COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended
June 30, 2016 & 2015
Atlanta, Georgia

REDEFINED

Comprehensive Annual Financial Report

For the Years Ended June 30, 2016 and 2015

Atlanta, Georgia

Prepared by the Department of Finance

Gordon Hutchinson, Chief Financial Officer

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INTRODUCTION

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

December 20, 2016

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) 23rd Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016 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, 2015. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

This endeavor is our continued commitment to MARTA's Standard of Excellence and this report consists of management's representations concerning the financial position of MARTA. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of MARTA has established a comprehensive internal control framework that is designed both to protect MARTA's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of MARTA's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, MARTA's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, the financial report is complete and reliable in all material respects. Overall, the CAFR is presented in four sections: introductory, financial, statistical, and single audit.

The goal of an independent audit is to provide reasonable assurance that the financial statements of MARTA for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that MARTA's financial statements for the fiscal year ended June 30, 2016, are presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

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

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

ORGANIZATION AND MANAGEMENT

The government of MARTA is vested in a Board of Directors (the Board) composed of 12 voting members and two non-voting members. Three members are appointed by Fulton County, four members by DeKalb County, two members by Clayton County, and three members by the City of Atlanta. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority (non-voting) serve as ex officio members of the Board.

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

THE RAPID TRANSIT SYSTEM

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

Rail

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

The rail system has lines running in east-west and north-south directions. The main lines intersect at the Five Points Station, located in Atlanta's Downtown Business District. The design and construction of the fixed-rail system are divided into phases. Phases A, B, C, D and E are complete and in full revenue service. The last segment, Phase E, added three stations and extended the rail system an additional 3.3 miles. The Dunwoody station was placed in revenue service in 1996, while the Sandy Springs and North Springs stations were completed in December 2000. Phase E also added 56 vehicles to the fleet. Currently, the fleet consists of 100 CQ312 BREDA vehicles, 120 CQ311Hitachi vehicles and 98 CQ310 Franco Belge vehicles. The rail vehicle rehabilitation program, now complete, overhauled 218 CQ310 and CQ311 vehicles.

Bus

The Atlanta Transit System, Inc., a privately owned bus company, was acquired in February, 1972, by MARTA to provide extensive bus transportation services throughout Fulton and DeKalb and a small portion of Cobb, Clayton, and Gwinnett Counties. Currently, MARTA operates only in Fulton, Dekalb, Clayton, the city of Atlanta, and one route into Cobb County.

MARTA's bus fleet and facilities consists of 569 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 100 different bus routes providing approximately 25.2 million annual vehicle miles.

Mobility

MARTA Mobility is for persons with disabilities who are unable to negotiate the MARTA fixed route system for some or all of their travel. Passengers must be certified as eligible through a two-part application (client and health care provider). Trips can be delivered curb-to-curb within ¾ mile of MARTA fixed route service in 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 2016, the Authority had an approved budget of $880.5 million with $448.5 million allocated to operating expenses and $432.0 million allocated to the capital improvement program and debt service expenses.

FINANCIAL RESULTS

In fiscal year 2016, MARTA's total net position were $1.3 billion. Net position decreased by $45.4 million from the previous fiscal year when net position were $1.4 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

MARTA continued its move in a positive direction in 2016. In addition to completing yet another fiscal year when revenue exceeded expenditures, the Authority made inroads with legislators at all levels across the state to increase support for public transit.

The 2016 session of the Georgia General Assembly began on January 11, 2016 with Sine Die adjournment on March 24. MARTA experienced a second consecutive groundbreaking session by working with legislators on both sides of the aisle to pass S.B. 369. Building off of the local SPLOST option provided in 2015's H.B. 170, S.B. 369 allowed the City of Atlanta to place referendum language on the November ballot asking voters to approve a sales tax increase of a half-penny to fund, exclusively, MARTA expansion within the Atlanta city limits. The City approved this action on June 20. By a vote of 72% in the last election, Atlanta decided for themselves what sort of transit future they want for their city and the generations to follow. MARTA is grateful the Georgia General Assembly helped make this a reality.

In addition to our success with S.B. 369, we are also preparing for governance changes resulting from General Assembly action in H.B. 264, a bill passed during the 2014 legislative session. These changes to the MARTA Board governance structure will take effect in January 2017. The bill reconstituted the MARTA Board so that beginning January 1, 2017, the Board will be composed of 13 voting members and 2 non-voting members for a total of 15 members (Voting: 4 DeKalb, 3 City of Atlanta, 3 Fulton County, 2 Clayton County, 1 Gubernatorial appointee; Non-voting: Executive Director of the Georgia Regional Transit Authority (GRTA) and the Commissioner of the Georgia Department of Transportation (GDOT)).

In addition to S.B. 369, additional transit-related legislation also emerged during the legislative session. S.B. 307 allows digital advertising in place of traditional print advertising in bus shelters to maximize impact and increase advertising options for the transit provider. S.B. 420 creates a mandate for counties across the state that any fixed-guideway project be approved by voter referendum prior to moving forward. This does not impact any current MARTA jurisdictions, City of Atlanta projects or Atlanta Beltline buildout, but it could impact future transit decisions in non-MARTA metro counties. Lastly, H.B. 737, the legislature's annual code clean-up bill, officially made the MARTA Act part of the Georgia code.

Perhaps more important than the legislative victories, MARTA's work under the Gold Dome this past session was once again considered highly collaborative with lawmakers and stakeholders alike. Transit experienced a boost in "voice" during 2016 and this boost was recognized with the creation of both House and Senate Study Committees on Transit Policy. These committees are exploring transit issues throughout the state, and MARTA has been a key player in the conversation. The private sector has also created a "Transit Task Force" headed by the Georgia Chamber – another entity in which MARTA is playing a leading role.

This money will be used for the implementation of MARTA's new Audio-Visual Information System (AVIS). MARTA is grateful to the Governor for his vision with this program and encourage the state to consider it as part of their long-term commitment to public transit across the state.

MARTA looks forward to playing a substantial role for the solutions needed for a growing Atlanta metro region. We foresee a future push toward additional local funding as well as working with state lawmakers on long-term, state-sponsored investments in transit.

DEBT ADMINISTRATION

As of June 30, 2016, MARTA had a total of $2 billion bonds outstanding and issued under three debt indentures.

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 ratio for fiscal year 2016 was 2.82. 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 2016 was 35.5%.

MAJOR INITIATIVES

MARTA had notable events in Fiscal Year 2016 which includes a $794M Rail Car Procurement, the receipt of 18 new articulated "bendy" CNG buses, the ground breaking on the Edgewood/Candler Park Transit Oriented Development, and receipt of a $30M GO Transit Grant from the State of Georgia to upgrade customer communications. The Atlanta City Council voted to allow a November referendum for voter approval of a half penny sales tax to support enhancing and expanding MARTA services in Atlanta. The council also adopted the MARTA menu of projects for expanding services.

Our objective is to implement programs and best practices to maximize the fiscal stability of the Authority, while meeting the needs of our customers and continuing to earn the confidence of taxpayers. We remain committed to the precept of 'Routine Excellence" as the way we do business to ensure efficient, safe and reliable service that is exceptional and cost-effective. In the 2016 Quality of Service survey, customer satisfaction of MARTA services continued to trend upward with customer dissatisfaction at the lowest in the past 20 years. The Authority will continue to focus on the employee development and strive to provide competitive wages for its employees.

Our financial position continue to improve with the realization of our five-year, Fiscal Sustainability Plan (FSP). Increased revenues and contained expenditures have allowed the Authority to manage its operation without any reliance on reserves for the last four consecutive years. This is a virtually unprecedented accomplishment for MARTA.

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
- Electrical power and equipment
- Lighting
- Security
- Tunnel ventilation
- Fire protection

AWARDS

MARTA received the following awards and recognition during 2016:

- GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2015.
- GFOA Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2015 Comprehensive Annual Financial Report.
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for Fiscal Year 2015.

ACKNOWLEDGEMENTS

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

Sincerely,

G. T. Hutchinson | Keith T. Parker

Gordon Hutchinson
Chief Financial Officer

Keith Parker
General Manager/
Chief Executive Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Atlanta Rapid Transit Authority Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Board of Directors

Officers


Robert L. Ashe III
CHAIRMAN


Noni Ellison-Southall
VICE CHAIR


Frederick L. Daniels, Jr.
TREASURER


Roberta Abdul-Salaam
SECRETARY

Directors


Juanita Jones Abernathy

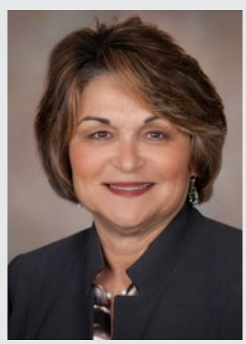

Roderick E. Edmond


Jerry R. Griffin


Harold Buckley, Sr.


Robert F. Dallas


Jim Durrett


Freda Hardage


Barbara Babbit Kaufman

Ex-Officio


Russell McMurry, PE


Christopher Tomlinson

Keith Parker
GENERAL MANAGER

GM & Executive Staff

GENERAL MANAGER /CEO
Keith T. Parker, AICP

CHIEF OPERATING OFFICER/COO
Richard Krisak

CHIEF OF STAFF
Rukiya Thomas

CHIEF, ADMNISTRATIVE OFFICER
Edward Johnson

CHIEF FINANCIAL OFFICER/CFO
Gordon Hutchinson

CHIEF COUNSEL LEGAL SERVICES
Elizabeth O'Neill

ASSISTANT GENERAL MANAGER OF INTERNAL AUDIT
Terry Thompson

ASSISTANT GENERAL MANAGER OF POLICE & EMERGENCY MANAGEMENT
Wanda Dunham

ASSISTANT GENERAL MANAGER OF TECHNOLOGY/CIO
Ming Hsi

ASSISTANT GENERAL MANAGER OF COMMUNICATIONS & EXTERNAL AFFAIRS
Ryland McClendon

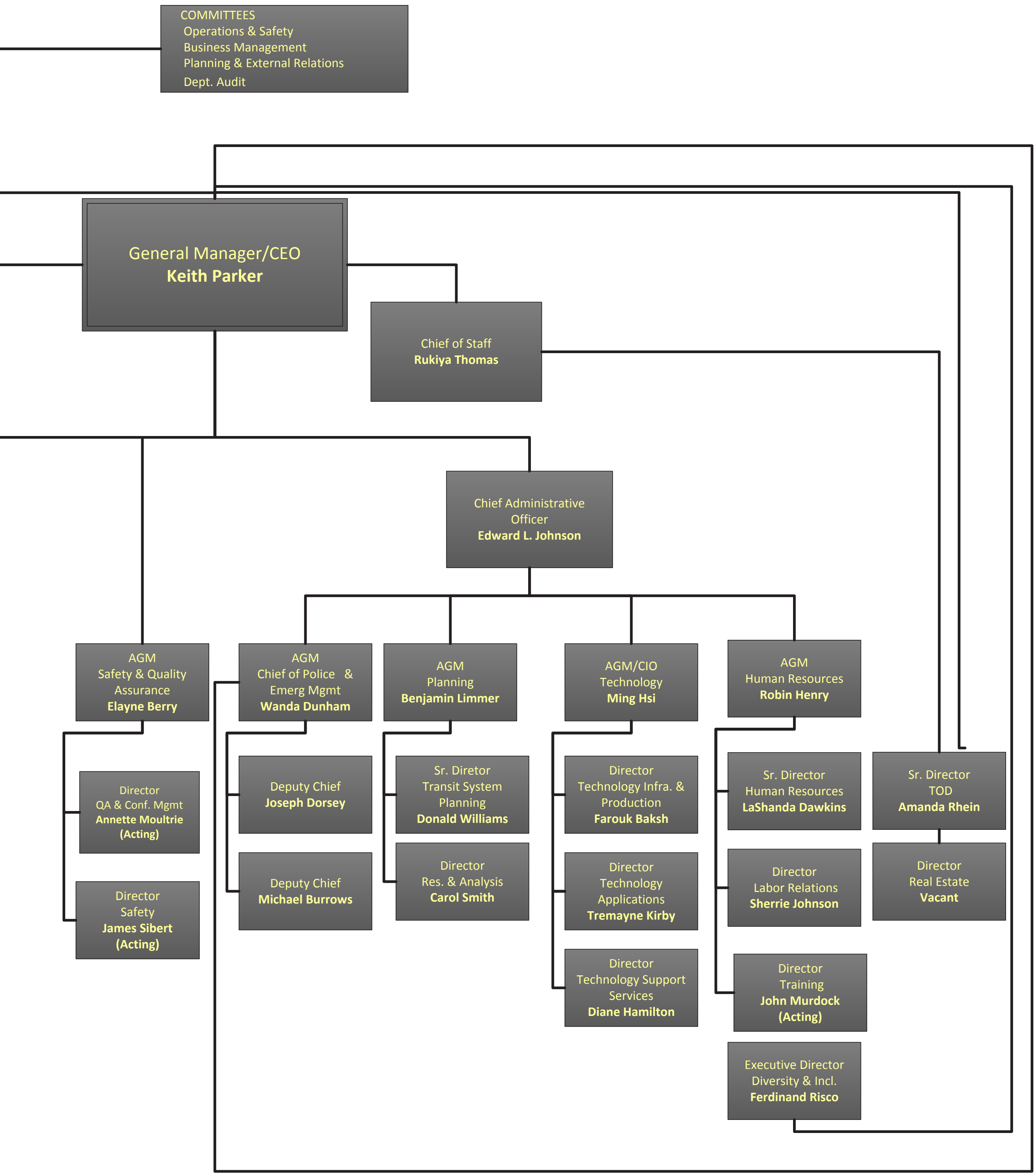
ASSISTANT GENERAL MANAGER OF PLANNING
Benjamin Limmer

INTERIM ASSISTANT GENERAL MANAGER OF HUMAN RESOURCES
LaShanda Dawkins

ASSISTANT GENERAL MANAGER OF SAFETY & QUALITY ASSURANCE
Elayne Berry

INTERIM-ASSISTANT GENERAL MANAGER OF CAPITAL PROGRAMS & DEVELOPMENT
David Springstead

FY2016 Organizational Chart


COMMITTEES
Operations & Safety
Business Management
Planning & External Relations
Dept. Audit
General Manager/CEO
Keith Parker
Chief of Staff
Rukiya Thomas
Chief Administrative Officer
Edward L. Johnson
AGM
Safety & Quality Assurance
Elayne Berry
Director
QA & Conf. Mgmt
Annette Moultrie
(Acting)
Director
Safety
James Sibert
(Acting)
AGM
Chief of Police & Emerg Mgmt
Wanda Dunham
Deputy Chief
Joseph Dorsey
Deputy Chief
Michael Burrows
AGM
Planning
Benjamin Limmer
Sr. Diretor
Transit System Planning
Donald Williams
Director
Res. & Analysis
Carol Smith
AGM/CIO
Technology
Ming Hsi
Director
Technology Infra. & Production
Farouk Baksh
Director
Technology Applications
Tremayne Kirby
Director
Technology Support Services
Diane Hamilton
AGM
Human Resources
Robin Henry
Sr. Director
Human Resources
LaShanda Dawkins
Director
Labor Relations
Sherrie Johnson
Director
Training
John Murdock
(Acting)
Executive Director
Diversity & Incl.
Ferdinand Risco
Sr. Director
TOD
Amanda Rhein
Director
Real Estate
Vacant

Rail Map


Red Line
North Springs
Sandy Springs
Dunwoody
Medical Center
Buckhead
N
GA-400
I-85
Gold Line
Doraville
Chamblee
Brookhaven/Oglethorpe
Lenox
Lindbergh Center
I-285
I-75
Arts Center
Midtown
North Avenue
Civic Center
Peachtree Center
Bankhead
Green Line
Blue Line
I-20
Five Points
Georgia State
King Memorial
Inman Park/Reynoldstown
Edgewood/Candler Park
East Lake
Decatur
Avondale
Kensington
Indian Creek
Hamilton E. Holmes
West Lake
Ashby
Vine City
Dome/GWCC/Philips Arena/CNN Center
Garnett
West End
Oakland City
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METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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Financial

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Report of Independent Auditor

To the Board of Directors
Metropolitan Atlanta Rapid Transit Authority

We have audited the accompanying statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MARTA, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the required supplementary information schedules on pages 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on MARTA's basic financial statements. The supplemental schedule of revenues and expenses – budget versus actual (budget basis) on pages 61 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule of revenues and expenses – budget versus actual (budget basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of MARTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MARTA's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Atlanta, Georgia
October 28, 2016

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, 2016 and 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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

Overview of Financial Statements

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

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

The Statements of Net Position present 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 Statements of Revenues, Expenses, and Changes in Net Position present 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 Statements of Cash Flows allow 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 noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

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

Financial Position Summary

Net position may serve over time as a useful indicator of MARTA's financial position. MARTA's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1.3 billion at June 30, 2016, a $45 million decrease from June 30, 2015, when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1.4 billion.

The largest portion of MARTA's net position in fiscal year 2016 was its restricted assets representing 64%. These resources are subject to external restrictions on how they can be used under bond resolutions, lease agreements, and State and Federal regulations. The second largest portion of net position representing 37% was its investment in capital assets (e.g., land, rail system, buildings, and transportation equipment) less any related outstanding debt used to acquire those assets. MARTA uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although MARTA's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In fiscal year 2015, MARTA's largest category of its net position was restricted assets representing 67% while the next largest was its investment in capital assets (e.g., land, rail system, buildings, and transportation equipment), less any related outstanding debt used to acquire those assets representing 34%.

At the end of the current fiscal year and in two prior fiscal years, MARTA was able to report positive balances in all categories of net position with the exception of the category of unrestricted for land held for resale.

(Dollars in Thousands)

The following table presents a condensed summary of net position:

	2016	2015	2014
ASSETS:			
Current and Other Assets	$1,085,704	$1,161,026	$1,033,027
Capital Assets	2,966,140	3,049,286	3,056,307
Net Pension Assets	-	53,077	-
Other	-	1,844	-
Total Assets	4,051,844	4,265,233	4,089,334
DEFERRED OUTFLOWS OF RESOURES:			
Deferred Outflows of Resources from Hedging	364	2,135	-
Deferred Outflows of Resources - Pension	127,939	41,269	-
Deferred Outflows of Resources - Debt Refunding	24,717	9,873	12,033
Total Deferred Outflows of Resources	153,020	53,277	12,033
Total Assets and Deferred Outflows of Resources	4,204,864	4,318,510	4,101,367
LIABILITIES:			
Long-term Debt	2,176,583	2,131,498	1,791,781
Current and Other Liabilities	536,315	693,154	884,045
Derivative Liability	364	2,135	-
Net Pension Liability	140,666	96,185	-
Net OPEB Liability	809	819	-
Total Liabilities	2,854,737	2,923,791	2,675,826
DEFERRED INFLOWS OF RESOURES:			
Deferred Inflows of Resources	-	-	248
Deferred Inflows of Resources - Pension	2,567	1,756	-
Total Liabilities and Deferred Inflows of Resources	2,857,304	2,925,547	2,676,074
NET POSITION:			
Net Investment in Capital Assets	502,641	475,594	646,555
Restricted	856,454	929,071	789,317
Unrestricted	(11,535)	(11,702)	(10,579)
TOTAL NET POSITION	$1,347,560	$1,392,963	$1,425,293

(Dollars in Thousands)

Financial Operations Highlights

MARTA is a single enterprise fund providing public transportation. MARTA provides direct benefits to its users as well as substantial indirect benefits to the public at large (e.g., decreased traffic congestion, decreased need for road construction and maintenance, decreased need for parking, decreased air pollution levels, increased availability of transportation for low-income citizens). Therefore, the user charges are intended to finance only a portion of the cost of providing these services with additional proceeds obtained from the collections of sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton, DeKalb, and Clayton and Federal Subsidies. The sales tax is levied at a rate of 1% 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 76.2% and 66.2% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2016 and 2015, respectively.

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

	2016	2015	2014
Operating Revenues	$ 152,412	$ 157,194	$ 152,653
Operating Expenses	675,635	625,239	622,501
Operating Loss	(523,223)	(468,045)	(469,848)
Nonoperating Revenues (Expenses) - net	445,389	368,765	365,027
Capital Grants	32,431	82,498	71,178
Decrease in Net Position	$ (45,403)	$ (16,782)	$ (33,643)

In fiscal year 2016, operating revenues decreased by $4.8 million and operating expenses increased by $50.4 million; the majority of this increase is related to depreciation, salary, and benefits costs. The increase in expenses resulted in an overall increase in the operating loss of $55.1 million from the previous year. In fiscal year 2015, operating revenues increased by $4.5 million and operating expenses increased by $2.7 million, which resulted in an overall decrease in operating loss of $1.8 million from 2014.

In 2016, MARTA placed high emphasis on customer service, employee morale, and fiscal relief. This included a 3% lump sum payment for non-represented and represented employees, no fare increases, and the execution of the MARTA Transformation Initiative, which provides comprehensive cost saving and efficiency-improvement measures.

(Dollars in Thousands)

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

	2016	2015	2014
Summary of Revenues			
Operating			
Fare Revenues	$ 141,360	$ 146,417	$ 140,318
Other Revenues	11,052	10,777	12,335
Total Operating Revenues	152,412	157,194	152,653
Nonoperating			
Sales and Use Tax	409,718	377,743	347,289
Federal Revenues	76,289	82,643	102,847
Investment Income	1,568	604	688
Capital Leases Revenues	32,057	5,128	6,607
Other Revenues	42,396	27,687	32,089
Gain (loss) on Sale of Property and Equipment	182	194	(11)
Total Nonoperating Revenues	562,210	493,999	489,509
Total Revenues	714,622	651,193	642,162
Summary of Expenses			
Operating			
Transportation	206,252	186,527	181,860
Maintenance and Garage Operations	143,576	131,276	141,584
General and Administrative	83,271	82,354	89,298
Depreciation	242,536	225,082	209,759
Total Operating Expenses	675,635	625,239	622,501
Nonoperating			
Interest Expense	83,356	85,663	75,751
Interest Expense Capitalized	(179)	(818)	(1,233)
Amortization of Financing Related Charges and Income from Derivative Activity	(5,318)	(2,699)	(4,404)
(Gain) Loss on Investment Derivatives	390	(607)	(7,905)
Other Nonoperating Expenses	38,572	43,695	62,273
Total Nonoperating Expenses	116,821	125,234	124,482
Total Expenses	792,456	750,473	746,983
Loss Before Capital Contributions	(77,834)	(99,280)	(104,821)
Capital Grants	32,431	82,498	71,178
Decrease in Net Position	(45,403)	(16,782)	(33,643)
Net Position, July 1	1,392,963	1,425,293	
Cumulative effect of change in accounting principle	-	(15,548)	-
Net Position, July 1 As Restated	1,392,963	1,409,745	1,458,936
Net Position, June 30	$ 1,347,560	$ 1,392,963	$ 1,425,293

(Dollars in Thousands)

Net position decreased by $45.4 million in 2016, after decreasing by $16.8 million in 2015, which is exclusive of the cumulative effect of the change in accounting principle reported in the prior year.

MARTA's other operating revenues, which include advertising, Transit Oriented Development lease (TOD), and alternative fuel tax revenues, increased by $275 thousand or 2.6% in 2016 and decreased by $1.6 million or 12.6% in 2015.

In 2016, MARTA's largest component of nonoperating revenues, sales and use tax, increased by $32 million or 8.5% from 2015, which increased from 2014 by $30.5 million or 8.8%. In 2015, the largest revenue growth was $30.5 million in other nonoperating revenues, which includes ad valorem tax revenue. Non-capital grants, which includes preventive maintenance reimbursements, decreased in 2016 by $6.4 million. Overall, nonoperating revenues increased by $68 million or 13.8% in 2016 and $4.5 million or 0.9% in 2015.

Operating expenses increased by $50.4 million in 2016 from 2015 and increased by $ 2.7 million in 2015. The 2016 nonoperating expenses decreased by $8.4 million from 2015. This decrease is directly related to interest expense and offset by a decrease in other nonoperating expenses.

The 2015 nonoperating expenses decreased by $752 thousand from 2014. This large decrease is directly related to general and administrative expenses.

Capital Acquisitions and Construction Activities

In 2016, MARTA expended $157,726 on capital activities. The expenditures were primarily for the replacement, rehabilitation, and enhancement of facilities and equipment required to support transit operations, regulatory requirements, and system safety. The net increase (decrease) in capital assets, including changes in accumulated depreciation and retirements, was ($83,147), ($7,021), and $28,087, during the years ended June 30, 2016, 2015, and 2014, respectively. Additional information on MARTA's debt and capital asset activity and commitments can be found in Notes 6 and 7 to the financial statements.

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

	2016	2015	2014
Capital Assets			
Property and Equipment - Net	$2,966,140	$3,049,286	$3,056,307
Capital Debt			
Current Maturities of Bonds and Notes	(62,705)	(59,425)	(255,255)
Noncurrent Maturities of Bonds	(2,113,878)	(2,072,073)	(1,736,526)
Deferred Outflows of Resources	24,717	9,873	12,033
Capital Lease Obligations	(311,633)	(452,067)	(430,004)
Total Capital Debt	(2,463,499)	(2,573,692)	(2,409,752)
Net Investment in Capital Assets	$ 502,641	$ 475,594	$ 646,555

Long-Term Debt Administration

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

The Fixed and Variable rate Bonds carry debt ratings of Aa3 by Moody's Investors Service, AA+ by Standard and Poor's and AA- from Fitch Rating Service. MARTA's total bond debt outstanding was $2,176,583, $2,131,498, and $1,991,781 as of June 30, 2016, 2015, and 2014, respectively.

Economic Condition and Outlook

The U. S. GDP has recently experienced subpar growth. The dollar continues to strengthen as more investors move their investments towards the safe U. S. dollar as fear of the Brexit impact intensifies. Corporate investment has been negative; however, corporate investment is expected to grow after the presidential elections. Georgia's performance was similar to the U. S. economy. The Georgia labor market continues to be strong; however, it is expected to slow in 2017 and 2018. It is anticipated that Georgia will add 98,000 jobs in 2016, 75,100 jobs in 2017, and 69,800 jobs in 2018. Most of these jobs will be generated in the city of Atlanta.

Nominal personal income in Georgia is expected to grow 4.9% in 2016, improve to 5.4% in 2017, and rise to 5.5% in 2018. Georgia's unemployment growth will average around 5.4% and remain close to those levels through 2018.

For fiscal year 2016, total tax revenues increased by 9.4% as a result of higher income and motor vehicle-related tax receipts. Georgia's Total Tax Collections rose 7% in the fourth quarter of fiscal year 2016.

Atlanta's employment grew by 34,600 new jobs in the first half of 2016 benefiting from growth in construction and wholesale and retail trade. In 2017, the forecast calls for growth of 2.2% followed by an increase of 2.0% in 2018. Atlanta's unemployment rate is expected to decline from 5.6% in 2015 to 5.1% through 2018.

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.

Statements of Net Position

June 30, 2016 and 2015

(Dollars in Thousands)

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 57,691	$ 61,530
Investments	142,395	78,610
Material and Supplies Inventories	28,252	26,999
Sales Tax Receivables, Prepayments, and Other	116,492	148,172
Total Unrestricted Current Assets	344,830	315,311
Restricted Investments	312,783	310,341
Current Portion, Investment held to pay Capital Lease	4,169	4,257
Total Restricted Current Assets	316,952	314,598
Total Current Assets	661,782	629,909
Noncurrent Assets:		
Investment held to pay Capital Lease Obligations	413,786	522,074
Investment Derivatives	(2,218)	(1,828)
Total Restricted Noncurrent Assets	411,568	520,246
Capital Assets		
Land, non-depreciable	560,419	560,466
Rail System and Buildings	3,599,414	3,466,979
Transportation Equipment	1,336,657	1,324,787
Other	1,226,071	1,242,253
	6,722,561	6,594,485
Less Accumulated Depreciation	(4,063,703)	(3,892,094)
	2,658,858	2,702,391
Construction in Progress, non-depreciable	307,282	346,895
Capital Assets - Net	2,966,140	3,049,286
Other Noncurrent Investments	10,000	10,000
Other Bond Related Costs	510	871
Net Pension Asset	-	53,077
Other	1,844	1,844
Total Noncurrent Assets	3,390,062	3,635,324
Total Assets	4,051,844	4,265,233
DEFFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow of Resources from Hedging	364	2,135
Deferred Outflow of Resources - Pension	127,939	41,269
Deferred Outflow of Resources - Debt Refunding	24,717	9,873
Total Deferred Outflows of Resources	153,020	53,277
Total Assets and Deferred Outflows of Resources	$ 4,204,864	$ 4,318,510

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

Statements of Net Position *(Continued)*
June 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
LIABILITIES		
Current Liabilities:		
Total Current Liabilities Payable from Unrestricted Assets:		
Accounts and Contracts Payable	$ 80,119	$ 73,747
Salaries and Employee Benefits	18,721	25,389
Self-Insurance Accruals	17,619	17,156
Other Current Liabilities	5,381	3,303
Unearned Revenue	1,576	1,488
Total Current Liabilities Payable from Unrestricted Assets	123,416	121,083
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds	62,705	59,425
Accrued Interest	42,228	42,933
Due to Federal Transportation Administration	-	116
Current Maturities of Obligations Under Capital Leases	4,036	4,117
Total Current Liabilities Payable from Restricted Assets	108,969	106,591
Total Current Liabilities	232,385	227,674
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Premium and Discount	2,113,878	2,072,073
Noncurrent Self Insurance Accruals	30,132	35,940
Other Long-term Liabilities	822	834
Unearned Revenue	28,084	40,181
Obligations Under Capital Leases	307,597	447,950
Derivative Liability - Commodity Swap	364	2,135
Net Pension Liability	140,666	96,185
Net OPEB Liability	809	819
Total Noncurrent Liabilities	2,622,352	2,696,117
Total Liabilities	2,854,737	2,923,791
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Pension	2,567	1,756
Total Liabilities and Deferred Inflows of Resources	2,857,304	2,925,547
NET POSITION		
Net Investment in Capital Assets	502,641	475,594
Restricted for Debt service	145,154	142,733
Restricted for Other Projects	34,589	34,863
Restricted for Capital Projects	130,817	130,797
Restricted for Capital Leases	417,955	526,332
Restricted for Pension	127,939	94,346
Unrestricted	(11,535)	(11,702)
Total Net Position	$ 1,347,560	$ 1,392,963

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

Statements of Revenues, Expenses & Changes in Net Position

For the Years Ended June 30, 2016 and 2015

(Dollars in Thousands)

	2016	2015
Operating Revenues:		
Fare Revenues	$ 141,360	$ 146,417
Other Revenues	11,052	10,777
Total Operating Revenues	152,412	157,194
Operating Expenses:		
Transportation	206,252	186,527
Maintenance and Garage Operations	143,576	131,276
General and Administrative	83,271	82,354
Depreciation	242,536	225,082
Total Operating Expenses	675,635	625,239
Operating Loss	(523,223)	(468,045)
Nonoperating Revenues (Expenses):		
Sales and Use Tax	409,718	377,743
Federal Revenues	76,289	82,643
Investment Income	1,568	604
Net Capital Lease Transaction Activity	32,057	5,128
Other Revenues	42,396	27,687
Gain on Sale of Property and Equipment	182	194
Interest Expense	(83,356)	(85,663)
Interest Expense Capitalized	179	818
Amortization of Financing Related Charges and Income from Derivative Activity	5,318	2,699
Other Nonoperating Expenses	(38,572)	(43,695)
Gain (Loss) on Investment Derivatives	(390)	607
	445,389	368,765
Loss Before Capital Contributions	(77,834)	(99,280)
Capital Grants	32,431	82,498
Net Position:		
Decrease in Net Position	(45,403)	(16,782)
Net Position, July 1	1,392,963	1,409,745
Net Position, June 30	$ 1,347,560	$ 1,392,963

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

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

(Dollars in Thousands)

	2016	2015
Cash Flows from Operating Activities:		
Cash Received from Providing Services	$ 174,196	$ 170,638
Cash Paid to Suppliers	(213,088)	(214,102)
Cash Paid to Employees	(255,905)	(232,962)
Net Cash Used by Operating Activities	(294,797)	(276,426)
Cash Flows From Noncapital Financing Activities:		
Sales and Use Tax Collections	409,846	373,848
Federal Operating Subsidy	108,826	59,823
Net Cash Provided by Noncapital Financing Activities	518,672	433,671
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Bond and Debt Related Derivative Receipts	97,087	198,429
Repayment of Bond Payable	(59,425)	(55,255)
Capital Contributions	32,431	73,106
Interest Paid on Revenue Bonds	(84,061)	(80,364)
Acquisition and Construction of Capital Assets	(150,071)	(217,035)
Net Cash Used by Capital and Related Financing Activities	(164,039)	(81,119)
Cash Flows from Investing Activities:		
Purchases of Investments	(2,778,561)	(1,999,454)
Proceeds from Sales and Maturities of Investments	2,713,318	1,930,420
Interest Received on Investments	1,568	604
Net Cash Used by Investing Activities	(63,675)	(68,430)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,839)	7,696
Cash and Cash Equivalents, Beginning of Year	61,530	53,834
Cash and Cash Equivalents, End of Year	$ 57,691	$ 61,530
Reconciliation of Operating Income to Net Cash Used by Operating Activities:		
Operating Loss	$ (523,223)	$ (468,045)
Other Expenses (Revenues)	3,824	(16,007)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	242,536	225,082
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(1,253)	(1,124)
Prepayments and Other	(984)	1,922
Current Liabilities and Due Federal Transportation Administration	(3,588)	(13,500)
Deferred Revenue	(12,109)	(4,754)
Net Cash Used by Operating Activities	$ (294,797)	$ (276,426)
Noncash Investing, Capital and Financing Activities:		
Amortization of Financing Related Charges and Income from Derivative Activity	$ (5,318)	$ 2,699
Increase (Decrease) in Fair Value of Investments	46,165	18,018
Net Noncash Investing, Capital and Financing Activities	$ 40,847	$ 20,717

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In order to measure the costs of providing mass transportation services, the revenues from those services and required subsidies, MARTA has adopted the accounting principles and methods appropriate for a governmental enterprise fund. This complies with the MARTA Act and Sales Tax Bond Trust Indenture legal requirements that all accounting systems and records, auditing procedures and standards, and financial reporting shall conform to generally accepted principles of governmental accounting. The following is a summary of the more significant accounting policies of the Authority:

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

MARTA is a jointly governed organization. Of its fourteen-member board, three members are appointed by Fulton County, four members by DeKalb County, two members by Clayton County, and three members by the City of Atlanta. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority serve as *ex-officio* members of the Board. None of the participating governments appoint a majority of MARTA's Board and none have an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2016 or 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Derivative Financial Instruments - Derivative financial instruments are 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 Statements of Net Position if meeting the requirements of an effective hedge. Derivative instruments not designated as an accounting hedge are classified as an investment derivative. Changes in fair values of investment derivative instruments, including hedging derivative instruments that are determined to be ineffective, are reported as nonoperating revenues (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position. See Note 8 for further information on these instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Rail system and buildings	5-50 years
Transportation equipment	5-20 years
Other property and equipment	3-20 years

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

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

Unearned Revenues - Included in Unearned Revenues is the remaining unamortized balance of the unearned amounts from the lease/leaseback arrangements of certain rail cars and rail lines in 2001, 2002, 2003, and 2005. The unearned gains are being amortized over the remaining lives of the respective leases on a straight-line basis. It also includes the upfront cash received from the remediation net benefit in 2009, which is being amortized over the life of the related agreements. See Note 15 for further information.

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

Bond discount is amortized using the bond outstanding method, over the term of the related debt. Losses on debt 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Adoption of New Accounting Pronouncements

During the year ended June 30, 2016, MARTA adopted GASB Statement No. 72 *Fair Value Measurement and Application.* This Statement amends the GASB definitions of fair value to be consistent with the definition and principles provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The definition of *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 at the measurement date. A fair value measurement assumes that the transaction would occur in the principal (or most advantageous) market for the asset or liability. Fair value is determined using one of three valuation approaches: market, cost, or income. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Effects and applications of this Statement are discussed in detail in Note 8 of the Notes to the Financial Statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"), reduces the categories of authoritative GAAP in the GAAP hierarchy for state and local governments from four to two categories. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this standard had no effect on the Net Position of MARTA.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"), established accounting and financial reporting requirements for state and local government employers and non-employer contributing entities (NCEs) that sponsor pensions that are not administered through trusts that meet the GASB's criteria. While the Statement includes clarifying amendments to Statements 67 and 68 that apply to all employers and NCEs, its primary focus is to establish accounting and financial reporting requirements for state and local government employers and NCEs that sponsor defined benefit or defined contribution pensions that are "not within the scope of Statement 68." This statement is not applicable to the Authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements Effective in Future Periods or Not Applicable

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 74")* proposes new accounting and reporting standards for state and local other postemployment benefit (OPEB) plans. It replaces Statement No. 43, and requires more extensive note disclosures and requires supplementary information for defined benefit OPEB plans. This statement is effective for MARTA's fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") applies to state and local government employers (and certain nonemployers) that sponsor OPEB. It replaces Statement no. 45, and requires governments to report a liability on the face of their financial statements for the OPEB provided. In Statement No. 75, the OPEB liability recognized in the employer's financial statements should be the employer's unfunded OPEB obligation. The net OPEB liability (NOL) is calculated as the employer's total OPEB liability (TOL) minus the plan fiduciary net position (PFNP). The PFNP is essentially the fair market value of the plan assets held in trust to pay OPEB benefits. The TOL and PFNP are measured as of the measurement date and the resulting value of the NOL is recognized as a liability in the employer's basic financial statements for the fiscal year. This statement is effective for MARTA's fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement. This statement is not applicable to the Authority.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"), amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local government employers, and (3) has no predominate state or local government employer. This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosure; and required supplementary information for pensions that have the characteristics described above. This statement is not applicable to the Authority.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* ("GASB 79") establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This statement is effective for MARTA's fiscal year ending June 30, 2017.

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73 ("GASB 82") addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for MARTA's fiscal year ending June 30, 2017.

2. CASH AND INVESTMENTS

Cash - At June 30, 2016 and 2015, the carrying amounts of MARTA's total cash on hand were $1,080 and $1,185, respectively.

At June 30, 2016 and 2015, the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $56,611 and $60,345, respectively.

The bank balances were $55,731 and $59,933, respectively. Of the bank balances at June 30, 2016 and 2015, $503 and $506, respectively, were covered by federal depository insurance and $55,228 and $59,427, respectively, were collateralized by government securities held by the pledging financial institution's trust department or agent in MARTA's name.

Investments - Georgia statutes authorize MARTA to invest in U.S. Government obligations, U.S. Government agency obligations, obligations of any instrumentality of the U.S. Government, or in repurchase agreements collateralized by any of the aforesaid securities, or in state of Georgia obligations, or in the state of Georgia sponsored investment pool or in other obligations or instruments as allowed by Georgia Law.

Under the terms of MARTA's Sales Tax Revenue Bond Trust Indenture, the Authority may not invest in securities with a remaining term to maturity greater than five years from the purchase date. In addition, MARTA requires that repurchase agreement collateral must have a market value ranging from 101% to 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.

(Dollars in Thousands)

2. CASH AND INVESTMENTS (continued)

As of June 30, 2016, MARTA had the following investments and maturities:

Investment Type	Measurement Method	Book Value	Investment Maturities (in Years) Less than 1	1 - 5	6 - 10
Repurchase Agreements	Cost	$ 121,922	121,922	$ -	$ -
U.S. Treasuries	Fair Value - Level 1	96,760	88,973	4,856	-
U.S. Agencies	Fair Value - Level 1	544,264	201,987	62,149	9,294
FDIC Public Funds	Cost	34,950	34,950	-	-
Certificate of Deposit	Cost	11,408	11,408	-	-
Guaranteed Inv Contracts	Amortized Cost	73,829	-	50,743	-
Investment Derivative	Fair Value - Level 2	(2,218)	-	-	-
Total		$ 880,915	$ 459,240	$ 117,748	$ 9,294

As of June 30, 2015, MARTA had the following investments and maturities:

Investment Type	Measurement Method	Book Value	Investment Maturities (in Years) Less than 1	1 - 5	6 - 10
Repurchase Agreements	Cost	$ 104,923	$ 104,923	$ -	$ -
U.S. Treasuries	Fair Value - Level 1	97,869	85,688	5,208	4,553
U.S. Agencies	Fair Value - Level 1	457,841	161,820	62,649	6,285
FDIC Public Funds	Cost	24,097	24,097	-	-
Certificate of Deposit	Cost	16,538	13,562	2,976	-
Guaranteed Inv Contracts	Amortized Cost	224,014	-	141,964	-
Investment Derivative	Fair Value - Level 2	(1,828)	-	-	-
Total		$ 923,454	$ 390,090	$ 212,797	$ 10,838

Interest Rate Risk - is the risk that changes in interest rates will adversely affect the fair value of financial instruments or cash flows. As a means of limiting its exposure to this, MARTA's investment policy prohibits investments in U.S. Treasuries and Agencies and State Obligations with maturities greater than five years and six months at the date of purchase. The policy also limits Repurchase Agreements to three months from the date of purchase. Investments held and managed by an independent trustee are not subject to these restrictions.

(Dollars in Thousands)

2. CASH AND INVESTMENTS (continued)

Credit Quality Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of MARTA's debt securities to credit quality risk as of June 30, 2016, is as follows:

Investment Type		Book Value	Credit Rating	Rating Agency
Repurchase Agreements	$	121,922	A1/P-1	Moody's/S&P
U.S. Treasuries		96,760	AAA+/AA+	Moody's/S&P
U.S. Agencies		544,264	AAA/AA+	Moody's/S&P
FDIC Public Funds		34,950	AAA/AA+/FDIC	Moody's/S&P
Certificate of Deposit		11,408	AAA/AA+/FDIC	Moody's/S&P
Guaranteed Inv Contracts		73,829	A-2/P-2/A-/Baa1/Ba1	Moody's/S&P
Investment Derivative		(2,218)		
	$	880,915		

Concentration of Credit Risk - is 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. Of MARTA's investments at June 30, 2016 and 2015, of $880,915 and $923,454, respectively, $10,307 and $10,225, respectively, are securities held by a trustee, not in the name of MARTA. These investments are the only securities not held in MARTA's name as per the terms of a trust agreement between MARTA and a railroad company.

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

(Dollars in Thousands)

3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30:

	2016	2015
Restricted Cash and Investments:		
Sinking Fund	$ 145,154	$ 142,733
Railroad Trust Fund Agreement	10,000	10,000
Capital Asset Purposes	63,204	63,204
Proceeds from Real Estate Sales	55,554	55,554
Investment Held to Pay Capital Lease Obligation	417,955	526,331
Investment Derivatives	(2,218)	(1,828)
Other	38,871	38,850
Total Restricted Cash and Investments	728,520	834,844
Due to FTA	-	116
Total Restricted, Net of Related Debt	$ 728,520	$ 834,728

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, 2016 and 2015, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

Included in restricted cash and investments are certain investments which, under the MARTA Act and certain grant agreements, are held for repairing, rebuilding, or replacing capital assets and for a Georgia Department of Transportation project. Proceeds from sales of certain real estate and the interest earned thereon through June 30, 1988, have been restricted. For the period from July 1, 1988 to June 30, 2016, interest earned on these funds is unrestricted.

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

(Dollars in Thousands)

4. SALES AND USE TAX

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

Under the law authorizing the levy of the sales and use tax, as amended May 5, 2015, MARTA is not restricted as to its use of the tax proceeds for operating purposes.

During the years ended June 30, 2016 and 2015, MARTA used 39% and 41%, respectively, of the sales and use tax proceeds to subsidize the net operating costs. MARTA apportions 48% of sales and use tax proceeds to operating costs. A summary of cumulative sales tax proceeds under-utilization activity for the years ended June 30 is as follows:

	2016	2015
Cumulative under-utilization, beginning of year	$ 58,239	$ 23,282
Under-utilization during year	37,012	34,957
Cumulative-under utilization, end of year	$ 95,251	$ 58,239

5. FARE REVENUE

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

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

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

Transit related revenues for the years ended June 30, 2016 and 2015 were 76.2% and 66.2%, respectively, of operating costs of the previous fiscal year as defined under the MARTA Act.

(Dollars in Thousands)

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Decreases	Balance June 30, 2016
Capital Assets, not being depreciated:				
Land	$ 560,466	$ -	$ (48)	$ 560,418
Construction in progress	346,895	157,638	(197,250)	307,283
Total capital assets not being depreciated	907,361	157,638	(197,298)	867,701
Capital Assets being depreciated:				
Rail systems & buildings	3,466,979	144,745	(12,310)	3,599,414
Transportation equipment	1,324,787	30,477	(18,607)	1,336,657
Other	1,242,253	22,056	(38,238)	1,226,071
Total capital assets being depreciated	6,034,019	197,278	(69,155)	6,162,142
Less accumulated depreciation for:				
Rail systems & buildings	(2,037,929)	(99,239)	9,426	(2,127,742)
Transportation equipment	(874,490)	(75,993)	16,875	(933,608)
Other	(979,675)	(60,064)	37,386	(1,002,353)
Total accumulated depreciation	(3,892,094)	(235,296)	63,687	(4,063,703)
Total capital assets being depreciated, net	2,141,925	(38,018)	(5,468)	2,098,439
Capital Assets, net	$ 3,049,286	$ 119,620	$ (202,766)	$ 2,966,140

During the year ended June 30, 2016, there was an increase in assets being depreciated due to the addition of the new Brady facility, the Fire Protection System upgrade and the purchase of new Mobility vehicles. This increase was offset by the retirement of the old Brady facility and the write-off of abandoned projects.

(Dollars in Thousands)

6. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Decreases	Balance June 30, 2015
Capital Assets, not being depreciated:				
Land	$ 559,418	$ 1,061	$ (13)	$ 560,466
Construction in progress	373,975	219,581	(246,661)	346,895
Total capital assets not being depreciated	933,393	220,642	(246,674)	907,361
Capital Assets being depreciated:				
Rail systems & buildings	3,373,998	93,592	(611)	3,466,979
Transportation equipment	1,280,656	92,456	(48,325)	1,324,787
Other	1,193,193	59,565	(10,505)	1,242,253
Total capital assets being depreciated	5,847,847	245,613	(59,441)	6,034,019
Less accumulated depreciation for:				
Rail systems & buildings	(1,946,638)	(91,901)	610	(2,037,929)
Transportation equipment	(849,871)	(71,496)	46,877	(874,490)
Other	(928,424)	(61,692)	10,441	(979,675)
Total accumulated depreciation	(3,724,933)	(225,089)	57,928	(3,892,094)
Total capital assets being depreciated, net	2,122,914	20,524	(1,513)	2,141,925
Capital Assets, net	$ 3,056,307	$ 241,166	$ (248,187)	$ 3,049,286

During the year ended June 30, 2015, new land parcels were listed as assets but are not being depreciated. The land additions cause the decrease in construction in progress to be greater than the increase in capital assets.

(Dollars in Thousands)

7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2016 was as follows:

Series	Year Issued	Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2015	Outstanding Additions	Principal Retirements	Balance June 30, 2016
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2019	4.60% - 6.25%	$ 29,595	$ -	$ (6,710)	$ 22,885
P*	1992	296,755	2021	3.30% - 6.25%	57,235	-	(16,750)	40,485
2000A	2000	100,000	2026	Variable	95,600	-	(1,600)	94,000
2000B	2000	100,000	2026	Variable	95,700	-	(1,700)	94,000
2003A*	2003	103,075	2021	3.00% - 5.00%	-	-	-	-
2005A*	2005	190,490	2021	5.00%	140,895	-	(18,155)	122,740
2006A*	2006	163,890	2021	5.00%	115,470	-	(12,410)	103,060
2007A*	2007	145,725	2033	5.25%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.00%	389,830	-	(389,830)	-
2009A	2009	250,000	2040	4.25% - 5.25%	250,000	-	-	250,000
2012A*	2012	311,075	2041	3.00% - 5.00%	311,075	-	-	311,075
2012B*	2012	17,930	2021	4.00% - 5.00%	17,930	-	(1,100)	16,830
2013A*	2013	22,980	2021	3.00% - 5.00%	21,980	-	(1,000)	20,980
2014A	2015		2044	3.00% - 5.00%	286,700	-	-	286,700
2015A	2015		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
2016B	2016	242,985	2029	5.00%	-	242,985	-	242,985
Subtotal					2,044,750	424,555	(449,255)	2,020,050
Less portion due within one year					(59,425)	(3,280)	-	(62,705)
Plus unamortized premium (discount)					86,748	88,511	(18,726)	156,533
Sales Tax Revenue Bonds total long-term portion					$ 2,072,073	$ 509,786	$ (467,981)	$ 2,113,878

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

Long-term debt activity for the year ended June 30, 2015 was as follows:

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2014	Outstanding Additions	Principal Retirements	Balance June 30, 2015
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2019	4.60% - 6.25%	$ 35,905	$ -	$ (6,310)	$ 29,595
P*	1992	296,755	2021	3.30% - 6.25%	72,930	-	(15,695)	57,235
2000A	2000	100,000	2026	Variable	97,200	-	(1,600)	95,600
2000B	2000	100,000	2026	Variable	97,200	-	(1,500)	95,700
2003A*	2003	103,075	2021	3.00% - 5.00%	-	-	-	-
2005A*	2005	190,490	2021	5.00%	158,195	-	(17,300)	140,895
2006A*	2006	163,890	2021	5.00%	127,320	-	(11,850)	115,470
2007A*	2007	145,725	2033	5.25%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.00%	389,830	-	-	389,830
2009A	2009	250,000	2040	4.25% - 5.25%	250,000	-	-	250,000
2012A*	2012	311,075	2041	3.00% - 5.00%	311,075	-	-	311,075
2012B*	2012	17,930	2021	4.00% - 5.00%	17,930	-	-	17,930
2013A*	2013	22,980	2021	3.00% - 5.00%	22,980	-	(1,000)	21,980
2014A			2044	3.00% - 5.00%	-	286,700	-	286,700
2015A			2045	5.00%	-	87,015	-	87,015
Subtotal					1,726,290	373,715	(55,255)	2,044,750
Less portion due within one year					(55,255)	(4,170)	-	(59,425)
Plus unamortized premium (discount)					65,491	28,487	(7,230)	86,748
Sales Tax Revenue Bonds total long-term portion					$ 1,736,526	$ 398,032	$ (62,485)	$ 2,072,073

*Refunding bonds

Sales Tax Revenue Bonds - Principal on all the Sales Tax Revenue Bonds (the "Bonds") is payable in an annual installment on July 1; interest is payable semi-annually on January 1 and July 1 on all Bonds except the Series 2000A and 2000B Bonds, which interest is payable on the first day of each month for the previous month. Series N and P Bonds are payable from and secured by a first lien on sales and use tax receipts. Series 2000A, 2000B, and 2003A Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A, 2009A, 2012A, 2012B, 2013A, 2015A, 2015B, 2015C, 2016A, and 2016B are payable from and secured by a third lien on sales and use tax receipts (Note 4).

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

The Series 2000A and 2000B Bonds are variable-rate sales tax revenue bonds. Each series was issued in the aggregate principal amount of $100,000 each and was initially issued in the weekly mode. Interest in the weekly mode is payable on the first business day of each month for the previous month. In the fall of 2012, the Series 2000A Bonds were converted to a term rate utilizing a floating rate note structure. The interest rate on these bonds is based on a defined spread to the Securities Industry Financial Markets Association (SIFMA) index on a weekly basis and interest will be paid monthly for the previous month. The interest rates at June 30, 2015 on the Series 2000A and 2000B Bonds utilizing the weekly mode were 0.07% and 0.07%, respectively. Likewise, the interest rates at June 30, 2016 on the Series 2000A and 2000B Bonds were 0.04% and 0.04%, respectively. There are a variety of operational and financial covenants associated with the Bonds. Management believes that MARTA is in compliance with all such covenants.

Approximately half of the currently outstanding Bonds, except the Series 2000A and 2000B Bonds, are redeemable at the discretion of MARTA within 10 years from their issue date at redemption prices above par. The Series 2000A and 2000B Bonds are redeemable at par starting in January 2016. The Series 2000A and 2000B Bonds are redeemable at par upon 30 days' notice.

Annual debt service requirements on the Bonds outstanding at June 30, 2016 were as follows:

Year Ending June 30	Principal	Interest*	Total
2017	$ 62,705	$ 86,009	$ 148,714
2018	65,885	85,250	151,135
2019	69,115	81,863	150,978
2020	72,690	78,359	151,049
2021	76,485	74,706	151,191
2022 to 2026	266,640	344,905	611,545
2027 to 2031	317,345	290,338	607,683
2032 to 2036	376,740	209,006	585,746
2037 to 2041	492,045	109,339	601,384
2042 to 2046	220,400	26,412	246,812
	$ 2,020,050	$ 1,386,187	$ 3,406,237

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

In September 2013, MARTA's bonding authority was revalidated by the Superior Court of Fulton County to increase its bonding capacity. Under the revalidated terms of this Third Trust Indenture, MARTA is limited to issue an additional $1,009,810 of Sales Tax Revenue Bonds. MARTA's Board established a debt limit for the Sales Tax Revenue Bonds. The total annual debt service on such bonds is limited to no more than 45% of projected sales tax receipts for each year.

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

MARTA received Board approval to pledge the new Clayton County Sales Tax to support the bond issues of the Authority. The indenture amendment, legal documentation, and proceedings for the bond validation were completed on November 3, 2015.

MARTA has pledged future sales tax revenues to repay $2,176,583 in sales tax revenue bonds issued in 1992, 2000, 2003, 2005, 2006, 2007, 2008, 2009, 2012, 2013, 2015A, 2015B, 2015C, 2016A, and 2016B, of which $2,113,878 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 2046, solely from the sales tax revenues. Annual principal and interest on the bonds are expected to require no more than 45% of such net revenues. Principal and interest paid for in the years ended June 30, 2016 and 2015 were $145,443 and $134,072, respectively.

MARTA issued the Series 2015B bonds in the amount of $88,485 to support the execution of the fiscal year 2016 Capital Budget. This transaction was priced on November 5, 2015 and closed on December 10, 2015.

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, 2016 and 2015, the amounts held in the Sinking Funds exceeded the amounts required to be held pursuant to the Bond Trust Indentures. All such amounts are classified as restricted cash and investments in the Statements of Net Position.

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

	2016	2015
Balance, Beginning of Year	$ 142,733	$ 133,089
Sales and Use Tax Proceeds	150,834	146,184
Investment Income	151	99
Principal and Interest Payments on Bonds	(145,443)	(134,072)
Debt refunding	(389,830)	-
Excess Sales Tax Withheld (Refunded)	386,611	(3,313)
Trustee Fees	98	746
Balance, End of Year	$ 145,154	$ 142,733

(Dollars in Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2016, and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2016, were as follows:

		Changes in Fair Value		
	Fiscal Year Classification	Change Amount	Year End Amount	Fair Value Notional
Hedging Derivatives:				
Natural Gas Commodity Swaps	Deferred Inflows of Resources	$ 171	$ 89	$ 360
Diesel Commodity Swaps	Deferred Outflows of Resources	1,600	(453)	2,856
		$ 1,771	$ (364)	
Investment Derivatives:				
Forward delivery arrangements	Gain/Loss on Investment Derivatives	$ (390)	$ (2,218)	$ 300,000
		$ (390)	$ (2,218)	

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2015, and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2015, were as follows:

		Changes in Fair Value		
	Fiscal Year Classification	Change Amount	Year End Amount	Fair Value Notional
Hedging Derivatives:				
Natural Gas Commodity Swaps	Deferred Inflows of Resources	$ (323)	$ (82)	$ 30
Diesel Commodity Swaps	Deferred Outflows of Resources	(2,059)	(2,053)	1,848
		$ (2,382)	$ (2,135)	
Investment Derivatives:				
Forward delivery arrangements	Gain/Loss on Investment Derivatives	$ 607	$ (1,828)	$ 300,000
		$ 607	$ (1,828)	

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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.

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.

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

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.

(Dollars in Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Two contracts were terminated on June 30, 2016. A summary of agreements is as follows:

Date of Execution	Effective Dates	Termination Dates	Fixed Price	Counterparty	Net Settlement In FY 2016
Natural Gas:					
3/30/2016	7/1/2017	6/30/2018	2.865 MMBTU	JP Morgan Ventures	
12/9/2014	1/2/2015	12/31/2015	3.585 MMBTU	Canadian Imperial Bank of Commerce	$ (128)
Diesel:					
6/24/2016	7/1/2017	6/30/2018	1.566 per gallon	JP Morgan Ventures	
6/24/2016	7/17/2016	6/30/2017	1.495 per gallon	Citi Energy, Inc.	
2/20/2015	7/1/2016	6/30/2017	2.01 per gallon	Canadian Imperial Bank of Commerce	
9/10/2014	9/10/2014	6/30/2016	2.7325 per gallon	JP Morgan Ventures	$ (1,452)
6/5/2014	7/1/2014	6/30/2016	2.8015 per gallon	JP Morgan Ventures	$ (1,521)

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.

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 Statements of Net Position and the gains or losses are reported as non-operating revenues (expenses) on the Statements 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.

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

When MARTA entered into these agreements, an upfront cash payment of $11,350 was received by MARTA which represented the present value of the future interest cash flows. The cash received was recorded as deferred revenue and is being amortized over the life of the agreements. The outstanding unamortized amount as of June 30, 2016 and 2015 is $2,064 and $2,780, respectively, and is included in unearned revenues on the Statements of Net Position.

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair Value - The forward delivery arrangements are classified as investment derivatives and are reported at fair value. 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).

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).

8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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.

9. BOND REFUNDINGS

MARTA executed two bond refundings in fiscal year 2016; and one advanced forward delivery refunding to close on July 1, 2016, reported in Note 18 as a subsequent event.

MARTA issued the Series 2015C Bonds in the par amount of $93,085 to partially refund the Series 2007B Bonds to reduce future debt service payments for the Authority. This transaction was priced November 5, 2015 and closed on December 10, 2015.

MARTA issued the Series 2016B Bonds in the par amount of $242,985 to refund the remainder of the Series 2007B Bonds to reduce future debt payments for the Authority. This transaction was priced on February 4, 2016 and closed on March 1, 2016.

In prior years, MARTA has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from MARTA's financial statements.

(Dollars in Thousands)

10. CAPITAL LEASE OBLIGATIONS

The Authority has entered into various LILO arrangements related to the leasing and subleasing of the Authority's rail cars, rail lines, and a rail maintenance facility. These agreements provide for the lease of certain Authority's rail capital assets to a financial party lessee and the sublease of such capital assets back to the Authority for a specified term.

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

Due to recent interest of MARTA counterparties to terminate additional LILO transactions, MARTA was able to successfully negotiate the termination of nine transactions during the year ended June 30, 2016 and removed 176 rail cars from lease encumbrance. As a result, the Investments Held to Pay Capital Lease Obligation declined by $108,376 and the corresponding Capital Lease Obligations declined by $140,434 during the year ended June 30, 2016. Additionally, the unamortized deferred gain of $9,110 which was recorded at the inception of the arrangement was fully recognized as non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position in the year ended June 30, 2016. See Note 15 for additional information on the unearned revenue associated with the terminations.

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

Lease Date	Property	Fair Market Value At Closing Date	Prepayment Received on Head Lease from the Equity	Amount Invested to Satisfy Sublease Obligation	Cash Benefit Net of Fees	Repurchase Option Date	Sublease Termination Date
3/22/2001	6 Hitachi CQ 310 Rail Cars	$ 13,800	$ 3,933	$ 2,932	$1,001	1/15/2019	10/15/2020
3/22/2001	46 Franco Belge CQ 310 Rail Cars	82,800	19,853	15,764	4,089	1/15/2018	12/15/2018
3/22/2001	16 Hitachi CQ 310 Rail Cars	36,800	7,595	5,862	1,733	1/15/2020	12/15/2020
3/22/2001	28 Breda CQ 310 Rail Cars	78,400	19,168	13,286	5,882	10/15/2026	9/15/2027
3/22/2001	24 Hitachi CQ 310 Rail Cars	55,200	11,083	8,250	2,833	1/15/2020	12/15/2020
3/22/2001	46 Franco Belge CQ 310 Rail Cars	92,000	26,168	20,732	5,436	10/05/2017	9/15/2018
6/21/2001	14 Franco Belge CQ 310 Rail Cars	28,000	5,827	4,182	1,645	1/05/2019	12/15/2019
6/22/2001	10 Franco Belge CQ 310 Rail Cars	20,000	6,027	4,465	1,562	11/05/2017	10/15/2018
12/27/2001	8 Hitachi CQ 311 Rail Cars	20,000	4,166	2,244	1,922	1/05/2026	12/15/2026
12/27/2001	26 Hitachi CQ 311 Rail Cars	65,000	13,320	7,191	6,129	1/05/2026	12/15/2026
12/27/2001	14 Hitachi CQ 311 Rail Cars	35,000	7,296	3,930	3,366	1/05/2026	12/15/2026
9/27/2002	20 Breda CQ 312 Rail Cars	57,000	12,622	9,150	3,472	1/05/2026	12/15/2026
9/29/2005	30 Breda CQ 312 Rail Cars	93,300	16,274	11,376	3,839	1/02/2034	12/15/2034
9/29/2005	10 Breda CQ 312 Rail Cars	31,500	5,488	3,793	1,333	1/02/2034	12/15/2034
9/29/2003	Marta South Line	782,072	102,230	67,457	27,312	1/02/2032	12/15/2032

(Dollars in Thousands)

10. CAPITAL LEASE OBLIGATIONS (continued)

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

Lease Date	Property	Net Book Value 6/30/2016	Net Book Value 6/30/2015
3/22/2001	16 Hitachi CQ 310 Rail Cars	$ 4,397	$ 19,740
3/22/2001	28 Breda CQ310 Rail Cars	-	33,186
3/22/2001	46 Franco Belge CQ 310 Rail Cars	30,086	67,289
6/22/2001	24 Franco Belge CQ 310 Rail Cars	-	2,355
12/27/2001	48 Hitachi CQ 311 Rail Cars	-	28,887
9/27/2002	20 Breda CQ 312 Rail Cars	24,657	24,961
9/29/2005	40 Breda CQ 312 Rail Cars	42,185	50,884
9/29/2003	MARTA South Line	307,622	305,728

Due to the termination of LILO agreements, trust numbers 2001-1, 2001-4, and 2001-5 to 2001-11 were removed from the table above. Thirty rail cars were removed from the Hitachi CQ310's and 46 were removed from the Franco Belge CQ310 Rail cars. The 28 Breda, 24 Franco Belge, and the 48 Hitachi's were completely removed from the table above.

American Insurance Group (“AIG”) and Ambac were participants in a majority of these structured lease transactions. The downgrade of AIG and Ambac ratings triggered, at the option of the counterparties, replacement of the Payment Undertaking Agreements and the surety bonds for 18 of the 19 transactions. Of the 18 transactions that fell below the threshold, replacement was requested for 16. None of MARTA’s counterparties in these transactions declared a default. The statuses of these transactions are as follows:

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

- A collateral replacement of approximately $14.0 million supporting the remediated transactions related to the 2001-2, 2001-3, and 2002-1 LILO arrangements will need to be in place on January 2, 2018, and can take the form of securities or a Letter of Credit. The replacement of collateral determination method and actual final collateral replacement amounts is not determinable at June 30, 2016.

(Dollars in Thousands)

10. CAPITAL LEASE OBLIGATIONS (continued)

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2016:

Fiscal Year(s)		
2017	$	4,036
2018		67,769
2019		18,218
2020		8,809
2021-2025		15,986
2026-2030		23,297
2031-2035		173,518
Present value of net minimum lease payments		311,633
Less: current principal maturities		(4,036)
Obligations under capital lease - long term	$	307,597

The liability of these leases changed in 2016 and 2015 as follows:

Outstanding - June 30, 2015	$	452,066
Net change in obligation		(140,433)
Outstanding - June 30, 2016	$	311,633

11. PENSION PLANS

Plan Description - MARTA maintains two single-employer defined benefit pension plans, the MARTA/ATU Local 732 Employees Retirement Plan, previously known as the Union Employees Retirement Plan (the "Union Plan") and Non-Represented Pension Plan (the "Non-Rep Plan"). The Union Plan provides pension for all members of Division No. 732 of the Amalgamated Transit Union 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 Non-Rep Plan originally provides pension for all full-time employees who were not active participants in the Union Plan. The Non-Rep Plan was closed on January 1, 2005 to all employees hired after that date, other than Union Plan transfers hired before January 1, 2005, and all Transit Police. The Non-Rep Plan has been subsequently closed to all Transit Police hired after December 31, 2014.

Prior to January 1, 2005, covered employees were eligible to participate in the Non-Rep Plan on the first date of employment; however, effective January 1, 2005, or January 1, 2015, for Transit Police, covered employees are eligible to participate in the MARTA Non-represented Defined Contribution Plan and Trust on the first date of employment.

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

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 statues 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.

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

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

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

(Dollars in Thousands)

11. 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 (as defined), and multiplied by factors related to length of continuous service. All modifications to the pension plans must be supported by actuarial analysis and receive the approval of the MARTA Board of Directors and pension retirement committees.

Normal retirement under the Union Plan occurs when a participant reaches age 65 with 10 years of credit service. For the Non-Rep Plan, the participant must complete five years of credited service and attain age 62. The minimum pension benefit upon retirement with fewer than 25 years of credited service under the Union Plan is $650 per month reduced by 10% for each full year or fraction thereof for less than 10 years of service. Also, the minimum monthly benefit is $85 per month per year of credited service with 25 years or more of credited service. Under the Non-Rep Plan, the minimum monthly benefit is $32.50 times credited service up to 30 years. 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 the plan. An employee who leaves MARTA may withdraw his or her contributions, plus any accumulated interest.

Plan Membership - The following schedule (derived from the most recent actuarial valuation report and reported in whole numbers) reflects membership for the plans as of January 1, 2016, for the Union Plan and Non-Rep Plan:

	Union	Non-Rep
Active Employees	2,553	713
Retirees and Members:		
Receiving Benefits	2,137	1,283
Inactive Vestees	311	119
Total	5,001	2,115

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

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.

The contribution rates are a percentage of pensionable earnings that were at 8.09% for MARTA and 4.41% for employees with the Union Plan. The contribution rates, a percent of pensionable earnings, were at 42.31% for MARTA, 6% for plan employees, and 7.5% for Transit Police with the Non-Rep Plan (Closed Plan). For the year ended December 31, 2015, MARTA contributed $20,114 for the Non-Rep Plan and $8,630 for the Union Plan.

(Dollars in Thousands)

11. 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 reflect the substantive plan in effect as of January 1, 2016, and the current sharing pattern of costs between employer and employee.

	Union	Non-Rep
Pension Expense	$19,984	$22,213
Actuarial Valuation Date	01/01/16	01/01/16
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percentage of Pay (closed)	Fixed Dollar (closed)
Remaining Amortization Period	21 years, Open	8 years, Closed
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions		
Investment Rate of Return	7.50%	6.90%
Inflation	2.80%	2.50%
Projected Salary Increases:		
Inflation and Productivity		
Plan Members	4.50%	3.00%
Transit Police		3.50%
Cost of Living Adjustments (COLA)	3.00%	1.00%
Merit or Seniority	1.00% per year	1.00% per year
Post Retirement Benefit Increases	none	none
Mortality Assumption		
Healthy	RP-2014 Blue Collar Mortality Table using 1/2 of Scale MP-2014.	RP-2000 Combined Health Mortality Table separated by Sex, Projection Scale BB to valuation date.
Disabled	RP-2014 Blue Collar Mortality Table using 1/2 of Scale MP-2014.	

(Dollars in Thousands)

11. PENSION PLANS (continued)

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plans, calculated using the discount rate of 7.5% for the Union Plan and 6.9% 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 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Union Plan Discount Rate	6.50%	7.50%	8.50%
Plan Net Pension Liability	$ 70,523	$ 16,949	$ (28,579)
Non-Rep Plan Discount Rate	5.90%	6.90%	7.90%
Plan Net Pension Liability	$ 168,683	$ 123,717	$ 85,759

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 are:

Asset Class	Union	Non-Rep
Domestic Large Cap Equity	5.20%	0.00%
Domestic Mid Cap Equity	5.50	
Domestic Small Cap Equity	5.80	
International Equity	5.50	4.75
Opportunistic Equity	5.60	
Domestic Fixed income	0.90	0.50
US Broad Equity		4.85
Global Ex-US Equity		5.05
Alternatives/Convertibles	5.70	3.20

Pension Liability, Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pension - At June 30, 2016, MARTA reported a net pension liability of $140,666.

The net pension liability was measured as of December 31, 2015 based on an actuarial valuation as of January 1, 2016.

(Dollars in Thousands)

11. PENSION PLANS (continued)

Union Plan

Change in Net Pension Liability	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	**$ 482,759**	**$ 535,836**	**$ (53,077)**
Changes for the year:			
Service Cost	11,476	-	11,476
Interest	35,684	-	35,684
Net investment income (loss)	-	(7,547)	7,547
Changes in Benefit Terms	323	-	323
Difference between expected & actual experience	(1,763)	-	(1,763)
Changes in Assumptions	29,188	-	29,188
Contributions - Employer	-	8,630	(8,630)
Contributions - Employee	-	4,719	(4,719)
Benefit payments	(36,727)	(36,727)	-
Administrative expenses	(851)	(851)	-
Other changes	-	(920)	920
Net Changes	**37,330**	**(32,696)**	**70,026**
Balance 12/31/2015	**$ 520,089**	**$ 503,140**	**$ 16,949**

Non-Rep Plan

Change in Net Pension Liability	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	**$ 468,375**	**$ 372,190**	**$ 96,185**
Changes for the year:			
Service Cost	6,052	-	6,052
Interest	31,569	-	31,569
Net investment income (loss)	-	(2,994)	2,994
Difference between expected & actual experience	9,181	-	9,181
Contributions - Employer	-	20,114	(20,114)
Contributions - Employee	-	2,818	(2,818)
Member Buybacks	-	82	(82)
Benefit payments	(34,383)	(34,383)	-
Administrative expenses	-	(245)	245
Other changes	-	(505)	505
Net Changes	**12,419**	**(15,113)**	**27,532**
Balance 12/31/2015	**$ 480,794**	**$ 357,077**	**$ 123,717**

(Dollars in Thousands)

11. PENSION PLANS (continued)

Union Plan	Increase (Decrease)		
Change in Net Pension Asset	Total Pension Asset (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balance at 12/31/2013	**$ 474,549**	**$ 526,203**	**$ (51,654)**
Changes for the year:			
Service Cost	11,099	-	11,099
Interest	35,109	-	35,109
Net investment income	-	31,954	(31,954)
Difference between expected & actual experience	(2,287)	-	(2,287)
Contributions - Employer	-	8,077	(8,077)
Contributions - Employee	-	4,392	(4,392)
Benefit payments	(35,123)	(35,123)	-
Adminstrative expenses	(588)	(588)	-
Other changes	-	920	(920)
Net Changes	**8,210**	**9,633**	**(1,423)**
Balance 12/31/2014	**$ 482,759**	**$ 535,836**	**$ (53,077)**

Non-Rep Plan	Increase (Decrease)		
Change in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liabilty (a) - (b)
Balance at 12/31/2013	**$ 445,249**	**$ 362,573**	**$ 82,676**
Changes for the year:			
Service Cost	5,602	-	5,602
Interest	31,475	-	31,475
Net investment income	-	19,929	(19,929)
Difference between expected & actual experience	4,158	-	4,158
Changes in Assumptions	15,914	-	15,914
Contributions - Employer	-	20,623	(20,623)
Contributions - Employee	-	2,902	(2,902)
Member Buybacks	-	44	(44)
Benefit payments	(34,023)	(34,023)	-
Administrative expenses	-	(384)	384
Other changes	-	525	(525)
Net Changes	**23,126**	**9,617**	**13,509**
Balance 12/31/2014	**$ 468,375**	**$ 372,190**	**$ 96,185**

(Dollars in Thousands)

11. PENSION PLANS (continued)

For the year ended June 30, 2016, MARTA recognized pension expense of $42,197.

At June 30, 2016, MARTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:		
Net difference between projected and actual earnings on investments	$ 65,258	$ -
Change in benefit terms	246	-
Difference between expected and actual experience	10,769	(2,567)
Changes of assumptions	34,165	-
Employer contribution subsequent to the measurement date	17,501	-
Total	$ 127,939	$ (2,567)

For the year ended June 30, 2015, MARTA recognized pension expense of $16,253.

At June 30, 2015, MARTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:		
Net difference between projected and actual earnings on investments	$ 9,826	$ -
Changes in benefits terms	-	-
Difference between expected and actual experience	3,638	(1,756)
Changes of assumptions	13,925	-
Employer contribution subsequent to the measurement date	13,880	-
Total	$ 41,269	$ (1,756)

(Dollars in Thousands)

11. PENSION PLANS (continued)

$17,501 and $13,880 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the years ended June 30, 2016 and June 30, 2015, respectively. 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
2017	$ 27,052
2018	27,052
2019	27,421
2020	19,798
2021	4,039
2022	2,509

Defined Contribution Pension Plan

Plan Description - MARTA maintains one single-employer defined contribution plan, the MARTA Non-represented Defined Contribution Plan and Trust (the “D.C. Plan”). The D.C. 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 MassMutual is the trustee.

Benefits Provided - The MARTA D.C. Plan was established to provide retirement, disability, and death/survivor benefits. Normal retirement under the D.C. 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 - The contribution rates as a percent of earnings were at 6% for MARTA and 6% for employees with the D.C. Plan. Employer contributions to the D.C. Plan for the years ended June 30, 2016 and 2015 were $2,423 and $1,149, respectively. Employee contributions to the D.C. Plan for the years ended June 30, 2016 and 2015 were $2,670 and $2,339, respectively.

12. EMPLOYEE BENEFITS

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

The 457 Plan allows any employee to voluntarily defer receipt of up to 25% of gross compensation, not to exceed $18 per year or if age 50 and over, not to exceed $24 per year. All administration costs of the 457 Plan are deducted from the participant’s account. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). The 457 Plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA’s Statements of Net Position.

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

Non-represented employees, including police officers hired before July 1, 2004, and all represented employees who retire with a regular, disability, or early pension under one of the defined benefit pension plans from active service with MARTA are eligible until age 65 (maximum of 15 years) for health coverage. Life insurance and transit pass benefits continue for life. Participants can choose from several plan options and pay a portion of the cost of benefits. The cost for represented coverage varies by plan but is available at no cost to the retiree for the first 10 years after retirement and 50% of the cost for an additional five years, not to exceed 15 years.

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

MARTA’s annual other postemployment benefit (“OPEB”) cost is calculated based on the Annual Required Contribution of the Employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) with increasing payments over a period not to exceed 30 years. For the years ended June 30, 2016 and 2015, respectively, MARTA contributed $21,973 and $21,219 to its OPEB Plan (the “Plan”).

(Dollars in Thousands)

12. EMPLOYEE BENEFITS (continued)

The following schedule (derived from the most recent actuarial valuation report) shows the components of MARTA's Annual OPEB costs for 2016 and 2015, the amounts actually contributed to the Plan, and changes in MARTA's Net OPEB (Obligation) Asset:

	2016	2015
Per Actuarial Valuation		
Annual Required Contribution	$ 21,978	$ 22,047
Interest on Net OPEB Obligation	(15)	(9)
Adjustment to OPEB Obligation	-	-
Annual OPEB Cost	21,963	22,038
Actual Employer Contributions	21,973	21,219
Increase in Net OPEB Obligation (Liability)	10	(819)
Beginning of Year	(819)	-
End of Year	$ (809)	$ (819)

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

For the July 1, 2014 actuarial valuation, the Individual Entry Age Normal Actuarial Cost Method was used. Under the Entry Age Normal Actuarial Cost Method, the Normal Cost is computed as the dollar amount which, if paid from the earliest time each participant would have been eligible to join the Plan if it then existed (entry age) until their retirement, termination, or death, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to pay all benefits under the Plan. The total Normal Cost for the Plan is determined by adding the Normal Costs for each individual participant.

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

The amortization method used is a 30-year closed level percent of pay formula; no payroll growth was assumed for amortization purposes. There are currently 22 years remaining in the amortization period. For the purposes of the fiscal years 2016 and 2015 actuarial valuations, a discount rate of 7.0% was used for both years. The Plan changed the long-term discount rate assumption from 4.7% used in the initial valuation to 7.5% in connection with the establishment of an exclusive trust.

(Dollars in Thousands)

12. EMPLOYEE BENEFITS (continued)

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

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

The healthcare trend rate used for determining the cost of future benefits for the Plan was 8.5% for 2016 and 2015.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Asset (Liability)
2014	$ 20,625	100%	$ -
2015	22,038	100	(819)
2016	21,963	100	(809)

The funded status of the Plan as of June 30, 2016 was as follows:

Actuarial Accrued Liability (AAL)	$ 209,945
Actuarial Value of Plan Assets	50,337
Unfunded Actuarial Accrued Liability (UAAL)	$ 159,608
Funded Ratio	24.0%
Covered Payroll	$ 188,840
UAAL as a Percentage of Covered Payroll	84.5%

(Dollars in Thousands)

12. EMPLOYEE BENEFITS (continued)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Individual Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	$33,684	$197,230	17.1%	$163,546	$195,989	83.4%
6/30/2014	44,166	206,701	21.4	162,535	181,842	89.4
6/30/2015	50,337	209,945	24.0	159,608	188,840	84.5

The Plan covers both Union and Non-Represented employees. The chart below details this dissection of fully eligible and not yet fully eligible active participants (all numbers presented as whole numbers).

Active Participants	Union	Non-Rep	Total
Fully Eligible	235	312	547
Not Yet Fully Eligible	2,197	286	2,483
Total Number of Lives	2,432	598	3,030

13. RISK MANAGEMENT

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

There have been no significant reductions in insurance coverage during the years ended June 30, 2016 and 2015, and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

(Dollars in Thousands)

13. RISK MANAGEMENT (continued)

The changes in the liabilities for self-insurance for the years ended June 30, 2016 and 2015 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Health and Dental
Balance, June 30, 2014	$ 27,059	$ 18,635	$ -
Incurred claims, net of any changes	18,991	5,943	-
Payments	(9,397)	(8,135)	-
Balance, June 30, 2015	36,653	16,443	-
Incurred claims, net of any changes	8,101	2,653	-
Payments	(9,709)	(6,390)	-
Balance, June 30, 2016	$ 35,045	$ 12,706	$ -
Due within one year	$ 12,260	$ 5,359	$ -

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

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

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

14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net assets by MARTA that is applicable to a future period and has a positive effect on net position similar to assets.

Deferred inflows of resources are an acquisition of net assets by MARTA that is applicable to a future period and has a negative effect on net position similar to liabilities.

15. UNEARNED REVENUE

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

During the years ended June 30, 2016 and 2015, the unamortized portion of unearned revenue for the South Line agreement was $19,437 and $20,700, respectively, and $1,000 and $10,942, respectively, for the Rail Cars agreements.

16. COMMITMENTS AND CONTINGENCIES

Commitments - MARTA's long-range plan provides for the planning, construction, financing, and operation of a rapid transit system in multiple phases, consisting of approximately 60 miles of double track and 45 stations, of which 47.6 miles and 38 stations were in service June 30, 2016. At June 30, 2016, MARTA was committed to future capital expenditures for various other projects.

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

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

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

On November 5, 2015, MARTA entered into contract with MV Transportation, Inc. for the operations and maintenance of mobility (paratransit) services. This is a three-year contract with two option years in the amount of $116,867. The cost of services is based on a fixed price Authority's discretion.

(Dollars in Thousands)

16. COMMITMENTS AND CONTINGENCIES (continued)

MV Transportation, Inc. provides operations and maintenance of MARTA mobility services, which include all primary functions except certification/eligibility, reservations and customer service responses. MV Transportation, Inc. operates paratransit services out of MARTA's Brady Garage facility using MARTA's existing fleet of Mobility vehicles/L-vans. MARTA supplies all fuel for revenue operations and collects all passenger revenue. MV Transportation, Inc. began revenue services May 21, 2016.

During the year ended June 30, 2001, MARTA began a Transit Oriented Development Program whereby MARTA ground leases office, retail, and residential space. The AT&T Towers and related parking and retail space were completed in October 2002. Ground lease agreements for these initial TOD projects provide for various payments to be made to MARTA over a number of years. In 2013 MARTA began pursuing new opportunities in joint development. As of October 2015, MARTA has identified development partners at five rail stations: King Memorial, Edgewood/Candler Park, Avondale, Brookhaven/Oglethorpe, and Chamblee. Development partners for the proposed Oakland City and Arts Center Station TODs should be identified by December 31, 2015.

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

Future lease payments scheduled to be received under non-cancelable operating leases are as follows at June 30, 2016.

Fiscal Year	Amount
2017	$ 7,163
2018	7,841
2019	8,658
2020	8,821
2021	8,820
	$ 41,303

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

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

17. POLLUTION REMEDIATION OBLIGATION

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 $6,611 and $7,707 is its obligation to remediate the sites at the bus and maintenance facilities at June 30, 2016 and 2015, respectively, which is included in current liabilities on the Statements of Net Position.

18. SUBSEQUENT EVENT

While MARTA is fully hedged for the fiscal year 2017 budget period, MARTA may execute additional fuel hedge contracts to facilitate hedging for the fiscal years 2018 and 2019. Fuel Swap transactions will be determined through a bid process conducted at points in fiscal years 2017 and 2018 as dictated by market conditions. MARTA may also choose to use an established brokerage account to procure individual futures contracts to hedge against budget volatility. The purchases and settlements will be executed and settled by the Cash Management Branch. These contracts will be executed to hedge fiscal years 2018 and 2019 at levels not to exceed 75% of the forecast usage for any year.

MARTA entered into a private placement, advanced forward delivery refunding of the 2006A Bonds resulting in the issuance of the 2016A Bonds in a par amount of $90,260. As a result, future debt payments for the Authority were reduced. The transaction was priced on March 5, 2015 and closed on July 1, 2016.

Advanced refunding for Series 2016A Bonds scheduled to close on July 1, 2016 was priced and agreed upon on March 5, 2015. Once in place, the new Series 2016A Bonds will reduce MARTA's debt service by an additional $5.76 million.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios

Year Ended June 30, 2016

(Dollars in Thousands)

UNION

Plan Year Ending	2015	2014	2013	2012	2011
Total Pension Liability:					
Service Cost	$ 11,476	$ 11,099	$ 11,004	$ 9,870	$ 10,114
Interest	35,684	35,109	34,672	34,932	34,847
Change of Benefit Terms	323	-	-	-	-
Difference between Expected and Actual Experience	(1,763)	(2,287)	(5,092)	(17,095)	2,283
Change in Assumptions	29,188	-	-	-	(16,182)
Benefit Payments, including member contributions refunds	(36,727)	(35,123)	(33,491)	(30,075)	(28,207)
Administrative Expense	(851)	(588)	(553)	(549)	(583)
Net Change in Total Pension Liability	37,330	8,210	6,540	(2,917)	2,272
Total Pension Liability					
Beginning of the Year	482,759	474,549	468,009	470,926	468,654
Net Increase (Decrease)	37,330	8,210	6,540	(2,917)	2,272
Total Pension Liability End of the Year	$ 520,089	$ 482,759	$ 474,549	$ 468,009	$ 470,926
Plan Fiduciary Net Position:					
Employee Contributions	$ 4,719	$ 4,392	$ 4,812	$ 4,521	$ 3,671
Employer Contributions	8,630	8,077	8,839	6,218	6,941
Members Buybacks (portability, reemployment, transfers)	-	-	-	-	-
Net Investment Income (Loss)	(7,547)	31,954	84,100	47,576	456
Benefits Payments, including member contributions refunds	(36,727)	(35,123)	(33,491)	(30,075)	(28,207)
Administrative Expense	(851)	(588)	(553)	(549)	(583)
Other	(920)	920	-	-	-
Net Change in Plan Fiduciary Net Position	(32,696)	9,632	63,707	27,691	(17,722)
Total Fiduciary Net Position					
Beginning of the Year	535,836	526,203	462,497	434,806	452,528
Net Increase (Decrease)	(32,696)	9,633	63,707	27,691	(17,722)
Total Plan Fiduciary Net Position End of the Year	$ 503,140	$ 535,836	$ 526,204	$ 462,497	$ 434,806
Plan's Net Position Liability (NPL)	$ 16,949	$ (53,077)	$ (51,655)	$ 5,512	$ 36,120
Plan Fiduciary Net Position as % of TPL	96.7%	111.0%	110.9%	98.8%	92.3%
Covered Payroll	106,678	99,587	109,119	102,525	105,030
Plan's NPL as % of Covered Payroll	15.9%	-53.3%	-47.3%	5.4%	34.4%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios

Year Ended June 30, 2016

(Dollars in Thousands)

UNION

Plan Year Ending	2010	2009	2008	2007	2006
Total Pension Liability:					
Service Cost	$ 12,239	$ 12,129	$ 11,612	$ 11,221	$ 11,046
Interest	34,119	33,061	31,776	30,331	29,095
Change of Benefit Terms	-	-	-	664	652
Difference between Expected and Actual Experience	(5,486)	(2,862)	(954)	1,632	(2,696)
Change in Assumptions	-	-	-	-	3,594
Benefit Payments, including member contributions refunds	(28,739)	(26,885)	(23,771)	(25,166)	(24,569)
Administrative Expense	(541)	(518)	(510)	(485)	(549)
Net Change in Total Pension Liability	11,592	14,925	18,153	18,197	16,573
Total Pension Liability					
Beginning of the Year	457,062	442,137	423,984	405,787	389,212
Net Increase (Decrease)	11,592	14,925	18,153	18,198	16,574
Total Pension Liability End of the Year	$ 468,654	$ 457,062	$ 442,137	$ 423,985	$ 405,786
Plan Fiduciary Net Position:					
Employee Contributions	$ 2,669	$ 2,847	$ 2,843	$ 2,667	$ 2,583
Employer Contributions	11,360	5,392	5,429	4,903	4,757
Members Buybacks (portability, reemployment, transfers)	-	-	(126)	-	-
Net Investment Income (Loss)	55,248	72,988	(107,540)	36,183	41,434
Benefits Payments, including member contributions refunds	(28,739)	(26,885)	(23,771)	(25,166)	(24,569)
Administrative Expense	(541)	(518)	(510)	(485)	(549)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	39,997	53,824	(123,675)	18,102	23,656
Total Fiduciary Net Position					
Beginning of the Year	412,531	358,707	482,383	464,280	440,624
Net Increase (Decrease)	39,996	53,824	(123,675)	18,103	23,656
Total Plan Fiduciary Net Position End of the Year	$ 452,527	$ 412,531	$ 358,708	$ 482,383	$ 464,280
Plan's Net Position Liability (NPL)	$ 16,127	$ 44,531	$ 83,429	$ (58,398)	$ (58,494)
Plan Fiduciary Net Position as % of TPL	96.6%	90.3%	81.1%	113.8%	114.4%
Covered Payroll	108,930	116,744	108,031	105,031	95,036
Plan's NPL as % of Covered Payroll	14.8%	38.1%	77.2%	-55.6%	-61.5%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios

Year Ended June 30, 2016

(Dollars in Thousands)

NON-REP

Plan Year Ending	2015	2014	2013	2012	2011
Total Pension Liability:					
Service Cost	$ 6,052	$ 5,602	$ 5,994	$ 7,358	$ 7,124
Interest	31,569	31,475	30,517	31,878	30,054
Change of Benefit Terms	-	-	-	(26,143)	-
Difference between Expected and Actual Experience	9,181	4,158	(1,032)	2,452	9,121
Change in Assumptions	-	15,914	10,648	11,228	5,540
Benefit Payments, including member contributions refunds	(34,383)	(34,023)	(31,084)	(27,986)	(27,527)
Administrative Expense	-	-	-	-	-
Net Change in Total Pension Liability	12,419	23,126	15,043	(1,213)	24,312
Total Pension Liability					
Beginning of the Year	468,375	445,249	430,206	431,419	407,108
Net Increase (Decrease)	12,419	23,126	15,043	(1,213)	24,312
Total Pension Liability End of the Year	$ 480,794	$ 468,375	$ 445,249	$ 430,206	$ 431,420
Plan Fiduciary Net Position:					
Employee Contributions	$ 2,818	$ 2,902	$ 3,389	$ 3,416	$ 3,366
Employer Contributions	20,114	20,623	21,619	24,036	21,825
Members Buybacks (portability, reemployment, transfers)	82	44	90	31	21
Net Investment Income (Loss)	(2,994)	19,772	66,798	33,194	3,999
Benefits Payments, including member contributions refunds	(34,383)	(34,023)	(31,084)	(27,986)	(27,527)
Administrative Expense	(245)	(227)	(351)	(1,315)	(1,192)
Other	(505)	525	341	415	242
Net Change in Plan Fiduciary Net Position	(15,113)	9,616	60,802	31,791	734
Total Fiduciary Net Position					
Beginning of the Year	372,190	362,573	301,771	269,981	269,246
Net Increase (Decrease)	(15,113)	9,617	60,801	31,790	735
Total Plan Fiduciary Net Position End of the Year	$ 357,077	$ 372,190	$ 362,572	$ 301,771	$ 269,981
Plan's Net Position Liability (NPL)	$ 123,717	$ 96,185	$ 82,677	$ 128,435	$ 161,439
Plan Fiduciary Net Position as % of TPL	74.3%	79.5%	81.4%	70.1%	62.6%
Covered Payroll	42,301	45,099	45,668	49,338	58,225
Plan's NPL as % of Covered Payroll	292.5%	213.3%	181.0%	260.3%	277.3%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2016
(Dollars in Thousands)

NON-REP

Plan Year Ending	2010	2009	2008	2007	2006
Total Pension Liability:					
Service Cost	$ 7,043	$ 7,978	$ 7,680	$ 6,519	$ 6,122
Interest	28,593	28,402	27,326	23,796	21,738
Change of Benefit Terms	-	-	-	22,387	-
Difference between Expected and Actual Experience	10,086	(9,539)	287	14,455	10,154
Change in Assumptions	-	-	-	-	9,933
Benefit Payments, including member contributions refunds	(25,174)	(21,618)	(20,879)	(21,600)	(20,233)
Administrative Expense	-	-	-	-	-
Net Change in Total Pension Liability	20,548	5,223	14,414	45,557	27,714
Total Pension Liability					
Beginning of the Year	386,559	381,335	366,921	321,364	293,650
Net Increase (Decrease)	20,548	5,225	14,414	45,557	27,714
Total Pension Liability End of the Year	$ 407,107	$ 386,560	$ 381,335	$ 366,921	$ 321,364
Plan Fiduciary Net Position:					
Employee Contributions	$ 20,543	$ 17,324	$ 18,851	$ 17,610	$ 55,831
Employer Contributions	3,225	3,411	3,713	3,542	3,392
Members Buybacks (portability, reemployment, transfers)	33	121	175	130	16
Net Investment Income (Loss)	28,564	37,664	(58,648)	18,694	24,182
Benefits Payments, including member contributions refunds	(25,174)	(21,618)	(20,879)	(21,600)	(20,233)
Administrative Expense	(1,086)	(903)	(1,174)	(1,394)	(1,165)
Other	136	172	419	100	46
Net Change in Plan Fiduciary Net Position	26,241	36,171	(57,543)	17,082	62,069
Total Fiduciary Net Position					
Beginning of the Year	243,005	206,834	264,377	247,295	185,227
Net Increase (Decrease)	26,241	36,171	(57,543)	17,082	62,068
Total Plan Fiduciary Net Position End of the Year	$ 269,246	$ 243,005	$ 206,834	$ 264,377	$ 247,295
Plan's Net Position Liability (NPL)	$ 137,861	$ 143,555	$ 174,501	$ 102,544	$ 74,069
Plan Fiduciary Net Position as % of TPL	66.1%	62.9%	54.2%	72.1%	77.0%
Covered Payroll	58,140	58,614	67,012	66,300	62,163
Plan's NPL as % of Covered Payroll	237.1%	244.9%	260.4%	154.7%	119.2%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Supplemental Schedule of Employer Contributions

For the Year Ended June 30, 2016

(Dollars in Thousands)

UNION

Plan Year Ending	**2015**	**2014**	**2013**	**2012**	**2011**
Contributions:					
Actuarially Determined Contribution	$ 8,630	$ 8,077	$ 8,828	$ 6,193	$ 7,935
Actual Employer Contributions	8,630	8,077	8,839	6,218	6,941
Contribution Deficiency (Excess)	$ -	$ -	$ (11)	$ (25)	$ 994
Covered Payroll	$ 106,678	$ 99,587	$ 109,119	$ 102,525	$ 105,030
Net Change in Total Pension Liability	8.09%	8.11%	8.10%	6.06%	6.61%

NON-REP

Plan Year Ending	**2015**	**2014**	**2013**	**2012**	**2011**
Contributions:					
Actuarially Determined Contribution	$ 20,338	$ 16,205	$ 21,087	$ 24,806	$ 21,892
Actual Employer Contributions	20,114	20,623	21,619	24,036	21,825
Contribution Deficiency (Excess)	$ 224	$ (4,418)	$ (532)	$ 770	$ 67
Covered Payroll	$ 42,301	$ 45,099	$ 45,668	$ 49,338	$ 58,225
Net Change in Total Pension Liability	47.55%	45.73%	47.34%	48.72%	37.48%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Supplemental Schedule of Employer Contributions

For the Year Ended June 30, 2016

(Dollars in Thousands)

UNION

Plan Year Ending	2010	2009	2008	2007	2006
Contributions:					
Actuarily Determined Contribution	$ 9,902	$ 5,392	$ 5,429	$ 4,903	$ 4,757
Actual Employer Contributions	11,360	5,392	5,429	4,903	4,757
Contribution Deficiency (Excess)	$ (1,458)	$ -	$ -	$ -	$ -
Covered Payroll	$ 108,930	$ 116,744	$ 108,031	$ 105,031	$ 95,036
Net Change in Total Pension Liability	10.43%	4.62%	5.03%	4.67%	5.01%

NON-REP

Plan Year Ending	2010	2009	2008	2007	2006
Contributions:					
Actuarily Determined Contribution	$ 19,415	$ 20,193	$ 19,124	$ 13,543	$ 10,909
Actual Employer Contributions	20,543	17,324	18,851	17,610	55,831
Contribution Deficiency (Excess)	$ (1,128)	$ 2,869	$ 273	$ (4,067)	$ (44,922)
Covered Payroll	$ 58,140	$ 58,614	$ 67,012	$ 66,300	$ 62,163
Net Change in Total Pension Liability	35.33%	29.56%	28.13%	26.56%	89.81%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Supplemental Schedule of Revenue and Expenses – Budget vs. Actual (Budget Basis)

For the Year Ended June 30, 2016

(Dollars in Thousands)

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	$ 148,481	$ 141,360	$ (7,121)
Other Revenues	5,278	11,052	5,774
Total Operating Revenues	153,759	152,412	(1,347)
Operating Expenses:			
Transportation	190,765	206,252	(15,487)
Maintenance and Garage Operations	157,673	143,576	14,097
General and Administrative	91,147	83,271	7,876
Total Operating Expenses	439,585	433,099	6,486
Operating Loss	(285,826)	(280,687)	5,139
Nonoperating Revenues:			
Sales and Use Tax	434,872	409,718	(25,154)
Federal Operating Revenues	68,500	76,289	7,789
Investment Income	249	1,568	1,319
Other Revenues	27,716	42,396	14,680
	531,337	529,971	(1,366)
Increase in Net Assets - Budget Basis	$ 27,716	249,284	$ 14,680
Basis Differences			
Depreciation		(242,536)	
Gain on Sales of Property and Equipment		182	
Interest Expense		(83,356)	
Interest Expense Capitalized		179	
Amortization of Financing Related Charges and Income from Derivative Activity		5,318	
Other - Nonoperating Expense		(38,572)	
Capital Grants		32,431	
Net Capital Lease Transaction Activity		32,057	
Gain on Investment Derivatives		(390)	
Decrease in Net Assets - GAAP Basis		$ (45,403)	

See notes to the supplemental schedule.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Notes to the Supplemental Schedule

Year Ended June 30, 2016

(Dollars in Thousands)

1. BUDGETARY HIGHLIGHTS

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. The fiscal year 2016 net operating expenses were $433,099 which excludes depreciation. This was $6,486 (1.5%) less than the fiscal year 2016 budget, which was $14,443 (3.4%) less than the previous year's budget. MARTA continued a number of cost containment measures in fiscal year 2016 by focusing on increasing productivity and efficiencies while reducing cost. Operating revenue performed unfavorable to the budget, ending the year $1,347 (0.88%) less than budget, primarily due to reduction in Fare revenues. Nonoperating revenues were $1,366 (0.26%) less than budget. The largest variance was for Sales and Use Tax ; MARTA received $25,154 less than budgeted.

STATISTICAL

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

CONTENTS

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

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

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

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

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

SOURCES

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

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Financial Trends

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Condensed Summary of Net Position

Last Ten Fiscal Years
(Dollars in Millions)

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
ASSETS:	Current and Other Assets	$1,086	$1,161	$1,033	$1,039	$1,013	$968	$1,084	$904	$1,142	$1,059
	Capital Assets	2,966	3,049	3,056	3,028	3,078	3,158	3,273	3,360	3,393	3,350
	Net Pension Assets		53								
	Derivative Assets										
	Other		2								
	Total Assets	4,052	4,265	4,089	4,067	4,091	4,126	4,356	4,264	4,535	4,409
DEFERRED OUTFLOWS OF RESOURCES											
	Deferred Outflow of Resources from Hedging		2		4	23	29				
	Deferred Outflow of Resources - Pension	128	41								
	Deferred Outflow of Resources - Debt Refunding	25	10	12	16						
	Total Deferred Outflows of Resources	153	53	12	20	23	29				
	Total Assets and Deferred Outflows of Resources	4,205	4,318	4,101	4,087	4,114	4,155				
LIABILITIES:											
	Long-term Debt Outstanding	2,176	2,131	1,792	1,881	1,910	1,652	1,691	1,482	1,686	1,581
	Current and Other Liabilities	536	693	884	747	617	826	816	811	741	690
	Derivative Liabilty		2								
	Net Pension Liability	141	96								
	Net OPEB Liability	1	1								
	Total Liabilities	2,854	2,924	2,676	2,628	2,527	2,476	2,507	2,293	2,426	2,271
DEFERRED INFLOWS OF RESOURCES											
	Deferred Inflows of Resources						1				
	Deferred Inflows of Resources- Pension	3	2								
	Total Lilibilities and Deferred Inflows of Resources	2,857	2,926	2,676	2,628	2,527	2,477				
NET POSITION:											
	Net Invested in Capital Assets	503	478	647	654	796	915	987	1,307	1,707	1,769
	Restricted	857	929	789	788	768	717	709	621	307	292
	Unrestricted	(12)	(14)	(11)	17	23	44	153	43	95	77
	TOTAL NET POSITION	$1,348	$1,393	$1,425	$1,459	$1,587	$1,676	$1,849	$1,971	$2,109	$2,138

Summary of Revenues, Expenses and Changes in Net Position

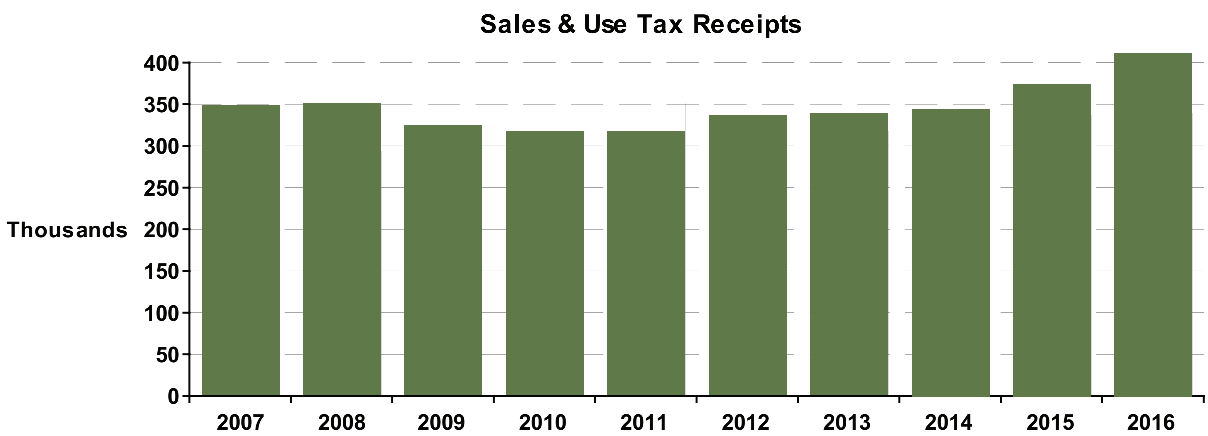
Last Ten Fiscal Years
(Dollars in Millions)

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues	Fare Revenues	$141	$146	$140	$141	$133	$116	$110	$105	$104	$105
	Other Revenues	11	11	12	10	11	11	13	9	14	5
	Total Operating Revenues	152	157	153	151	144	127	122	114	118	110
Non-Operating Revenues	Sales and Use Tax	410	378	347	339	341	320	308	313	350	351
	Federal Revenues	76	83	103	120	71	86	101	52	49	40
	Investment Income	2	1	1	2	1	1	2	7	18	20
	Net Capital Leases Transaction Activity	32	5	7	(32)	52	(12)	50	3	3	0
	Other Revenues	42	28	32	17	13	13	11	48	11	10
	Gain (Loss) on Sale of Property and Equip.	0	0	(0)	(1)	(0)	(1)	(0)	(2)	0	1
	Total Nonoperating Revenues	562	494	490	445	477	407	471	422	431	421
Total Revenues		715	651	642	596	621	534	594	535	549	531
Summary of Expenses Operating:											
	Transportation	206	187	182	183	186	184	180	178	175	158
	Maintenance and Garage Operations	144	131	142	138	147	147	147	141	129	117
	General and Administrative	83	82	89	79	79	80	76	72	64	54
	Depreciation	243	225	210	220	230	222	227	226	196	164
	Total Operating Expenses	676	625	623	619	642	633	630	617	565	493
Non-Operating Expenses	Interest Expenses	83	86	76	79	70	73	74	73	76	70
	Interest Expenses Capitalized	(0)	(1)	(1)	(2)	(1)	(0)	(0)	(0)	(0)	(2)
	Amortization of Financing Related Charges										
	and Income from Derivative Activity	(5)	(3)	(4)	(6)	(3)	1	(5)	(2)	(4)	(3)
	(Gain) Loss on Investment Derivatives	0	(1)	(8)	-	(9)	(8)	(6)	6	-	-
	Other Expenses-Special Pension Plan		-	-	-	-	-	-	-	-	45
	Other Nonoperating Expenses	39	44	62	81	51	35	39	33	23	13
	Total Nonoperating Expenses	117	125	124	152	109	101	102	109	95	123
Total Expenses		792	750	747	771	751	734	732	726	660	616
Loss Before Capital Contributions		(78)	(99)	(105)	(175)	(130)	(200)	(138)	(190)	(111)	(86)
	Capital Grants	32	82	71	47	40	27	34	80	81	41
Increase (Decrease) in Net Position		(45)	(17)	(34)	(128)	(90)	(173)	(104)	(110)	(29)	(44)
Net Position, July 1 as previously presented		1,393	1,425	1,459	1,587	1,676	1,849	1,953	2,081	2,138	2,182
Prior period adjustment			(15)	-	-	-	-	-	-	-	-
Net Position, July 1		1,393	1,410	1,459	1,587	1,676	1,849	1,953	2,081	2,138	2,182
Net Position, June 30		$1,348	$1,393	$1,425	$1,459	$1,587	$1,676	$1,849	$1,971	$2,109	$2,138

Sales Tax Collection and Usage

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Sales Tax[1]	Percent Change	Usage [2,3,4,5]: Sinking Fund Withheld	Capital Construction	Sales Tax for Operations: Subsidy	Percent Used	Overage/ (Shortage)
2007	349,215	5.4	118,276	56,331	158,931	46	15,677
2008	351,596	0.7	125,311	50,487	182,671	52	(6,873)
2009	327,425	(6.9)	128,137	35,575	216,835	66	(53,122)
2010	317,775	(2.9)	123,471	35,417	180,452	57	(21,565)
2011	319,229	0.5	126,386	33,228	194,573	61	(34,958)
2012	339,156	6.2	124,948	17,739	196,891	58	(422)
2013	340,491	0.4	135,279	35,075	161,550	47	8,587
2014	345,825	1.6	132,723	40,190	158,218	46	14,694
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



[1] Sales Tax Collection is stated on the cash basis.

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

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

[4] For the period July, 1 2010 through June 30, 2014 the Official Code of Georgia Annotated (O.C.G.A) §32-9-13 temporarily suspends the 50/50 sales tax restriction.

[5] 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)

		Operating and Other Miscellaneous Revenue			Operating Assistance			
	Fiscal Year	Fares	Other[2]	Total	Sales & Use Tax	Federal	Total	Total Revenue
Transportation Industry[1]								
	2007	31.4%	6.5%	37.9%	54.6%	7.5%	62.1%	100.0%
	2008	31.2	6.5	37.7	55.3	7.0	62.3	100.0
	2009	31.5	5.9	37.4	54.4	8.2	62.6	100.0
	2010	32.1	5.4	37.5	53.1	9.4	62.5	100.0
	2011	32.8	4.9	37.8	52.5	9.8	62.2	100.0
	2012	32.5	4.6	37.2	54.0	8.9	62.8	100.0
	2013**	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*	*	*	*	*	*	*	*
	2016*	*	*	*	*	*	*	*
MARTA								
	2007	19.8%	6.5%	26.3%	66.2%	7.5%	73.7%	100.0%
	2008	18.9	8.4	27.3	63.7	9.0	72.7	100.0
	2009	19.6	12.2	31.8	58.4	9.8	68.2	100.0
	2010	18.4	12.8	31.2	51.8	17.0	68.8	100.0
	2011	21.7	2.3	24.0	59.9	16.1	76.0	100.0
	2012	21.4	12.3	33.7	54.9	11.4	66.3	100.0
	2013	23.6	-0.5	23.1	56.8	20.1	76.9	100.0
	2014	21.9	8.0	29.9	54.1	16.0	70.1	100.0
	2015	22.5	6.8	29.3	58	12.7	70.7	100.0
	2016	19.8	12.2	32.0	57.3	10.7	68.0	100.0

* Not Available

** Revised

[1] Source: The American Public Transportation Association, APTA April 2016 Fact Book, Appendix A Historical Table 87.

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

Total Expenses by Function

Last Ten Fiscal Years
(Dollars in Thousands)

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

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

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]									
	2007	65.8%	6.1%	11.6%	3.4%	2.4%	13.0%	(2.3)%	100.0%
	2008	64.0	6.3	12.8	3.4	2.2	13.7	(2.4)	100.0
	2009	64.8	6.6	11.3	3.5	2.3	14.0	(2.5)	100.0
	2010	65.2	6.6	10.7	3.4	2.6	13.8	(2.3)	100.0
	2011	65.0	6.6	11.4	3.3	2.6	13.3	(2.2)	100.0
	2012	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	*	*	*	*	*	*	*	*
	2015	*	*	*	*	*	*	*	*
	2016	*	*	*	*	*	*	*	*
MARTA									
	2007	76.2%	5.1%	10.3%	4.7%	3.0%	0.0%	0.7%	100.0%
	2008	77.5	4.2	10.7	4.5	2.4	0.0	0.7	100.0
	2009	75.9	4.6	12.1	4.5	2.3	0.0	0.6	100.0
	2010	74.9	5.6	12.3	4.4	2.3	0.0	0.5	100.0
	2011	74.8	6.1	11.1	4.6	2.9	0.0	0.5	100.0
	2012	75.3	6.1	11.9	4.4	1.8	0.0	0.5	100.0
	2013	75.5	6.6	11.1	4.1	1.8	0.0	0.9	100.0
	2014	73.9	7.5	10.7	3.8	3.0	0.0	1.1	100.0
	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

* Not Available
[1] Excludes Depreciation Expenses
[2] Source: The American Public Transportation Association, APTA 2015 PublicTransportation Fact Book, Table 23.

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Revenue Capacity

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Revenues by Source

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Fare Revenues	Federal Operating Revenues[1]	Sales & Use Tax [2]	Auxiliary Transportation	Investment Income	Non-Transportation[3]	Total
2007	$104,678	$40,142	$350,526	$5,277	$19,609	$10,447	$530,679
2008	103,963	49,253	349,668	13,595	18,068	14,495	549,042
2009	105,235	52,313	312,704	8,563	6,933	49,735	535,483
2010	109,546	100,960	307,525	12,745	2,181	61,219	594,176
2011	115,828	85,777	319,850	11,401	1,272	(281)	533,847
2012	132,870	70,576	340,945	11,294	833	64,570	621,088
2013	140,697	119,774	338,893	10,480	1,729	(15,167)	596,406
2014	140,318	102,847	347,289	12,335	688	38,685	642,162
2015	146,417	82,643	377,743	10,777	604	33,009	651,193
2016	141,360	76,289	409,718	11,052	1,568	74,635	714,622

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

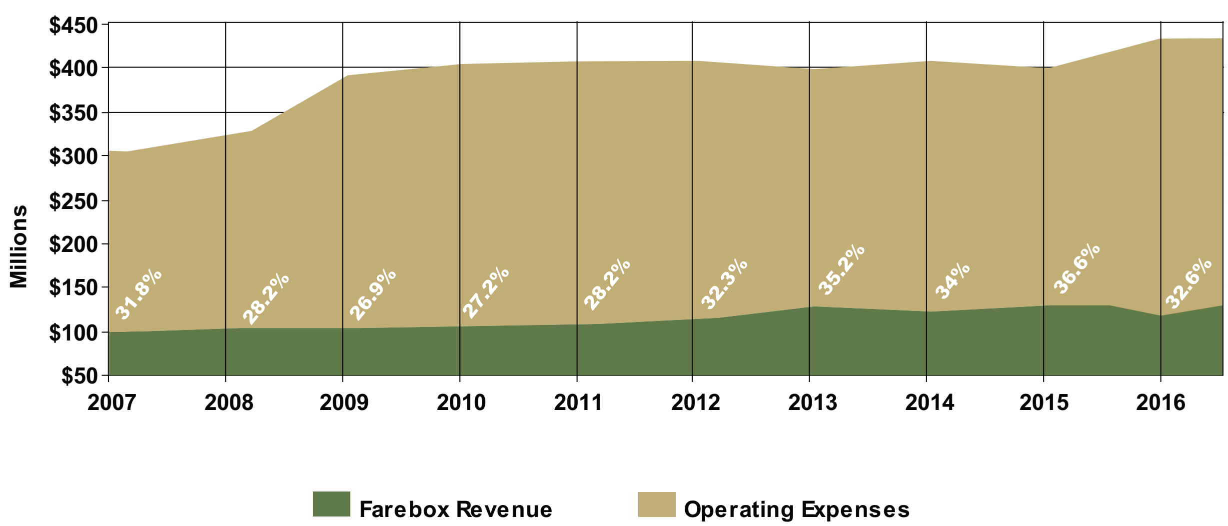
(2) MARTA is a public corporate body created as a joint public instrumentality and does not have the power to impose any tax on any subject of taxation. MARTA receives a 1% sales tax from Fulton County, DeKalb County,Cllayton County and the City of Atlanta levied on its behalf by the aforementioned jurisdictions.

(3) Non-Transportation includes the net capital lease/leaseback transactions.

Farebox Recovery Percentage

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Farebox Revenue	Percent Change	Operating Expenses [1]	Percent Change	Farebox Recovery
2007	$104,678	$5.6	$328,958	7.3%	31.8%
2008	103,963	(0.7)	368,767	12.1	28.2
2009	105,235	1.2	390,923	6.0	26.9
2010	109,546	4.1	403,360	3.2	27.2
2011	115,828	5.7	410,462	1.8	28.2
2012	132,870	14.7	411,476	0.2	32.3
2013	140,697	5.9	399,742	(2.9)	35.2
2014	140,318	(0.3)	412,742	3.3	34.0
2015	146,417	4.3	400,157	(3.0)	36.6
2016	141,360	(3.5)	433,099	8.2	32.6



[1] Excludes Depreciation Expense

Sales & Use Tax Rates Direct and Overlapping Governments

Last Ten Fiscal Years

Year	State of Georgia (1)	MARTA (2)	DeKalb County (3 & 8)	Fulton County (4 & 8)	Clayton County (5)	Cobb County (6)	Gwinnett County (7)
2007	4%	1%	2%	2%	3%	2%	2%
2008	4	1	2	2	3	2	2
2009	4	1	2	2	3	2	2
2010	4	1	3	3	3	2	2
2011	4	1	3	3	3	2	2
2012	4	1	3	3	3	2	2
2013	4	1	3	3	3	2	2
2014	4	1	3	3	3	2	2
2015	4	1	3	3	4	2	2
2016	4	1	3	3	4	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 & 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	
2007	$350,526	$45,160	$54,769	$99,929	3.51%
2008	349,668	48,685	49,876	98,561	3.55
2009	312,704	51,640	67,449	119,089	2.63
2010	307,525	54,930	67,622	122,552	2.51
2011	319,850	58,370	73,397	131,767	2.43
2012	340,945	62,860	69,750	132,610	2.57
2013	338,893	51,035	73,936	124,971	2.71
2014	347,289	80,875	76,723	157,598 *	2.20*
2015	377,743	55,255	78,817	134,072	2.82
2016	409,718	59,425	86,018	145,443 **	2.82

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

* Actual debt service paid in FY 2014 of $157,598 includes refunding of bond series 2003A of $30,179.
For purposes of calculating ratio of debt service for FY 2014, the $30,179 was deducted from the debt service requirements.

** Actual debt service paid in FY 2016 of $535,273 includes refunding of bond series 2007B of $389,830.
For purposes of calculatating ratio of debt service for FY 2016, the $389,830 was deducted from the debt service requirements.

Sales & Use Tax Revenue Bond Debt Service Limit

June 30, 2016
(Dollars in Thousands)

Sales & Use Tax	$409,718
Debt Service Limitation [1]	45%
Debt Service Limit	184,373
Required for Debt Service	145,443
Excess	$38,930

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

Sales & Use Tax Revenue Bond Debt Service Limit

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Sales & UseTax	Required for Debt Service	Ratio of Debt Service [1]
2007	$350,526	$99,929	28.5%
2008	349,668	98,561	28.2
2009	312,704	119,089	38.1
2010	307,525	122,552	39.9
2011	319,850	131,767	41.2
2012	340,945	132,610	38.9
2013	338,893	124,971	36.9
2014	347,289	127,419*	36.7*
2015	377,743	134,072	35.5
2016	409,718	145,443**	35.5

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

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

** Actual debt service paid in FY 2016 of $535,273 included refunding of bond series 2007B of $389,830. For purposes of calculating ratio of debt service for FY 2016, the $389,830 was deducted from the debt service requirements.

Sales & Use Tax Revenue Bond Debt Ratios

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Net Outstanding Sales Tax Revenue Bond	Capital Leases	Total Debt Outstanding	Total Unlinked Passenger Count (1)	Per Capita (2)	As a Share of Personal Income(3)
2007	$ 1,581,188	*	$ 1,581,188	$ 147,151	$ 10.75	1.75%**
2008	1,685,722	446,477	2,132,199	150,503	14.17	2.34**
2009	1,707,386	345,959	2,053,345	156,062	13.16	2.40**
2010	1,916,104	369,536	2,285,640	145,741	15.68	2.65**
2011	1,651,725	388,335	2,040,060	139,333	14.64	2.17**
2012	1,910,275	390,859	2,301,134	134,308	17.13	2.35**
2013	1,880,484	409,045	2,289,529	129,320	17.70	2.34**
2014	1,791,781	430,004	2,221,785	128,540	17.28	2.16**
2015	2,131,498	452,067	2,583,565	135,406	19.08	*
2016	2,176,583	311,633	2,488,216	132,724	18.75	*

* Not available

** Revised

(1) See “Unlinked Passenger Changes” on Page 101

(2) Outstanding Debt per Unlinked Passenger Count

(3) Outstanding Debt per Total Service District Personal Income; see “Trends in Personal Income” on Page 93

Computation of Overlapping Debt

December 31, 2015
(Dollars in Thousands)

Jurisdiction:	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Fulton County Library Bonds	$148,548	100%	$148,548
Fulton County School District	71,840	100	71,840
Fulton County Building Authority	0	100	-
Fulton County Urban Redevelopment Agency	23,243	100	23,243
DeKalb County	216,590	100	216,590
Municipalities:			
Atlanta	422,927	100	422,927
Alpharetta	45,600	100	45,600
Hapeville	14,520	100	14,520
Union City	10,755	100	10,755
Roswell	7,885	100	7,885
Fulton-DeKalb Hospital Authority Series 2012	114,240	100	114,240
Atlanta-Fulton County Recreation Authority (Zoo 2007)	12,460	100	12,460
Atlanta-Fulton County Recreation Authority (Arena 2010)	102,535	100	102,535
College Park Business and Industrial Development Authority	410	100	410
East Point Building Authority	59,577	100	59,577
Total Overlapping Debt	$1,251,130		$1,251,130

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, 2015 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 Clayton County	Fulton County	DeKalb County
2007*	$6,777,791	$56,399,390	$27,032,839	$90,210,020	10.7%	4.5%	6.2%	$26,024	$64,877	$39,698
2008*	6,429,843	56,866,326	27,726,943	91,023,112	-5.1	0.8	2.6	24,532	63,989	40,439
2009*	6,434,349	52,354,296	26,722,970	85,511,615	0.1	-7.9	-3.6	24,741	57,817	38,692
2010*	6,547,961	52,626,432	26,950,612	86,125,005	1.8	.5	0.9	25,202	56,823	38,914
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 **	**	**	**	**	**	**	**	**	**	**
2016 **	**	**	**	**	**	**	**	**	**	**

* Revised per latest update from US Department of Commerce BEA dated November 19, 2015

** Not available

*** Actual dollar amounts

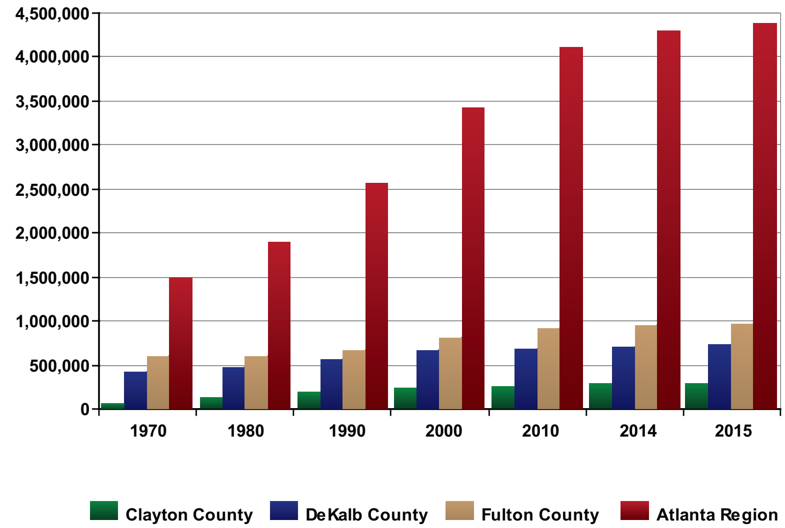
(1) Represents Total Personal Income.

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

Population and Employment

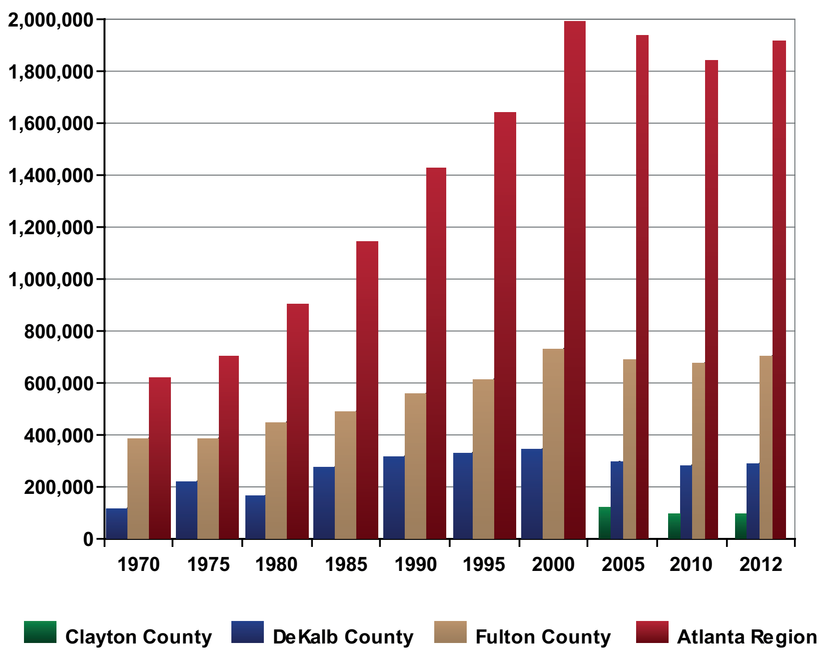
June 30, 2016

Population Growth Since 1970



Year	Clayton County	Fulton County	DeKalb County	Atlanta Region
1970	98,126	605,210	415,387	1,500,823
1980	150,357	589,904	483,024	1,896,182
1990	184,100	670,800	553,800	2,557,800
2000	236,517	816,000	665,900	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

Employment Growth Since 1970



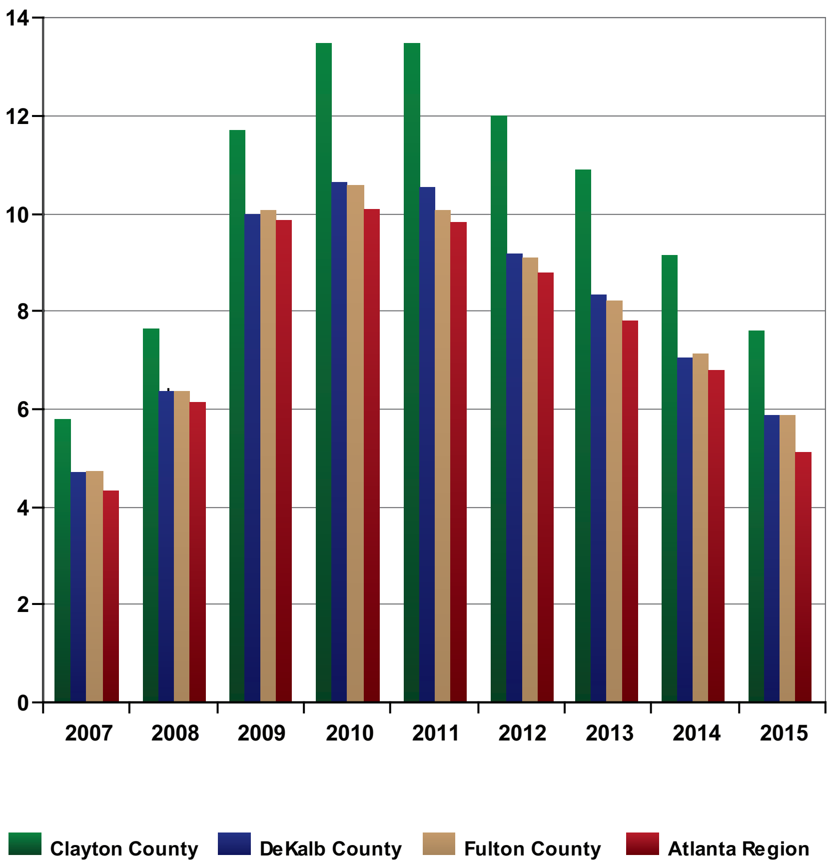
Year	Clayton County	Fulton County	DeKalb County	Atlanta Region
1970	*	386,988	120,554	619,693
1975	*	388,394	167,839	705,120
1980	*	445,341	218,142	901,157
1985	*	490,000	279,000	1,146,850
1990	*	560,600	318,300	1,426,000
1995	*	616,000	331,800	1,640,000
2000	*	730,900	346,900	1,991,500
2005	126,400	691,100	299,400	1,936,700
2010	113,036	679,041	280,111	1,842,224
2012	113,520	702,611	286,444	1,918,797

Source: Atlanta Regional Commission

* Not available

Unemployment Rates
Last Ten Fiscal Years

Unemployment Rates Since 2007



Year	Clayton County	Fulton County	DeKalb County	Atlanta Region
2007*	5.7	4.8	4.8	4.4
2008*	7.6	6.4	6.4	6.2
2009*	11.8	10.1	10.0	9.9
2010*	13.5	10.5	10.8	10.3
2011*	13.4	10.2	10.5	9.9
2012*	12.0	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	**	**	**	**

* 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

	2014			2005		
Company	Number of Full Time Employees	Rank	Percentage of Total Employment	Number of Full Time Employees	Rank	Percentage of Total Employment
Delta Air Lines, Inc.	30,000	1	1.15%	24,000	1	0.98%
***AT&T, Inc.**	16,794	2	0.64			
Wellstar Health System, Inc.	14,000	3	0.53	7,917	6	0.32
Publix Super Markets Inc	9,819	4	0.37	12,086	4	0.49
The Home Depot	9,000	5	0.34			
Cox Enterprises, Inc.	7,484	6	0.29	6,542	9	0.27
United Parcel Service, Inc.	7,447	7	0.28	7,944	5	0.32
Lockheed Martin Aeronautics Co.	5,800	8	0.22	6,468	10	0.26
Sun Trust Banks, Inc.	5,583	9	0.21	7,635	7	0.31
Wells Fargo & Co.	5,492	10	0.21			
Walmart Stores, Inc.	-	-	-	15,042	3	0.61
***Bellsouth Corp.**	-	-	-	15,600	2	0.63
IBM Corporation	-	-	-	7,500	8	0.30
	111,419		4.25	110,734		4.50

Sources: The Atlanta Business Chronicle, 2015-16 Book of Lists (information current as of Dec. 2014).
The Atlanta Business Chronicle, 2006-2007 Book of Lists (information current as of Dec. 2005)
*AT&T Inc. & Bellsouth Corp merged in 2006, the combined company retained the name AT&T, Inc.

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

[1] Does not include demand response.

[2] Operating expense excludes depreciation.

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

Source: National Transit Database

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

(1) Does not include demand response.

(2) Operating expense excludes depreciation.

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

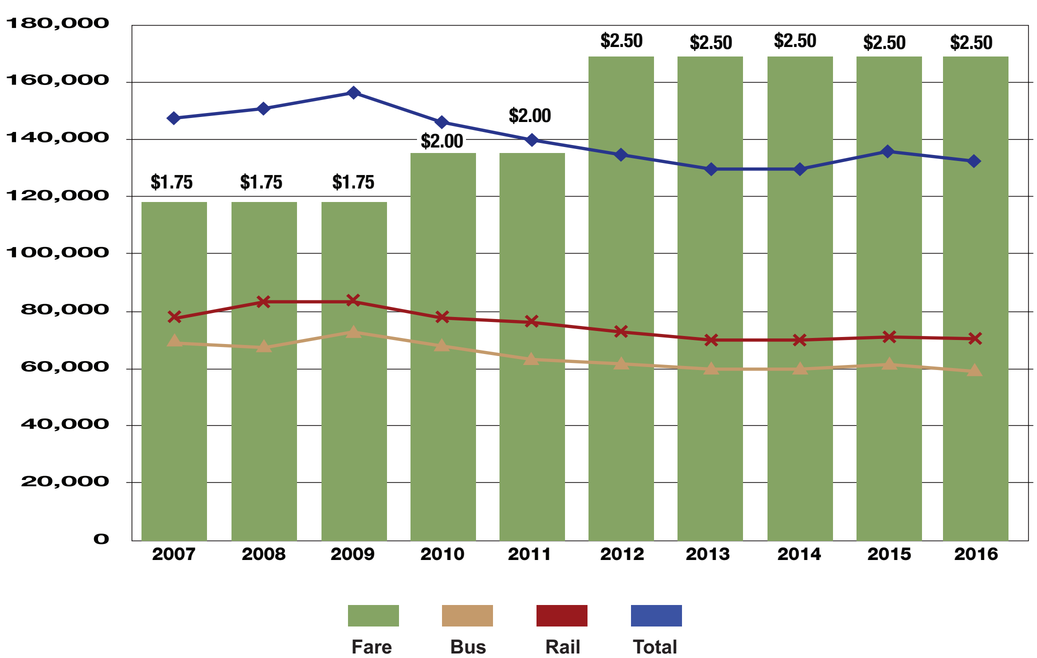
Source: National Transit Database

Unlinked Passenger Changes

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

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

Relationship of Fare Changes to Linked Passenger Counts



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

Source: National Transit Database

Fare Structure

For the Fiscal Year Ended June 30, 2016

Regular Fare

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

Discounted Fare

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

Mobility and Reduced Fare Programs

Reduced Fare (for pre-qualified customers 65 and older and 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**
Discounted Mobility Service (unlimited travel for 30 days on Breeze Card)	**$128.00**
Mobility on Fixed Route (For Mobility certified customers riding fixed route with Mobility Breeze Card)	**No charge**

Student Programs

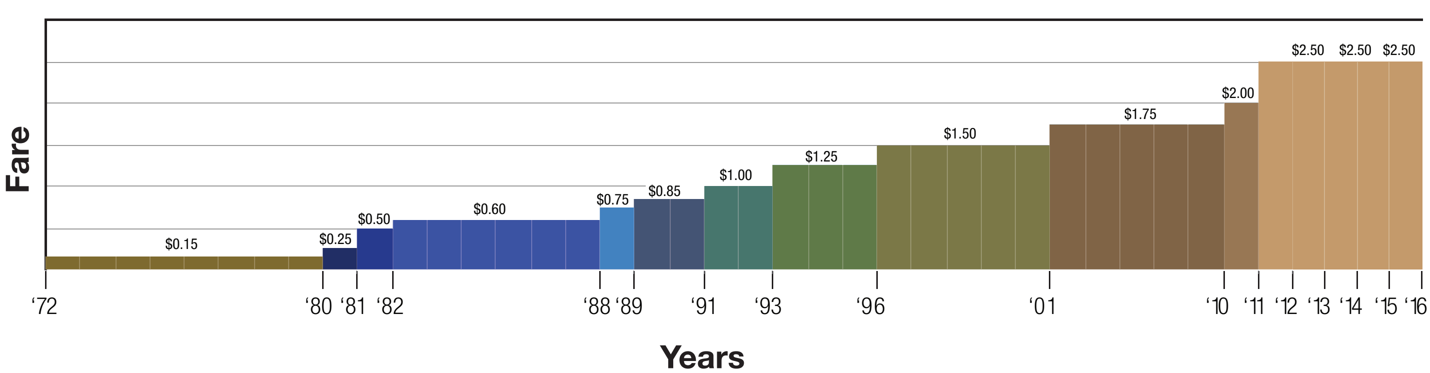
K-12 Program (Grade School and High School students K-12, Monday through Friday	**$14.40**
Ten(10) trip pass (to/from school), all regular school	

University Pass (U-Pass) Program

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

Convention and Visitors Pass

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



Vehicles Operated in Maximum Service

Last Ten Fiscal Years

Fiscal Year	Bus	Rail	Total[1]
2007	483	182	665
2008	504	188	692
2009	505	182	687
2010	491	188	679
2011	490	188	678
2012	443	182	625
2013	446	182	628
2014	444	180	624
2015	450	180	630
2016	453	180	633

(1) Does not include demand response

Number of Employees

Last Ten Fiscal Years

Fiscal Year	Full-Time	Part-Time	Total
2007	4,436	293	4,729
2008	4,646	351	4,997
2009	4,548	314	4,862
2010	4,505	208	4,713
2011	4,223	206	4,429
2012	4,275	222	4,497
2013	4,234	186	4,420
2014	4,356	191	4,547
2015	4,317	208	4,525
2016	4,356	288	4,644

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Population served	2,019,388	1,986,022	1,697,633	1,684,862	1,649,492	1,619,099	1,781,030	1,689,100	1,652,000	1,610,600
Size of area served (in square miles)	567	515	485	467	483	483	475	466	466	466
Number of Bus Routes	100	97	92	91	92	92	92	130	132	132
Annual Bus Passenger Miles (in millions)	258.6	257.03	232.8	230.6	228.2	236.2	272.6	285	213.5	208.5
(Excludes Paratransit/Demand Response)										
Miles of Bus Route	1,659	1,636	1,449	1,439	1,445	1,435	1,784	1,765	1,084	1,069
-Average On Time Performance	78.8%	79.6%	77.6%	76.4%	74.6%	72.1%	72.4%	70.0%	63.7%	67.0%
Miles of Rail Route	48	48	48	48	48	48	48	48	48	48
-Average On Time Performance	96.6%	96.2%	96.4%	97.5%	97.8%	97.6%	97.0%	96.4%	93.3%	89.7%
Annual Rail Passenger Miles (in millions)	477.3	472.8	444.9	444.0	463.2	487.6	493.2	527	593.4	541.4
Number of Rail Stations	38	38	38	38	38	38	38	38	38	38
Number of Bus Stop Locations	9,210	8,941	8,885	8,954	8,913	8,700	8,700	11,482	11,500	11,430
Number of Bus Park And Ride Facilities	7	6	6	9	8	8	8	7	6	6
Number of Bus Shelters	754	741	738	791	791	772	750	741	751	748
Bus Passenger Parking Capacity	2,807	2,750	2,691	2,686	2,744	2,711	2,607	2,254	1,798	1,847
Rail Passenger Parking Capacity	21,645	21,992	21,420	22,554	21,607	21,677	22,301	23,888	24,622	25,736
No. of Buses in Active Fleet	569	565	532	528	531	531	597	615	616	624
-Average Vehicle Age (in years)	5.4	4.4	6.5	8.6	7.6	6.6	5.6	7.6	5.6	4.6
No. of Mobility Vehicles in Active Fleet	211	198	187	171	172	172	173	174	129	121
-Average Vehicle Age (in years)	1.9	1.9	3.6	5.2	4.2	3.2	2.2	1.2	0.4	2.6
No. of Rapid Rail Vehicles	336	336	336	336	338	338	338	338	338	338
-Average Vehicle Age (in years)	27.6	26.6	25.6	24.6	23.6	22.6	21.6	20.6	19.6	18.6
Annual Mobility Vehicle Miles (in millions)	8.5	8.2	7.7	7.7	8.4	7.3	7.2	7.3	5.0	4.4
Investment In Property and Equipment (in billions)	$7,030	$6,941	$6.781	$6,560	$6,440	$6,297	$6,224	$6,099	$5,919	$5,685

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Single Audit

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Cherry Bekaert LLP
CPAs & Advisors

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

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

MARTA's Response to Findings

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

Cherry Bekaert LLP

Atlanta, Georgia
October 28, 2016

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Atlanta Rapid Transit Authority's ("MARTA") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of MARTA's major federal programs for the year ended June 30, 2016. MARTA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MARTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 with those requirements.

Opinion on Each Major Federal Program

In our opinion, MARTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of MARTA, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements. We issued our report thereon dated October 28, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

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.

Cherry Bekaert LLP

Atlanta, Georgia
October 28, 2016

Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2016

	Contract Number	CFDA#	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation					
FEDERAL TRANSIT CLUSTER					
Federal Transit Capital Improvement Grants					
FY09 Bus Facility	GA-04-0036	20.500		$ -	$ 20,277
FY06 Sec. 5309 - Bus & Bus Facilities	GA-04-0031	20.500		-	8,660,875
DeKalb Mem Dr./Buford Hwy. Pass-Thru to Subgrantee	GA-03-0082	20.500		237,818	237,818
Sec 5309 Fixed Guideway FY11_FY12	GA-05-0036	20.500		-	20,026,109
Total Federal Transit Capital Improvement Grant				237,818	28,945,079
Federal Transit Capital & Planning - Formula Grants					
FY11 Sec. 5307	GA-90-X305	20.507		-	1,692
FY 13 Sec. 5307	GA-90-X328	20.507		-	533,734
FY 13 SGR 5337 - Prev Maint	GA-54-0001	20.525		-	1,261,192
FY 14 SEC 5307	GA-90-X335	20.507		-	196,170
FY15 Sec 5307	GA-90-X350	20.507		-	299,866
SEC 5307 - Regional Breeze Implementation	GA-95-X021	20.507		-	3,428,376
Memorial BRT/ITS Project CMAQ	GA-95-X013	20.507		-	13,359
FY 14 STP(Surface Transportation Program) SEC 5307	GA-95-X031	20.507		-	21,807
Clifton Corridor EIS	GA-95-X024	20.507		-	11,674
Atlanta Streetcar TE I	GA-95-X020	20.507		-	-
Atlanta Luckie Street Two Way Conversion	GA-95-X019	20.507		-	-
FY14 Flex CMAQ	GA-95-X033	20.507		-	1,872,463
Regional Bus Program - Cobb	GA-34-0003	20.526		-	218
MARTA FY16 Section 5337	GA-2016-013	20.525		-	26,000,000
MARTA FY16 Section 5307	GA-2016-016	20.507		-	40,000,000
Transit Enhancement Pedestrian Access - Passed through Georgia Regional Transit Authority	GA-90-X260	20.507	PASS-GRTA	-	205,545
Service expansion to Clayton Co. - Passed through Georgia Regional Transit Authority	GA-90-X234	20.507	PASS-GRTA	-	1,406,560
Total Federal Transit Capital & Planning-Formula Grants				-	75,252,656
Total Federal Transit Cluster				237,818	104,197,735
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER					
AA/FEIS West Line	GA-90-X159	20.205		-	129,410
Total Highway Planning and Construction Cluster				-	129,410
TRANSIT SERVICES PROGRAMS CLUSTER					
FY11/12 JARC W/COBB & MARTA	GA-37-X014	20.516		-	2,088,736
FY06 New Freedom (Pass-Thru/MARTA)	GA-57-X002	20.521		132,328	132,328
FY12 New Freedom SEC 5307 (Pass-Thru/MARTA)	GA-57-X015	20.521		204,735	204,735
Total Transit Services Programs Cluster				337,063	2,425,799
OTHER FEDERAL TRANSIT GRANTS					
Wayside Worker Protection Demonstration	GA-26-7015	20.514		-	527,344
Atlanta Streetcar-Tiger II	GA-79-0001	20.933		-	667,030
FY16 OLI Safety Grant	FY16 OLI Safety	20.514		-	6,047
Total Other Federal Transit Grants				-	1,200,421
Total U.S. Department of Transportation				**574,881**	**107,953,365**
U.S. Department of Homeland Security					
Direct Programs					
FY13 TSGP	EMW2013RA00058	97.075		-	296,856
FY14 SHSGP GEMA-Pass Thru to MARTA	EMW2014SS00092S01	97.075		-	39,155
FY14 TSGP	EMW2014RA00020	97.075		-	225,365
EMW2015RA00029	EMW2015RA00029	97.075		-	1,041,443
Total Direct Programs				-	1,602,819
OTHER HOMELAND SECURITY GRANTS					
TSA Canine Team Program	HSTS0210HCAN621	97.072		-	1,140
FY15 TSA Canine Grant Program	15H-NCP443	97.072		-	343,290
FY 15 K9 Grant	15HCP443	97.072		-	28,983
Total Other Homeland Security Grants				-	373,413
Total U.S. Department of Homeland Security				-	1,976,232
COPS Hiring Program					
FY2012 COPS Hiring Program	2012ULWX0011	16.710		-	145,204
Total Federal Financial Assistance				**$ 574,881**	**$ 110,074,801**

Notes to the Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2016

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Metropolitan Atlanta Rapid Transit Authority (“MARTA”). The information in this Schedule is presented in accordance with the requirements of Title 2 U.*S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Basis of Accounting – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable.

Indirect Cost Rate – MARTA has elected not to use the 10 percent de minimum indirect cost rate as allowed under the Uniform Guidance.

Note 2—Matching Funds

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

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2016

I. Summary of Auditor's Results

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

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

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

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

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

f) Any audit findings which are required to be reported in accordance with the Uniform Guidance: **No**

g) Identification of major programs:

Major Programs	CFDA Number
Federal Transit Cluster	20.500 / 20.507/ 20.525/ 20.526
Transit Services Programs Cluster	20.516 / 20.521

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

i) Auditee qualified as a low-risk auditee: **Yes**

II. Financial Statement Findings

Finding No. 2016-001 Accounting for Advance Refunding of Bonds

Statement of condition
During the year ended June 30, 2016 MARTA refunded a portion of its 2007B bonds in an advance refunding transaction. The interest portion of the escrow funding deposited to defease the debt was not included in the computation of the deferred loss on the transaction.

Criteria
Under generally accepted accounting principles, the difference between the reacquisition price and net carrying amount of old debt should be recognized as deferred gain/loss (deferred inflow/outflow of resources) and be amortized over the remaining life of the loan.

YEAR ENDED JUNE 30, 2016

II. Financial Statement Findings (Continued)

Finding No. 2016-001 Accounting for Advance Refunding of Bonds (Continued)

Cause
MARTA inadvertently excluded the portion of the reacquisition price that was used to fund future interest expense in the computation.

Effect
The condition resulted in the overstatement of interest expense for the year ended June 30, 2016.

Recommendation
We recommend that MARTA perform a thorough review of future bond refinancing transactions to ensure that recording of these transactions are in accordance with the respective authoritative guidance under generally accepted accounting principles.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:
Management concurs with this finding and recommendation. Management has established review procedures to ensure that the recording of any future bond refinancing transactions is in accordance with the respective authoritative guidance under generally accepted accounting principles.

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

III. Federal Award Findings and Questioned Costs

None

Summary Schedule of Prior Audit Findings

YEAR ENDED JUNE 30, 2016

The following is an update of prior audit findings and is prepared in accordance with the Uniform Guidance.

Finding #:	2015-001
	Activities Allowable or Unallowable
Federal Agencies:	Department of Homeland Security
Federal Program:	Rail and Transit Security Grant Program
CFDA #:	97.075

CONTEXT AND CONDITION:
Of a total of 40 expenditures selected for testing, 3 were related to indirect cost allocated to grants that were specifically not allowable per the grant agreements.

CRITERIA:
MARTA is required to charge expenditures to grant awards in accordance with allowable cost requirements.

EFFECTS:
Unallowable expenditures were charged to grant fund accounts.

QUESTIONED COSTS:
Known questioned costs in the sample selected for testing totaled $101,046. Upon further review by MARTA management, a total of $609,272 in the Rail and Transit Security Grant Program were identified as unallowable indirect cost allocations to the respective grants. However, as of June 30, 2015, these amounts had not been submitted to the granting agency for reimbursement nor had a drawdown request been submitted for these costs.

CAUSE:
Failure to unflag the fund accounts in the general ledger so that the system would not automatically allocate indirect cost to these funds based on a percentage of direct cost charged to the fund accounts.

RECOMMENDATION:
Procedures should be designed and placed into operation that would provide a more timely review of charges to federal fund accounts to ensure that only allowable costs are being charged to the grant. In addition, this review should take place during the year to allow for timely adjustment to the underlying records.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:
MARTA has implemented system controls and review procedures to ensure that only allowable costs are charged to the grant fund accounts. MARTA understands that unallowable costs are not reimbursable and has never requested reimbursement for such expenses.

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

STATUS:
Corrective action has been taken and the matter has been resolved.

Summary Schedule of Prior Audit Findings

YEAR ENDED JUNE 30, 2016

Finding #:	2015-002
	Federal Expenditures Charged to Incorrect Period
Federal Agencies:	Department of Homeland Security
Federal Program:	Rail and Transit Security Grant Program
CFDA #:	97.075

CONTEXT AND CONDITION:
Certain expenditures selected for compliance testing for the year-ended June 30, 2015, were determined to be expenditures incurred in a prior period.

CRITERIA:
Expenditures reported in the schedule of expenditures of federal awards must be derived from, and relate directly to, the underlying accounting and other records for the same period covered by the financial statements.

EFFECTS:
Federal grant expenditures are not recorded in the underlying federal grant accounts in the fiscal year the expenditures are incurred.

CAUSE:
Reconciliations and resulting adjustments to record allowable costs in the related grant fund accounts are not being performed timely.

RECOMMENDATION:
Procedures should be designed and placed into operation that would provide reasonable assurance that the recording of direct and indirect costs related to federal grant activity are occurring on a consistent and timely manner.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:
MARTA has implemented review procedures to provide reasonable assurance that costs related to federal grant activity are recorded on a consistent and timely basis.

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

STATUS:

Corrective action has been taken and the matter has been resolved.

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