

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY



COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the years ended
June 30, 2020 and 2019
Atlanta, Georgia



Comprehensive Annual Financial Report

For the Years Ended June 30,
2020 and 2019
Atlanta, Georgia

Prepared by the Department of Finance
Kevin Hurley, Interim Chief Financial Officer

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INTRODUCTION



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December 18, 2020

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) 27th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020 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, 2019. 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, the 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, 2020 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 unmodified opinion and that MARTA's financial statements for the fiscal year ended June 30, 2020, 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 Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). 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 13 voting members and two non-voting members. Three members are appointed by Fulton County, four members by DeKalb County, two members by Clayton County, three members by the City of Atlanta and one member by the Governor. 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, 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.

Heavy Rail

MARTA's rail system consists of 47.6 miles of operational double track and 38 fully functioning stations. The fixed heavy 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 heavy rail transit system consists of 250 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. Currently, the fleet consists of 84 CQ312 BREDA vehicles, 88 CQ311 Hitachi vehicles and 78 CQ310 Franco Belge vehicles.

Light Rail

The streetcar system became operational December 30, 2014 under the management and operation of the City of Atlanta. MARTA acquired ownership and operation of the streetcar system July 1, 2018. The streetcar system is the first regular passenger streetcar service in Atlanta since the original Atlanta streetcars were phased out in 1949.

The current operating route of the system is referred to as the Downtown Loop and is considered Phase 1 of the streetcar project; there are plans to expand the streetcar system onto the Beltline surrounding central Atlanta.

The Downtown Loop runs 2.7 miles east-west, serving 12 stops. The route provides access to MARTA heavy rail lines at one of its major downtown stations, Peachtree Center Station. The streetcar system uses Siemens S70 light rail vehicles (LRVs). The system currently operates with four S70 street cars which are fueled by propulsion power.

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, Clayton, the city of Atlanta, and one route into Cobb County.

MARTA's bus fleet and facilities consists of 539 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 110 different bus routes providing approximately 31 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) and an in-person functional assessment. Trips can be delivered curb-to-curb within $\frac{3}{4}$ mile of MARTA fixed route service in Clayton, DeKalb and Fulton 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 211 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. This service is managed under a contract by MV Transportation and MARTA provides oversight.

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 2020, the Authority had an approved budget of \$1.094 billion with \$513.9 million allocated to operating expenses and \$579.7 million allocated to the capital improvement program and debt service expenses.

FINANCIAL RESULTS

In fiscal year 2020, MARTA's total net position was \$1.14 billion. Net position increased by \$18 million from the previous fiscal year when net position was \$1.12 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

The COVID-19 pandemic changed everything about life as we knew it, and along with that, transit. In March as stay-in-place orders and recommendations became the norm, people who could work from home did, and stopped commuting. Essential workers, including healthcare, grocery and delivery personnel continued to report in person and many continued to rely on transit to reach their essential jobs.

Rail ridership decreased 70% while bus ridership decreased 30-40%, despite the reduced routes. Fare revenue dropped as much as 85% in April and sales tax revenue dropped 26% in May before slowly beginning to recover. The federal government passed the CARES Act, a COVID-relief measure that provided about \$300 million for MARTA. This relief funding allowed MARTA to end FY20 with a surplus and buys additional time for the economy, and sales tax and fare revenue to recover.

In 2020, the Georgia Legislature established the first regular, ongoing funding for transit capital projects by passing HB 105, which establishes a \$.50 per ride excise fee on transportation network companies (TNCs). This excise fee is expected to generate approximately \$40 million annually and any transit agency that receives federal formula funding is eligible for this new state funding.

DEBT ADMINISTRATION

As of June 30, 2020, MARTA had a total of \$2.4 billion bonds outstanding and issued under one debt indenture. To be in compliance with the bond trust indentures, MARTA's estimated sales tax receipts must be at least twice the total debt service. The debt coverage ratio for fiscal year 2020 was 3.81. 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 2020 was 26.2%.

MAJOR INITIATIVES

All four of the jurisdictions in which MARTA provides service passed the 15th amendment to the Rapid Transit Contract and Assistance Agreement (RTCAA). This extends the full-penny sales tax that funds MARTA bus and rail service in the City of Atlanta and Clayton, DeKalb, and Fulton Counties through 2057.

MARTA maintained a state of good repair in fiscal 2020 with several projects including purchasing 254 new rail cars, advancing its systemwide rail station rehabilitation program, completing elevator and escalator refurbishment and replacement throughout the system, updating the audio and video signage and announcements to improve customer communications, and replacing portions of rail trackway as part of the fourth iteration of the multi-year Track Replacement Program.

MARTA established its first Riders' Advisory Council, comprised of 24 people from our member jurisdictions who meet monthly to offer their viewpoints on potential customer impacts of projects such as realignment of MARTA's bus network, station enhancements, design of new railcars, customer communications and the rollout of digital signage. The Chief Customer Experience Officer, a new, senior leadership position, oversees the Council and manages rider-related programs and activities.

MARTA's public art program Artbound commissioned a community-inspired mural at East Lake Station, partnered with local musicians to provide holiday music in rail stations, and helped coordinate a successful event celebrating MARTA's 40 years of service. Artbound also utilized social media to continue providing art, music, and dance to customers in this time of social distancing.

The onset of COVID-19 in the second half of fiscal 2020 presented challenges in retaining ridership, keeping employees and customers safe, and adjusting quickly to changing public health recommendations. In order to prevent the spread of the virus and continue to provide essential transit service, MARTA requires masks be worn on the system and while on any MARTA property. Station Agents and Transit Ambassadors (re-assigned administrative staff) have distributed close to one million free masks to customers in rail stations and in bus bays. Masks are also available in dispensers located at every rail station and onboard every bus.

All vehicles and facilities are cleaned with electrostatic sprayers that disperse a fine mist of disinfectant that adheres to all surfaces and dries almost instantly allowing for in-service cleanings. Every bus in the fleet is equipped with polycarbonate shields around operator cabs and antimicrobial air filters. Bus service was adjusted to place the majority of the fleet on 41 essential bus routes to allow room for social distancing, with routes being restored when possible. While personal protection equipment is provided to all front line employees, they received two stipends to cover any additional equipment or cleaning supplies needed, in addition to one-time Hero Pay bonus.

In response to customer concerns about unsheltered individuals taking refuge on the transit system, MARTA launched a yearlong pilot program with HOPE Atlanta, a non-profit organization that offers housing, social services, substance abuse counseling, and employment to those who need it. The MARTA HOPE Team initiative is a humane and tactical approach to a national issue that has grown increasingly acute since the onset of the coronavirus pandemic and is compounded by the shortage of affordable housing options in major metropolitan areas, including Atlanta.

CAPITAL PLAN PRIORITIES AND ISSUES

MARTA continues to invest in capital improvement projects that 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 adapted from the Federal Transit Administration's (FTA) asset management guidelines. The categories include 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.

Due to funding and manpower constraints, MARTA focuses on safety critical, operations critical and state of good repair projects. The CIP categories are depicted below, followed by a description of each of the categories.

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
- Normal, Emergency and Standby Power Systems
- Communications
- Lighting
- Security
- Tunnel ventilation
- Traction Power
- Emergency Trip System (ETS)
- Fire protection

V. Other

This investment category pertains to non-asset based projects and programs that expand, enhance and support MARTA's operation as well as support the Atlanta Region.

- Transit Oriented Development
- Planning
- Research and Analysis
- Safety Management Systems
- Environmental and Hazard Mitigation

AWARDS

MARTA received the following financial awards and recognition during 2020:

- GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2019.
- GFOA Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2019 Comprehensive Annual Financial Report.

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,



Kevin Hurley
Interim Chief Financial Officer



Jeffrey A. Parker
General Manager/Chief Executive Officer

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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, 2019

Christopher P. Morill

Executive Director/CEO

Board of Directors

OFFICERS



Freda B. Hardage
CHAIRMAN



William F. Floyd
VICE CHAIR



Robert L. Ashe III
TREASURER



Roberta Abdul-Salaam
SECRETARY

DIRECTORS



Roderick E. Edmond



Ryan C. Glover



Jerry R. Griffin



Jim Durrett



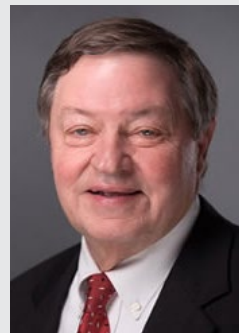
Roderick Frierson



Rita A. Scott



Alicia M. Ivey



J. Al Pond



W. Thomas Worthy



Russell McMurry, PE



Christopher Tomlinson

EX-OFFICIO



Jeffrey A. Parker

GENERAL MANAGER

GM & Executive Staff

GENERAL MANAGER/CEO

Jeffrey A. Parker

CHIEF COUNSEL

Elizabeth O'Neill

CHIEF BUS OPERATIONS & URBAN PLANNING

Collie Greenwood

CHIEF RAIL OPERATIONS

David Springstead

CHIEF OF CAPITAL PROGRAMS, EXPANSION & INNOVATION

Franklin Rucker

CHIEF ADMINISTRATIVE OFFICER

Luz Borrero

CHIEF OF STAFF

Melissa Mullinax

INTERIM CHIEF FINANCIAL OFFICER

Kevin Hurley

CHIEF CUSTOMER EXPERIENCE OFFICER

Rhonda Allen

DEPUTY CHIEF BUS OPERATIONS

Santiago Osorio

DEPUTY CHIEF RAIL OPERATIONS

George Wright

AGM PLANNING

Heather Alhadeff

AGM CAPITAL PROGRAMS DELIVERY

Marsha Anderson Bomar

AGM HUMAN RESOURCES

LaShanda Dawkins

AGM/CHIEF OF POLICE & EMERGENCY MANAGEMENT

Michael Kreher

AGM INFORMATION SECURITY OFFICER/CISO

Dean Mallis

AGM SAFETY & QUALITY ASSURANCE

Gena Major

AGM INFRASTRUCTURE

Larry Prescott

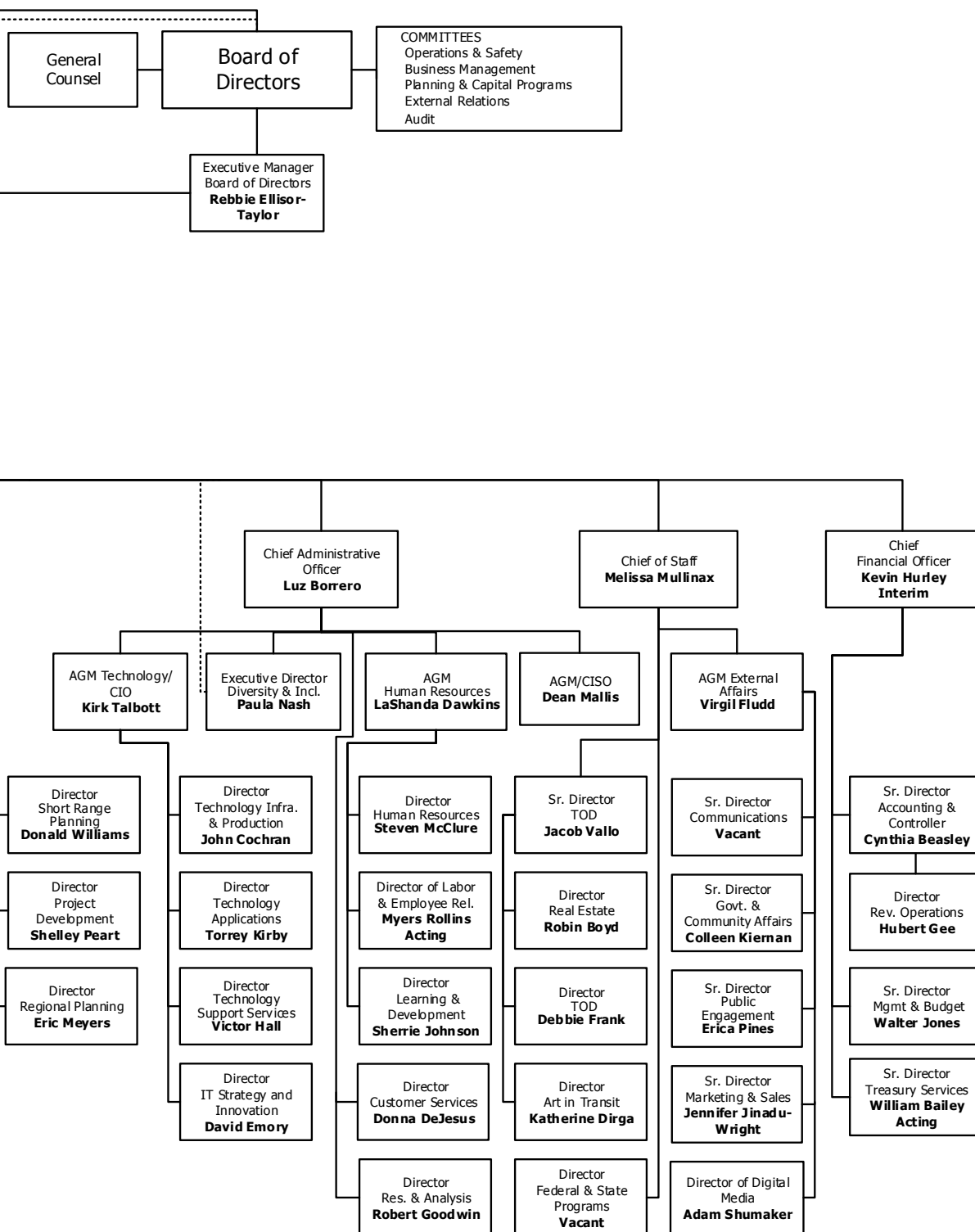
AGM INTERNAL AUDIT

Emil Tzanov

AGM TECHNOLOGY/CIO

Kirk Talbott





Rail Map

2020 Comprehensive Annual Financial Report Years Ended June 30, 2020 and 2019





METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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FINANCIAL



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the Metropolitan Atlanta Rapid Transit Authority (MARTA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements as listed in the table of contents.

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 an opinion 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 the entity'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 the entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MARTA, as of June 30, 2020, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, MARTA has elected to change its method of accounting for recognition of nonexchange revenue due to the adoption of Government Accounting Standards Board Implementation Guide 2019-1, which resulted in a restatement of July 1, 2019 net position in the amount of \$82,478,000. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

We have previously audited MARTA's fiscal year 2019 financial statements, and we expressed an unmodified opinion on the basic financial statements in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Employer Contributions – Pension, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of Employer Contributions – OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MARTA's basic financial statements. The accompanying introductory section, Supplemental Schedule of Revenues and Expenses – Budget vs. Actual (Accrual Basis), and statistical section are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Supplemental Schedule of Revenues and Expenses – Budget vs. 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. Such 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 Supplemental Schedule of Revenues and Expenses – Budget vs. Actual (Budget Basis) 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.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of MARTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MARTA's 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.

Crowe LLP
Crowe LLP

Atlanta, Georgia
November 20, 2020

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METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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, 2020 and 2019. 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, light rail 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 Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, the related notes and required supplementary schedules.

- 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.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

- 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.
- **Required Supplementary Information (RSI).** In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the Authority's defined benefit pension plans and other post employment benefit (OPEB) plan to its employees.

Financial Position Summary

Over time, net position may serve 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 \$1.14 billion at June 30, 2020, a \$18 million increase from June 30, 2019 when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.12 billion. A more detailed discussion is found under the Financial Operations Highlights of this MD&A.

At June 30, 2020 and 2019, the largest portion of net position was net investment in capital assets representing 55% and 75% respectively. Net investment in capital assets includes 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.

The second largest portion of MARTA's net position in fiscal years 2020 and 2019 was its unrestricted assets representing 39% and 15%, respectively.

At the end of the current fiscal year, MARTA was able to report a positive balance in all categories of net position. Fiscal years 2019 and 2018 had positive balances in all categories of net position as well.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

The following table presents a condensed summary of net position as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
ASSETS:		
Current and Other Assets	\$1,336,399	\$ 1,060,913
Capital Assets	3,057,127	3,004,448
Net Pension Assets	33,186	—
Total Assets	<u>4,426,712</u>	<u>4,065,361</u>
DEFERRED OUTFLOWS OF RESOURCES		
Hedging	1,079	89
Pension	43,683	100,760
OPEB	22,011	18,323
Debt Refunding	25,827	28,517
Total Deferred Outflows of Resources	<u>92,600</u>	<u>147,689</u>
Total Assets and Deferred Outflows of Resources	<u>4,519,312</u>	<u>4,213,050</u>
LIABILITIES:		
Long Term Debt	2,732,001	2,444,883
Current and Other Liabilities	341,294	333,761
Derivative Liability	1,079	89
Net Pension Liability	97,369	151,924
Net OPEB Liability	111,747	122,788
Total Liabilities	<u>3,283,490</u>	<u>3,053,445</u>
DEFERRED INFLOW OF RESOURCES		
Capital Lease	13,283	14,424
Pension	59,097	9,191
OPEB	22,945	14,422
Total Deferred Inflows of Resources	<u>95,325</u>	<u>38,037</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,378,815</u>	<u>3,091,482</u>
NET POSITION:		
Net Investment in Capital Assets	623,190	810,197
Restricted	65,705	62,435
Unrestricted	451,602	248,936
TOTAL NET POSITION	<u>\$ 1,140,497</u>	<u>\$ 1,121,568</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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(Unaudited)
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Current and other assets include cash, cash equivalents, investments, inventory, sales tax receivable, prepayments and restricted investments. Current and other assets increased by \$275,486 (26%) in 2020. The increase is due to the maturity of some investments and CARES Act funding receivables for the year. In 2019, there was an increase of \$105,493 (11%) in this category.

Capital assets include land, rail systems, buildings, transportation equipment and other capital assets. In 2020, there was an increase in this category of \$52,679 (2%) due to increase in rail systems, transportation and other capital assets. In 2019, there was an increase in capital assets of \$121,622 (4%) mostly due to donated streetcars from City of Atlanta.

Net pension assets increased to \$33,186 in 2020. In 2019, MARTA reported net pension assets of zero. This increase in net pension asset is directly related to the performance of the pension fund investments of the Union Plan in accordance with GASB 68.

Deferred outflows of resources pension decreased in 2020 by \$57,077 (57%) and increased by \$12,112 (14%) in 2019. Both the decrease in 2020 and the increase in 2019 were due to the net differences between the projected and actual investment earnings for the pension plans.

Long-term debt outstanding holds the long-term portion of outstanding sales tax revenue bonds. The outstanding sales tax revenue bonds increased by \$215,057 (10%) in 2020 as MARTA issued new debt to help fund planned capital projects and increased by \$60,929 (3%) in 2019. The long-term debt also includes the obligation under capital lease which increased by \$72,061 (23%) in 2020 due to MARTA entering into an energy savings capital lease for \$36,168.

Current and other liabilities include accounts payable, employee benefits, self-insurance, unearned revenue, accrued interest, short-term maturities of obligations under capital leases and other current liabilities. The liability increased by \$6,648 (2%) in 2020 and increased by \$61,951 (12%) in 2019. Both the increase in 2020 and in 2019 are due to the increase in account and contracts payable and self-insurance reserves.

Net pension liability decreased by \$54,555 (36%) in 2020 and increased by \$72,542 (91%) in 2019. Both the decrease in 2020 and the increase in 2019 were directly related to the performance of the pension fund investments in accordance with GASB 68.

Deferred inflow of resources – pension increased by \$49,906 (543%) in 2020 and decreased by \$41,251 (82%) in 2019. Both the increase in 2020 and the decrease in 2019 were due to the net differences between the projected and actual investment earnings for the pension plans.

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, and 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 (MARTA Act) with the City of Atlanta and the counties of Fulton, DeKalb, and Clayton and from federal subsidies.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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(Unaudited)
(Dollars in Thousands)

The sales tax is levied at a rate of 1% for each of the counties and 1.5% for the City of Atlanta until June 30, 2057, and 0.5% 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 75.8% and 57.6% of operating costs of the previous fiscal year, as defined under the MARTA Act, for the years ended June 30, 2020 and 2019, respectively.

The following table presents the summary of changes in net position as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 110,071	\$ 141,163
Operating Expenses	<u>754,623</u>	<u>762,782</u>
Operating Loss	(644,552)	(621,619)
Non-operating Revenues	684,317	569,116
Capital Grants and Contributions	<u>61,642</u>	<u>121,578</u>
Increase (Decrease) in Net Position	<u>\$ 101,407</u>	<u>\$ 69,075</u>

In 2020, operating revenues decreased by \$31,092 and operating expenses decreased by \$8,159, the decrease in operating revenue is due to a decrease in passenger fares as a result of COVID-19. The majority of the decrease in operating expenses is related to decreases in maintenance and transportation costs and planning expenses supporting capital projects. The decrease in revenues resulted in an overall increase in the operating loss of \$22,933 from the previous year. In 2019, operating revenues decreased by \$7,317 and operating expenses increased by \$47,102, which resulted in an overall increase in operating loss of \$54,419.

Non-operating revenues increased by \$115,201 (20%) in 2020 and \$115,765 (25%) in 2019. 2020 increase is primarily due to CARES Act funding while 2019 increase was the result of additional sales tax revenue and an increase in federal revenues.

Capital grant and contributions decreased by \$59,936 (49%) in 2020 compared to an increase of \$91,616 (306%) in 2019. The 2019 increase was due to the donation of the streetcar assets from the City of Atlanta and federally funded purchases of new buses and Mobility vans .

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

The following table presents a summarized breakout of MARTA's revenues, expenses and changes in net position as of June 30, 2020 and 2019:

	2020	2019
Summary of Revenues		
Operating		
Fare Revenues	\$ 102,420	\$ 133,186
Other Revenues	7,651	7,977
Total Operating Revenues	<u>110,071</u>	<u>141,163</u>
Non-Operating		
Sales and Use Tax	521,898	540,310
Federal Revenues	234,634	87,283
Investment Income	12,108	11,848
Capital Leases Revenues (Expenses)	(2,298)	(1,091)
Other Revenues	44,454	43,021
Gain/Loss on Sale of Property and Equipment	2,661	6,672
Total Non-operating Revenues	<u>813,457</u>	<u>688,043</u>
Total Revenues	<u>923,528</u>	<u>829,206</u>
Summary of Expenses		
Operating		
Transportation	241,307	247,245
Maintenance and Garage Operations	173,680	175,466
General and Administrative	94,017	99,531
Depreciation	245,619	240,540
Total Operating Expenses	<u>754,623</u>	<u>762,782</u>
Non-Operating		
Interest Expense	86,918	83,617
Amortization of Financing Related Charges	(7,411)	(9,494)
and Income from Derivative Activity	(328)	(78)
(Gain) Loss on Investment Derivatives	49,961	44,882
Other Non-operating Expenses	<u>129,140</u>	<u>118,927</u>
Total Non-operating Expenses	<u>129,140</u>	<u>118,927</u>
Total Expenses	<u>883,763</u>	<u>881,709</u>
Income/(Loss) Before Capital Contributions	39,765	(52,503)
Capital Grants and Contributions	<u>61,642</u>	<u>121,578</u>
Increase (Decrease) in Net Position	<u>101,407</u>	<u>69,075</u>
Net Position, July 1	1,121,568	1,052,493
Cumulative Effect of Adoption of New Accounting Principle	<u>(82,478)</u>	<u></u>
Net Position , July 1 Restated	<u>1,039,090</u>	<u>1,052,493</u>
Net Position, June 30	<u>\$ 1,140,497</u>	<u>\$ 1,121,568</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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Net position increased by \$101,407 (10%) in 2020 primarily due to the receipt of federal CARES Act funding. In 2019, net position increased by \$69,075 due to donated assets from City of Atlanta.

Total operating revenues include passenger revenues advertising, and parking fees. Total operating revenues decreased by \$31,092 (22%) in 2020 compared to a decrease of \$7,317 (5%) in 2019. 2020 decrease was a result of a decline in ridership due to the impact of COVID-19.

Sales and use tax revenue decreased by \$18,412 (3%) in 2020 compared to an increase of \$33,163 (7%) in 2019. The 2020 decrease was due to COVID-19 pandemic which resulted negatively impacted retail sales and employment.

Capital leases expenses increased by \$1,207 (111%) in 2020 as a result of matured liabilities of the capital leases being paid down in 2020. In 2019, there was a decrease by \$70,416 (98%) as a result of the pay down of the referenced matured liabilities.

Gain/loss on sale of property and equipment decreased by \$4,011 (60%) in 2020 due to fewer sales from the prior year. In 2019, there was an increase of \$5,789 (656%) from the previous year, as a result of the sale of a parcel of land.

Maintenance and garage operation expenses decreased by \$1,786 (1%) in 2020 compared to an increase of \$23,666 (16%) in 2019. The 2019 increase was due to an increase in labor cost and benefits associated with pension OPEB and healthcare costs.

Interest expense capitalized increased by \$500 (90%) in 2020 due to acquisition of bonds and expenditures related to the completion of a capital project located at the Hamilton bus facility. In 2019, there was an increase of \$90 (20%).

Amortization of bond related expenses increased by \$2,083 (22%) in 2020 due to addition of amortized premium cost from Bonds Series 2019A and Series 2020A compared to an increase of \$4,257 (81%) in 2019.

Gain or loss on investment derivatives increased by \$250 (3187%) in 2020 due to higher market value of forward delivery agreements compared to an increase of \$509 (87%) in 2019.

Other non-operating expenses increased by \$5,079 (11%) in 2020 compared to a decrease of \$12,276 (37%) in 2019 due to an increase in planning costs.

Capital Acquisitions and Construction Activities

In 2020, MARTA acquired \$298,518 of capital assets primarily for the replacement, rehabilitation, and enhancement of facilities and equipment required to support transit operations, regulatory requirements, and system safety. The net increase in capital assets, including changes in accumulated depreciation and retirements, was \$52,679 and \$121,623 during the years ended June 30, 2020 and 2019, 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.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

The following table summarizes MARTA's net investment in capital assets as of June 30, 2020 and 2019:

	2020	2019
Capital Assets, net	<u>\$ 3,057,127</u>	<u>\$ 3,004,448</u>
Capital Debt		
Current Maturities of Bonds and Notes	(55,240)	(51,825)
Noncurrent Maturities of Bonds	(2,349,902)	(2,134,845)
ESCO Capital Lease Liability	(37,109)	—
Unspent ESCO Escrow Cash	14,576	—
Deferred Outflows of Resources	25,827	28,517
Capital Assets Included in Accounts Payable	(32,089)	(36,098)
Total Capital Related Debt	<u>(2,433,937)</u>	<u>(2,194,251)</u>
Net Investment in Capital Assets	<u><u>\$ 623,190</u></u>	<u><u>\$ 810,197</u></u>

Long-Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds and Variable Rate Bonds to raise capital funds for construction, expansion, and rehabilitation of the transit system. The bonds and notes are payable from and secured by lien on sales and use tax and title ad valorem tax receipts.

The Fixed and Variable rate Bonds carry debt ratings of Aa2 by Moody's Investors Service, AA+ by Standard & Poor's and AA- from Fitch Rating Service. MARTA's total bond debt outstanding was \$2,405,142 and \$2,186,670 as of June 30, 2020 and 2019, respectively. In 2020, MARTA issued a total of \$283,179 Bonds Series 2019A bond and Series 2020A to finance certain capital projects. Additional information on MARTA's long term debt can be found in Note 7 to the financial statements.

Economic Factors

The US Economy decreased by 5.0% in the first quarter and 31.7% in the second quarter of 2020. The large second quarter decrease was due to the impact of COVID-19. The decline in the second quarter reflects a decrease in investments, exports, goods and services. In the middle of March, the spending of corporations and state and local governments decreased or was redirected as state and local governments issued shelter-in-place or stay-at-home orders. This greatly impacted the employment rate and local sales tax revenue.

Nation-wide, the unemployment rates were higher in June 2020 than a year earlier in 388 of the 389 metropolitan areas. The same held true for metropolitan Atlanta. According to the U.S. Bureau of Labor Statistics, the national unemployment rate in June was 11.2%, not seasonally adjusted, up from 3.8 percent a year earlier. Similarly, Atlanta's unemployment rate was 11% as of June 2020, compared with last June 2019 when it was 4.10%. Although the employment rate for Metropolitan Atlanta was significantly higher than last year, Atlanta fared slightly better than the country overall.

Given the uncertainty regarding a possible COVID-19 uptick in the fall and the uncertainty regarding the approval and distribution of a vaccine, it is impossible to forecast the short-term or long-term impact to the local or national economy and work-force.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

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 NE, Atlanta, GA 30324-3330.

Statement of Net Position

June 30, 2020

(Dollars in Thousands)

(with summarized Financial Information as of June 30, 2019)

	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 32,369	\$ 22,001
Investments	492,479	356,291
Material and Supplies Inventories	33,866	28,756
Sales Tax Receivables, Prepayments and Other	236,029	173,306
Total Unrestricted Current Assets	794,743	580,354
Restricted Cash and Cash Equivalents	14,576	—
Restricted Investments	151,167	142,225
Current portion, Restricted Investment held to pay Capital Lease	10,765	10,609
Total Restricted Current Assets	176,508	152,834
Total Current Assets	971,251	733,188
Noncurrent Assets:		
Restricted Investment held to pay Capital Lease Obligations	350,436	316,142
Restricted Investment Derivatives	(3)	(331)
Restricted Investment - Railroad Trust	10,000	10,000
Total Restricted Non Current Assets	360,433	325,811
Capital Assets:		
Land, Non-depreciable	560,226	560,328
Construction in Progress, Non-depreciable	350,410	427,638
Total Non-depreciable	910,636	987,966
Rail System and Buildings	3,892,691	3,754,999
Transportation Equipment	1,525,789	1,469,283
Other - Capital Assets	1,626,285	1,472,523
Total Depreciable	7,044,765	6,696,805
Less Accumulated Depreciation	(4,898,274)	(4,680,323)
Capital Assets - Net	3,057,127	3,004,448
Other Bond Related Costs - Bond Insurance	219	268
Net Pension Asset	33,186	—
Other - Noncurrent Assets	4,496	1,646
Total Noncurrent Assets	3,455,461	3,332,172
Total Assets	4,426,712	4,065,360
DEFERRED OUTFLOWS OF RESOURCES:		
Hedging	1,079	89
Pension	43,683	100,760
OPEB	22,011	18,323
Debt Refunding	25,827	28,517
Total Deferred Outflows of Resources	92,600	147,689
Total Assets and Deferred Outflows of Resources	\$ 4,519,312	\$ 4,213,050

Statement of Net Position

June 30, 2020

(Dollars in Thousands)

(with summarized Financial Information as of June 30, 2019)

	2020	2019
LIABILITIES		
Current Liabilities:		
Payable from NonRestricted Assets:		
Accounts and Contracts Payable	\$ 119,469	\$ 120,687
Salaries and Employee Benefits	24,395	21,208
Self-Insurance Accruals	19,368	19,076
Other Current Liabilities	7,945	7,004
Other Unearned Revenue	1,867	1,720
Total Current Liabilities Payable from NonRestricted Assets	173,044	169,695
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds	55,240	51,825
Accrued Interest	43,013	41,019
Current Maturities of Obligations Under Capital Leases	12,316	10,521
Total Current Liabilities Payable from Restricted Assets	110,569	103,365
Total Current Liabilities	283,613	273,060
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Premium and Discount	2,349,902	2,134,845
Noncurrent Self Insurance Accruals	39,868	42,547
Other Long-term Liabilities	885	1,220
Unearned Revenue	16,928	16,934
Obligations Under Capital Leases	382,099	310,038
Derivative Liability - Commodity Swap	1,079	89
Net Pension Liability	97,369	151,924
Net OPEB Liability	111,747	122,788
Total Noncurrent Liabilities	2,999,877	2,780,385
Total Liabilities	3,283,490	3,053,445
DEFERRED INFLOWS OF RESOURCES:		
Capital Lease	13,283	14,424
Pension	59,097	9,191
OPEB	22,945	14,422
Total Deferred Inflows of Resources	95,325	38,037
Total Liabilities and Deferred Inflows of Resources	3,378,815	3,091,482
NET POSITION:		
Net Investment in Capital Assets	623,190	810,197
Restricted		
Debt Service	55,705	52,435
Capital Projects	10,000	10,000
Unrestricted	451,602	248,936
Total Net Position	1,140,497	1,121,568
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 4,519,312	\$ 4,213,050

**Statement of Revenues, Expenses
And Changes in Net Position
For the Year Ended June 30, 2020**

(Dollars in Thousands)
(with summarized Financial Information for the year ended June 30, 2019)

	2020	2019
Operating Revenues:		
Fare Revenues	\$ 102,420	\$ 133,186
Other Revenues	7,651	7,977
Total Operating Revenues	110,071	141,163
Operating Expenses:		
Transportation	241,307	247,245
Maintenance and Garage Operations	173,680	175,466
General and Administrative	94,017	99,531
Depreciation	245,619	240,540
Total Operating Expenses	754,623	762,782
Operating Loss	(644,552)	(621,619)
Nonoperating Revenues (Expenses):		
Sales and Use Tax	521,898	540,310
Federal Revenues	234,634	87,283
Investment Income	12,108	11,847
Net Capital Lease Transaction Activity	(2,298)	(1,091)
Other Revenues	44,454	43,021
Gain on Sale of Property and Equipment	2,661	6,672
Interest Expense	(86,918)	(83,617)
Amortization of Financing Related Charges	7,411	9,494
Other NonOperating Expenses	(49,961)	(44,882)
Gain (Loss) on Investment Derivatives	328	78
Total Nonoperating Revenues (Expenses)	684,317	569,116
Income/ (Loss) Before Capital Contributions	39,765	(52,503)
Capital Grants and Contributions	61,642	121,578
Net Position		
Increase /(Decrease) in Net Position	101,407	69,075
Net Position, July 1	1,121,568	1,052,493
Cumulative Effect of Adoption of New Accounting Principle	(82,478)	
Net Position, July 1 Restated	\$1,039,090	\$1,052,493
Net Position, June 30	<u>\$1,140,497</u>	<u>\$1,121,568</u>

Statement of Cash Flows
For the Year Ended June 30, 2020
(Dollars in Thousands)

(with summarized Financial Information for the year ended June 30, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Cash Received from Providing Services	\$ 114,010	\$ 136,626
Cash Received from Other Sources	2,061	3,306
Cash Paid to Suppliers	(149,202)	(97,647)
Cash Paid for Benefits on Behalf of Employees	(122,403)	(145,363)
Cash Paid to Employees	(273,906)	(269,774)
Net Cash Used by Operating Activities	<u>(429,440)</u>	<u>(372,852)</u>
Cash Flows From Noncapital Financing Activities:		
Sales and Use Tax Collections	524,832	538,966
Ad Valorem Tax	32,997	28,825
Federal Operating Subsidy	77,869	76,059
Other Non-Capital Receipts	8,938	8,380
Net Cash Provided by Noncapital Financing Activities	<u>644,636</u>	<u>652,229</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from issuance of Revenue Bonds	280,830	117,237
Principal paid on Revenue Bonds	(51,825)	(44,160)
Interest Paid on Revenue Bonds	(84,979)	(82,297)
Capital Contributions	57,253	61,780
Acquisition and Construction of Capital Assets	(265,241)	(293,422)
Net Cash Used by Capital and Related Financing Activities	<u>(63,962)</u>	<u>(240,862)</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(3,558,174)	(3,490,783)
Proceeds from Sales and Maturities of Investments	3,420,885	3,448,636
Interest Received on Investments	10,999	11,591
Net Cash Provided (Used) by Investing Activities	<u>(126,290)</u>	<u>(30,555)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>24,944</u>	<u>7,960</u>
Cash and Cash Equivalents, Beginning of Year	<u>22,001</u>	<u>14,041</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 46,945</u></u>	<u><u>\$ 22,001</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (644,552)	\$ (621,619)
Other Nonoperating Expenses	(47,896)	(41,577)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	245,619	240,540
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(5,111)	(780)
Prepayments and Other	7,295	(13,117)
Deferred outflows from pension	57,077	(12,113)
Deferred inflows from pension	49,906	(41,251)
Accounts Payable and Other Current Liabilities	2,173	25,361
Unearned Revenue	(6)	4,950
Net pension asset/liability	(87,740)	95,078
Other post-employment benefits liability	(11,041)	(4,666)
Deferred outflows from OPEB	(3,687)	1,696
Deferred inflows from OPEB	8,523	(5,354)
Net Cash Used by Operating Activities	<u><u>\$ (429,440)</u></u>	<u><u>\$ (372,852)</u></u>

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

Statement of Cash Flows
For the Year Ended June 30, 2020
(Dollars in Thousands)

(with summarized Financial Information for the year ended June 30, 2019)

Supplemental Disclosure of Cash Flow Information	2020	2019
Noncash Activities:		
Capital Assets Included in Accounts Payable	\$ 32,089	\$ 36,098
Donated Capital Assets	—	59,798
Construction in Progress Capital Lease	25,743	—
Amortization of Bond Premium, Discount, Bond Insurance and		
Loss on Debt Refunding	(7,411)	(9,494)
Interest Earnings on Investments Held to Pay Capital Lease/Leaseback Liability	(2,236)	(2,566)
Interest Accrued on Capital Lease/Leaseback Liability		
Capital Lease/Leaseback Liability	2,236	2,566
Unrealized Loss of Investments	2,298	1,091
Increase(Decrease) in Fair Value of Investments	(233)	(231)
Proceeds from Bond Refunding to Defeasement Bonds	—	178
Interest Expense - ESCO	941	—
Interest Income - ESCO	(1,303)	—
 Summary of cash and cash equivalents reported on the Statement of Net Position:		
Cash and cash equivalents	\$ 32,369	\$ 22,001
Restricted cash and cash equivalents	14,576	—
Total cash and cash equivalents reported on the Statement of Net Position	<u>\$ 46,945</u>	<u>\$ 22,001</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

June 30, 2020

(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Metropolitan Atlanta Rapid Transit Authority ("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.

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 MARTA:

Reporting Entity - MARTA is a municipal corporation governed by a fifteen 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, most of the organization's board, and either a) could 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 fifteen member board, three members are appointed by Fulton County, four members by DeKalb County, two members by Clayton County, three members by the City of Atlanta, and one member by the Governor. 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 year ended June 30, 2020.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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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 financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MARTA's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

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's investments are generally reported 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 and Prime Banker's Acceptances are reported at amortized cost if MARTA acquires them within one year of maturity. Repurchase agreements, FDIC Public funds, and certificates of deposit are reported at cost.

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 reported at fair value. 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 Statement 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 non-operating revenues (expenses) on the Statement of Revenues, Expenses, and Changes in Net Position. See Note 8 for further information on these instruments.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories - Materials (principally maintenance parts) and supplies inventories are stated at an 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	3 - 20 years

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

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

Deferred Outflows and Inflows of Resources - Deferred outflows of resources are a consumption of net assets by MARTA that is applicable to a future period and has a positive effect on net position like an asset.

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 like a liability.

Unearned Revenues - Included in Unearned Revenues is the remaining unamortized balance of the unearned amount from various lease agreements. The unearned lease payments are being amortized over the remaining life of the leases on a straight-line basis. See Note 10 for further information.

Bond Proceeds, Discount, Issue Costs, and Losses on Refunding - 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, which is materially consistent with the effective interest method, over the term of the related debt. Losses on debt refunding 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 except for bond insurance costs which are amortized on a straight-line basis over the life of the related bond.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fare Revenues - Passenger fares are recorded as revenue at the time of sales except for stored cash value, which is recorded at the time services are performed.

Subsidies, Grants and Contributions - 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. MARTA reports donated capital assets as contributions. All donated capital assets along with grants for capital asset acquisition, facility development, and rehabilitation are reported in the Statement of Revenues, Expenses, and Changes in Net Position, after non-operating revenues and expenses as Capital Grants and Contributions.

MARTA also receives grant funds from the FTA for operating assistance such as preventive maintenance. Grants for operating assistance are reported as Federal Revenues on the Statement of Revenues, Expenses and Changes in Net Position as part of the non-operating revenues and expenses.

Net Position - Net position presents the difference between assets, liabilities, and deferred outflows/inflows of resources in the Statement of Net Position. Net position pertaining to investment in net 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 non-operating expenses are not budgeted. Management control for the operating budget is maintained at the expenditure category levels. Management has flexibility of reprogramming funds with respect to a cost center and with an approval of budget staff if the total budget authorization is not exceeded. Capital expenditures are controlled at the budget line item.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost Allocation - MARTA allocates certain general and administrative expenses to transit operations and 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 are not allocated to either transit operations or construction in progress under FTA guidelines are reflected as non-operating general and administrative expense in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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

Compensated Absences - MARTA employees are granted annual paid time off 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 Effective for the Fiscal Year Ended June 30, 2020

GASB Implementation Guide No. 2019-1, Implementation Guidance Update – 2019

With the release of Implementation Guide 2019-01, Implementation Guidance Update – 2019, management changed their method of accounting for recognition of non-exchange revenue. Expenditure-driven grant provisions are determined to be a stipulation that is considered to be an eligibility requirement and as such, revenue cannot be recognized until the agreement has been executed. An adjustment to reduce net position at July 1, 2019 by \$82,478 was made to reflect the cumulative effect related to the change in accounting principle.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Below is the detailed effect of the change in accounting principle for the adoption of Implementation Guide: 2019-01:

Net Position, July 1, 2019	<u>\$ 1,121,568</u>
Federal Operating Revenues	(78,478)
Capital Grants	<u>(4,000)</u>
Total Restatement	<u>(82,478)</u>
Net Position as Restated, July 1, 2019	<u><u>\$ 1,039,090</u></u>

In addition MARTA recognized \$82,478 of federal operating and capital grants in fiscal year 2020 that were previously recognized in fiscal year 2019. Had this change in accounting principle been adopted for fiscal year 2019, federal operating grant revenue would have been reduced by \$78,478 and capital grants would have been reduced by \$4,000 for the year ending June 30, 2019; however, federal operating grant revenue would have been increased by \$76,833 for grants that were previously recognized as revenue for the year ending June 30, 2018, but should have been recognized for the year ending June 30, 2019.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance ("GASB 95") provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The effective dates of certain provisions in Statements and Implementation Guides were postponed by one year or 18 months in the case of GASB 87-Leases and Implementation Guide No. 2019-3, Leases. MARTA observed the postponement of implementation.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements Effective in Future Periods or Not Applicable - MARTA has not determined the impact of adopting the following statements:

No.	GASB Statement	Fiscal Year	Applicable to MARTA
84	Fiduciary Activities	2021	Yes
87	Leases	2022	Yes
89	Interest Cost Incurred Before End of a Construction Period	2022	Yes
90	Majority Equity Interests	2021	No
91	Conduit Debt Obligation	2023	No
92	Omnibus 2020	2022	Yes
93	Replacement of Interbank Offered Rates-Paragraphs 13 and 14	2022	Yes
93	Replacement of Interbank Offered Rates-all other paragraphs	2021	Yes
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023	No
96	Subscription-Based Information Technology Arrangements	2023	Yes
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation plans	2022	Yes

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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2. CASH AND INVESTMENTS

Cash - At June 30, 2020 the carrying amount of MARTA's total cash on hand was \$1,170.

At June 30, 2020, the carrying amount of MARTA's total cash on deposit was \$45,775. Included in the bank balance of \$46,454 was \$666 was covered by federal depository insurance and \$45,788 was 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.

Under the terms of MARTA's Sales Tax Revenue Bond Trust Indenture, MARTA 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 106% 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.

Fair Value Measurements - To the extent available, MARTA's investments are recorded at fair value and the derivatives are recorded at fair value level 2 using quoted prices for similar assets or liabilities in active markets as of June 30, 2020. GASB Statement No. 72 - Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and consider the assumption that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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2. CASH AND INVESTMENTS (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

Level 2 - Investments with inputs, other than quoted prices included within Level 1, that are observable for an asset (or liability), either directly or indirectly. Furthermore, if an asset or liability has a specified term to maturity, then to qualify for Level 2 designation, an input must be observable for substantially the full term to maturity of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market).
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from corroborated by observable market data by correlation or other means (market-corroborated inputs).

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2. CASH AND INVESTMENTS (continued)

As of June 30, 2020, MARTA had the following investments and maturities:

Investment Type	Valuation Measurement Method	Investment Maturities (in Years)				
		Value	Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	Cost	\$ 66,954	\$ 66,954	\$ —	\$ —	\$ —
U.S. Treasuries	Fair value -Level 1	271,351	230,610	37,187	—	3,554
Prime Banker's Acceptance	Fair value -Level 1	12,348	12,348	—	—	—
U.S. Agencies	Fair value -Level 1	495,742	128,088	61,519	91,550	214,585
Public Fund	Cost	34,141	34,141	—	—	—
Municipal	Cost	6,250	6,250	—	—	—
Supranational Bonds	Cost	91,453	71,453	20,000	—	—
Guaranteed Inv Contracts	Amortized Cost	36,608	8,576	—	—	28,032
Investment Derivative	Fair Value-Level 2	(3)	(3)	—	—	—
Total		<u>\$ 1,014,844</u>	<u>\$ 558,417</u>	<u>\$ 118,706</u>	<u>\$ 91,550</u>	<u>\$ 246,171</u>

Interest Rate Risk - 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.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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2. CASH AND INVESTMENTS (continued)

Credit Quality Risk - 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, 2020 is as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Credit Rating</u>	<u>Rating Agency</u>
Repurchase Agreements	\$ 66,954	A1/P-1	Moody's/S&P
U.S. Treasuries	271,351	AAA/AA+	Moody's/S&P
Prime Banker's Acceptance	12,348	A1/P1	Moody's/S&P
U.S. Agencies	495,742	AAA/AA+	Moody's/S&P
FDIC Public Fund	34,141	AAA/AA+	Moody's/S&P
Municipal-FDIC	6,250	A2/AA	Moody's/S&P
Supranational Bonds	91,453	AAA/AAA	Moody's/S&P
Guaranteed Inv Contracts	36,608	A-2/P-2/A-/Baa1/Ba1	Moody's/S&P
Investment Derivative	(3)		
	<u>\$ 1,014,844</u>		

Concentration of Credit Risk - The risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. 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. At June 30, 2020 included in the investments of \$1,014,844 were \$10,275 of 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 - 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.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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3. RESTRICTED ASSETS

Restricted assets consist of the following for the year ended June 30, 2020:

Restricted Cash and Investments:	2020
Pinnacle Escrow Cash	\$ 14,576
Sinking Fund	98,718
Railroad Trust Fund Agreement	10,000
Investment Held to Pay Capital Lease Obligation	361,201
Investment Derivatives	(3)
Other-SB 115 10% PY Operating Revenue	52,449
Total Restricted Cash and Investments	<u>\$ 536,941</u>

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, 2020, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds are unrestricted.

Investments held to pay capital lease obligations represent investments held by trustees to be used for capital lease payments under MARTA's LILO arrangements.

The Georgia Legislature passed SB115 requiring MARTA to maintain in reserve ten percent of its prior fiscal year's operating revenue. Said operating budget reserve shall be utilized for ongoing operating expenses only in those circumstances requiring its use due to worsened economic conditions in the Atlanta region, or catastrophic loss such as an act of God or terrorism.

The reserve is maintained in the Unreserved portfolio which is comprised of restricted and unrestricted asset. MARTA maintains a floor that is greater than 10% of its prior year operating revenue to comply with the SB115 requirement and the value of the floor equates to the value of the restricted assets within the portfolio. The value of the assets above the floor are considered unrestricted assets in the portfolio.

An escrow cash account is maintained in MARTA's name as part of the Pinnacle Capital Lease. The funds in the escrow are restricted to pay for the energy savings capital improvements. Interest earned in the escrow account is recorded as non-operating revenue.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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4. SALES AND USE TAX

Under the MARTA Act, the Rapid Transit Contract and Assistance Agreement with Fulton and DeKalb Counties and the City of Atlanta and the Rapid Transit Contract with Clayton County, MARTA receives proceeds from the collection of a sale and use tax within Fulton, DeKalb and Clayton Counties and the City of Atlanta. In these jurisdictions, a sales and use tax of 1% is levied for the exclusive use of MARTA. Beginning in April 2017, an additional sale and use tax of ½% is levied in the City of Atlanta for the purpose of expanding and enhancing MARTA transit service in the City of Atlanta.

In 2015, the Georgia General Assembly permanently eliminated the prior requirement mandating that MARTA spend no more than 50% of the annual sales and use tax proceeds to subsidize the operating costs of the System. Removal of this provision provides MARTA with additional flexibility to manage its resources.

During the year ended June 30, 2020 MARTA used 37%, of the sales and use tax proceeds to subsidize the net operating costs.

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 MARTA 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 year ended June 30, 2020 was 75.8% of operating costs of the previous fiscal year as defined under the MARTA Act.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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6. CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions	Decreases	Balance June 30, 2020
Capital Assets, not being depreciated:				
Land	\$ 560,328	\$ —	\$ (102)	\$ 560,226
Construction in progress	427,638	296,432	(373,660)	350,410
Total capital assets not being depreciated	<u>987,966</u>	<u>296,432</u>	<u>(373,762)</u>	<u>910,636</u>
Capital Assets being depreciated:				
Rail systems & buildings	3,754,999	137,695	(3)	3,892,691
Transportation equipment	1,469,283	80,231	(23,725)	1,525,789
Furniture/Fixtures/Equipment/Vehicles	1,472,523	157,877	(4,115)	1,626,285
Total capital assets being depreciated	<u>6,696,805</u>	<u>375,803</u>	<u>(27,843)</u>	<u>7,044,765</u>
Less accumulated depreciation for:				
Rail systems & buildings	(2,447,928)	(111,665)	1	(2,559,592)
Transportation equipment	(1,098,602)	(65,270)	23,620	(1,140,252)
Furniture/Fixtures/Equipment/Vehicles	(1,133,793)	(68,684)	4,047	(1,198,430)
Total accumulated depreciation	<u>(4,680,323)</u>	<u>(245,619)</u>	<u>27,668</u>	<u>(4,898,274)</u>
Total capital assets being depreciated, net	<u>2,016,482</u>	<u>130,184</u>	<u>(175)</u>	<u>2,146,491</u>
Capital Assets, net	<u><u>\$ 3,004,448</u></u>	<u><u>\$ 426,616</u></u>	<u><u>\$ (373,937)</u></u>	<u><u>\$ 3,057,127</u></u>

During the year ended June 30, 2020, there was a difference between Construction in Progress and the Capital Asset Additions due to capitalized interest of \$2,141 which passes through Asset Additions but does not pass through Construction in Progress, and land parcel sales of \$97.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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7. LONG-TERM DEBT

Long-term debt activities for the year ended June 30, 2020 were as follows:

Series	Year Issued	Principal Issued	Years of Maturity	Interest Rates	Balance June 30, 2019	Additions	Principal Retirements	Balance June 30, 2020
Sales Tax Revenue Bonds:								
2005A	2005	190,490	2021	5.00%	\$ 62,745	\$ —	\$ (30,600)	\$ 32,145
2007A	2007	145,725	2033	5.25%	145,725	—	—	145,725
2012A	2012	311,075	2041	3.00%-5.00%	254,320	—	—	254,320
2012B	2012	17,930	2021	4.00%-5.00%	8,050	—	(3,930)	4,120
2013A	2013	22,980	2021	3.00%-5.00%	10,490	—	(5,120)	5,370
2014A	2015	286,700	2044	3.00%-5.00%	286,700	—	—	286,700
2015A	2015	87,015	2045	5.00%	87,015	—	—	87,015
2015B	2015	88,485	2045	2.00%-5.00%	88,485	—	—	88,485
2015C	2015	93,085	2029	5.00%	93,085	—	—	93,085
2016A	2015	90,260	2029	5.00%	70,260	—	(10,000)	60,260
2016B	2016	242,985	2029	5.00%	242,985	—	—	242,985
2017A	2017	100,815	2047	3.00%-4.00%	100,815	—	—	100,815
2017C	2018	263,545	2039	3.25%-5.00%	263,025	—	(560)	262,465
2017D	2018	55,845	2030	4.00%-5.00%	55,790	—	(110)	55,680
2018A	2019	165,875	2025	3.00%-4.00%	165,875	—	(1,505)	164,370
2018B	2019	117,500	2045	FRN	117,500	—	—	117,500
2019A	2020	130,790	2025	3.00%-5.00%	—	130,790	—	130,790
2020A	2020	132,330	2047	3.00%-5.00%	—	132,330	—	132,330
Subtotal					\$ 2,052,865	\$ 263,120	\$ (51,825)	\$ 2,264,160
Less portion due within one year					(51,825)	(3,415)	—	(55,240)
Plus unamortized premium (discount)					133,805	20,059	(12,882)	140,982
Sales Tax Revenue Bonds total long-term portion					\$ 2,134,845	\$ 279,764	\$ (64,707)	\$ 2,349,902

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7. LONG-TERM DEBT (continued)

Changes in Long Term Debt for the year ended June 30, 2020 were as follows:

	<u>Balance June 30, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2020</u>	<u>Due within One Year</u>
Revenue Bonds	\$ 1,865,105	\$ 263,120	\$ (41,825)	\$ 2,086,400	\$ (45,240)
Bonds From Direct Placement	187,760	—	(10,000)	177,760	(10,000)
Total	<u>\$ 2,052,865</u>	<u>\$ 263,120</u>	<u>\$ (51,825)</u>	<u>\$ 2,264,160</u>	<u>\$ (55,240)</u>

Variable rate assumed (2.63%) of 2018B bond is based on definition provided in Third Master Trust Indenture: The current 25 years Revenue Bond Index (as of 6/25/2020).

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 in the preceding Long-Term table except the Series 2018B Bond, which interest is payable on the first day of each month for the previous month.

All the Bonds in the preceding Long-Term Debt tables are payable from and secured by the third lien on sales and use tax and title ad valorem tax receipts.

Currently 82% of the outstanding Bonds are redeemable at the discretion of MARTA within ten years from their issue date at redemption prices above par.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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7. LONG-TERM DEBT (continued)

Annual debt service analysis of Principal and Interest for the year ended June 30, 2020 were as follows:

Year Ending June 30	Bonds		Bonds from Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 45,240	\$ 84,545	\$ 10,000	\$ 4,718
2022	48,725	84,272	12,140	4,439
2023	50,790	82,268	12,420	4,153
2024	52,300	80,521	12,705	3,670
2025	54,270	78,340	12,995	3,372
2026 to 2030	351,995	345,088	—	17,820
2031 to 2035	442,435	255,244	—	17,820
2036 to 2040	545,860	151,930	—	17,830
2041 to 2045	380,435	58,948	91,915	10,999
2046 to 2048	114,350	5,066	25,585	—
	<u>\$ 2,086,400</u>	<u>\$ 1,226,222</u>	<u>\$ 177,760</u>	<u>\$ 84,821</u>

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7. LONG-TERM DEBT (continued)

Amount due within one year on long-term debt for the year ended June 30, 2020 were as follows:

Series	Principal
2005A	\$ 32,145
2012B	4,120
2013A	5,370
2016A*	10,000
2017C	590
2017D	115
2018A	2,900
	\$ 55,240

* Variable Rate Bond

2016A and 2018B are direct placements

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.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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7. LONG-TERM DEBT (continued)

MARTA has pledged future sales tax and title ad valorem tax revenues to repay \$2,405,142 in sales tax revenue bonds issued in calendar years 2005, 2007, 2012, 2013, 2015, 2016, 2017, 2018, 2019 and 2020 of which \$2,349,902 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 FY2048, from the sales tax and title ad valorem 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 year ended June 30, 2020 was \$136,804.

In July 2019, MARTA issued New Bonds Series 2019A bond for the third indenture series to finance certain capital projects. As a result, an increase in long term liability amounting to \$130,790 is reported on MARTA's Statement of Net Position. The 2019A Bond is a fixed-rate sales tax revenue bond. These series were issued in the aggregate principal amount of \$130,790. There was a variety of operational and financial covenants associated with the bonds. Management has reported compliance with all such covenants.

In April 2020, MARTA issued New Bonds Series 2020A for the third indenture series to finance certain capital projects. As a result, an increase in Long Term Liability amounting to \$132,330 is reported on MARTA's Statement of Net Position. The 2020A Bond is a fixed-rate sales tax revenue bond. This series was issued in the aggregate principal amount of \$132,330. There are a variety of operational and financial covenants associated with the Bonds. Management has reported compliance with all such covenants.

In prior years, MARTA has defeased various bond issued 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 enough 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. As of June 30, 2020, the total outstanding escrow funds \$59,474 of these defeasance bonds remain outstanding.

MARTA's outstanding Sales Tax Revenue Bonds (the "Bonds") contain provisions that upon the occurrence of (1) failure to make payment of principal or interest when due, (2) failure to perform any covenant contained in the Bond indenture if such failure continues for 30 days after receipt by MARTA of written notice specifying such default, (3) if MARTA institutes bankruptcy proceedings, (4) any sum payable to MARTA under the terms of its Contract with the taxing jurisdictions is taken in custody under any court process, or (5) any of the taxing jurisdictions shall default in making any payments owed under the Contract or shall materially fail to comply with any provisions of the Contract, then the Trustee may, and upon the written request of the owners of more than 25% in aggregate principal amount of the Bonds shall, declare the principal of all Bonds outstanding and the interest accrued thereon immediately due and payable. All publicly traded and direct placement bonds are subject to the same default provisions under the Bond Indenture. The notice and cure period apply and the private placement bondholders have the same remedies as the other holders.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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7. LONG-TERM DEBT (continued)

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, 2020 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 Statement of Net Position.

Following is a summary of activity in the Sinking Funds for the year ended June 30, 2020:

	<u>2020</u>
Balance, Beginning of the year	\$ 93,454
Sales and Use Tax Proceeds	141,682
Investment Income	409
Principal and Interest Payments on Bonds	(136,804)
Excess of Sales Tax Withheld	(118)
Trustee Fees	<u>95</u>
Balance, End of the year	<u><u>\$ 98,718</u></u>

At June 30, 2020, MARTA reported \$25,827 in deferred outflow of resources related to debt refunding cost for unamortized deferred loss on bonds refunding as follows:

	Deferred Outflows of Resources Debt Refunding
	<u>2020</u>
Unamortized Deferred Loss Bond Refunding	\$ 28,517
Current Year Amortization	<u>(2,690)</u>
Total Deferred Outflow of Resources-Debt Refunding	<u><u>\$ 25,827</u></u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2020, were as follows:

		Changes in Fair Value		
		Fiscal Year	Change	Year End
		Classification	Amount	Amount
				Fair Value
				Notional
Hedging derivatives:				
Natural Gas Commodity Swaps	Deferred Inflow of resources	\$ 91	\$ 91	\$ 700
Diesel Commodity Swaps	Deferred Outflow of resources	\$ (1,081)	\$ (1,170)	\$ 7,140
Investment derivatives:				
Forward delivery arrangements	Gain/Loss on Investment Derivatives	\$ 328	\$ (3)	\$ 32,949

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.

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 Statement of Net Position. The gain or loss of the ineffective portion is recognized immediately in the Statement of Revenues, Expenses, and Changes in Net Position.

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.

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 commodity swap agreements to hedge low sulfur diesel and natural gas costs. 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. It is possible that the index prices may be lower than the price at which MARTA committed to in the contracts. 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.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 has assessed whether the hedging 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 dollar-offset method.

MARTA is exposed to the failure of the counterparty to fulfill the 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.

Three contracts were terminated on June 30, 2020. A summary of agreements is as follows:

Execution Dates	Effective Dates	Termination Dates	Fixed Price	Counter Party	Net Settlement in FY 2020
Natural Gas:					
2/14/2020	7/1/2020	6/30/2021	2.329 per MMBtu	Fifth Third	\$ (135)
Diesel:					
8/6/2019	7/1/2020	6/30/2021	1.7725 per gallon	Fifth Third	\$ —
3/10/2020	4/1/2020	6/30/2020	1.2067 per gallon	Cargill, Inc.	\$ (38)
3/10/2020	7/1/2020	6/30/2021	1.3292 per gallon	Cargill, Inc.	\$ —
1/11/2019	7/1/2019	6/30/2020	1.8715 per gallon	JP Morgan	\$ (355)
5/24/2019	7/1/2019	6/30/2020	1.9100 per gallon	Cargill, Inc.	\$ (706)
4/20/2020	7/1/2021	6/30/2022	1.3450 per gallon	JP Morgan	\$ —

MARTA assesses the effectiveness of the commodity swaps transactions and whether these derivatives were highly effective in offsetting fluctuations in fair value of cash flows of hedged commodities. Based on the annual assessment, the commodity swap agreements met the effectiveness conditions of the dollar-offset method.

Forward Delivery Agreements - MARTA has entered into these forward delivery arrangements for speculative purposes to obtain a higher long-term yield 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 Statement of Net Position and the gains or losses are reported as non-operating revenues (expenses) on the Statement of Revenues, Expenses, and Changes in Net Position. 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.

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8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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. Due to the extinguishment of Series N and P, the outstanding unamortized amount of \$601 as of June 30, 2017 was all recognized as revenue. The outstanding unamortized unearned revenue for Series 2005A is fully recognized as revenue as of June 30, 2020.

Fair Value - The forward delivery arrangements are classified as investment derivatives and are reported at fair value level 2a; quoted prices for similar assets or liabilities in active markets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value is determined using one of the following three valuation approaches:

- 1) **Market Approach** - Uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities. Using quoted market prices is a technique that is consistent with the market approach.
- 2) **Income Approach** - Converts future amounts (for example, cash flows or earnings) to a single current amount (such as would be determined by using the discounted present value technique). When the income approach is used, the fair value measurement reflects current market expectations about those future amounts. Acceptable valuation techniques include present value techniques; option-pricing models, such as the Black-Scholes-Merton formula, and the multi-period excess earnings method, which is used to measure the fair value of certain intangible assets.
- 3) **Cost Approach** - Reflects the amount that would be required to replace the service capacity of an asset (often referred to as current replacement cost). From the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence can be physical, functional (technical), or economic (external).

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair market values of MARTA's forward delivery arrangements are not exchange-traded instruments that have a directly quotable price, and therefore are required to be valued using Level 2 inputs. Level 2 inputs, as described by GASB 72, are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Furthermore, if an asset or liability has specified term to maturity, then to qualify for Level 2 designation, an input must be observable for substantially the full term to maturity of the asset or liability. Level 2 inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market).
- c) Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d) Inputs that are derived principally from corroborated by observable market data by correlation or other means (market-corroborated inputs).

MARTA used Hilltop Securities' internally developed models that use readily observable market parameters as the inputs. The Hilltop valuation models use input parameters that are actively quoted and can be validated using external sources, including industry data services.

Regarding forward delivery agreements, Hilltop uses pricing models that incorporate the contractual terms of the swap, including: the deposit schedule, eligible securities, implied on-market rate on the trade date, and any upfront payments made. Level 2 market-based inputs used by Hilltop's forward delivery pricing models include: the term structure of interest rates as implied by the U.S. Treasury curve and by various swap curves; spreads for taxable and tax-exempt swap rates (risk premiums); spreads for credit risk(s); and discount factors derived from the London Interbank Offering Rate (LIBOR) swap curve. In order to calculate the fair market value of forward delivery agreements, Hilltop's valuation models calculate the present values of the residual cash flows of the remaining deposits as of the valuation date.

The residual cash flows are based on the difference of the current on-market forward rate and the implied on-market rate as of the trade date of the transaction. The remaining residual cash flows are discounted using discount factors derived from the appropriate interest rate curve, the sum of these discounted cash flows result in a present value amount equal to the fair market value.

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9. CAPITAL LEASE OBLIGATIONS

LILO Capital Lease

MARTA has entered into various LILO arrangements related to the leasing and subleasing of MARTA'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 MARTA 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 non-operating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

The following table summarizes MARTA's outstanding capital lease/leaseback transactions as of June 30, 2020:

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	16 Hitachi CQ 310 Rail Cars	\$ 36,800	\$ 7,595	\$ 5,862	\$ 1,733	1/15/2020	12/15/2020
9/29/2005	30 Breda CQ 312 Rail Cars	93,300	16,274	11,376	3,839	1/2/2034	12/15/2034
9/29/2005	10 Breda CQ 312 Rail Cars	31,500	5,488	3,793	1,333	1/2/2034	12/15/2034
9/29/2003	Marta South Line	782,072	102,230	67,457	27,312	1/2/2032	12/15/2032

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, 2020:

Lease Date	Property	Net Book Value
3/22/2001	16 Hitachi CQ 310 Rail Cars	\$ 6,424
9/29/2005	40 Breda CQ 312 Rail Cars	38,715
9/29/2003	MARTA South Line	313,467

The increase in the net book value for the Hitachi CQ Rail cars are due to L-care and new Life Extensions cost in fiscal year 2020.

American Insurance Group ("AIG") and Ambac were participants in most 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 lease arrangements include various buyout option dates. Beginning in January 2018 and ending in January 2034, MARTA must 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.

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9. CAPITAL LEASE OBLIGATIONS (continued)

The following is a schedule by year of the future minimum lease payments under these LILLO arrangements as of June 30, 2020.

Fiscal Years

2021	\$ 10,681
2022	2,110
2023	2,107
2024	2,092
2025	5,122
2026 - 2030	1,868
2031 - 2035	333,326
Present value of net minimum lease payments	\$ 357,306
Less: current principal maturities	(10,681)
Obligations under capital lease -long term	<u>\$ 346,625</u>

The liability of these leases changed in 2020 and 2019 as follows:

Outstanding - June 30, 2019	\$ 320,559
Net change in obligation	36,747
Outstanding - June 30, 2020	<u>\$ 357,306</u>

Deferred Inflow Related to Capital Lease

From the years ended June 30, 2001 to 2007, MARTA entered into several agreements to lease several 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.

The deferred tax benefit sold amount is recorded as deferred inflow of resources over the life of the leases. The deferred inflow as of June 30, 2020 was \$13,283.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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9. CAPITAL LEASE OBLIGATIONS (continued)

Pinnacle Capital Lease

MARTA entered into a master lease purchase agreement with Pinnacle Public Finance to finance the design construction, implementation, monitoring and maintenance of comprehensive energy savings capital projects. These projects will improve the energy efficiency of certain MARTA facilities and are expected to result in energy cost savings.

The net present value of the future lease payments has been recorded as capital lease obligations.

The following is a schedule by year of the future minimum lease payments under the Pinnacle lease agreement as of June 30, 2020:

2021	\$ 1,635
2022	1,877
2023	2,006
2024	2,043
2025	1,514
2026 - 2030	10,347
2031 - 2035	15,253
2036 - 2037	2,435
Present value of net minimum lease payments	<u>\$ 37,109</u>
Less: current principal maturities	<u>(1,635)</u>
Obligations under capital lease -long term	<u><u>\$ 35,474</u></u>
The liability of these leases changed in 2020 and 2019 as follows:	
Outstanding - June 30, 2019	\$ —
Net change in obligation	<u>37,109</u>
Outstanding - June 30, 2020	<u><u>\$ 37,109</u></u>

As part of this project, MARTA also entered into a performance assurance support services agreement with the contractor, Schneider Electric Buildings Americas, Inc. that provides an energy savings guarantee of \$55,357 over the course of 17 years. No financial savings or transactions have been recognized in relation to the agreement for the year ended June 30, 2020 as construction is not yet completed.

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10. UNEARNED REVENUE

Lindbergh Partnership Parking Agreement

In 2004, MARTA entered into a lease agreement with Carter & Associates, L.L.C. MARTA is the owner of the Leased Property, and the Leased Property is a portion of the project known as the Lindbergh City Center Project. This Lease Agreement reflects a period of ninety-nine (99) Lease years, a long-term utilization of 195 Residential parking Spaces in support of the Project Improvements pursuant to the Parking Agreement. Lessee's cost per parking space equal \$7.50, totaling \$1,463.

As of June 30, 2020, the unamortized portion of unearned revenue from Lindbergh Multi Family Parking Rights was \$1,278.

Capital Event Partnership Rent / Uptown Square Apartments

Assignment/transfer of Uptown Square Apartments to AVR Uptown Square L.L.C, an affiliate of Alvero Acquisition Corp. and AVR Realty Company LLC occurred in 2013. This transaction resulted in Capital Event Participation Rent due MARTA in 2013. The original total lease amount of \$4,679 is to be amortized over 98 years.

As of June 30, 2020, the unamortized portion of unearned revenue from Capital Event Partnership Rent was \$4,099.

Capital Event Partnership Rent / AC Property - Arts Center Rail Station Lease

Assignment of ground lease dated as of July 14, 2006 and further assigned as of October 3, 2016, now this ground lease known as AC property-Arts Center rail station is amended and extended between MARTA and AC Property Owners, L.P. a Delaware limited partnership. The previous expiration date of August 31, 2083 was extended to a new expiration date of August 1, 2117, resulting in additional compensation paid to MARTA in the amount of \$6,500.

As of June 30, 2020, the unamortized portion of unearned revenue from AC Property Lease was \$6,390.

Capital Event Partnership Rent / Avondale Station Project

MARTA and Development Authority of the City of Decatur entered into a lease Agreement to develop the lease property as a Transit Oriented development in 2016. It was amended in November 2018, which extended the lease to 99 years from November 2018 and Lessee paid MARTA \$525.

As of June 30, 2020, the unamortized portion of unearned revenue from Avondale Station project Lease was \$517.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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(Dollars in Thousands)

10. UNEARNED REVENUE (continued)

Capital Event Partnership Rent / Edgewood-Candler Park Station Project

MARTA (Landlord) acknowledged a sublease agreement amendment made between Edgewood TOD Master, LLC ("Sublessor") and Moving In the Sprit, Inc. ("Sub lessee") in September, 2018. Landlord, Sublessor, and Sublessee have now determined that the allocation of value with respect to the Base Premises (Edgewood-Candler Park Station Project), as reflected in the Terms, was an incorrect allocation of the overall appraised value reflected in the 2014 Appraisal. Sublessor and Landlord have made corresponding corrections to the Base Lease. The parties agree Sublessee shall deliver a portion of the Sublease payment equal to \$525 to Landlord (MARTA).

As of June 30, 2020, the unamortized portion of unearned revenue from Edgewood-Candler Park Station project was \$523.

Resurgens Plaza South Inc. Lease

MARTA and Resurgens Plaza South Inc. entered into a Lease Agreement for Johnson Town South Site dated May 29, 1984. It was amended in 2017, which extended the lease to 99 years from July 2017 to 2104. Upon completion of the extension transaction, the Resurgens Plaza South Inc. paid MARTA \$4,250 on July 17, 2017.

As of June 30, 2020, the unamortized portion of unearned revenue from Resurgens Plaza South agreement was \$4,121.

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11. OPERATING LEASES

MARTA leases air rights and ground over and adjacent to its stations to third parties for the construction of mixed-use developments as well as telecom towers.

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 at Lindbergh City Center in October 2002. Ground lease agreement for these initial TOD projects provide for various payments to be made to MARTA over several years. In 2013, MARTA began pursuing new opportunities in joint development. MARTA has identified development partners at four rail stations: King Memorial, Edgewood/Candler Park, Avondale, and Chamblee.

Future lease payments scheduled to be received under non-cancelable operating leases are as follows at June 30, 2020:

<u>Fiscal Years</u>	<u>Amount</u>
2021	\$ 7,502
2022	7,753
2023	7,912
2024	8,075
2025	8,275
2026 - 2030	44,474
2031 - 2035	50,178
	<u>\$ 134,169</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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12. PENSION PLANS

Defined Benefits Pension Plan

Plan Description - MARTA maintains two defined benefit pension plans, one Non-Represented Pension Plan (the "Non-Rep Plan") and one MARTA/ATU Local 732 Employees Retirement Plan, (the "Union Plan"). All plans are single employer plans.

The Non-Rep Plan covers all non-union employees hired before January 1, 2005 and Transit Police employees hired before January 1, 2015 and transfers from the Union Plan prior to January 1, 2018. The Non-Rep Plan has been subsequently closed to all employees and non-union new hires are covered in a defined contribution plan.

The Union Plan provides pension for all members of Division No. 732 of the Amalgamated Transit Union (ATU) and nonmembers who are represented by the Union for bargaining purposes. Union employees are eligible to participate in the Union Plan upon the completion of 60 days of full-time 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.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of the pension plans have been determined on the same basis as they are reported by the plans. The financial statements of the plans were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contribution are recognized when due and payable in accordance with the statutes governing the plans. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade-date basis. The fiduciary net position of each of the Union and Non-Rep plans are reflected in the measurement of the plans' net pension liability, net pension assets, deferred outflows and inflows of resources related to pension, and pension expense. Both the Union and the Non-Rep Plans measurement dates and fiscal year ends are December 31, 2019.

Each plan is administered by a pension retirement committee. Each plan issues a publicly available financial report that includes financial information for that plan. The reports may be obtained by writing the plans at the addresses below:

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

MARTA/ATU Local 732
Employees Retirement Plan
Administered by:
Zenith American Solutions
100 Crescent Centre Parkway
Tucker, GA 30084
(678) 221-5012

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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12. PENSION PLANS (continued)

Benefits Provided - The MARTA plans provide the retirement, disability, and death/survivor benefits. The retirement benefits are calculated under a step-rate benefit formula based on final average compensation and multiplied by factors related to length of continuous service. All modifications to the pension plans must be supported by actuarial analysis and receive approval from MARTA's Board of Directors and the pension retirement committees.

Normal retirement under the Union Plan occurs when a participant reaches age 65 with ten years of credit service. For the Non-Rep Plan, the participant must complete five years of credited service and attain age 62. Disability retirement benefits are determined in the same manner as retirement benefits. The continuation of retirement benefits to the participant's designated beneficiary is also provided by both plans. An employee who leaves MARTA may withdraw his or her contributions, plus any accumulated interest.

Plan Membership - Below are the total employees and retirees covered under the Union Plan and the Non-Rep Plan for the plan as:

	<u>January 1, 2020</u>		
	<u>Union Plan</u>	<u>Non-Rep Plan</u>	<u>Combined</u>
Inactive plan members or beneficiaries currently receiving benefits	2,221	1,406	3,627
Inactive plan members entitled to but not yet receiving benefits	376	152	528
Active plan members	2,447	412	2,859
Total	<u>5,044</u>	<u>1,970</u>	<u>7,014</u>

Contributions - MARTA is required to contribute an actuarially determined amount annually to the pension plans. The required contributions amount is determined by an actuary using actuarial methods and assumptions approved by the pension/retirement committee and an additional amount to fund the unfunded accrued liability.

For the year ended June 30, 2020, MARTA contributed \$16,732 and plan participants contributed \$2,122 to the Non-Rep Plan. For the year ended June 30, 2020, MARTA contributed \$10,396 and plan participants contributed \$5,582 to the Union Plan.

Net Pension Liability - The net pension liability at June 30, 2020 was measured as of December 31, 2019 for both the Union Plan and Non-Rep Plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 for the Non-Rep Plan and as of January 1, 2019, rolled forward to January 1, 2020 for the Union Plan. The reporting date for both plans is June 30, 2020. At June 30, 2020 MARTA reported a net pension liability of \$97,369 for the Non-Rep Plan and net pension asset of \$33,186 for the Union Plan.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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12. PENSION PLANS (continued)

Actuarial Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As results are compared to past expectations and new estimates are made about the future, actuarial determinations better reflect current and future conditions. Actuarial calculations consider a long-term perspective. Calculations for June 30, 2020 reflect the substantive plan in effect as of as of year ended December 31, 2019 and the current sharing pattern of costs between employer and employee.

	Union	Non-Rep
Pension Expense	\$11,403	\$34,969
Actuarial Valuation Date	1/1/19, rolled forward to 1/1/20	1/1/20
Actuarial Cost Method	Entry Age Normal Cost Method	Individual Entry age
Amortization Method	Level Percentage of Pay, Closed	Fixed Dollar, Closed
Remaining Amortization Period	10 years, Open	12 years, Closed
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	7.25%	5.50%
Inflation	2.50%	2.25%
Projected Salary Increases:		
Plan Members	4.50%	4.50%
Transit Police	n/a	4.50%
Cost of Living	None	None
Merit or Seniority	1.00% per year	1.00% per year
Postretirement Benefit Increases	None	None
Mortality Assumption:		
Healthy	RP-2014 Blue Collar Mortality for Healthy Lives with fully generational using 1/2 of Scale MP-2016 set forward by 1 year	RP-2014 Healthy Annuitant Mortality Tables separated by sex, Projection Scale MP-2016, fully generational.
Disabled	RP-2014 Mortality Table for Disabled Lives with fully generational using 1/2 of Scale MP-2016	None. No future mortality improvement was projected.

The assumptions listed above were based on the results of an actuarial experience study for the five years ending January 1, 2018. Assumptions were updated January 1, 2020.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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12. PENSION PLANS (continued)

Changes in Assumptions and Benefit Terms Since the Prior Measurement Date – In the Union Plan, the inflation rate increased from 2.10% to 2.50%. In the Non-Rep Plan, the inflation rate decreased from 2.50% to 2.25%, salary increases from 3.00% / 3.50% to a combined 4.50% and the investment rate of return and discount rate decreased from 6.00% to 5.50%.

Changes in Assumptions and Benefit Terms Since the Measurement Date – There were no changes in assumptions or benefit terms between the measurement date and June 30, 2020.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2020 and 2019 was 7.25% and 7.25% for the Union Plan and 5.50% and 6.00% for the Non-Rep Plan, respectively. This is the long-term expected return on pension plan investments. The projection of cash flows assumes employer and plan member contributions will continue at the current rates. The fiduciary net position projects to cover all future benefit payments of current plan members based upon complete closed group cash flow analysis.

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plans at June 30, 2020, calculated using the discount rate of 7.25% for the Union Plan and 5.50% for the Non-Rep Plan, as well as what the individual plans' net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease Discount Rate	Current Discount Rate	1% Increase Discount Rate
Union Plan Discount Rate	6.25%	7.25%	8.25%
Plan Net Pension Liability/(Asset)	\$22,034	\$(33,186)	\$(80,342)
Non-Rep Plan Discount Rate	4.50%	5.50%	6.50%
Plan Net Pension Liability	\$157,000	\$97,369	\$47,000

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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12. PENSION PLANS (continued)

Long-Term Expected Rate of Return - The long-term expected rate of returns on the Union and Non-Rep Plan investments were determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocation as of June 30, 2020 are:

Asset Class	Union		Non-Rep	
	Target	Expected Rate	Target	Expected Rate
	Allocation	of Return	Allocation	of Return
Domestic Large Cap Equity	20.0%	5.40%	n/a	4.90%
Domestic Mid Cap Equity	10.0%	5.70%	n/a	n/a
Domestic Small Cap Equity	10.0%	5.40%	n/a	4.90%
International Equity	25.0%	5.10%	12.00%	4.75%
Opportunistic Equity	n/a	n/a	n/a	n/a
Domestic Fixed income	30.0%	1.00%	25.50%	0.50%
US Broad Equity	n/a	n/a	33.00%	4.90%
Non US Fixed	n/a	n/a	n/a	n/a
Global Fixed Income	n/a	n/a	7.50%	-0.61%
Global Ex-US Equity	n/a	n/a	12.00%	5.00%
Real Estate	n/a	n/a	5.00%	4.00%
Alternatives/Convertibles	5.0%	8.30%	5.00%	3.20%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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12. PENSION PLANS (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
	(a)	(b)	(a) - (b)
UNION PLAN			
Balance at 12/31/2018	\$ 548,234	\$ 511,334	\$ 36,900
Changes for the year:			
Service Cost	13,318	—	13,318
Interest	39,340	—	39,340
Difference Between Expected & Actual Experience	(4,694)	—	(4,694)
Contributions - Employer	—	10,404	(10,404)
Contributions - Employee	—	5,698	(5,698)
Net Investment Income	—	101,948	(101,948)
Benefit Payments	(37,933)	(37,933)	—
Administrative Expenses	(596)	(596)	—
Changes in Assumptions	—	—	—
Changes in Benefit Terms	—	—	—
Other	—	—	—
Member Buybacks	—	—	—
Net Changes	9,435	79,521	(70,086)
Balance 12/31/2019	\$ 557,669	\$ 590,855	\$ (33,186)
NON-REP PLAN			
Balance at 12/31/2018	\$ 494,438	\$ 379,414	\$ 115,024
Service Cost	4,471	—	4,471
Interest	28,832	—	28,832
Difference Between Expected & Actual Experience	2,785	—	2,785
Contributions - Employer	—	19,493	(19,493)
Contributions - Employee	—	2,250	(2,250)
Net Investment Income	—	68,425	(68,425)
Benefit Payments	(37,291)	(37,291)	—
Administrative Expenses	—	(361)	361
Changes in Assumptions	36,094	—	36,094
Changes in Benefit Terms	—	—	—
Other	—	1	(1)
Member Buybacks	—	29	(29)
Net Changes	34,891	52,546	(17,655)
Balance 12/31/2019	\$ 529,329	\$ 431,960	\$ 97,369

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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12. PENSION PLANS (continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension -

For the year ended June 30, 2020, MARTA recognized pension expense of \$46,372.

At June 30, 2020, MARTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources		
	Union Plan	Non-Rep Plan	Combined
Net difference between projected and actual earnings on investments	\$ —	\$ —	\$ —
Changes in benefits terms	—	—	—
Difference between expected and actual experience	586	3,962	4,548
Changes of assumptions	3,062	22,025	25,087
Contribution made subsequent to the measurement date	6,781	7,267	14,048
Total	<u>\$ 10,429</u>	<u>\$ 33,254</u>	<u>\$ 43,683</u>

	Deferred Inflows of Resources		
	Union Plan	Non-Rep Plan	Combined
Net difference between projected and actual earnings on investments	\$ (26,505)	\$ (24,000)	\$ (50,505)
Changes in benefits terms	—	—	—
Difference between expected and actual experience	(8,592)	—	(8,592)
Changes of assumptions	—	—	—
Total	<u>\$ (35,097)</u>	<u>\$ (24,000)</u>	<u>\$ (59,097)</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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12. PENSION PLANS (continued)

Deferred outflows of resources of \$14,048 related to pensions resulting from contributions made subsequent to the December 31, 2019 measurement date will be recognized as a reduction of the net pension liability in the subsequent future reporting period. Other amounts reported as collective deferred outflows and deferred inflows of resources to be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows (Inflows) of Resources		
	Union Plan	Non-Rep Plan	Combined
2021	\$ (8,911)	\$ 16,223	\$ 7,312
2022	(8,474)	(5,092)	(13,566)
2023	(928)	152	(776)
2024	(13,136)	(9,296)	(22,432)
Total	<u>\$ (31,449)</u>	<u>\$ 1,987</u>	<u>\$ (29,462)</u>

DEFINED CONTRIBUTION PENSION PLAN

Plan Description - MARTA maintains one defined contribution pension plan, the MARTA Non-Represented Defined Contribution Plan and Trust (the "DC Plan"). The DC Plan provides pension for all full-time non-represented employees of MARTA who were hired on or after January 1, 2005, Transit Police hired on or after January 1, 2015, and to those members of the Non-Rep Plan who elected to transfer to this plan. Covered employees were eligible to participate on the first date of employment. The plan provisions and contributions requirements are established and may be amended by the pension retirement committee after approval by resolution of the MARTA Board of Directors. The plan is administered by a pension retirement committee and Nationwide is the trustee. The DC Plan does not issue stand-alone financial statements.

Benefits Provided - The MARTA DC Plan was established to provide retirement, disability, and death/survivor benefits. Normal retirement under the DC Plan occurs when a participant reaches the age of 65. If the participant terminated on or after his normal retirement date, he will receive 100% of the account. If the participant terminated before his normal retirement date, he shall be entitled to receive the vested percentage of the account based on years of service. Notwithstanding the retirement rules above, the participant's employer contribution account shall become 100% vested and not subject to forfeiture upon the occurrence of any of the following events: when an employee reaches normal retirement age, death, or becomes disabled.

Contributions - For the year ending June 30, 2020, MARTA contributed \$4,282 and plan participants contributed \$4,240 to the DC Plan.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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13. 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 \$19.5 per year or if age 50 and over, not to exceed \$26 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. MARTA has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA's Statement of Net Position.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description - In addition to providing pension benefits, MARTA provides certain health care benefits for retiree who meet retirement requirements, provide an employee share of premiums for health coverage and retired under one of the defined benefits pension plans. The union retiree benefits are collectively bargained. The Non-Represented retiree benefits are not contractually guaranteed. The MARTA OPEB Trust Plan (OPEB Trust or OPEB Plan) is a single-employer plan. The plan is administered by the OPEB Committee. The four MARTA positions that are members of the OPEB Committee are: Chief Financial Officer, Assistant General Manager of Human Resources, Chief Counsel and Controller. There is not a separate GAAP-based audited set of financial statements for the OPEB Plan.

Healthcare benefits are available to normal, early or disability retirees from retirement up to age 65. Spouses are eligible for coverage only while the participant is covered. Eligibility requirements for healthcare coverage for Union participants retiring with a reduced pension is 75 points. Healthcare coverage for Non-Represented participants, including Police Officers, is only available for those hired prior to July 1, 2004, and they must have a least 10 years of service upon retirement.

The fiduciary net position of the OPEB plan is reflected in the measurement of the plan's net OPEB liability, deferred outflows, deferred inflows and OPEB expense. The OPEB Plan actuarial valuation date is June 30, 2019 and the measurement date is June 30, 2019.

Benefits Provided – OPEB benefits include medical, vision, dental and pharmaceutical coverage along with basic life and critical illness insurances, retiree transit pass and long-term disability benefits for Non-Represented retiree.

Life insurance and retiree transit pass benefits continue for life. Retirees may select from several health plans and pay a portion of the cost of benefits. Critical Illness benefits are provided based on type of health plan.

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13. EMPLOYEE BENEFITS (continued)

Plan Membership - Below are the total employees and retirees covered under the OPEB Plan for the actuarial plan year ended June 30, 2019:

	<u>Union</u>		<u>Non-Rep</u>		<u>Combined</u>	
	<u>Healthcare</u>	<u>Life Insurance</u>	<u>Healthcare</u>	<u>Life Insurance</u>	<u>Healthcare</u>	<u>Life Insurance</u>
Inactive Plan Members or Beneficiaries	319	1,982	220	1,232	539	3,214
Active Plan Members	2,298	2,386	382	541	2,680	2,927
	<u>2,617</u>	<u>4,368</u>	<u>602</u>	<u>1,773</u>	<u>3,219</u>	<u>6,141</u>

Contributions – The normal annual costs of the plan are funded by employer and retiree contributions that are pay as you go. MARTA maintains a trust for future OPEB funding above the pay as you go. However, no benefits have been paid from the OPEB Trust. MARTA contributed \$18.0 million to the OPEB Trust for the fiscal year ending June 30, 2020.

Net OPEB Liability - The net OPEB liability was measured as of June 30, 2019, for the OPEB Plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. At June 30, 2019, MARTA reported a net OPEB liability of \$111,747.

Discount Rate - The discount rate used to measure the Total OPEB Liability for the Plan Year ending June 30, 2019, is 7.0%. This rate is based on the long-term expected yield rate on current and expected future assets. A separate cash flow projection, if employer contributions will continue at the current rates, shows the OPEB Plan's projected Fiduciary Net Position being greater than the benefit payments projected for each future period assuming this pattern continues. Therefore, the long-term expected rate of return on Plan Investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

Actuarial Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarial calculations consider a long-term perspective. Calculations reflect the substantive plan in effect as of year ending June 30, 2019, and the current sharing pattern of costs between employer and employee. As results are compared to past expectations and new estimates are made about the future, actuarial determinations better reflect current and future conditions.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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13. EMPLOYEE BENEFITS (continued)

Changes in Assumptions and Benefit Terms Since the Prior Measurement Date - The discount rate stayed at 7.0%, but the health care trend rate starting point decreased from 7.75% to 7.50% and the inflation rate increased from 2.25% to 2.50%.

The following assumptions are for the OPEB plan and were based on the results of an actuarial experience study for the period ending June 30, 2019.

Discount Rate:	7.0%			
Investment Rate of Return:	7.0%			
Inflation Rate:	2.50%			
Healthcare Cost Trend:	7.50% for 2019-20 PY, increases to 8.50% for PY 2021-22 and eventually decreases to an ultimate rate of 5.0% by PY 2031-32			
Election on Health Care Coverage	100% of eligible active employees will elect coverage and 10% of eligible retirees who previously opted out will elect coverage			
Dependents Coverage	Non-spouse dependent coverage was not assumed			
New Entrant Assumption	An open group projection has been employed for developing expected liabilities and benefit payouts			
Age of Participants with Unrecorded Dates of Birth	Average age of Participants with recorded dates of birth and the same vested status			
Healthcare Trend Rates	<u>Year</u>	<u>Trend</u>	<u>Year</u>	<u>Trend</u>
	2019-20	7.50%	2026-27	6.25%
	2020-21	7.25%	2027-28	6.00%
	2021-22	8.50%	2028-29	5.75%
	2022-23	7.25%	2029-30	5.50%
	2023-24	7.00%	2030-31	5.25%
	2024-25	6.75%	2031 and after	5.00%
	2025-26	6.50%		
Health Care Age Based Cost Adjustment	<u>Age</u>		<u>Claims Graduation</u>	
	Less than 55		3.3%	
	55 - 59		3.6%	
	60 - 64		4.2%	
Long Term Disability	75% of qualifying participants will be permanently disable and 25% will experience 4 years of disability.			
Retiree Transit Pass Election Rate	40% of retirees will apply for the Retiree Pass			
Retiree Transit Pass Usage	3 rides per month with 80% usage			

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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13. EMPLOYEE BENEFITS (continued)

UNION PLAN

Mortality Rates

RP-2014 Blue Collar Mortality Table with fully generational projection using 1/2 of Scale MP-2016 set forward by 1 year

Pre- and Post-Retirement:

RP-2014 Disabled Mortality Table with fully generational projection using 1/2 of Scale MP-2016

Post-Disablement:

Salary Scale:

4.5% compounded annually

Withdrawal Rates - Sample Rates as Shown

	<u>Service</u>			
<u>Age</u>	<u>< 2 Years</u>	<u>2 - 4 Years</u>	<u>4 + Years</u>	
20	16.19%	10.86%	0.00%	
30	16.75%	10.39%	6.42%	
40	14.32%	7.92%	4.60%	
50	14.04%	6.81%	4.07%	
60	12.27%	6.00%	1.62%	

Retirement Ages - Rates as shown

<u>Age</u>	<u>Rate</u>
52-54	4%
55-59	6%
60	10%
61-64	20%
65	100%

Healthcare Claims Cost

<u>Age</u>	<u>Cost</u>
50	\$958
55	\$1,127
60	\$1,353
64	\$1,595

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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13. EMPLOYEE BENEFITS (continued)

NON-REPRESENTED PLAN

Mortality Rates

Pre- and Post-Retirement:

RP-2014 Employee and Healthy Annuitant Mortality Tables, separate by sex, Projection Scale MP-2016 from 2007, Fully Generational

Post-Disablement:

RP-2014 Disabled Annuitant Mortality Tables, separate by sex, Projection Scale MP-2016 from 2007, Fully Generational

Salary Scale:

3.5% compounded annually for Police, 3.0% for all others

Withdrawal Ages - Sample Rates as Shown

Age	Non-Police	Transit Police	
		Under 5 YOS	5 YOS or more
30	9.26%	16.7%	7.4%
35	6.14%	11.1%	4.9%
40	3.38%	7.9%	2.7%
45	2.63%	6.1%	2.1%

Retirement Ages - Rates as Shown

Age	Rate	
	Non-Police	Police
40-49	5%	
50	10%	30%
51-54	10%	20%
55	12%	50%
56-61	20%	20%
62	60%	100%
63-64	30%	
65	40%	
66	100%	

Healthcare Claims Cost (Monthly)

Age	Cost
50	\$948
55	\$1,115
60	\$1,338
64	\$1,577

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13. EMPLOYEE BENEFITS (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the plan, calculated using the discount rate of 7.0%, as well as what the individual plans' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Total OPEB Liability (TOL)	\$ 208,556	\$ 194,803	\$ 182,352
Plan Fiduciary Net Position	83,056	83,056	83,056
Plan Net OPEB Liability	<u>\$ 125,500</u>	<u>\$ 111,747</u>	<u>\$ 99,296</u>
Plan Fiduciary Net Position as a Percentage of the TOL	39.8%	42.6%	45.5%

Sensitivity of Net OPEB Liability to Changes in the Health Cost Trend Rates - The following presents the net OPEB liability of the plan, calculated using the healthcare cost trend is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.5% decreasing to 4.0%	Current Healthcare Cost Trend Rates 7.5% decreasing to 5.0%	1% Increase 8.5% decreasing to 6.0%
Total OPEB Liability (TOL)	\$ 182,753	\$ 194,803	\$ 208,298
Plan Fiduciary Net Position	83,056	83,056	83,056
Plan Net OPEB Liability	<u>\$ 99,697</u>	<u>\$ 111,747</u>	<u>\$ 125,242</u>
Plan Fiduciary Net Position as a Percentage of the TOL	45.4%	42.6%	39.9%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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13. EMPLOYEE BENEFITS (continued)

Long-Term Expected Rate of Return – The building-block method determines the long-term expected rate of return on OPEB plan investments. The method weights best estimate of expected future real rates of return for each major asset class. Multiplying the weights by the target asset allocation percentage and adding expected inflation produces the long-term expected rate of return. The discount rate used to measure the total OPEB liability was 7.0%. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocation as of June 30, 2019, are:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic Equity		
Large Cap	30%	5.40%
Small/Mid Cap	10%	5.60%
International Equity	30%	5.10%
Domestic Fixed income	30%	1.00%
	<u>100%</u>	

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13. EMPLOYEE BENEFITS (continued)

Changes in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 198,741	\$ 75,953	\$ 122,788
Changes for the year:			
Service Cost	6,915	—	6,915
Interest on TOL, Service Cost and Benefit Payments	14,396	—	14,396
Difference between Expected and Actual Experience	(19,310)	—	(19,310)
Employer Contributions	—	18,009	(18,009)
Active Employee Contributions *	—	—	—
Net Investment Income	—	4,103	(4,103)
Benefit Payments	(15,009)	(15,009)	—
Administrative Expenses	—	—	—
Changes in Actuarial Assumptions	—	—	—
Changes in Plan Benefits	5,114	—	5,114
Change in Plan Assumption	3,956	—	3,956
Other Changes	—	—	—
Net Changes	(3,938)	7,103	(11,041)
Balances at June 30, 2019	\$ 194,803	\$ 83,056	\$ 111,747

*Active employees do not contribute to the OPEB plan.

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13. EMPLOYEE BENEFITS (continued)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB –

For the year ended June 30, 2019, MARTA recognized OPEB expense of \$11,514.

At June 30, 2020, MARTA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
Difference between expected and actual experience	\$ —	\$ (16,951)
Net difference between projected and actual earnings on investments	971	(1,512)
Changes of assumptions	3,005	(4,482)
Employer contribution subsequent to the measure date	18,035	—
Total	<u>\$ 22,011</u>	<u>\$ (22,945)</u>

Deferred outflows of resources of \$18,035 related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent future reporting period. Other amounts reported as collective deferred outflows and deferred inflows of resources to be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ (9,594)
2022	(5,458)
2023	(3,567)
2024	(350)
Total	<u>\$ (18,969)</u>

Changes in Assumptions and Benefit Terms Since the Measurement Date – There were no changes in assumptions or benefit terms between the measurement date and June 30, 2020.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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13. EMPLOYEE BENEFITS (continued)

Detailed information about the OPEB Plan fiduciary net position is listed below:

Investments	Valuation Measurement Method	2019
US Equities	Fair Value - Level 1	\$ 34,170
International Equities	Fair Value - Level 1	22,426
Domestic Bonds	Fair Value - Level 2	26,493
Short-Term Investments	Fair Value - Level 1	—
Total Assets		83,089
Liabilities		33
Net Asset Available for Benefits		\$ 83,056

Annual Money-Weighted Rate of Return

5.40%

Concentration of Credit Risk - The risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The OPEB Plan Investment Policy establishes a long-term strategic asset allocation that mitigates overall expected portfolio risk (volatility) and maximizes expected return. The plan does not limit the percentage of involvement in any single issuer.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB Plan 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 the OPEB Plan's investments at June 30, 2019, all the securities are held by a trustee and are in the name of the OPEB Plan.

Foreign Currency Risk - The risk that changes in exchange rates will adversely impact the fair value of an investment. The OPEB Plan holds \$22,426 of investments that are exposed to this risk.

Interest Rate Risk - Is the risk that changes in interest rates will adversely affect the fair value of an investment. OPEB Trust adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The plan currently maintains the interest rate risk and consistent with its long-term investment horizon.

Credit Risk - Investments are subject to credit risk, which is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause price to decline. The tables above summarize the fair value of investments that are included in the restricted and unrestricted cash and investments and the related credit ratings. OPEB Plan maintains policies to manage credit risks, which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations and maintaining diversified investments using target asset allocation ranges encompassing a long-term perspective.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Financial Statements

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(Dollars in Thousands)

14. 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 year ended June 30, 2020 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 year ended June 30, 2020 were as follows:

	Workers' Compensation	Public Liability and Property	Total
Balance, June 30, 2018	\$ 30,039	\$ 25,649	\$ 55,688
Incurred claims, net of any changes in estimates	9,175	15,242	24,417
Payments	(8,567)	(9,915)	\$ (18,482)
Balance, June 30, 2019	\$ 30,647	\$ 30,976	\$ 61,623
Incurred claims, net of any changes in estimates	6,204	10,034	16,238
Payments	(8,382)	(10,243)	(18,625)
Balance, June 30, 2020	<u>\$ 28,469</u>	<u>\$ 30,767</u>	<u>\$ 59,236</u>
Due within one year	<u>\$ 9,543</u>	<u>\$ 9,825</u>	<u>\$ 19,368</u>

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 number 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.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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15. COMMITMENTS AND CONTINGENCIES

Commitments - MARTA's long-range plan provides for the planning, construction, financing, and operation of a rapid transit system in multiple phases, consisting of approximately 60 miles of double track and 45 stations, of which 47.6 miles and 38 stations were in service June 30, 2020. At June 30, 2020, MARTA was committed to future capital expenditures for various other projects.

The FTA has provided most 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 has 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, renovation of the track 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 variable rate debt, and federal and state capital grants.

Federal funding may vary per awarding agency and award type. However, most current grant awards are shared with 80% federal funding and a 20% local match.

MARTA also has lease and interest revenue and capital reserves available to supplement its needs.

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 that relate to disputes between MARTA and various contractors under contracts that MARTA had entered prior to FY2020. Claims that are measurable and probable have been reflected in the financial statements.

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.

Business Disruption - In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally and locally and has resulted in a decrease in passenger fare and sales tax revenue and an increase in operating expenses. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. However, MARTA received Federal CARES Act funding and created health and safety guidelines to help mitigate the impact of the disruption in operations for the year ended June 30, 2020 and the subsequent fiscal year.

The extent to which COVID-19 impacts MARTA will depend on future developments, which are still highly uncertain and cannot be predicted. As a result, MARTA has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2021.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2020
(Dollars in Thousands)

16. POLLUTION REMEDIATION OBLIGATION

GASB Statement 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 Crimes Landfill located in Gwinnett County, Georgia. However, during fiscal year 2013, MARTA paid \$240.3 to the Crimes Landfill Trust in return for release of any and all liabilities in regard to the site.

MARTA estimates that \$3,299 is its obligation to remediate the sites at the bus and maintenance facilities at June 30, 2020 which is included in current liabilities on the Statement of Net Position.

17. SUBSEQUENT EVENTS

MARTA has natural gas and diesel fuel hedge contracts in place to fully hedge fuel for the fiscal year 2021 budget period. In addition, MARTA has diesel fuel contracts in place to hedge a portion of its diesel fuel price risk for the fiscal year 2022 budget period. MARTA may execute additional fuel hedge contracts to complete fuel hedging for the fiscal year 2022. Fuel Swap transactions will be determined through a bid process conducted at points in fiscal year as dictated by market conditions. The purchases and settlements will be executed and settled by the Cash Management Branch. These contracts will be executed to hedge fiscal years 2022 and 2023 at levels not to exceed 80% of the forecast usage for any year.

MARTA executed a fixed rate, taxable bond refunding \$270.1M par transaction, Bond Series 2020B, to refund the remaining 2012A Bond Series. The sale was conducted through a competitive bid process, approved by the MARTA Board of Directors on September 10, 2020 and closed on September 24, 2020. The bonds mature over a 20-year period. Six bids were received and the winning bid had a True Interest Cost (TIC) rate of 2.45%.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2020
(Dollars in Thousands)

UNION					
Total Pension Liability:	2019	2018	2017	2016	2015
Service Cost	\$13,318	\$13,036	\$12,199	\$11,677	\$11,476
Interest	39,340	38,706	37,614	38,448	35,684
Change in Benefit Terms	—	—	—	(1,180)	323
Difference between Expected and Actual Experience	(4,694)	(10,361)	2,670	(4,055)	(1,763)
Change in Assumptions	—	5,899	1,051	—	29,188
Benefit Payments	(37,933)	(38,499)	(38,807)	(38,031)	(36,727)
Administrative Expense	(596)	(589)	(705)	(928)	(851)
Net Change in Total Pension Liability	\$ 9,435	\$ 8,192	\$14,022	\$ 5,931	\$37,330
Total Pension Liability					
Beginning of the Year	548,234	540,042	526,020	520,089	482,759
Net Increase (Decrease)	9,435	8,192	14,022	5,931	37,330
Total Pension Liability End of the Year	\$557,669	\$548,234	\$540,042	\$526,020	\$520,089
Plan Fiduciary Net Position:					
Employee Contributions	\$ 5,698	\$ 5,137	\$ 4,947	\$ 4,828	\$ 4,719
Employer Contributions	10,404	9,129	9,041	8,807	8,630
Members Buybacks	—	—	—	—	—
Net Investment Income	101,948	(26,423)	68,793	41,493	(7,547)
Benefits Payments	(37,933)	(38,499)	(38,807)	(38,031)	(36,727)
Administrative Expense	(596)	(588)	(705)	(928)	(851)
Other	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	\$79,521	\$(51,244)	\$43,269	\$16,169	\$(31,776)
Total Fiduciary Net Position					
Beginning of the Year	511,334	562,578	519,309	503,140	535,836
Net Increase (Decrease)	79,521	(51,244)	43,269	16,169	(32,696)
Total Plan Fiduciary Net Position End of the Year	\$590,855	\$511,334	\$562,578	\$519,309	\$503,140
Plan's Net Position Liability (NPL)	\$(33,186)	\$36,900	\$(22,536)	\$ 6,711	\$16,949
Plan Fiduciary Net Position as % of TPL	106.0%	93.3%	104.2%	98.7%	96.7%
Covered Payroll	128,600	112,843	111,751	108,865	106,678
Plan's NPL as % of Covered Payroll	-25.8%	32.7%	-20.2%	6.2%	15.9%

* The years in the column headers represent the measurement period ending December 31.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2020
(Dollars in Thousands)

UNION					
Total Pension Liability:	2014	2013	2012	2011	2010
Service Cost	\$ 11,099	\$ 11,004	\$ 9,870	\$ 10,114	\$ 12,239
Interest	35,109	34,672	34,932	34,847	34,119
Difference between Expected and Actual Experience	(2,287)	(5,092)	(17,095)	2,283	(5,486)
Change in Assumptions	—	—	—	(16,182)	—
Benefit Payments	(35,123)	(33,491)	(30,075)	(28,207)	(28,739)
Administrative Expense	(588)	(553)	(549)	(583)	(541)
Net Change in Total Pension	\$ 8,210	\$ 6,540	\$ (2,917)	\$ 2,272	\$ 11,592
Total Pension Liability					
Beginning of the Year	474,549	468,009	470,926	468,654	457,062
Net Increase (Decrease)	8,210	6,540	(2,917)	2,272	11,592
Total Pension Liability End of the Year	\$482,759	\$474,549	\$468,009	\$470,926	\$468,654
Plan Fiduciary Net Position:					
Employee Contributions	\$ 4,392	\$ 4,812	\$ 4,521	\$ 3,671	\$ 2,669
Employer Contributions	8,077	8,839	6,218	6,941	11,360
Net Investment Income	31,954	84,100	47,576	456	55,248
Benefits Payments	(35,123)	(33,491)	(30,075)	(28,207)	(28,739)
Administrative Expense	(588)	(553)	(549)	(583)	(541)
Net Change in Plan Fiduciary	\$ 8,712	\$ 63,707	\$ 27,691	\$ (17,722)	\$ 39,997
Total Fiduciary Net Position					
Beginning of the Year	526,203	462,497	434,806	452,528	412,531
Net Increase (Decrease)	8,713	63,706	27,691	(17,722)	39,996
Total Plan Fiduciary Net Position End of the Year	\$534,916	\$526,203	\$462,497	\$434,806	\$452,527
Plan's Net Position Liability	\$ (52,157)	\$ (51,654)	\$ 5,512	\$ 36,120	\$ 16,126
Plan Fiduciary Net Position as % of TPL	110.8 %	110.9 %	98.8 %	92.3 %	96.6 %
Covered Payroll	99,587	109,119	105,030	108,930	116,744
Plan's NPL as % of Covered	-52.4%	-47.3%	5.2%	33.2%	13.8%

* The years in the column headers represent the measurement period ending December 31.

** This is a 10-year schedule information. Information for additional years will be displayed as it becomes available.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2020
(Dollars in Thousands)

NON-REP					
Total Pension Liability:	2019	2018	2017	2016	2015
Service Cost	\$ 4,471	\$ 5,136	\$ 4,747	\$ 5,656	\$ 6,051
Interest	28,832	29,002	30,292	32,430	31,569
Change in Benefit Terms	—	1,000	2,800	(37,000)	—
Experience	2,785	(118)	4,409	1,987	9,181
Change in Assumptions	36,094	—	26,064	15,000	—
Benefit Payments	(37,291)	(37,643)	(36,647)	(33,470)	(34,383)
Administrative Expense	—	—	—	—	—
Net Change in Total Pension Liability	\$34,891	\$(2,623)	\$31,665	\$(15,397)	\$12,418
Total Pension Liability					
Beginning of the Year	494,438	497,061	465,396	480,793	468,375
Net Increase (Decrease)	34,891	(2,622)	31,665	(15,397)	12,418
Total Pension Liability End of the Year	\$529,329	\$494,439	\$497,061	\$465,396	\$480,793
Plan Fiduciary Net Position:					
Employee Contributions	\$ 2,250	\$ 2,424	\$ 2,533	\$ 2,626	\$ 2,818
Employer Contributions	19,493	19,434	13,540	26,339	20,114
Members Buybacks	29	20	48	55	82
Net Investment Income	68,425	(22,247)	63,383	22,568	(2,994)
Benefits Payments	(37,291)	(37,643)	(36,647)	(33,470)	(34,383)
Administrative Expense	(361)	(263)	(275)	(231)	(245)
Other	1	9	1	133	9
Net Change in Plan Fiduciary Net Position	\$52,546	\$(38,265)	\$42,583	\$18,020	\$(14,599)
Total Fiduciary Net Position					
Beginning of the Year	379,414	417,679	375,096	357,076	371,675
Net Increase (Decrease)	52,546	(38,265)	42,583	18,020	(14,599)
Total Plan Fiduciary Net Position End of the Year	\$431,960	\$379,414	\$417,679	\$375,096	\$357,076
Plan's Net Position Liability (NPL)	\$97,369	\$115,024	\$79,382	\$90,300	\$123,717
Plan Fiduciary Net Position as % of TPL	81.6%	76.7%	84.0%	80.6%	74.3%
Covered Payroll	28,998	31,145	34,571	38,966	42,301
Plan's NPL as % of Covered Payroll	335.8%	369.3%	229.6%	231.7%	292.5%

* The years in the column headers represent the measurement period ending December 31.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2020
(Dollars in Thousands)

NON-REP	2014	2013	2012	2011	2010
Total Pension Liability:					
Service Cost	\$ 5,602	\$ 5,994	\$ 7,358	\$ 7,124	\$ 7,043
Interest	31,475	30,517	31,878	30,054	28,593
Change in Benefit Terms	—	—	(26,143)	—	—
Difference between Expected and Actual Experience	4,158	(1,032)	2,452	9,121	10,086
Change in Assumptions	15,914	10,648	11,228	5,540	—
Benefit Payments	(34,023)	(31,084)	(27,986)	(27,527)	(25,174)
Administrative Expense	—	—	—	—	—
Net Change in Total Pension Liability	\$ 23,126	\$ 15,043	\$ (1,213)	\$ 24,312	\$ 20,548
Total Pension Liability					
Beginning of the Year	445,249	430,206	431,419	407,108	386,560
Net Increase (Decrease)	23,126	15,043	(1,213)	24,312	20,548
Total Pension Liability End of the Year	\$468,375	\$445,249	\$430,206	\$431,419	\$407,108
Plan Fiduciary Net Position:					
Employee Contributions	\$ 2,902	\$ 3,389	\$ 3,416	\$ 3,366	\$ 3,225
Employer Contributions	20,623	21,619	24,036	21,825	20,543
Members Buybacks	44	90	31	21	33
Net Investment Income	19,772	66,798	33,194	3,999	28,564
Benefits Payments	(34,023)	(31,084)	(27,986)	(27,527)	(25,174)
Administrative Expense	(227)	(351)	(1,315)	(1,192)	(1,086)
Other	10	341	415	242	136
Net Change in Plan Fiduciary Net Position	\$ 9,102	\$ 60,801	\$ 31,790	\$ 735	\$ 26,241
Total Fiduciary Net Position					
Beginning of the Year	362,573	301,771	269,981	269,246	243,005
Net Increase (Decrease)	9,102	60,802	31,790	735	26,241
Total Plan Fiduciary Net Position End of the Year	\$371,675	\$362,573	\$301,771	\$269,981	\$269,246
Plan's Net Position Liability (NPL)	\$96,701	\$82,676	\$128,435	\$161,438	\$137,862
Plan Fiduciary Net Position as % of TPL	79.4%	81.4%	70.1%	62.6%	66.1%
Covered Payroll	45,099	45,668	49,338	58,225	58,140
Plan's NPL as % of Covered Payroll	214.4%	181.0%	260.3%	277.3%	237.1%

* The years in the column headers represent the measurement period ending December 31.

** This is a 10-year schedule information. Information for additional years will be displayed as it becomes available.

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Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2020
(Dollars in Thousands)

UNION

	2020	2019	2018	2017
Actuarial Assumptions:				
Return	7.25%	7.25%	7.25%	7.50%
Inflation	2.50%	2.10%	2.80%	2.80%
 Projected Salary Increases:				
Cost of Living	None	None	3.00%	3.00%
Merit or Seniority	1.00% per year	1.00% per year	1.00% per year	1.00% per year
Mortality Assumptions:				
Healthy	RP-2014 Mortality for Healthy Lives with fully generational using 1/2 of Scale MP-2016 set forward by 1 year	RP-2014 Mortality for Healthy Lives with fully generational using 1/2 of Scale MP-2016 set forward by 1 year	RP-2014 Mortality for Healthy Lives with fully generational using 1/2 of Scale MP-2016	RP-2014 Blue Collar Mortality Table using 1/2 of Scale MP-2014
Disabled	RP-2014 Mortality for Disabled Lives with fully generational using 1/2 of Scale MP-2016	RP-2014 Mortality for Disabled Lives with fully generational using 1/2 of Scale MP-2016	RP-2014 Mortality for Disabled Lives with fully generational using 1/2 of Scale MP-2016	RP-2014 Blue Collar Mortality Table using 1/2 of Scale MP-2014

NON-REP

	2020	2019	2018	2017
Actuarial Assumptions:				
Return	5.50%	6.00%	6.00%	6.70%
Inflation	2.25%	2.50%	2.50%	2.50%
Mortality Assumptions:				
Healthy	RP-2014 Mortality for Healthy Annuitant Mortality Tables separated by sex, Projection Scale MP-2016, fully generational	RP-2014 Mortality for Healthy Annuitant Mortality Tables separated by sex, Projection Scale MP-2016, fully generational	RP-2014 Employee and Healthy Annuitant Mortality Tables separated by Sex, Projection Scale BB to valuation date.	RP-2000 Combined Health Mortality Tables separated by Sex, Project Scale BB to valuation date.
Disabled	None. No future mortality improvement was projected	RP-2014 Employee and Healthy Annuitant Mortality Tables separated by Sex, Projection Scale BB to valuation date.	RP-2014 Employee and Healthy Annuitant Mortality Tables separated by Sex, Projection Scale BB to valuation date.	None. No future mortality improvement was projected

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions - Pension
Year Ended June 30, 2020
(Dollars in Thousands)

UNION

FISCAL YEAR ENDED JUNE 30	2020	2019	2018	2017	2016
Contributions					
Actuarially Determined Contribution	\$ 10,257	\$ 9,812	\$ 9,278	\$ 8,924	\$ 8,719
Actual Employer Contributions	<u>10,257</u>	<u>9,812</u>	<u>9,278</u>	<u>8,924</u>	<u>8,719</u>
Contribution Deficiency (Excess)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Covered Payroll	\$126,792	\$121,284	\$114,680	\$110,308	\$107,772
Actual Contributions as % of Covered Payroll	8.09%	8.09%	8.09%	8.09%	8.09%

NON-REP

FISCAL YEAR ENDED JUNE 30	2020	2019	2018	2017	2016
Contributions					
Actuarially Determined Contribution	\$ 15,741	\$ 14,664	\$ 13,181	\$ 19,787	\$ 23,211
Actual Employer Contributions	<u>16,899</u>	<u>17,647</u>	<u>17,158</u>	<u>24,346</u>	<u>19,787</u>
Contribution Deficiency (Excess)	<u>(1,158)</u>	<u>(2,983)</u>	<u>(3,977)</u>	<u>(4,559)</u>	<u>3,424</u>
Covered Payroll	\$ 28,673	\$ 31,425	\$ 34,157	\$ 38,231	\$ 43,402
Actual Contributions as % of Covered Payroll	58.94%	56.16%	50.23%	63.68%	45.59%

*Based on a blend of the overlapping Calendar Year results. The 6/30/2018 through 6/30/2020 results are based on the unaudited cash statements for the preceding 12 months and the applicable contribution rate.

**Contributions for FYE 6/30/2019 have been revised to reflect year-to-date information.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Employer Contributions - Pension
Year Ended June 30, 2020
(Dollars in Thousands)

UNION

FISCAL YEAR ENDED JUNE 30	2015	2014	2013	2012	2011
Contributions					
Actuarially Determined Contribution	\$8,729	\$ 7,510	\$ 7,064	\$ 8,918	\$10,631
Actual Employer Contributions	8,354	8,458	7,528	6,579	9150
Contribution Deficiency (Excess)	375	(948)	(464)	2,339	1,481
Covered Payroll	\$103,133	\$104,353	\$107,074	\$106,980	\$112,837
Actual Contributions as % of Covered Payroll	8.10%	8.11%	7.03%	6.15%	8.11%

NON-REP

FISCAL YEAR ENDED JUNE 30	2015	2014	2013	2012	2011
Contributions					
Actuarially Determined Contribution	\$18,296	\$18,646	\$22,947	\$23,349	\$20,653
Actual Employer Contributions	20,369	21,121	22,827	22,930	21,184
Contribution Deficiency (Excess)	(2,073)	(2,475)	120	419	(531)
Covered Payroll	\$ 43,700	\$ 45,384	\$ 47,503	\$ 53,782	\$ 58,182
Actual Contributions as % of Covered Payroll	46.61%	46.54%	48.05%	42.64%	36.41%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Year Ended June 30, 2020
(Dollars in Thousands)

	2019	2018	2017
Total OPEB Liability:			
Service Cost (BOY)	\$ 6,915	\$ 6,751	\$ 6,521
Interest	14,396	14,133	15,259
Change in Benefit Terms	5,114	—	—
Difference between Expected and Actual Experience	(19,310)	(265)	(7,362)
Change in Assumptions	3,956	—	(15,402)
Benefit Payments	(15,009)	(17,020)	(15,335)
Administrative Expense	—	—	—
Net Change in Total OPEB Liability	\$ (3,938)	\$ 3,599	\$ (16,319)
Total OPEB Liability			
Beginning of the Year	198,741	195,143	211,461
Net Increase (Decrease)	(3,938)	3,599	(16,319)
End of the Year	\$ 194,803	\$ 198,741	\$ 195,142
Plan Fiduciary Net Position:			
Employer Contributions	\$ 18,009	\$ 20,020	\$ 20,772
Active Employee Contributions *	—	—	—
Net Investment Income	4,103	5,265	6,867
Benefit Payments	(15,009)	(17,020)	(15,335)
Administrative Expense	—	—	—
Net Change in Plan Fiduciary Net Position	\$ 7,103	\$ 8,265	\$ 12,304
Total Fiduciary Net Position			
Beginning of the Year	75,953	67,688	55,384
Net Increase (Decrease)	7,103	8,265	12,304
End of the Year	\$ 83,056	\$ 75,953	\$ 67,688
Plan's Net Position Liability (NPL)	\$ 111,747	\$ 122,788	\$ 127,455
Plan Fiduciary Net Position as % of TOL	42.6 %	38.2 %	34.7 %
Covered Employee Payroll	\$ 211,603	\$ 196,714	\$ 189,100
Plan's NPL as % of Covered Employee Payroll	52.8 %	62.4 %	67.4 %

*Active employees do not contribute to the OPEB Plan.

**The year in the column header represents the measurement period ending June 30th.

*** This is a 10-year schedule. Information for additional years will be displayed as it becomes available.

Notes to Schedule – Changes in benefits and assumptions: In FY19, the health care trend rate starting point decreased from 7.75% to 7.50% and the inflation rate increased from 2.25% to 2.50%. In FY18, the morality rates for the Union Plan were changed. The retirement rates for the Non-Represented Plan were changed. The health care cost trend rate starting point decreased from 8.0% to 7.75%.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Schedule of Employers Contributions - OPEB
Year Ended June 30, 2020
(Dollars in Thousands)

FISCAL YEAR ENDING	2020	2019	2018	2017
Contributions				
Actuarially Determined Contributions	\$ 18,035	\$ 18,009	\$ 20,020	\$ 20,772
Employer Contributions (ERC)	18,035	18,009	20,020	20,772
Contributions (Excess)/Deficiency	—	—	—	—
Covered Employee Payroll	\$ 219,089	\$ 211,603	\$ 196,714	\$ 189,100
ERC as % of Covered Employee Payroll	8.23%	8.51%	10.18%	10.98%

**This is a 10-year schedule. Information for additional years will be displayed as it becomes available.

Notes to Schedule:

Valuation Date:	June 30, 2019
Discount Rate:	7.0%
Investment Rate of Return:	7.0%
Inflation Rate:	2.50%
Healthcare Cost Trend:	7.50% for 2019-20 PY, increases to 8.50% for PY 2021-22 and eventually decreases to an ultimate rate of 5.0% by PY 2031-32

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Revenues and Expenses
Budget vs. Actual (Budget Basis)
Year Ended June 30, 2020
(Dollars in Thousands)

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues			
Fare Revenue	\$ 125,612	\$ 102,420	\$ (23,192)
Other Revenue	5,567	7,651	2,084
Total Operating Revenues	131,179	110,071	(21,108)
Operating Expenses			
Transportation	252,039	241,307	10,732
Maintenance & Garage Operations	177,043	173,680	3,364
General and Administrative	84,813	94,017	(9,205)
Total Operating Expenses	513,895	509,004	4,891
Operating Loss	(382,716)	(398,933)	(16,217)
Nonoperating Revenues			
Sales and Use Tax	562,027	521,898	(40,129)
Federal Operating Revenue	79,400	234,634	155,234
Investment Income	3,922	12,108	8,186
Other Revenues	34,120	44,454	10,334
	679,469	813,094	133,625
Increase in Net Position- Budget Basis	<u>\$ 296,752</u>	<u>\$ 414,161</u>	<u>\$ 117,408</u>
Basis Differences			
Depreciation		(245,619)	
Gain on Sales of Property and Equipment		2,661	
Interest Expense		(86,918)	
Amortization of Financing Related Charges and Income from Derivative Activity		7,411	
Other - Nonoperating Expense		(49,961)	
Capital Grants		61,642	
Net Capital Lease Transaction Activity		(2,298)	
Gain on Investment Derivatives		328	
Increase in Net Position - GAAP Basis		<u>\$ 101,407</u>	

See notes to supplemental schedule

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Supplemental Schedule
Year Ended June 30, 2020
(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. Operating revenue performed unfavorable to the budget, ending the year (\$ 21,108) (16.0 %) less than budget due to the adverse impact of COVID-19. Non-operating revenues were \$133,625 (19.7 %) favorable to the budget. The largest favorable variance was Federal Operating Revenue which was \$155,234 more than budgeted. MARTA continued a number of cost containment measures in fiscal year 2020 by focusing on increasing productivity and efficiencies while reducing cost. The fiscal year 2020 total operating expenses were \$509,004 which excludes depreciation. This was \$4,891 (0.96 %) less than the fiscal year 2020 budget, which was \$25,791 (5.2 %) more than the previous year's budget.



STATISTICAL



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STATISTICAL SECTION - Unaudited

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

	<u>Schedules</u>
FINANCIAL TRENDS	87-93
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
REVENUE CAPACITY	97-99
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.	
DEBT CAPACITY	103-107
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.	
DEMOGRAPHIC & ECONOMIC INFORMATION	111-114
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
OPERATING INFORMATION	117-123
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



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Condensed Summary of Net Position

Last Ten Fiscal Years
(Dollars in Millions)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ASSETS:										
Current and Other Assets	\$ 1,336	\$ 1,061	\$ 955	\$ 1,253	\$ 1,086	\$ 1,161	\$ 1,033	\$ 1,039	\$ 1,013	\$ 968
Capital Assets	3,057	3,004	2,883	2,871	2,966	3,049	3,056	3,028	3,078	3,158
Net Pension Assets	33	-	23	-	-	53	-	-	-	-
Derivative Assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	2	-	-	-	-
Total Assets	4,426	4,065	3,861	4,124	4,052	4,265	4,089	4,067	4,091	4,126
DEFERRED OUTFLOWS OF RESOURCES										
Hedging	1	-	-	-	-	2	-	4	23	29
Pension	44	101	89	110	128	41	-	-	-	-
OPEB	22	18	20	-	-	-	-	-	-	-
Debt Refunding	26	29	31	21	25	10	12	16	-	-
Total Deferred Outflows of Resources	93	148	140	131	153	53	12	20	23	29
Total Assets and Deferred Outflows of Resources	4,519	4,213	4,001	4,255	4,205	4,318	4,101	4,087	4,114	4,155
LIABILITIES:										
Long-term Debt Outstanding	2,732	2,444	2,361	2,345	2,176	2,132	1,792	1,881	1,910	1,652
Current and Other Liabilities	341	334	294	532	536	693	884	747	617	826
Derivative Liability	1	-	-	-	-	2	-	-	-	-
Net Pension Liability	97	152	79	97	141	96	-	-	-	-
Net OPEB Liability	112	123	128	1	1	1	-	-	-	-
Total Liabilities	3,283	3,053	2,862	2,975	2,854	2,924	2,676	2,628	2,528	2,478
DEFERRED INFLOWS OF RESOURCES										
Hedging	-	-	333	-	-	-	-	-	-	1
Capital Lease	13	15	16	-	-	-	-	-	-	-
Pension	59	9	50	9	3	2	-	-	-	-
OPEB	23	15	20	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	95	39	419	9	3	2	-	-	-	1
Total Liabilities and Deferred Inflows of Resources	3,378	3,092	3,281	2,984	2,857	2,926	2,676	2,628	2,528	2,479
NET POSITION:										
Net Investment in Capital Assets	623	810	774	222	503	478	647	654	796	915
Restricted	66	62	54	936	857	929	789	788	768	717
Unrestricted	452	249	224	113	(12)	(14)	(11)	17	23	44
TOTAL NET POSITION	\$ 1,141	\$ 1,121	\$ 1,052	\$ 1,271	\$ 1,348	\$ 1,393	\$ 1,425	\$ 1,459	\$ 1,587	\$ 1,676

Summary of Revenues, Expenses and Changes in Net Position

Last Ten Fiscal Years
(Dollars in Millions)

	2020 ⁽¹⁾	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Revenues										
Fare Revenues	\$102	\$133	\$138	\$138	\$141	\$146	\$140	\$141	\$133	\$116
Other Revenues	\$8	\$8	10	10	11	11	12	10	11	11
Total Operating Revenues	110	141	148	148	152	157	153	151	144	127
Non-Operating Revenues										
Sales and Use Tax	522	540	507	439	410	378	347	339	341	320
Federal Revenues	235	87	76	85	76	83	103	120	71	86
Investment Income	12	12	3	2	2	1	1	2	1	1
Net Capital Leases Transaction Activity	(2)	(1)	(71)	(27)	32	5	7	(32)	52	(12)
Other Revenues	44	43	42	50	42	28	32	17	13	13
Gain (Loss) on Sale of Property and Equip.	3	7	1	3	—	—	—	(1)	—	(1)
Total Non-operating Revenues	814	688	558	552	562	494	490	445	477	407
Total Revenues	924	829	706	700	715	651	642	596	621	534
Summary of Expenses Operating:										
Transportation	241	247	227	220	206	187	182	183	186	184
Maintenance and Garage Operations	174	175	152	140	144	131	142	138	147	147
General and Administrative	94	100	103	73	83	82	89	79	79	80
Depreciation	246	241	234	236	243	225	210	220	230	222
Total Operating Expenses	755	763	716	669	676	625	623	619	642	633
Non-Operating Expenses										
Interest Expenses	87	84	78	84	83	86	76	79	70	73
Interest Expenses Capitalized	—	—	—	—	—	(1)	(1)	(2)	(1)	—
Amortization of Financing Related Charges and Income from Derivative Activity	(7)	(9)	(5)	(7)	(5)	(3)	(4)	(5.63)	(3)	1
(Gain) Loss on Investment Derivatives	(1)	(1)	(1)	1	—	(1)	(8)	—	(9)	(8)
Other Non-operating Expenses	50	45	33	45	39	44	62	81	51	35
Total Non-operating Expenses	129	119	106	123	117	125	124	152	109	101
Total Expenses	884	882	822	792	793	750	747	771	751	734
Income/(Loss) Before Capital Contributions	40	(53)	(114)	(92)	(78)	(99)	(105)	(175)	(130)	(200)
Capital Grants and Contributions	62	122	30	15	32	82	71	47	40	27
Increase (Decrease) in Net Position	102	69	(84)	(78)	(45)	(17)	(34)	(128)	(90)	(173)
Net Position, July 1 as previously presented	1,121	1,052	1,271	1,348	1,393	1,425	1,459	1,587	1,676	1,849
Cumulative Effect of Adoption of New Accounting Principle	(82)	—	(135)	—	—	(15)	—	—	—	—
Net Position, July 1	1,039	1,052	1,136	1,348	1,393	1,410	1,459	1,587	1,676	1,849
Net Position, June 30	\$1,141	\$1,121	\$1,052	\$1,271	\$1,348	\$1,393	\$1,425	\$1,459	\$1,587	\$1,676

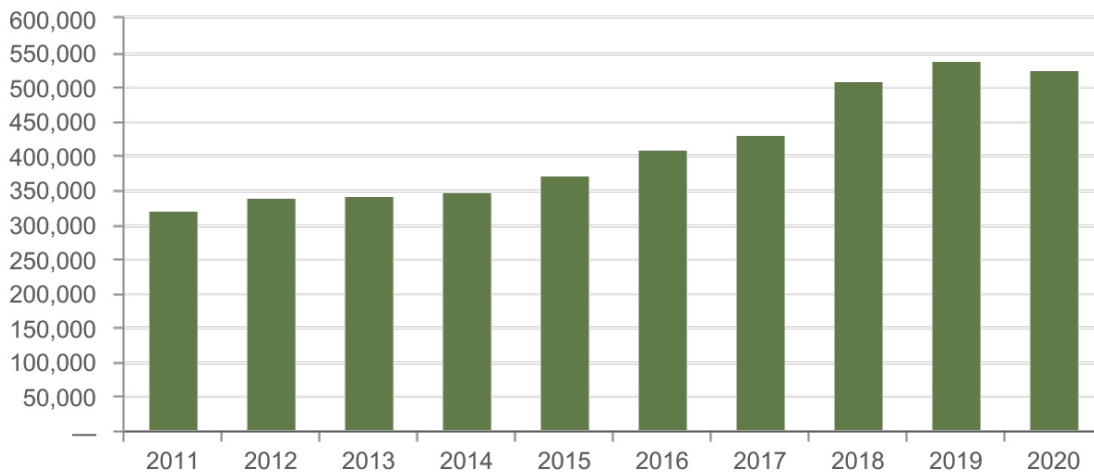
⁽¹⁾ Sales and use tax, Fare revenue and Operating expenses were impacted by COVID-19. Federal revenues included CARES Act funding.

Sales Tax Collection and Usage

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Sales Tax ⁽¹⁾	Percent Change	Usage (2 & 3)					
			Sinking Fund Withheld	Capital Construction	Sales Tax for Operations			Overage/ (Shortage)
					Subsidy	Percent Used		
2011	\$ 319,229	4.6%	\$ 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
2015	372,384	7.7	146,184	40,008	151,235	41		34,957
2016	409,846	10.1	150,834	62,530	159,470	39		37,012
2017	429,886	4.9	130,570	95,550	170,207	40		33,559
2018	507,264	18.0	123,806	149,509	213,046	40		20,903
2019	538,966	6.2	135,623	148,707	248,868	46		5,768
2020 ⁽¹⁾	524,832	(2.6)	141,682	135,429	193,176	37		54,545

Sales & Use Tax Receipts



⁽¹⁾ Sales Tax Collection is stated on cash basis. Decrease in sales tax collection due to the impact of COVID-19.

⁽²⁾ 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.

⁽³⁾ In fiscal year 2015, the 50-50 mandate dictating how MARTA can spend its sales tax revenue was permanently lifted.

Revenues and Operating Assistance Comparison to Industry Trend Data

Last Ten Fiscal Years
(As a Percentage of Total)

	Fiscal Year	Operating and Other Miscellaneous Revenue			Operating Assistance			Total Revenue
		Fares	Other ⁽²⁾	Total	Sales & Use Tax		Total	
					Federal			
Transportation Industry(1)								
	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	32.5	3.8	36.3	54.7	8.9	63.7	100.0
	2014	32.0	3.9	35.9	55.5	8.6	64.1	100.0
	2015	32.5	4.9	37.4	54.3	8.3	62.6	100.0
	2016	31.3	5.0	36.3	55.6	8.0	63.7	100.0
	2017	31.4	5.0	36.3	55.2	8.5	63.7	100.0
	2018**	30.7	5.4	36.1	55.3	8.6	63.9	100.0
	2019*	*	*	*	*	*	*	*
	2020*	*	*	*	*	*	*	*
MARTA								
	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
	2015	22.5	6.8	29.3	58.0	12.7	70.7	100.0
	2016	19.8	12.2	32.0	57.3	10.7	68.0	100.0
	2017	19.7	5.5	25.2	62.7	12.1	74.8	100.0
	2018	19.6	-2.2	17.4	71.8	10.8	82.6	100.0
	2019	16.1	8.3	24.4	65.1	10.5	75.6	100.0
	2020 ⁽³⁾	11.1	7.0	18.1	56.5	25.4	81.9	100.0

* Not Available

** Revised

(1) Source: The American Public Transportation Association, APTA April 2020 Fact Book, Appendix A Historical Table 87.

(2) Other Revenue includes interest, auxiliary, and other non-operating income.

(3) Fares, Sales & Use Tax, and Federal Revenues were impacted by COVID-19.

Total Expenses by Function

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	General and				Total Operating				
	Transportation	Maintenance	Administrative	Depreciation	Expenses	Interest	Other	Total	
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
2015	186,527	131,276	82,354	225,082	625,239	84,845	40,389		750,473
2016	206,252	143,576	83,271	242,536	675,635	83,177	33,644		792,456
2017	219,867	140,341	72,747	235,608	668,563	84,124	38,984		791,671
2018	226,791	151,800	103,540	233,549	715,680	77,611	26,781		820,072
2019	247,245	175,466	99,531	240,540	762,782	83,617	35,310		881,709
2020 ⁽¹⁾	241,307	173,680	94,017	245,619	754,623	86,918	42,222		883,763

⁽¹⁾ Operating expense were impacted by COVID-19.

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
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
2015	300,385	32,465	41,543	13,723	8,103	—	225,082	3,938	625,239
2016	329,462	34,170	41,682	13,854	5,321	4,108	242,536	4,502	675,635
2017	304,955	35,890	38,607	12,857	9,701	26,682	235,608	4,263	668,563
2018	331,416	38,536	43,039	15,289	22,128	24,696	233,549	7,027	715,680
2019	366,938	41,578	39,842	14,929	17,903	30,002	240,540	11,050	762,782
2020 ⁽¹⁾	360,009	38,770	38,601	13,885	15,770	31,758	245,619	10,211	754,623

⁽¹⁾ Operating expense were impacted by COVID-19.

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)									
	2011	65.0%	6.6%	11.4%	3.3%	2.6%	13.3%	-2.2%	100.0%
	2012	64.0	6.9	11.7	3.2	2.2	13.8	-1.8	100.0
	2013	60.7	7.1	11.2	3.1	2.4	13.7	1.8	100.0
	2014	61.1	6.9	11.0	3.2	2.5	13.6	1.7	100.0
	2015	62.0	7.0	10.0	3.0	2.0	14.0	2.0	100.0
	2016	62.0	8.0	9.0	3.0	3.0	14.0	1.0	100.0
	2017	62.0	8.0	9.0	3.0	3.0	14.0	1.0	100.0
	2018	61.0	8.0	9.0	3.0	3.0	14.0	2.0	100.0
	2019	*	*	*	*	*	*	*	*
	2020	*	*	*	*	*	*	*	*
MARTA									
	2011	74.8%	6.1%	11.1%	4.6%	2.9%	—%	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
	2015	75.1	8.1	10.4	3.4	2.0	0.0	1.0	100.0
	2016	76.1	7.9	9.6	3.2	1.2	0.9	1.1	100.0
	2017	70.4	8.3	8.9	3.0	2.2	6.2	1.0	100.0
	2018	68.7	8.0	8.9	3.2	4.6	5.1	1.5	100.0
	2019	70.3	8.0	7.6	2.9	3.4	5.7	2.1	100.0
	2020 ⁽³⁾	71.2	7.7	7.6	2.7	3.1	6.3	1.4	100.0

* Not Available

⁽¹⁾Excludes Depreciation Expenses

⁽²⁾Source: The American Public Transportation Association, APTA 2019 Public Transportation Fact Book.

⁽³⁾Operating Expenses were impacted by COVID-19.

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REVENUE CAPACITY



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Revenues by Source

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Fare Revenues ⁽¹⁾	Federal Operating Revenues ⁽²⁾	Sales & Use Tax ⁽³⁾	Auxiliary Transportation	Investment Income	Non-Transportation ⁽⁴⁾	Total
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
2015	146,417	82,643	377,743	10,777	604	33,009	651,193
2016	141,360	76,288	409,718	11,052	1,568	74,635	714,621
2017	137,914	84,976	439,039	10,577	2,225	25,505	700,236
2018	138,254	76,094	507,146	10,226	3,386	(28,883)	706,223
2019	133,186	87,283	540,310	7,977	11,848	48,602	829,206
2020 ^(1&2)	102,420	234,634	521,898	7,651	12,108	44,817	923,528

⁽¹⁾ Fare revenue decreased by \$30,766 (23%) compared to 2019 as a result of decline in ridership from the effect of COVID-19.

⁽²⁾ Federal Operating Revenues are not generated by MARTA; thus, they are not own-source revenues. Federal Operating Revenue increased by \$17,351 in 2020 mostly due to the receipt of Federal CARES Act Funding.

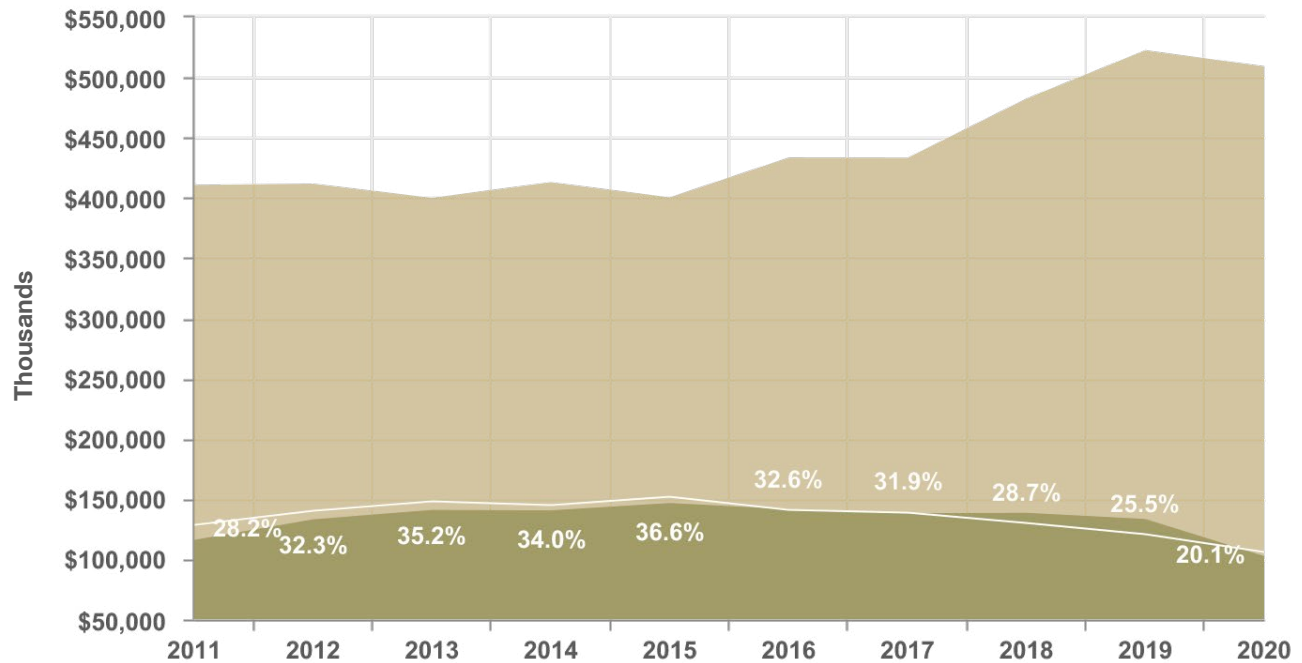
⁽³⁾ MARTA is a public corporate body created as joint public instrumentality and does not have the power to impose any tax on any subject of taxation. MARTA receives 1% sales tax from Fulton County, DeKalb County and Clayton County and 1.5% from the City of Atlanta levied on its behalf by the aforementioned jurisdiction.

⁽⁴⁾ 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 ⁽²⁾	Percent Change	Farebox Recovery
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
2015	146,417	4.3	400,157	(3.0)	36.6
2016	141,360	(3.5)	433,099	8.2	32.6
2017	137,914	(2.4)	432,955	—	31.9
2018	138,254	0.2	482,132	11.4	28.7
2019	133,186	(3.7)	522,242	8.3	25.5
2020 ^(1& 3)	102,420	(23.1)	509,004	(2.5)	20.1



(1) Decrease in Revenue is impacted by COVID-19

(2) Excludes Depreciation Expense

(3) Decrease in Expenses is impacted by COVID-19

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)
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
2015*	4	1	2	2	3	2	2
2016*	4	1	2	2	3	2	2
2017*	4	1	2	2.75	3	2	2
2018	4	1	3.9	3.90	3	2	2
2019	4	1	3.9	3.9	3	2	2
2020	4	1	3.9	3.9	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, DeKalb and Clayton 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.

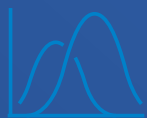
(6) Education tax effective April 1, 1999.

(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



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Sales and Use Tax Revenue Bond Debt Coverage

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Sales & Use Tax	Debt Service Requirements			Debt Service Coverage ⁽¹⁾
		Principal	Interest	Total	
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
2015	377,743	55,255	78,817	134,072	2.82
2016	409,718	59,425	86,018	145,443	2.82
2017	439,039	24,660	84,132	108,792	4.04
2018	507,146	38,520	75,498	114,018	4.45
2019	540,310	44,160	82,297	126,457	4.27
2020 ⁽²⁾	521,898	51,825	84,979	136,804	3.81

⁽¹⁾ Bond indebtedness is limited by the Trust Indenture 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.

⁽²⁾ Sales and Use tax was impacted by COVID-19.

Sales & Use Tax Revenue Bond Debt Service Limit

June 30, 2020
(Dollars in Thousands)

Sales & Use Tax	\$ 521,898
Debt Service Limitation ⁽¹⁾	<u>45%</u>
Debt Service Limit	234,854
Required for Debt Service ⁽²⁾	<u>136,804</u>
Excess	<u><u>\$ 98,050</u></u>

⁽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 105 - 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 & Use Tax	Required for Debt Service	Ratio of Debt Service ⁽¹⁾
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
2015	377,743	134,072	35.5
2016	409,718	145,443	35.5
2017	439,039	108,792	24.8
2018	507,146	114,018	22.5
2019	540,310	126,457	23.4
2020 ⁽²⁾	521,898	136,804	26.2

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

⁽²⁾ Sales and Use Tax was impacted by COVID-19.

Sales & Use Tax Revenue Bond Debt Service Limit

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Sales & Use Tax	Required for Debt Service	Ratio of Debt Service ⁽¹⁾
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
2015	377,743	134,072	35.5
2016	409,718	145,443	35.5
2017	439,039	108,792	24.8
2018	507,146	114,018	22.5
2019	540,310	126,457	23.4
2020⁽²⁾	521,898	136,804	26.2

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

⁽²⁾ Sales and Use Tax was impacted by COVID-19.

Computation of Overlapping Debt

December 31, 2019
(Dollars in Thousands)

Jurisdiction:	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Fulton County Library Bonds	\$ 239,939	100	\$ 239,939
Fulton County School District	22,385	100	22,385
Fulton County Urban Redevelopment Agency	99,993	100	99,993
DeKalb County	240,628	100	240,628
Municipalities:			
Atlanta	297,585	94.02	280,433
Alpharetta	88,239	100	88,239
Hapeville	10,280	100	10,280
Fairburn	7,980	100	7,980
Johns Creek	39,964	100	39,964
Union City	12,163	100	12,163
Milton	31,383	100	31,383
Roswell	6,915	100	6,915
Fulton-DeKalb Hospital Authority Series 2012	52,735	100	52,735
Atlanta-Fulton County Recreation Authority (Zoo 2007)	4,403	95.52	4,212
South Fulton Regional Jail Authority (Fulton Project)	12,405	100	12,405
East Point Building Authority	40,600	100	40,600
Total Overlapping Debt	\$ 1,207,597		\$ 1,190,254

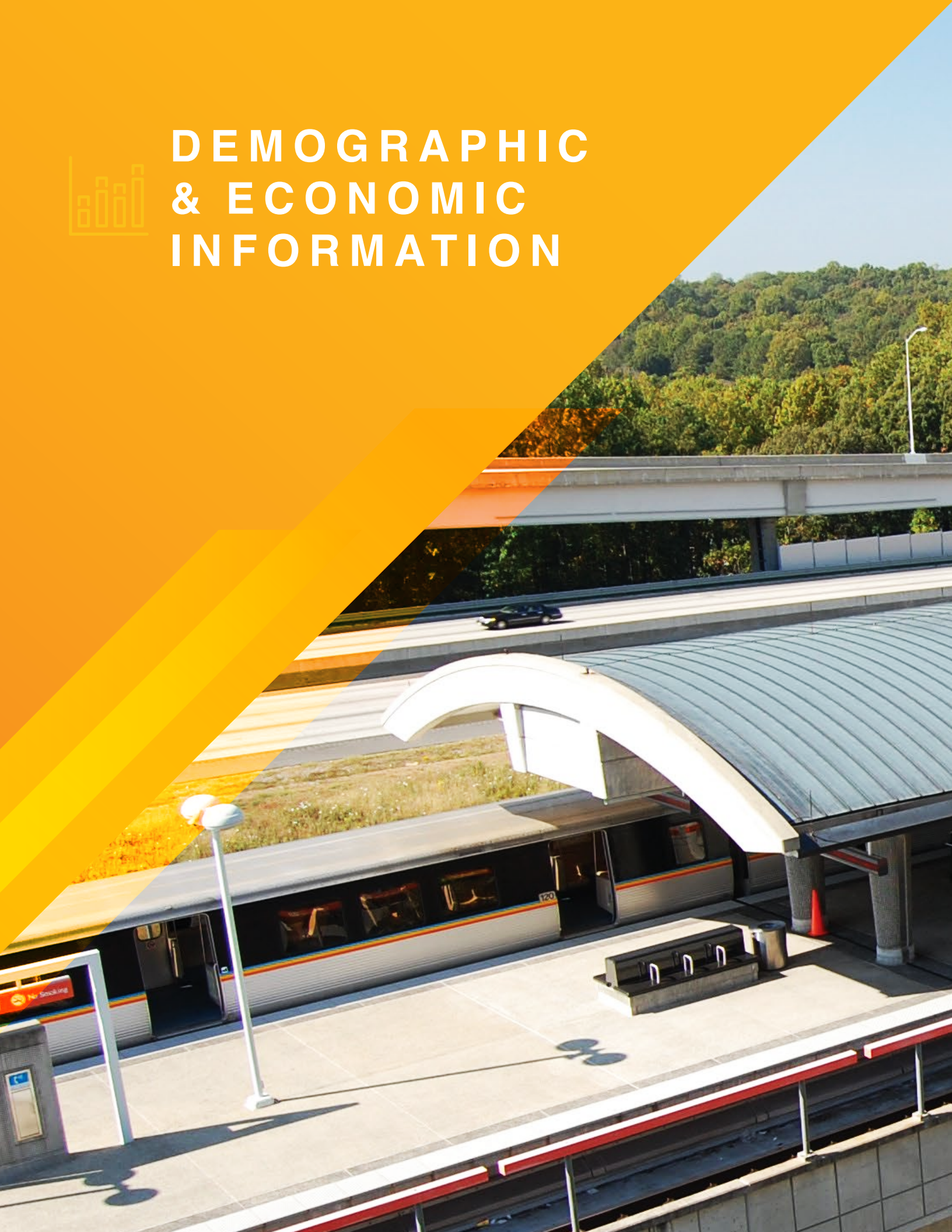
This schedule depicts the debt obligations imposed by other governments that are, either wholly or in part, within the geographic boundaries of MARTA, and the percent of property within MARTA's boundaries.

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

Sources: Year Ended December 31, 2019 CAFR for the City of Atlanta, Fulton County, and Dekalb County.

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DEMOGRAPHIC & ECONOMIC INFORMATION



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Trends in Personal Income

Last Ten Fiscal Years
(Dollars in Thousands)

Calendar Year	Clayton County	Fulton County	DeKalb County	Total Service District(1)	% Change Clayton County	% Change Fulton County	% Change DeKalb County	PER CAPITA*** Personal Income		
								Clay County	Fulton County	DeKalb County
2011	\$ 6,969,372	\$57,492,241	\$29,401,659	\$93,863,272	6.4%	9.2%	9.1%	\$26,536	\$60,495	\$42,126
2012	6,633,794	61,741,749	29,694,392	98,069,935	-4.8	7.4	1.0	24,915	63,134	41,923
2013	6,678,032	60,834,268	30,413,797	97,926,097	0.7	1.5	2.4	25,215	61,778	42,541
2014	7,018,256	63,937,957	31,963,587	102,919,800	5.1	5.1	5.1	26,232	64,174	44,261
2015	7,129,808	70,716,189	31,466,648	109,312,645	1.6	10.6	-1.6	26,025	69,977	42,819
2016	7,466,751	77,713,366	34,026,710	119,206,827	4.7	9.4	8.1	26,702	78,794	45,522
2017	7,698,857	83,820,696	36,519,269	128,038,822	1.3	6.2	6.7	27,058	80,683	48,557
2018*	8,115,041	88,614,889	38,486,781	135,216,711	3.6	4.6	4.8	28,020	84,386	50,871
2019**	**	**	**	**	**	**	**	**	**	**
2020**	**	**	**	**	**	**	**	**	**	**

* Revised per latest update from US Department of commerce BEA dated November 19, 2019

** Not available

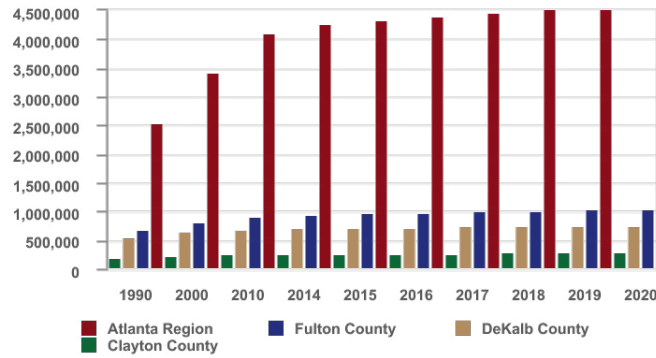
*** Actual dollar amounts

(1) Represents Total Personal Income.

Population and Employment

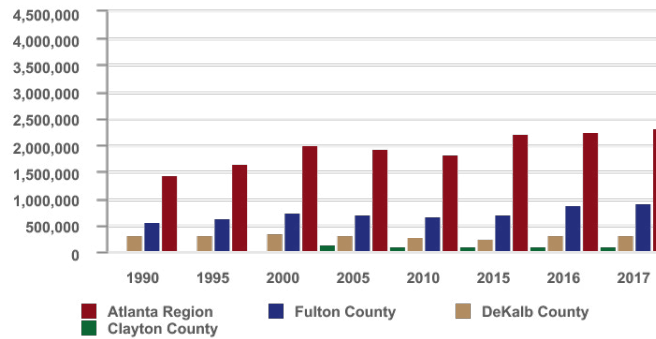
June 30, 2020

Population Growth Since 1990



Year	Clayton County	Fulton County	DeKalb County	Atlanta Region
1990	184,100	670,800	553,800	2,557,800
2000	236,517	816,006	665,865	3,429,379
2010	259,424	920,581	691,893	4,107,750
2014	264,700	958,100	712,900	4,272,300
2015	266,900	970,400	718,400	4,332,600
2016	270,600	985,700	725,000	4,401,800
2017	275,300	1,002,800	733,900	4,480,100
2018	279,400	1,020,370	744,530	4,555,900
2019	283,900	1,037,070	753,030	4,628,400
2020	288,900	1,049,470	758,230	4,692,000

Employment Growth Since 1990



Year	Clayton County	Fulton County	DeKalb County	Atlanta Region
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	126,400	691,100	299,400	1,936,700
2010**	96,940	716,243	278,449	1,915,929
2015**	103,086	851,149	305,210	2,204,705
2016	101,885	878,471	305,034	2,264,095
2017	101,763	901,529	311,653	2,318,700

Source: Atlanta Regional Commission

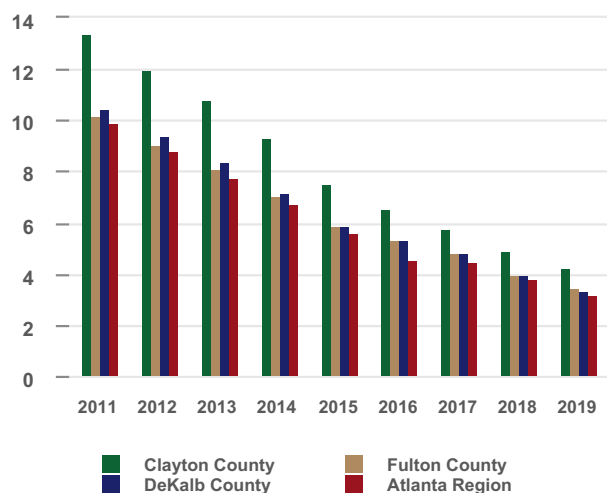
*Not available

**Revised

Unemployment Rates

Last Ten Fiscal Years

Unemployment Rates Since 2011



Year	Clayton County	Fulton County	DeKalb County	Atlanta Region
2011	13.4	10.2	10.5	9.9
2012	12	9.1	9.4	8.8
2013	10.8	8.1	8.4	7.8
2014	9.3	7.1	7.2	6.7
2015	7.5	5.9	5.9	5.6
2016	6.6	5.4	5.4	4.6
2017	5.8	4.8	4.8	4.5
2018	4.9	4	4	3.8
2019*	4.2	3.5	3.4	3.2
2020**	**	**	**	**

* Revised

** Not Available

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

Top Ten Corporate Employers in the Atlanta Region

Current Year and Nine Years Ago

Company	2019			2010		
	Number of Full Time Employees	Rank	Percentage of Total Employment	Number of Full Time Employees	Rank	Percentage of Total Employment
Delta Air Lines, Inc.	34,500	1	1.15%	27,000	1	1.13%
Emory Healthcare, Inc.	32,091	2	1.07	-		
Piedmont Healthcare	17,000	3	0.57	-		
The Home Depot	16,510	4	0.55	9000	4	0.38
Publix Super Markets	16,231	5	0.54	9453	3	0.40
Northside Hospital	16,000	6	0.54	-		
WellStar Health System	14,577	7	0.49	8583	5	0.36
The Kroger Co.	12,906	8	0.43			
AT&T	12,000	9	0.40			
UPS	9,755	10	0.33	6,285	9	0.26
Cox Enterprises, Inc.	8,894		0.30	6,746	7	0.28
Turner Broadcasting System, Inc.	6,000		0.20	6,702	8	0.28
Sun Trust Bank	7,478		0.25	6,917	6	0.29
Wells Fargo & Company	4,350		0.15	5,300	10	0.22
	<u>208,292</u>		<u>6.94</u>	<u>85,986</u>		<u>4.69</u>

Sources: Metro Atlanta Chamber of Commerce, 2020.



OPERATING INFORMATION



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Transit Service Effort & Accomplishments Per Mile

Last Ten Fiscal Years
(Vehicle Miles In Thousands)

Fiscal Year	Revenue Vehicle Miles (1)				Operating Expense (2) Per Mile	Operating Expense (2) Per Passenger Mile (1) (3)		Unlinked Passenger Trips Per Mile (1) (3)
	Bus	Rail	Total	% Change				
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	—	9.83		0.59	3.1
2014	22,443	18,086	40,529	—	10.18		0.61	3.2
2015	23,138	22,215	45,353	12	8.82		0.54	2.9
2016	25,181	22,268	47,449	5	9.13		0.59	2.8
2017	26,239	22,334	48,573	2	8.91		0.60	2.6
2018	27,163	22,373	49,536	2	9.73		0.70	2.4
2019	28,122	22,511	50,633	2	10.31		0.75	2.3
2020(1)	28,303	20,431	48,734	(4)	10.44		0.97	1.9

⁽¹⁾ Does not include demand response. Impacted by COVID-19.

⁽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⁾				Operating Expense ⁽²⁾ Per Hour	Operating Expense ⁽²⁾ Per Passenger Trip ^{(1) (3)}	Unlinked Passenger Trips Per Revenue Vehicle Hour ^{(1) (3)}
	Bus	Rail	Total	% Change			
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	—	136.97	3.09	50.8
2014	1,829	686	2,515	(1)	164.10	3.21	51.1
2015	1,896	836	2,732	9	146.44	2.94	49.8
2016	2,043	838	2,881	5	150.33	3.27	46.1
2017	2,114	840	2,954	3	146.57	3.44	42.6
2018	2,205	841	3,046	3	158.29	4.04	39.2
2019	2,279	845	3,124	3	167.17	4.48	37.3
2020 ^(1&2)	2,323	771	3,094	(1)	164.51	5.43	30.3

⁽¹⁾ Does not include demand response impacted by COVID-19.

⁽²⁾ Operating expense excludes depreciation. Impacted by COVID-19

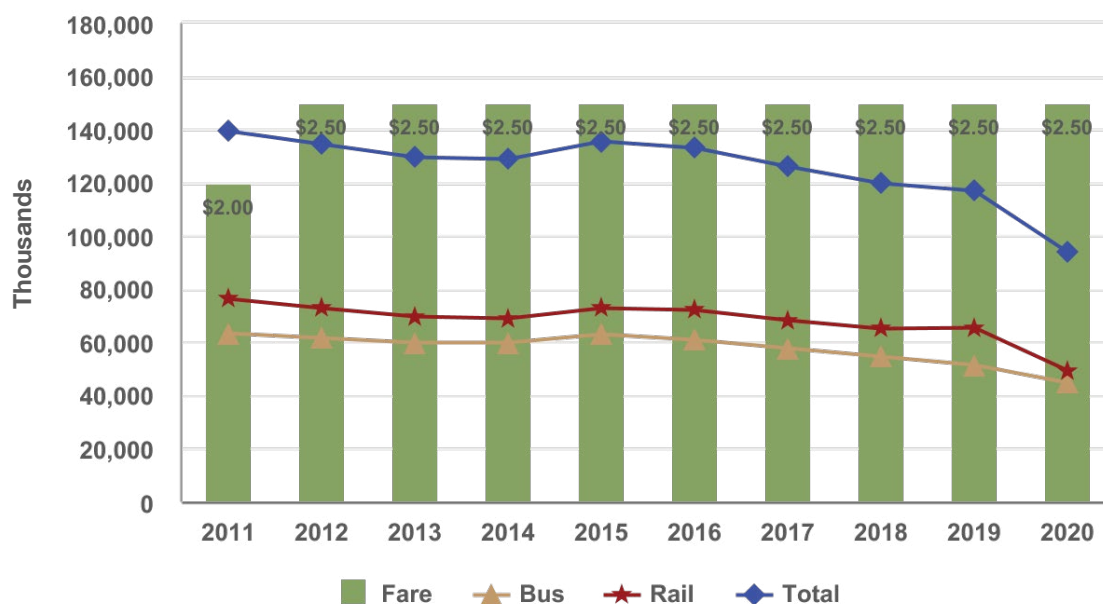
⁽³⁾ Unlinked Passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.

Unlinked Passenger Changes

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

Fiscal Year	Bus ⁽¹⁾	% Change	Rail ⁽¹⁾	% Change	Total ⁽¹⁾	% Change
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)
2015	62,869	5.2	72,537	5.5	135,406	5.3
2016	60,779	(3.3)	71,945	(0.8)	132,724	(2.0)
2017	57,460	(5.5)	68,281	(5.1)	125,741	(5.3)
2018	54,355	(5.4)	65,087	(4.7)	119,442	(5.0)
2019	51,448	(5.3)	65,217	0.2	116,665	(2.3)
2020 ⁽¹⁾	44,638	(13.2)	49,031	(24.8)	93,669	(19.7)

Relationship of Fare Changes to Linked Passenger Counts

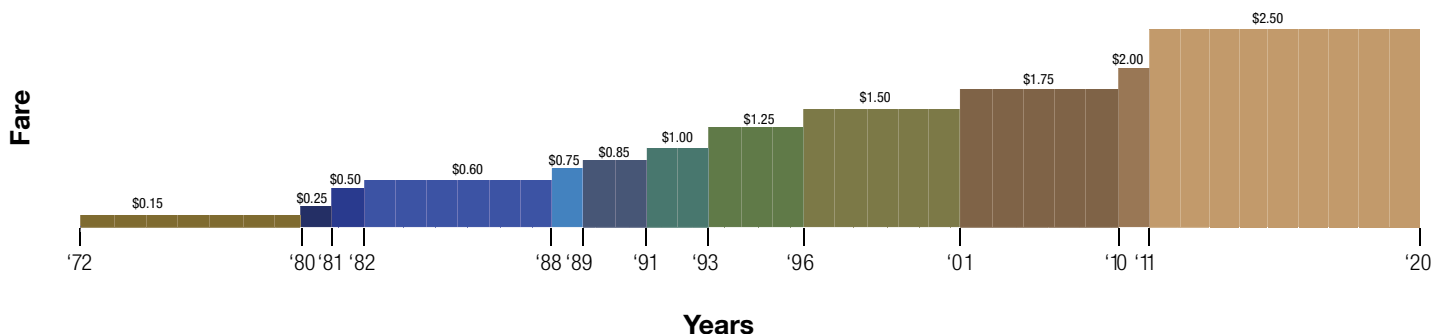


(1) Unlinked passenger count is any transit vehicle passenger boarding, whether it is the first boarding of an origin-to-destination journey or a subsequent transfer. Ridership decrease is due to the impact of COVID-19.

Fare Structure

For the Fiscal Year Ended June 30, 2020

Regular Fare		Discounted Mobility Service (unlimited travel for 30 days on Breeze Card)	\$128.00
Single Trip (stored on Breeze Card or Breeze Ticket)	\$2.50	Mobility on Fixed Route (For Mobility certified customers riding fixed route with Mobility Breeze Card)	
Round Trip-including transfers(stored on Breeze Card or Breeze Ticket)			
Ten(10) single trips(10 trips on Breeze Card or Breeze Ticket)	\$25.00		No charge
Discounted Fare		Student Programs	
Twenty (20) single trips (20 trips stored on one Breeze Card or Breeze Ticket)	\$42.50	K-12 Program (Grade School and High School students K-12, Monday through Friday	\$14.40
30 day pass (unlimited travel for 30 consecutive days, all regular service)	\$95.00	Ten(10) trip pass (to/from school), all regular school	
7 day pass (unlimited travel for 7 consecutive days, all regular service)	\$23.75	University Pass (U-Pass) Program	
Day passes (unlimited travel for consecutive days, all regular service). Price per day:		Monthly discount program for college or university students and staff	
1 day:	\$9.00	Students:	\$68.50
2 day:	\$14.00	Faculty/Staff:	\$83.80
3 day:	\$16.00	Convention and Visitors Pass	
4 day:	\$19.00	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
Atlanta Streetcar			
One Way Trip (ADULT)			
Child (Up to 2 children, 46" & under w/paid adult)*			
One Day Pass			
and older and disabled customers using regular service)	\$1.00		
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		



Vehicles Operated in Maximum Service

Last Ten Fiscal Years

Fiscal Year	Bus	Rail	Total ⁽¹⁾
2011	490	188	678
2012	443	182	625
2013	446	182	628
2014	444	180	624
2015	450	180	630
2016	453	180	633
2017	466	206	672
2018	465	196	661
2019	448	178	626
2020 ⁽¹⁾	425	178	603

⁽¹⁾Does not include demand response. The total vehicles operated in maximum service were impacted by COVID-19.

Number of Employees

Last Ten Fiscal Years

Fiscal Year	Full-Time	Part-Time	Total
2011	4,223	206	4,429
2012	4,275	222	4,497
2013	4,234	186	4,420
2014	4,356	191	4,547
2015	4,317	208	4,525
2016	4,356	288	4,644
2017	4,249	264	4,513
2018	3,940	212	4,152
2019	4,319	118	4,437
2020	4,238	251	4,489

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Population served	1,626,211	1,618,865	2,079,829	1,967,468	2,019,388	1,986,022	1,697,633	1,684,862	1,649,492	1,619,099
Size of area served (in square miles)	597	592	567	567	567	515	485	467	483	483
Number of Bus Routes	44	110	108	100	100	97	92	91	92	92
Annual Bus Passenger Miles (in millions) (Excludes Paratransit/Demand Response)	196.1	244	246	251	259	257	233	231	228	236
Miles of Bus Route	1,805	1,775	1,741	1,600	1,659	1,636	1,449	1,439	1,445	1,435
-Average On Time Performance	77.1 %	77.1 %	78.6 %	78.5 %	78.8 %	79.6 %	77.6 %	76.4 %	74.6 %	72.1 %
Miles of Rail Route	48	48	51	48	48	48	48	48	48	48
-Average On Time Performance	97.8 %	96.8 %	97.1 %	98.0 %	96.6 %	96.2 %	96.4 %	97.5 %	97.8 %	97.6 %
Annual Rail Passenger Miles (in millions)	330.2	449.0	449.9	468.8	477.3	472.8	444.9	444.0	463.2	487.6
Number of Rail Stations	38	38	38	38	38	38	38	38	38	38
Number of Bus Stop Locations	9,035	9,088	9,193	9,136	9,210	8,941	8,885	8,954	8,913	8,700
Number of Bus Park And Ride Facilities	8	8	7	7	7	6	6	9	8	8
Number of Bus Shelters	790	698	681	652	754	741	738	791	791	772
Bus Passenger Parking Capacity	2,981	2,981	3,053	2,843	2,807	2,750	2,691	2,686	2,744	2,711
Rail Passenger Parking Capacity	22,057	20,947	20,300	21,200	21,645	21,992	21,420	22,554	21,607	21,677
No. of Buses in Active Fleet	538	594	555	550	569	565	531	528	531	531
-Average Vehicle Age (in years)	4.0	5.4	5.4	6.4	5.4	4.4	6.5	8.6	7.6	6.6
No. of Mobility Vehicles in Active Fleet	242	208	211	210	211	198	187	171	172	172
-Average Vehicle Age (in years)	2.0	2.6	3.8	2.9	1.9	1.9	3.6	5.2	4.2	3.2
No. of Rapid Rail Vehicles in Active Fleet	250	290	306	316	336	336	336	336	338	338
-Average Vehicle Age (in years)	31.0	29.6	28.6	27.6	27.6	26.6	25.6	24.6	23.6	22.6
No. of Streetcars*	4	4	—	—	—	—	—	—	—	—
-Average Vehicle Age (in years)	5.0	4.1	—	—	—	—	—	—	—	—
Annual Mobility Vehicle Miles (in millions)	8.7	10.4	10.0	9.3	8.5	8.2	7.7	7.7	8.4	7.3
Investment In Property and Equipment (in billions)	\$ 7,955	\$ 7,685	\$ 7,397	\$ 7,166	\$ 7,030	\$ 6,941	\$ 6,781	\$ 6,560	\$ 6,440	\$ 6,297

* In FY 2019 MARTA assumed the ownership and operation of the streetcars.

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SINGLE AUDIT



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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

Board of Directors
Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

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 financial statements of Metropolitan Atlanta Rapid Transit Authority (MARTA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements, and have issued our report thereon dated November 20, 2020.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 the entity'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 and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (Finding 2020-001)

(Continued)

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MARTA's Response to the Finding

MARTA's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Atlanta, Georgia
November 20, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Atlanta Rapid Transit Authority's (MARTA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MARTA's major federal programs for the year ended June 30, 2020. 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

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

In our opinion, MARTA complied, in all material respects, with the types of 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, 2020.

(Continued)

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MARTA's internal control over compliance.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of MARTA as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements. We issued our report thereon dated November 20, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 the Uniform Guidance 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.



Crowe LLP

Atlanta, Georgia
November 20, 2020

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Program Award</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Transportation					
Federal Transit Cluster:					
General capital assistance					
Federal transit capital improvement grants					
Capital improvement	20.500	GA-2016-007	\$ 2,000,000	\$ 102,275	\$ -
Capital improvement	20.500	GA-03-0082	1,820,389	228,168	228,168
Capital improvement	20.500	GA-05-0036	93,747,462	2,106	-
Capital improvement	20.500	GA-04-0031	66,539,000	254,379	-
Subtotal CFDA 20.500			<u>164,106,851</u>	<u>586,928</u>	<u>228,168</u>
Federal transit formula grants (urbanized area formula program)					
Capital assistance	20.507	GA-95-X027	54,000,000	3,935,037	-
Capital assistance	20.507	GA-95-X335	41,591,969	301,200	-
Capital assistance	20.507	GA-90-X234	1,758,200	96,502	-
Capital assistance	20.507	GA-90-X350	53,464,569	155,374	-
Capital assistance	20.507	GA-95-X031	1,025,000	200,777	200,777
Capital assistance	20.507	GA-2017-020	7,874,313	515,000	-
Capital assistance	20.507	GA-2018-022	16,564,560	1,700,462	-
Capital assistance	20.507	GA-2019-013	5,000,000	4,000,000	-
Subtotal CFDA 20.507 - capital			<u>181,278,181</u>	<u>10,904,352</u>	<u>200,777</u>
Capital assistance	20.525	GA-54-0001	119,633,750	2,485,485	-
Capital assistance	20.525	GA-2016-013	38,312,500	778,178	-
Capital assistance	20.525	GA-2017-032	59,730,485	5,160,833	-
Subtotal CFDA 20.525 – capital			<u>217,676,735</u>	<u>8,424,496</u>	-
Capital assistance	20.526	GA-2019-017	10,574,000	1,639,346	-
Subtotal			<u>409,529,346</u>	<u>20,968,194</u>	<u>200,777</u>
General operating assistance					
Operating (Formula grant)	20.507	GA-90-X305	43,973,521	237,456	-
Operating (Formula grant)	20.507	GA-90-X328	53,055,328	155,038	-
Operating (Formula grant)	20.507	GA-2017-021	65,224,624	1,009,450	-
Operating (Formula grant)	20.507	GA-2016-016	63,600,000	602,255	-
Operating (Formula grant)	20.507	GA-2018-017	35,903,804	1,586,515	-
Operating (Formula grant)	20.507	GA-2019-014	31,905,994	25,392,201	-
Operating (Formula grant)	20.507	GA-2019-016	10,500,000	8,400,000	-
Operating (Formula grant)	20.507	GA-2020-014	112,706,360	26,164,238	-
COVID-19 – Formula grant	20.507	GA-2020-011	298,641,024	82,669,978	-
Subtotal CFDA 20.507 - operating			<u>715,510,655</u>	<u>146,217,131</u>	-
Operating (Formula grant)	20.525	GA-2020-014	122,763,041	43,078,695	-
Operating (Formula grant)	20.525	GA-2019-020	91,620,534	68,865,232	-
Subtotal CFDA 20.525 - operating			<u>214,383,575</u>	<u>111,943,927</u>	-
Subtotal			<u>929,894,230</u>	<u>258,161,058</u>	-
Total Federal Transit Cluster			<u>1,503,530,427</u>	<u>279,716,180</u>	<u>428,945</u>
Highway Planning and Construction Cluster:					
Capital assistance	20.205	GA-90-X130	40,348,000	6,924,573	-
Capital assistance	20.205	GA-90-X159	5,400,000	827,622	-
Total Highway Planning and Construction Cluster			<u>45,748,000</u>	<u>7,752,195</u>	-

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Program Award</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Public Transportation Research, Technical Assistance, and Training:					
Capital Assistance	20.514	GA-26-7015	\$ 4,704,294	\$ 202,192	\$ -
Capital Assistance	20.514	GA-2016-025	5,543,745	662,200	-
Total Public Transportation Research, Technical Assistance, and Training			10,248,039	864,392	-
Transit Services Program Cluster:					
Capital assistance	20.521	GA-57-X002	5,331,033	183,662	183,662
Capital assistance	20.521	GA-57-X015	1,107,164	92,039	92,039
Total Transit Services Program Cluster			6,438,197	275,701	275,701
Total U.S. Department of Transportation			1,565,964,663	288,608,468	704,646
U.S. Department of Homeland Security:					
Rail and Transit Security:					
Capital assistance	97.075	EMW2019RA00013	326,364	77,227	-
Capital assistance	97.075	EMW2019RA00013	1,000,000	639,251	-
Subtotal CFDA 97.075			1,326,364	716,478	-
National Explosives Detection Canine Team Program:					
Capital assistance	97.072	15H-NCP443	750,000	418,291	-
Capital assistance	97.072	15HCP443	3,232,000	8,750	-
Subtotal CFDA 97.072			3,982,000	427,041	-
Homeland Security Grant Program:					
Capital assistance	97.067	EMW2018SS00067S	30,491	30,491	-
Capital assistance	97.067	EMW2017SS0015U	330,000	327,756	-
Subtotal CFDA 97.067			360,491	358,247	-
Total U.S. Department of Homeland Security Grants			5,668,855	1,501,766	-
Local Food Promotion Program Grants:					
Capital assistance	10.172	FY17 USDA	700,000	127,968	127,968
Total Federal Awards			\$1,572,333,518	\$290,238,202	\$ 832,614

Subtotals of Multiple Awards

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Transit Grants	20.507	157,121,483
State of Good Repair Grants	20.525	120,368,423

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020

NOTE 1 - REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Metropolitan Atlanta Rapid Transit Authority (MARTA) as disclosed in the notes to the basic financial statements for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MARTA, it is not intended to and does not present the financial position, changes in net position, or cash flows of MARTA.

NOTE 2 - BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

MARTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – 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, Fulton and Clayton counties and the City of Atlanta, and also from the sale of associated sales tax revenue bonds, as required.

NOTE 4 – IMPACT OF NEW ACCOUNTING PRONOUNCEMENT

With the release of Government Accounting Standards Board (GASB) Implementation Guide 2019-01, *Implementation Guidance Update – 2019*, management changed their method of accounting for recognition of non-exchange revenue. Expenditure driven grant provisions are determined to be a stipulation that is considered to be an eligibility requirement and as such, revenue cannot be recognized until the agreement has been executed. As a result, \$82,478,461 of federal grants that were previously reported on the schedule of expenditure of federal awards for the year ending June 30, 2019 are included again on the schedule of expenditure of federal awards for the year ending June 30, 2020 since the corresponding grant revenue is now being recognized as federal revenue in fiscal year 2020 under the newly adopted accounting principle. These \$82,478,461 of expenditures were incurred in fiscal year 2019.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number

Name of Federal Program of Cluster

20.500 / 20.507 / 20.525 / 20.526

Federal Transit Cluster

20.205

Highway Planning & Construction Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

2020-001 – Capital Lease Transaction (Significant Deficiency)

Criteria: Management is responsible for having internal controls in place to provide appropriate and reliable financial reports, to select and apply appropriate accounting principles, and to ensure that all financial transactions are properly accounted for.

Condition: During fiscal year 2018, MARTA entered into a master lease purchase agreement with Pinnacle Public Finance (Pinnacle). At that time Pinnacle deposited approximately \$36 million into an escrow account in MARTA's name and correspondingly, MARTA became obligated to provide future capital lease payments. No transactions were recorded in MARTA's financial statements until October 2019 when the first capital lease payment became due.

Context: The transaction was recorded during the current fiscal year and as a result the current year change in net position is overstated by approximately \$1 million due to interest income that was earned in fiscal year 2018 and 2019, but not recorded until fiscal year 2020. The audit adjustment posted in the current fiscal year increased the escrow cash account by approximately \$14.6 million, interest income by \$1.3 million, and construction in progress by \$22.9 million, and decreased depreciable capital assets by \$34.8 million and depreciation expense by \$1.4 million. The effect on the fiscal year 2020 beginning net position was deemed immaterial.

As a result of the audit adjustment, the fiscal year 2020 ending balances (after \$1.9 million of capital lease payments were made by MARTA during the current fiscal year) were escrow cash of \$14.6 million, capital lease liability of \$37.1 million, construction in progress and capitalized interest of \$25.7 million, and interest income of \$1.3 million (of which, \$323,000 was earned in the current fiscal year).

Effect: The transaction was not recorded at the time the agreement was executed in fiscal year 2018 and did not get recorded until the year ended June 30, 2020.

Cause: It appears that the capital lease transactions was negotiated and discussed primarily at an executive management level and with MARTA's legal counsel, but was never communicated nor was supporting documentation ever provided to the MARTA accounting team or the Director of Accounting. The lack of communication resulted in the transaction not being recorded initially at the time the agreement was executed. Additionally, a MARTA employee was receiving the escrow bank account statements, but did not provide those to the accounting team or the Director of Accounting.

Recommendation: We recommend that all significant financial transactions be communicated and all supporting documentation be provided to the Director of Accounting. We also recommend that all bank or investment statements initially received by employees of MARTA be routed immediately to the Director of Accounting to determine the proper ownership of the account and to record all applicable financial transactions into the accounting system of record.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.



METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY