-
The Home Depot	9,000	6	0.36	-	-	-
Suntrust Banks, Inc.	7,126	7	0.29	6,700	5	0.29
Cox Enterprises, Inc.	7,065	8	0.29	5,941	8	0.25
Lockheed Martin Aeronautics Co.	6,400	9	0.26	7,800	4	0.33
Wells Fargo & Co.	5,200	10	0.21	-	-	-
Bellsouth Corp.	-		-	16,400	2	0.70
IBM Corporation	-		-	8,250	3	0.35
Wachovia Corp.	-		-	5,400	9	0.23
Georgia Pacific Corp.	-		-	5,102	10	0.22
	113,352		4.57	95,913		4.11

Sources: The Atlanta Business Chronicle, 2013 Book of Lists (information current as of Dec. 2012)
The Atlanta Business Chronicle, 2003 Book of Lists (information current as of Dec. 2003)
U.S. Department of Labor-Bureau of Labor Statistics Local Area Unemployment Statistics

Operating Information

Art: MARTA train over the expressway with congested interstate underneath.

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Transit Service Effort & Accomplishments Per Mile

Last Ten Fiscal Years
(Vehicle Miles In Thousands)

Fiscal Year	Revenue Vehicle Miles [1] Bus	Rail	Total	% Change	Operating Expense [2] Per Mile	Operating Expense [2] Per Passenger Mile [1] [3]	Unlinked Passenger Trips Per Mile [1] [3]
2005	21,757	22,981	44,738	(6)%	$6.91	$0.43	3.2
2006	22,233	21,091	43,324	(3)	7.07	0.41	3.2
2007	23,710	21,993	45,703	5	7.20	0.44	3.2
2008	27,099	23,208	50,307	10	7.33	0.46	2.7
2009	27,345	24,566	51,911	3	7.53	0.48	2.7
2010	27,030	22,061	49,091	(5)	8.22	0.81	2.6
2011	23,059	18,662	41,721	(15)	9.84	0.57	2.9
2012	22,804	17,661	40,465	(3)	10.17	0.60	3.1
2013	22,743	17,916	40,659	0	9.83	0.59	3.1
2014	22,443	18,086	40,529	(0)	10.18	0.61	3.2

(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.

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)
2005	1,798	875	2,673	(8)%	115.74	2.18	53.1
2006	1,812	803	2,615	(2)	117.21	2.22	52.8
2007	1,942	833	2,775	6	118.54	2.23	53.0
2008	2,191	873	3,064	10	120.36	2.45	49.1
2009	2,193	921	3,114	2	125.55	2.50	50.1
2010	2,137	829	2,966	(5)	135.96	2.77	49.1
2011	1,867	709	2,576	(13)	141.50	2.95	54.1
2012	1,877	674	2,551	(1)	161.30	3.06	52.7
2013	1,863	683	2,546	(0)	136.97	3.09	50.8
2014	1,829	686	2,515	(1)	164.10	3.21	51.1

(1) Does not include demand response.

(2) Operating expense excludes depreciation.

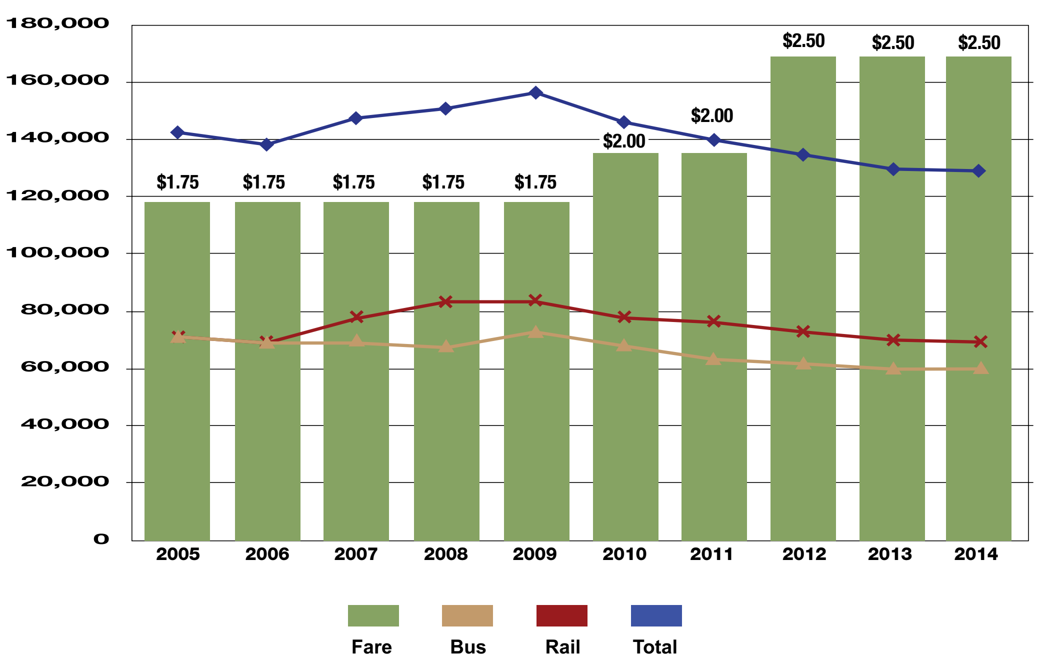
(3) Unlinked Passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.

Unlinked Passenger Changes

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

Fiscal Year	Bus[1]	%Change	Rail[1]	%Change	Total[1]	%Change
2005	71,066	6.4%	70,984	2.7%	142,050	4.6%
2006	68,831	(3.1)	69,209	(2.5)	138,040	(2.8)
2007	69,465	0.9	77,686	12.2	147,151	6.6
2008	67,519	(2.8)	82,984	6.8	150,503	2.3
2009	72,716	7.7	83,346	0.4	156,062	3.7
2010	68,009	(6.5)	77,732	(6.7)	145,741	(6.6)
2011	63,105	(7.2)	76,228	(1.9)	139,333	(4.4)
2012	61,597	(2.4)	72,711	(4.6)	134,308	(3.6)
2013	59,690	(3.1)	69,630	(4.2)	129,320	(3.7)
2014	59,778	0.1	68,762	(1.2)	128,540	(0.6)

Relationship of Fare Changes to Linked Passenger Counts



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

Fare Structure

For the Fiscal Year Ended June 30, 2014

Regular Fare

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

Discounted Fare

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

Mobility and Reduced Fare Programs

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

Student Programs

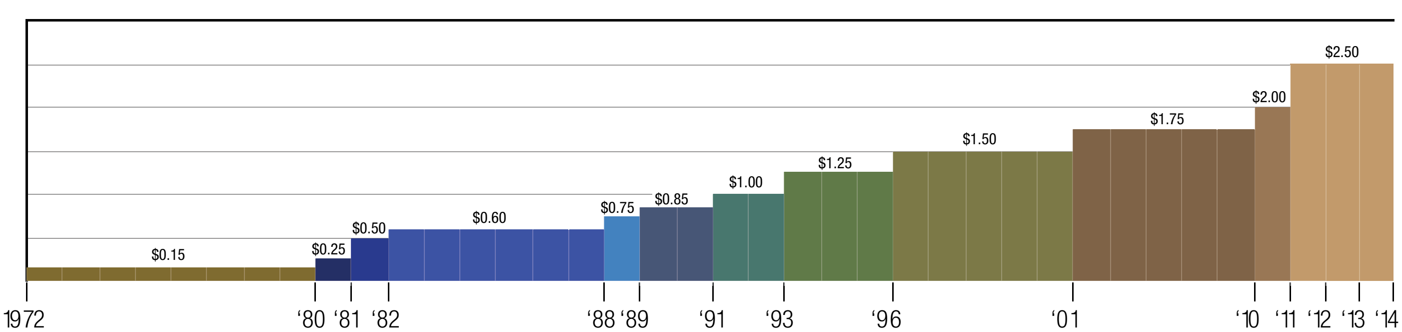
K-12 Program (Grade School and High School students K-12, Monday through Friday	**$14.40**
ten(10) trip pass (to/from school), all regular school	

University Pass (U-Pass) Program

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

Convention and Visitors Pass

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



Vehicles Operated in Maximum Service

Last Ten Fiscal Years

Fiscal Year	Bus	Rail	Total[1]
2005	556	182	738
2006	554	184	738
2007	483	182	665
2008	504	188	692
2009	505	182	687
2010	491	188	679
2011	490	188	678
2012	443	182	625
2013	446	182	628
2014	444	180	624

(1) Does not include demand response

Number of Employees

Last Ten Fiscal Years

Fiscal Year	Full-Time	Part-Time	Total
2005	4,029	326	4,355
2006	4,118	310	4,428
2007	4,436	293	4,729
2008	4,646	351	4,997
2009	4,548	314	4,862
2010	4,505	208	4,713
2011	4,223	206	4,429
2012	4,275	222	4,497
2013	4,234	186	4,420
2014	4,356	191	4,547

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Population served	1,697,633	1,684,862	1,649,492	1,619,099	1,781,030	1,689,100	1,652,000	1,610,600	1,574,600	1,547,600
Size of area served (in square miles)	485	467	483	483	475	466	466	466	498	498
Number of Bus Routes	92	91	92	92	92	130	132	132	120	120
Annual Bus Passenger Miles (in millions)	232.8	230.6	228.2	236.2	272.6	285	213.5	208.5	256.5	231
(Excludes Paratransit/Demand Response)										
Miles of Bus Route	1,449	1,439	1,445	1,435	1,784	1,765	1,084	1,069	986	986
-Average On Time Performance	77.6%	76.4%	74.6%	72.1%	72.4%	70.0%	63.7%	67.0%	93.4%	93.4%
Miles of Rail Route	48	48	48	48	48	48	48	48	48	48
-Average On Time Performance	96.4%	97.5%	97.8%	97.6%	97.0%	96.4%	93.3%	89.7%	91.5%	91.5%
Annual Rail Passenger Miles (in millions)	444.9	444.0	463.2	487.6	493.2	527	593.4	541.4	488.5	481.1
Number of Rail Stations	38	38	38	38	38	38	38	38	38	38
Number of Bus Stop Locations	8,885	8,954	8,913	8,700	8,700	11,482	11,500	11,430	11,500	11,483
Number of Bus Park And Ride Facilities	6	9	8	8	8	7	6	6	8	8
Number of Bus Shelters	738	791	791	772	750	741	751	748	540	540
Bus Passenger Parking Capacity	2,691	2,686	2,744	2,711	2,607	2,254	1,798	1,847	2,630	3,243
Rail Passenger Parking Capacity	21,420	22,554	21,607	21,677	22,301	23,888	24,622	25,736	27,372	25,586
No. of Buses in Active Fleet	532	528	531	531	597	615	616	624	554	556
-Average Vehicle Age (in years)	6.5	8.6	7.6	6.6	5.6	7.6	5.6	4.6	4.6	4.9
No. of Mobility Vehicles in Active Fleet	187	171	172	172	173	174	129	121	140	110
-Average Vehicle Age (in years)	3.6	5.2	4.2	3.2	2.2	1.2	0.4	2.6	1.6	2.4
No. of Rapid Rail Vehicles	336	336	338	338	338	338	338	338	338	338
-Average Vehicle Age (in years)	25.6	24.6	23.6	22.6	21.6	20.6	19.6	18.6	17.6	16.5
Annual Mobility Vehicle Miles (in millions)	7.7	7.7	8.4	7.3	7.2	7.3	5.0	4.4	3.7	3.7
Investment In Property and Equipment (in billions)	$6.781	$6,560	$6,440	$6,297	$6,224	$6,099	$5,919	$5,685	$5,491	$5,318

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Single Audit

Art: Passengers wait for MARTA buses at a downtown bus platform.

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Cherry Bekaert LLP
CPAs & Advisors

Independent Auditor's Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Atlanta, Georgia
November 25, 2014

Cherry Bekaert LLP
CPAs & Advisors

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

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Atlanta Rapid Transit Authority's ("MARTA") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of MARTA's major federal programs for the year ended June 30, 2014. MARTA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MARTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MARTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MARTA's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, MARTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-02 and 2014-03. Our opinion on each major federal program is not modified with respect to these matters.

MARTA's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. MARTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-01 that we consider to be significant deficiency.

MARTA's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. MARTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

We have audited the financial statements of MARTA, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements. We issued our report thereon dated November 25, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cherry Bekaert LLP

Atlanta, Georgia
November 25, 2014

Schedule Of Expenditures Of Federal Awards

YEAR ENDED JUNE 30, 2014

	Contract Number	CFDA#	Fed Expenditures
U.S. Department of Transportation			
FEDERAL TRANSIT CLUSTER			
Federal Transit Capital Improvement Grant			
Clean Fule Buses and Fare Equipment	GA-04-0003	20.500	$ 4,680,005
Vehicle Procurement and Support	GA-90-X269	20.507	2,767,000
FY 06-07 Sec 5309 Fixed Guideway	GA-05-0031	20.500	17,048,716
ARRA Sec 5309 FG Fixed Gudeway- Economic Recovery	GA-56-0001	20.500	-
Sec 5309 FG FY11_FY12	GA-05-0036	20.500	107,782
FY06 SEC 5309 - Bus & Bus Facilities	GA-04-0031	20.500	11,521,933
Dekalb Mem Dr. Buford Pass-Thru	GA-03-0082	20.500	14,720
Total Federal Transit Capital Improvement Grant			36,140,156
Federal Transit Capital & Planning - Formula Grants			
FY08 SEC 5307	GA-90-X264	20.507	362,752
FY 10 SEC 5307	GA-90-X288	20.507	57,723
FY11 SEC 5307	GA-90-X305	20.507	59,530
FY 12 SEC 5307	GA-90-X313	20.507	4,110,100
FY 13 SEC 5307	GA-90-X328	20.507	15,616,325
FY 13 SGR 5337 - Prev Maint	GA-54-0001	20.525	8,000,000
FY13 Flex Capital - Prev Maint	GA-95-X027	20.507	8,000,000
FY 14 SEC 5307	GA-90-X335	20.507	32,273,575
Sec5307 Clayton County Grant Award	GA-90-X253	20.507	211,411
SEC 5307 - Regional Breeze Implementation	GA-95-X021	20.207	15,044
FY 09 ARRA Sec 5307 Ecomonic Recovery SEC 5307 - ARRA	GA-96-X005	20.507	12,170,259
Buckhead Station N. Entrance	GA-90-X131	20.507	4,636,534
GRTA Pass-Thru/ TIB	GA-90-X257	20.507	-
Memorial BRT/ITS proj CMAQ	GA-95-X013	20.507	226,025
Metro Atlanta FY10 L230	GA-95-X015	20.507	689,945
Clifton Corridor EIS	GA-95-X024	20.507	616,762
Atlanta Streetcar Pass Through	GA-95-X020	20.507	2,604,062
Regional Breeze Implemmentation	GA-95-X021	20.507	114,000
Atlanta Streetcar TE Phase II Pass Through	GA-95-X029	20.507	3,627,322
Atlanta Luckie Street Pass Through	GA-95-X019	20.507	672,425
Total Federal Transit Capital & Planning-Formula Grants			94,063,794
Total Federal Transit Cluster			130,203,950
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
Atlanta Streetcar-Tiger II Pass Through	GA-79-0001	20.933	14,670,405
Total Highway Planning and Construction Cluster			14,670,405
TRANSIT SERVICES PROGRAMS CLUSTER			
FY06/07 JARC W/COBB & MARTA	GA-37-X014	20.516	430,155
FY06 New Freedom Pass-Thru	GA-57-X002	20.521	476,412
FY12 New Fredom SEC 5307 Pass-Thru	GA-57-X015	20.521	12,802
Total Transit Services Programs Cluster			919,369
OTHER FEDERAL TRANSIT GRANTS			
North Line LCI study	GA-90-X237	20.522	283,203
North Line Corridor A/A Study	GA-39-0007	20.522	480,000
FY10 Clean Fuels Program	GA-58-0002	20.519	521,902
Laredo Bus Facility	GA-77-0001	20.523	21,633
Total Other Federal Transit Grants			1,306,738
Total U.S. Department of Transporation			147,100,462
U.S. Department of Justice			
Direct Programs			
FY2012 CHP	2012ULWX0011	16.710	66,584
Total U.S. Department of Justice Grants			66,584
U.S. Department of Homeland Security			
Direct Programs			
FY2011 TSGP	EMWRA00072S01	97.075	642,294
FY2012 TSGP	EMWRAK00050	97.075	984,646
FY09 TSGP	2009-RA-T9-K018	97.075	218,045
Total Direct Programs			1,844,985
OTHER HOMELAND SECURITY GRANTS			
Canine Team Program	TSA-HSTS04-04-H-LEF 161	97.072	1,314,202
ARRA - Canine Team Program	RA-R1-0099	97.072	12,953
Total Other Homeland Security Grants			1,327,155
Total U.S. Department of Homeland Security			3,172,140
Total Federal Financial Assistance			$ 150,339,186

YEAR ENDED JUNE 30, 2014

Note 1–Basis of Presentation

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

Note 2–Matching Funds

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

Note 3–Underreporting of Prior Year's Federal Expenditures

During the year ended June 30, 2014 MARTA identified expenditures of federal awards that were not previously reported in prior year's Schedule of Expenditures of Federal Awards in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* MARTA has identified the following prior year amounts that were under reported based upon actual expenditures:

Prior Year Expenditure Underreported	Contract Number	CFDA#	Amount
For Year Ending 6/30/12	GA-90-X313	20.507	$1,679,370
For Year Ending 6/30/13	EMWRA00072S01	97.075	430,838
For Year Ending 6/30/13	EMWRAK00050	97.075	139,324
For Year Ending 6/30/13	2009-RA-T9-K018	97.075	6,105,838
For Year Ending 6/30/12	2009-RA-T9-K018	97.075	66,633
For Year Ending 6/30/11	2009-RA-T9-K018	97.075	8,538
For Year Ending 6/30/13	2010-RA-T0-K042	97.075	2,070,022
For Year Ending 6/30/12	2010-RA-T0-K042	97.075	189,867

If the underreported expenditures for federal grant program CFDA# 97.075 had been reported in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2013 that federal program would have been required to be tested as a major program in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the year ended June 30, 2013. However, the federal grant program CFDA# 97.075 was classified as a major program for the year ended June 30, 2014 and the underreported expenditures of federal awards were subjected to audit in the year ended June 30, 2014.

YEAR ENDED JUNE 30, 2014

I. Summary of Auditors' Results

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

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

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

d) Internal control over major programs:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **Yes**

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

f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **Yes**

g) Identification of major programs:

Major Programs	CFDA Number
Federal Transit Cluster	20.500 / 20.507/ 20.525
Rail and Transit Security Grant Program	97.075

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

YEAR ENDED JUNE 30, 2014

Finding #:	2014-02
	Activities Allowable or Unallowable
Federal Agencies:	Department of Homeland Security
Federal Program:	Rail and Transit Security Grant Program
CFDA #:	97.075

CONTEXT AND CONDITION:
One out of the 40 expenditures selected for testing represented a duplicate journal entry in the amount of $88,426 that was improperly charged to the grant.

CRITERIA:
The Authority is required to charge only activities that are specifically allowed by provisions of the grant agreement.

EFFECTS:
Activities not specifically allowed by provisions of the grant agreement were charged to the grant and submitted for reimbursement.

QUESTIONED COSTS:
Known questioned costs in the sample total $88,426.

CAUSE:
Insufficient monitoring of compliance with allowable cost requirements.

RECOMMENDATION:
Efforts should be made to review charges made to grants to ensure that they are allowable and proper.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:
Management accepts this recommendation. MARTA is currently updating its Grant Guideline and will refine and incorporate updated processes to mitigate this condition in the future.

Contact Person: Cynthia Moss Beasley, Controller
Telephone: (404) 848-5314; E-mail: cbeasley@itsmarta.com

YEAR ENDED JUNE 30, 2014

Finding #:	2014-03 Failure to Retain Sufficient Documentation to Support Compliance with Special Tests and Provisions
Federal Agencies:	Department of Transportation
Federal Program:	Various
CFDA #:	20.500/20.507

CONTEXT AND CONDITION:

The Authority was unable to provide sufficient documentation to support compliance with special tests and provisions defined in either the grant agreement or compliance supplement. Of the 40 Charter Bus Services selected for testing, MARTA was unable to provide the certification documentation for one organization that received charter bus services during the fiscal year ended June 30, 2014 as a Qualified Human Service Organization ("QHSO").

CRITERIA:

The Authority can provide charter bus service if the recipient organization is categorized as a QHSO, however, documentation should be maintain to support that categorization.

EFFECTS:

Lack of sufficient documentation to support this categorization results in MARTA's inability to support compliance with special tests and provisions of the granting agency.

QUESTIONED COSTS:

None identified.

CAUSE:

Lack of retention of documentation supporting compliance with grant special tests and provisions.

RECOMMENDATION:

Efforts should be made to ensure that documentation supporting compliance with special test and provisions for federal grants is maintained in a manner that is readily accessible and retrievable.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

Management accepts this recommendation and will refine and place into operation updated processes to mitigate this condition in the future.

Contact Person: Cynthia Moss Beasley, Controller
Telephone: (404) 848-5314; E-mail: cbeasley@itsmarta.com

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35th Anniversary

COMBINED BUS AND RAIL SERVICE FOR THIRTY-FIVE YEARS

marta