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Comprehensive Annual Financial Report
For the years ended June 30, 2017 and 2016
Atlanta, Georgia

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Comprehensive Annual Financial Report

For the Years Ended June 30, 2017 and 2016

Atlanta, Georgia

Prepared by the Department of Finance

Gordon Hutchinson, Chief Financial Officer

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TABLE OF CONTENTS

TABLE OF CONTENTS

Introduction

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

December 22, 2017

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) 24th Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017 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, 2016. 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, 2017 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion and that MARTA's financial statements for the fiscal year ended June 30, 2017, are presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

MARTA is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Information related to this single audit is included in the Single Audit Section of this report.

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

ORGANIZATION AND MANAGEMENT

The government of MARTA is vested in a Board of Directors (the Board) composed of 13 voting members and two non-voting members. Three members are appointed by Fulton County, four members by DeKalb County, two members by Clayton County, three members by the City of Atlanta, and one member by the Governor. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation (non-voting) Authority serve as ex officio members of the Board.

The administration of MARTA is directed by the General Manager/CEO who is appointed by the Board. A listing of the members of the Board of Directors 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 316 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 96 CQ310 Franco Belge vehicles. The rail vehicle rehabilitation program, now complete, overhauled 238 CQ310 and CQ311 vehicles.

Bus

The Atlanta Transit System, Inc., a privately-owned bus company, was acquired in February, 1972, by MARTA to provide extensive bus transportation services throughout Fulton and DeKalb and a small portion of Cobb, Clayton, and Gwinnett Counties. 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 550 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 26.2 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 210 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 2017, the Authority had an approved budget of $855.8 million with $453.3 million allocated to operating expenses and $402.5 million allocated to the capital improvement program and debt service expenses.

FINANCIAL RESULTS

In fiscal year 2017, MARTA's total net position was $1.27 billion. Net position decreased by $76.6 million from the previous fiscal year when net position was $1.34 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 once again enjoyed positive momentum during the 2017 Session of the Georgia General Assembly. MARTA also made further inroads with legislators at all levels across the state to increase support for public transit.

The 2017 session of the Georgia General Assembly began on January 9, 2017 with Sine Die adjournment on March 30th. Of primary achievement, MARTA was able to refine its process for reviewing proposals for amenities for our rail stations via H.B. 506. This bill converted what had long been an "invitation to bid" process to an RFP process, thereby giving the Authority the ability to consider variables beyond mere (and only) revenue projections by interested parties. We expect this change to contribute significantly to the expansion of future concession services MARTA offers to our patrons across the entire system.

In addition to our success with H.B. 506, we also played a significant role in what eventually became H.R. 848, the Commission on Transit Funding & Governance. This Commission, charged with making recommendations for transit's future across the state by December 31, 2018, features several high-profile legislators and stakeholders amongst those that will be weighing in on transit policy. MARTA was represented in an ex-officio capacity via General Manager Keith Parker, and MARTA's Senior Director of External Affairs, Rhonda Briggins, will sit on the Commission as a voting member in her role as President of the Georgia Transit Association (GTA).

Other legislative items of interest impacting transit included H.B. 134 (single-country TSPLOST that includes new tax revenue spending on transit), H.B. 201 (reinstitution of the motor fuel tax exemption for transit), H.B. 265 (exempts Woodruff Arts Center ticket sales from MARTA taxing) and S.R. 228 (future passenger rail line protections for CSX corridors throughout the state). Of those, the only legislation that did not pass was H.B. 201 - it did not even receive a hearing in Committee. As this bill represents a $3 million revenue stream for the Authority by reinstituting the exemptions we had long enjoyed on motor fuel and compressed natural gas, we will pursue it again next year in hopes of getting it across the finish line.

Local to our member jurisdictions, there were also two separate, unsuccessful, efforts to rally support for bills outlining a new half-penny referendum option for DeKalb County only. We expect similar attempts to come up in 2018.

Perhaps more important than 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 another boost in "voice" during 2017. The issue is well positioned to be a major Gubernatorial-election talking point during next year's campaign.

MARTA also enjoyed much good will from elected officials for the role it played in alleviating congestion and commuter woes during the 1-85 collapse crisis that, coincidentally, occurred about 2 hours after H.R. 848 was passed in the House on the final day of the 2017 Session of the Georgia General Assembly. In deploying additional service, extending hours, and working with key stakeholders in transit, government and the private sector, MARTA was able to contribute significantly to easing the travel frustrations experienced by millions across the metro region. The Authority saw a substantial spike in ridership during the crisis and our contribution was featured by the Governor at the May press conference announcing the reopening of the 1-85 highway.

We look forward to having MARTA continue playing a critical 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, 2017, 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 2017 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 2017 was 35.5%.

MAJOR INITIATIVES

Fiscal Year 2017 saw several notable events for MARTA such as expanding service in Atlanta and Clayton County, as well as the initiation of a 304 railcar purchase with the first cars being delivered in FY2019. One of the most notable events was the collapse of a section of 1-85, resulting from a fire beneath an overpass bridge. From rail operators to customer service personnel, MARTA stepped up immediately with extra service and parking to deal with the increased need for parking, and we could not have asked for a more capable, dedicated and passionate team of professionals.

In September 2017, Keith T. Parker announced his resignation after serving nearly five years as MARTA general manager and chief executive officer. Without question, the Agency made dramatic strides over the course of his tenure. When he arrived in December 2012, our financial books were awash in red ink and the Authority was held in such low regard by state lawmakers and others that the prospect of expanding our service footprint seemed implausible.

Five years later, MARTA has more than $250 million in reserves due to transitioning from an agency that experienced annual operating fiscal deficits to one that experienced unprecedented consecutive years of favorable fiscal surpluses. MARTA has already expanded into Clayton County and is in the first phase of an Atlanta expansion after voters approved a $2.5 billion, 40-year sales tax measure last November. What's more, the General Assembly is discussing state funding of mass transit - a prospect that also seemed unlikely just a few years ago.

MARTA remains 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. Exceptional customer service is a foundational expectation for Routine Excellence. In fact, the 2017 Quality of Service survey indicated customer satisfaction of MARTA services continued to trend upward with the highest percentage of satisfied customers in 14 years. This is a trend we need to maintain as we move forward. The Authority will continue to focus on being an employer of choice.

We continue to improve our financial position with the realization of our five year, Fiscal Sustainability Plan (FSP). Increased revenues and contained expenditures have allowed the Authority to manage its operations without any reliance on reserves for the last five consecutive years, while providing salary and wage increases.

Stated below are some of the ongoing efforts for the year:

Customer Focus Objectives:

- Increase ridership through investments, such as new buses
- Enhance the customer experience
    - Wi-Fi access on all rail/buses; communication apps and other technologies
    - Fresh MARTA Market expansion and Soccer in the Streets partnership
    - Arts in Transit
- Defer any fare increase for five consecutive years
- Improve quality of service
- Continue to emphasize “State of Good Repair” priorities

Employee Focused Objectives:

- Position MARTA as an “Employer of Choice”
- Plan for a merit/wage increase for non-represented and represented employees
- Provide ongoing employee training and development opportunities

Fiscal Objectives

- Produce another balanced budget for FY 18
- Develop a reduction strategy for absenteeism and excessive overtime
- Reduce contractual services
- Provide support for technology obligations

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.

CAPITAL PLAN PRIORITIES AND ISSUES

MARTA continues to invest in capital improvement projects that preserve its capability for high-quality service delivery over a ten-year range. The long-range CIP consists of a portfolio of programs and projects organized by the major asset categories adapted from the Federal Transit Administration’s (FTA) asset management guidelines. The categories include vehicles; facilities and stations; maintenance of way; systems; and non-asset.

Each of these categories then includes a number of on-going programs and each program may contain one or more projects.

Due to funding and manpower constraints, MARTA focuses on safety critical, operations critical and state of good repair projects.

The CIP categories are depicted below, followed by a description of each of the categories.

I. Vehicles

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

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

II. Facilities & Stations

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

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

III. Maintenance of Way

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

- Track maintenance and replacement
- Track structures
- Work equipment

IV. Systems

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

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

V. Other

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

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

AWARDS

MARTA received the following awards and recognition during 2017:

- GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2016.
- GFOA Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2016
- Comprehensive Annual Financial Report.
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for Fiscal Year 2016.

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

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Atlanta Rapid Transit Authority Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Board of Directors

Officers

Robert L. Ashe III
CHAIRMAN

Freda Hardage
VICE CHAIR

Frederick L. Daniels, Jr.
TREASURER

Roberta Abdul-Salaam
SECRETARY

Directors

Juanita Jones Abernathy

Robert F. Dallas

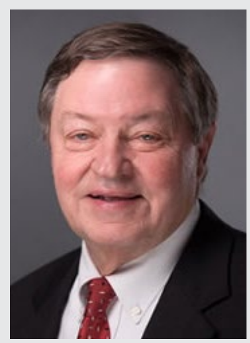
Jim Durrett

Roderick E. Edmond

William F. Floyd

Jerry R. Griffin

Alicia M. Ivey



J. Al Pond

W. Thomas Worthy

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 FINANCIAL OFFICER/CFO
Gordon Hutchinson

CHIEF COUNSEL LEGAL SERVICES
Elizabeth O'Neill

CHIEF INFORMATION SECURITY OFFICER
Dean Mallis

CHIEF MARKETING & COMMUNICATIONS OFFICER
Goldie Taylor

INTERIM CHIEF ADMINISTRATIVE OFFICER
LaShanda Dawkins

ASSISTANT GENERAL MANAGER OF INTERNAL AUDIT
Emil Tzanov

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

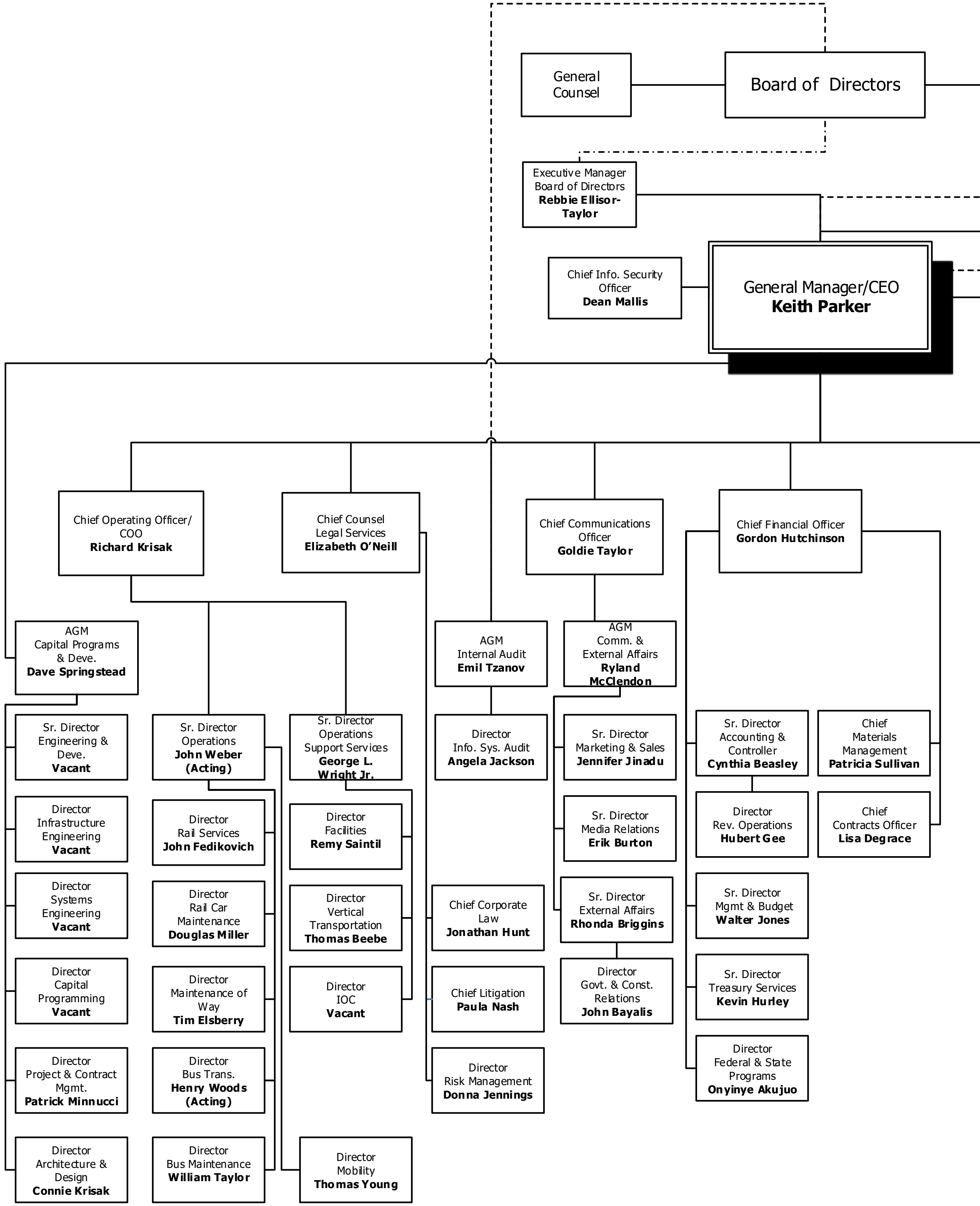
ASSISTANT GENERAL MANAGER OF PLANNING
Benjamin Limmer

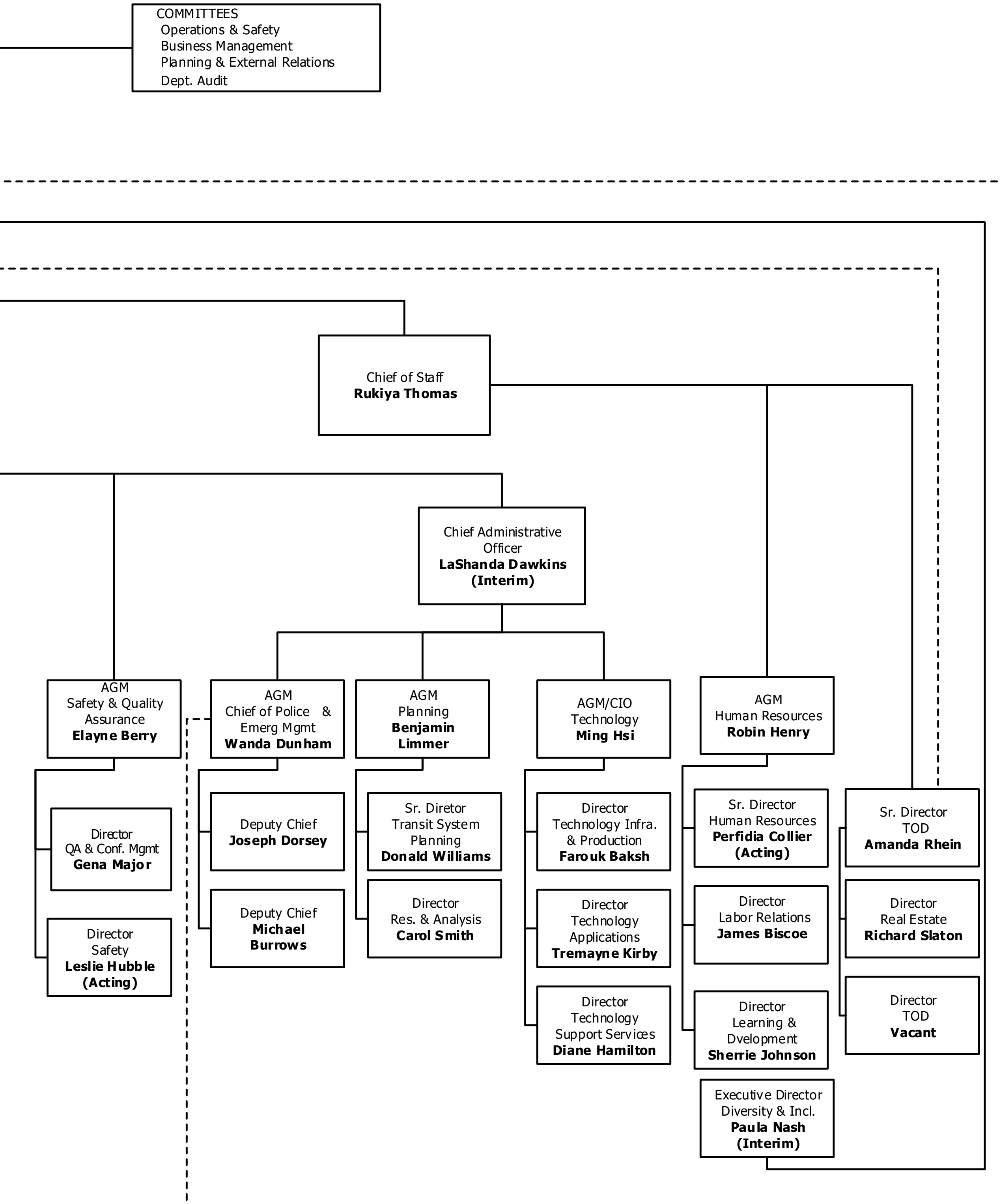
INTERIM ASSISTANT GENERAL MANAGER OF HUMAN RESOURCES
Robin Henry

ASSISTANT GENERAL MANAGER OF SAFETY & QUALITY ASSURANCE
Elayne Berry

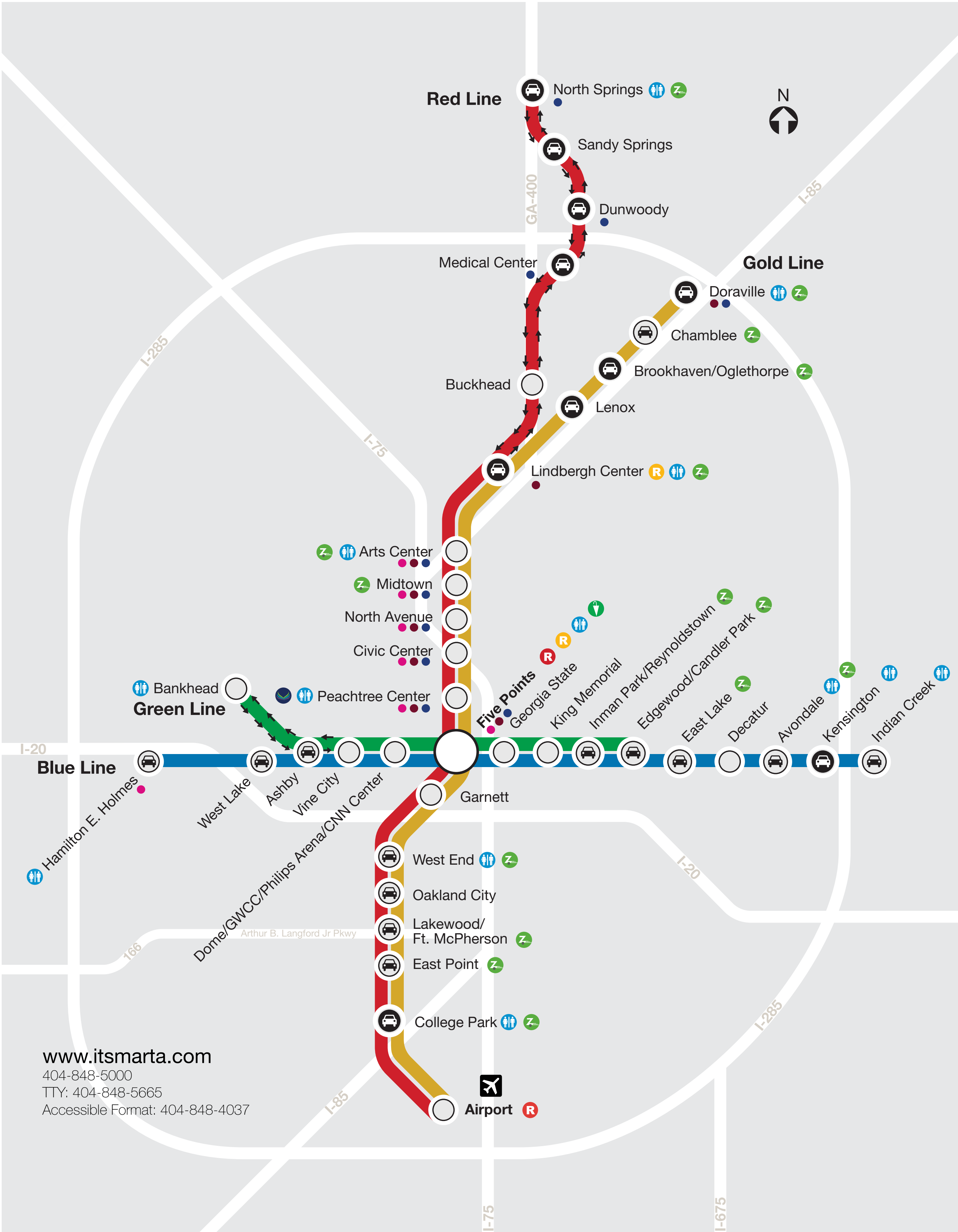
INTERIM-ASSISTANT GENERAL MANAGER OF CAPITAL PROGRAMS & DEVELOPMENT
David Springstead

FY2017 Organizational Chart




COMMITTEES
Operations & Safety
Business Management
Planning & External Relations
Dept. Audit
Chief of Staff
Rukiya Thomas
Chief Administrative Officer
LaShanda Dawkins (Interim)
AGM Safety & Quality Assurance
Elayne Berry
AGM Chief of Police & Emerg Mgmt
Wanda Dunham
AGM Planning
Benjamin Limmer
AGM/CIO Technology
Ming Hsi
AGM Human Resources
Robin Henry
Director QA & Conf. Mgmt
Gena Major
Director Safety
Leslie Hubble (Acting)
Deputy Chief
Joseph Dorsey
Deputy Chief
Michael Burrows
Sr. Diretor Transit System Planning
Donald Williams
Director Res. & Analysis
Carol Smith
Director Technology Infra. & Production
Farouk Baksh
Director Technology Applications
Tremayne Kirby
Director Technology Support Services
Diane Hamilton
Sr. Director Human Resources
Perfidia Collier (Acting)
Director Labor Relations
James Biscoe
Director Learning & Dvelopment
Sherrie Johnson
Executive Director Diversity & Incl.
Paula Nash (Interim)
Sr. Director TOD
Amanda Rhein
Director Real Estate
Richard Slaton
Director TOD
Vacant

Rail Map


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

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Jazz Lovers!
MARTA and the Atlanta Jazz Festival are bringing mini jazz concerts to a MARTA station near you!
Join us Monday afternoons from 3:30 and 5:30 pm at:
Lindbergh Center - April 29
North Springs – May 6
College Park – May 13
SIXTH AVE
34TH ST
ZOO YOR

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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, 2017 and 2016, 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, 2017 and 2016, 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 and the required supplementary information schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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), as listed on the table of contents, 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 November 8, 2017, 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
November 8, 2017

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, 2017 and 2016. 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, the related notes and required supplementary schedules.

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

Over time, net position may serve as a useful indicator of MARTA's financial position. MARTA's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $1.27 billion at June 30, 2017, a $76 million decrease from June 30, 2016, when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1.35 billion. A more detailed discussion is found under the Financial Operations Highlights of this MD&A.

The largest portion of MARTA's net position in fiscal year 2017 was its restricted assets representing 74%. 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 17% 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 2016, MARTA's largest category of its net position was restricted assets representing 64%, 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 37%.

At the end of the current fiscal year, MARTA was able to report a positive balance in all categories of net position. Both fiscal years 2016 and 2015 had 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:

	2017	2016	2015
ASSETS:			
Current and Other Assets	$ 1,253,136	$ 1,085,704	$ 1,161,026
Capital Assets	2,871,242	2,966,140	3,049,286
Derivative Asset	5	-	-
Net Pension Assets	-	-	53,077
Other	-	-	1,844
Total Assets	4,124,383	4,051,844	4,265,233
DEFERRED OUTFLOWS OF RESOURES:			
Deferred Outflows of Resources from Hedging	-	364	2,135
Deferred Outflows of Resources - Pension	110,329	127,939	41,269
Deferred Outflows of Resources - Debt Refunding	20,708	24,717	9,873
Total Deferred Outflows of Resources	131,037	153,020	53,277
Total Assets and Deferred Outflows of Resources	4,255,420	4,204,864	4,318,510
LIABILITIES:			
Long-term Debt	2,345,485	2,176,583	2,131,498
Current and Other Liabilities	531,895	536,315	693,154
Derivative Liability	-	364	2,135
Net Pension Liability	97,011	140,666	96,185
Net OPEB Liability	792	809	819
Total Liabilities	2,975,183	2,854,737	2,923,791
DEFERRED INFLOWS OF RESOURES:			
Deferred Inflows of Resources	5	-	-
Deferred Inflows of Resources - Pension	9,338	2,567	1,756
Total Liabilities and Deferred Inflows of Resources	2,984,526	2,857,304	2,925,547
NET POSITION:			
Net Investment in Capital Assets	221,802	502,641	475,594
Restricted	935,743	856,454	929,071
Unrestricted	113,349	(11,535)	(11,702)
TOTAL NET POSITION	$ 1,270,894	$ 1,347,560	$ 1,392,963

(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, and increased availability of transportation for low-income citizens). Therefore, the user charges are intended to finance only a portion of the cost of providing these services with additional proceeds obtained from the collections of sales and use tax under the Rapid Transit Contract and Assistance Agreement 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 59.6% and 76.2% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2017 and 2016, respectively.

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

	2017	2016	2015
Operating Revenues	$ 148,491	$ 152,412	$ 157,194
Operating Expenses	668,563	675,635	625,239
Operating Loss	(520,072)	(523,223)	(468,045)
Nonoperating Revenues	428,637	445,389	368,765
Capital Grants	14,769	32,431	82,498
Decrease in Net Position	$ (76,666)	$ (45,403)	$ (16,782)

In fiscal year 2017, operating revenues decreased by $3.9 million and operating expenses decreased by $7 million; the decrease in operating revenue is due to a decrease in fare revenues and the majority of the decrease in operating expenses is related to decreases in depreciation, salary, and benefits costs. The decrease in expenses resulted in an overall decrease in the operating loss of $3.1 million from the previous year. In fiscal year 2016, operating revenues decreased by $4.8 million and operating expenses increased by $50.4 million, which resulted in an overall increase in operating loss of $55.1 million from 2015.

(Dollars in Thousands)

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

Summary of Revenues	2017	2016	2015
Operating			
Fare Revenues	$ 137,914	$ 141,360	$ 146,417
Other Revenues	10,577	11,052	10,777
Total Operating Revenues	148,491	152,412	157,194
Nonoperating			
Sales and Use Tax	439,039	409,718	377,743
Federal Revenues	84,976	76,289	82,643
Investment Income	2,225	1,568	604
Capital Leases Revenues (Expenses)	(27,531)	32,057	5,128
Other Revenues	50,172	42,396	27,687
Gain on Sale of Property and Equipment	2,864	182	194
Total Nonoperating Revenues	551,745	562,210	493,999
Total Revenues	700,236	714,622	651,193
Summary of Expenses			
Operating			
Transportation	219,867	206,252	186,527
Maintenance and Garage Operations	140,341	143,576	131,276
General and Administrative	72,747	83,271	82,354
Depreciation	235,608	242,536	225,082
Total Operating Expenses	668,563	675,635	625,239
Nonoperating			
Interest Expense	84,124	83,356	85,663
Interest Expense Capitalized	-	(179)	(818)
Amortization of Financing Related Charges and Income from Derivative Activity	(7,580)	(5,318)	(2,699)
(Gain) Loss on Investment Derivatives	1,123	390	(607)
Other Nonoperating Expenses	45,441	38,572	43,695
Total Nonoperating Expenses	123,108	116,821	125,234
Total Expenses	791,671	792,456	750,473
Loss Before Capital Contributions	(91,435)	(77,834)	(99,280)
Capital Grants	14,769	32,431	82,498
Decrease in Net Position	(76,666)	(45,403)	(16,782)
Net Position, July 1	1,347,560	1,392,963	1,425,293
Cumulative effect of change in accounting principle	-	-	(15,548)
Net Position, July 1, as restated	1,347,560	1,392,963	1,409,745
Net Position, June 30	$ 1,270,894	$ 1,347,560	$ 1,392,963

Net position decreased by $76 million in 2017, after decreasing by $45.4 million in 2016. This change is a result of a $31 million decline in capital grants, decline in operating and nonoperating revenues, and an increase in nonoperating expenses but offset by a decrease in total operating expenses. Also, part of the net position ending balance of $1.4 million in fiscal year 2016 was an adjustment for GASB 68 implemented in fiscal year 2015 causing a decrease of $45.3 million in net position from fiscal year 2015 to fiscal year 2016.

MARTA's other operating revenues, which include advertising, Transit Oriented Development lease (TOD), and alternative fuel tax revenues, decreased by $475 thousand or -4.3% in 2017 and increased by $275 thousand or 2.6% in 2016.

In 2017, MARTA's largest component of nonoperating revenues, sales and use tax, increased by $29 million or 7.2% from 2016. This is primarily due to an increase in the sales tax rate for the City of Atlanta. The same component increased by $32 million or 8.5% from 2015 to 2016. This increase is primarily due to the new sales tax dollars contributed by the Clayton County. Noncapital grants, which includes preventive maintenance reimbursements, increased in 2017 by $8.6 million or 11.3%. Overall, nonoperating revenues decreased by $10.4 million or -1.8% in 2017 and increase $68 million or 13.8% in 2016.

Operating expenses decreased by $7 million in 2017 from 2016 and increased by $50.4 million in 2016 from 2015. This decrease is directly related to General and Administration expenses. The 2017 nonoperating expenses increased by $6.2 million from 2016 due to an increase in Interest Expenses, Gain from Derivatives Forward Delivery Agreements and miscellaneous nonoperating expenses.

The 2016 nonoperating expenses decreased by $8.4 million from 2015. This large decrease is directly related to general and administrative expenses, interest expenses, and amortization bond related costs.

Capital Acquisitions and Construction Activities

In 2017, MARTA expended $139,812 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 ($94,898), ($83,147), and ($7,021), during the years ended June 30, 2017, 2016, and 2015, 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.

(Dollars in Thousands)

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

	2017	2016	2015
Capital Assets			
Property and Equipment - Net	$ 2,871,242	$ 2,966,140	$ 3,049,286
Capital Debt			
Current Maturities of Bonds and Notes	(223,020)	(62,705)	(59,425)
Noncurrent Maturities of Bonds	(2,122,465)	(2,113,878)	(2,072,073)
Deferred Outflows of Resources	20,708	24,717	9,873
Capital Lease Obligations	(324,663)	(311,633)	(452,067)
Total Capital Debt	(2,649,440)	(2,463,499)	(2,573,692)
Net Investment in Capital Assets	$ 221,802	$ 502,641	$ 475,594

Long-Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds 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 lien on sales and use tax receipts.

The Fixed and Variable rate Bonds carry debt ratings of Aa2 by Moody's Investors Service, AA+ by Standard & Poor's and AA- from Fitch Rating Service. MARTA's total bond debt outstanding was $2,345,485, $2,176,583, and $2,131,498 as of June 30, 2017, 2016, and 2015, respectively.

Economic Factors

After the US Real GDP expanded by 2.1% in the fourth quarter of 2016, the national economy grew a paltry 0.7% in the first quarter of 2017. Consumption was the main culprit, as spending on services and durables was anemic. Additionally, an inventory correction pulled down overall growth. Georgia's nominal personal income increased by 4.8% in 2016 after growing 5.0% in 2015.

Georgia's total tax collections in the third quarter of FY17 were $4.9 billion, a gain of 2.4% from the previous year, a moderation from the first half of FY17, when taxes grew by 4.0%.

Atlanta's employment, like Georgia, was revised upwards in the March benchmarking process as the economy created 89,900 new jobs in 2016, sharply up from a previously reported 69,600. For the metro area this was an acceleration from the gain of 71,300 job additions in 2015.

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, 2017 and 2016
(Dollars in Thousands)

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 22,963	$ 57,691
Investments	222,083	142,395
Material and Supplies Inventories	29,591	28,252
Sales Tax Receivables, Prepayments, and Other	140,792	116,492
Total Unrestricted Current Assets	415,429	344,830
Restricted Investments	423,010	312,783
Current Portion, Investment held to pay Capital Lease	53,667	4,169
Total Restricted Current Assets	476,677	316,952
Total Current Assets	892,106	661,782
Noncurrent Assets:		
Investment held to pay Capital Lease Obligations	349,787	413,786
Investment Derivatives	(997)	(2,218)
Total Restricted Noncurrent Assets	348,790	411,568
Capital Assets:		
Land, Non-depreciable	560,385	560,419
Rail System and Buildings	3,646,529	3,599,414
Transportation Equipment	1,348,329	1,336,657
Other	1,321,402	1,226,071
	6,876,645	6,722,561
Less Accumulated Depreciation	(4,294,403)	(4,063,703)
	2,582,242	2,658,858
Construction in Progress, Non-depreciable	289,000	307,282
Total Capital Assets - Net	2,871,242	2,966,140
Other Noncurrent Investments	10,000	10,000
Derivative Asset	5	-
Other Bond Related Costs	399	510
Other	1,841	1,844
Total Noncurrent Assets	3,232,277	3,390,062
Total Assets	4,124,383	4,051,844
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflow of Resources - Hedging	-	364
Deferred Outflow of Resources - Pension	110,329	127,939
Deferred Outflow of Resources - Debt Refunding	20,708	24,717
Total Deferred Outflows of Resources	131,037	153,020
Total Assets and Deferred Outflows of Resources	$ 4,255,420	$ 4,204,864

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

Statements of Net Position (Continued)
June 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
LIABILITIES		
Current Liabilities:		
Payable from Nonrestricted Assets:		
Accounts and Contracts Payable	$ 68,930	$ 80,119
Salaries and Employee Benefits	17,581	18,721
Self-Insurance Accruals	16,306	17,619
Other Current Liabilities	6,819	5,381
Unearned Revenue	1,537	1,576
Total Current Liabilities Payable from Nonrestricted Assets	111,173	123,416
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds	223,020	62,705
Accrued Interest	40,501	42,228
Current Maturities of Obligations Under Capital Leases	71,914	4,036
Total Current Liabilities Payable from Restricted Assets	335,435	108,969
Total Current Liabilities	446,608	232,385
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Premium and Discount	2,122,465	2,113,878
Noncurrent Self Insurance Accruals	28,605	30,132
Other Long-term Liabilities	779	822
Unearned Revenue	26,174	28,084
Obligations Under Capital Leases	252,749	307,597
Net Pension Liability	97,011	140,666
Net OPEB Liability	792	809
Total Noncurrent Liabilities	2,528,575	2,622,352
Total Liabilities	2,975,183	2,854,737
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources - Hedging	5	364
Deferred Inflows of Resources - Pension	9,338	2,567
Total Liabilities and Deferred Inflows of Resources	2,984,526	2,857,304
NET POSITION:		
Net Investment in Capital Assets	221,802	502,641
Restricted for Debt service	289,532	145,154
Restricted for Other Projects	35,809	34,589
Restricted for Capital Projects	96,619	130,817
Restricted for Capital Leases	403,454	417,955
Restricted for Pension	110,329	127,939
Unrestricted	113,349	(11,535)
Total Net Position	$ 1,270,894	$ 1,347,560

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

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2017 and 2016

(Dollars in Thousands)

	2017	2016
Operating Revenues:		
Fare Revenues	$ 137,914	$ 141,360
Other Revenues	10,577	11,052
Total Operating Revenues	148,491	152,412
Operating Expenses:		
Transportation	219,867	206,252
Maintenance and Garage Operations	140,341	143,576
General and Administrative	72,747	83,271
Depreciation	235,608	242,536
Total Operating Expenses	668,563	675,635
Operating Loss	(520,072)	(523,223)
Nonoperating Revenues (Expenses):		
Sales and Use Tax	439,039	409,718
Federal Revenues	84,976	76,289
Investment Income	2,225	1,568
Net Capital Lease Transaction Activity	(27,531)	32,057
Other Revenues	50,172	42,396
Gain on Sale of Property and Equipment	2,864	182
Interest Expense	(84,124)	(83,356)
Interest Expense Capitalized	-	179
Amortization of Financing Related Charges and Income from Derivative Activity	7,580	5,318
Other Nonoperating Expenses	(45,441)	(38,572)
Loss on Investment Derivatives	(1,123)	(390)
Nonoperating Revenues (Expenses)	428,637	445,389
Loss Before Capital Contributions	(91,435)	(77,834)
Capital Grants	14,769	32,431
Net Position:		
Decrease in Net Position	(76,666)	(45,403)
Net Position, July 1	1,347,560	1,392,963
Net Position, June 30	$ 1,270,894	$ 1,347,560

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

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

(Dollars in Thousands)

	2017	2016
Cash Flows from Operating Activities:		
Cash Received from Providing Services	$ 140,287	$ 139,574
Cash Received from Other Sources	13,663	66,259
Cash Paid to Suppliers	(156,805)	(135,684)
Cash Paid for Benefits on Behalf of Employees	(106,451)	(132,903)
Cash Paid to Employees	(250,663)	(255,906)
Net Cash Used by Operating Activities	(359,969)	(318,660)
Cash Flows From Noncapital Financing Activities:		
Sales and Use Tax Collections	429,886	409,846
Ad Valorem Tax	30,407	23,863
Federal Operating Subsidy	76,081	108,826
Other Noncapital Receipts	6,102	-
Net Cash Provided by Noncapital Financing Activities	542,476	542,535
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Bond and Debt Related Derivative Receipts	204,140	97,087
Principal Paid on Revenue Bonds	(24,660)	(59,425)
Capital Contributions	14,769	32,431
Interest Paid on Revenue Bonds	(85,851)	(84,061)
Acquisition and Construction of Capital Assets	(137,843)	(150,071)
Net Cash Used by Capital and Related Financing Activities	(29,445)	(164,040)
Cash Flows from Investing Activities:		
Purchases of Investments	(2,815,755)	(2,778,561)
Proceeds from Sales and Maturities of Investments	2,625,740	2,713,319
Interest Received on Investments	2,225	1,568
Net Cash Used by Investing Activities	(187,790)	(63,674)
Net Decrease in Cash and Cash Equivalents	(34,728)	(3,839)
Cash and Cash Equivalents, Beginning of Year	57,691	61,530
Cash and Cash Equivalents, End of Year	$ 22,963	$ 57,691

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

Statements of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
Reconciliation of Operating Income to Net Cash Used by Operating Activities:		
Operating Loss	$ (520,072)	$ (523,223)
Other Expenses	(32,999)	(20,039)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	235,608	242,536
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(1,339)	(1,253)
Prepayments and Other	(6,272)	(984)
Current Liabilities and Due Federal Transportation Administration	(13,772)	(3,588)
Deferred Revenue	(1,953)	(12,109)
Pension - GASB 68 and Deferred Compensation Adjustment	(19,170)	-
Net Cash Used by Operating Activities	$ (359,969)	$ (318,660)
Noncash Investing, Capital and Financing Activities:		
Amortization of Financing Related Charges and Income from Derivative Activity	$ (7,580)	$ (5,318)
Decrease (Increase) in Fair Value of Investments	(14,586)	46,165
Net Noncash Investing, Capital and Financing Activities	$ (22,166)	$ 40,847

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 fifteen-member board of directors. As defined by the Governmental Accounting Standards Board ("GASB"), the financial reporting entity is comprised of the primary government and its component units. The primary government includes all departments and operations of MARTA, which are not legally separate organizations. Component units are legally separate organizations, which are fiscally dependent on MARTA or for which MARTA is financially accountable, or which raises and holds economic resources for the direct benefit of MARTA. An organization is fiscally dependent if it must receive MARTA's approval for its budget, levying of taxes, or issuance of debt. MARTA is financially accountable for an organization 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 fifteen-member board, three members are appointed by Fulton County, four members by DeKalb County, two members by Clayton County, three members by the City of Atlanta, and one member by the Governor. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority serve as *ex-officio* members of the Board. None of the participating governments appoint a majority of MARTA's Board and none have an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2017 or 2016.

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 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 reported at acquisition value on the date donated. When assets are sold or retired, the cost of the asset and related accumulated depreciation is removed from the accounts and the resulting gain or loss, if any, is charged to 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.

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.

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 2007, which is being amortized over the life of the related agreements. See Note 13 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 Effective for the Fiscal Year Ended June 30, 2017

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("GASB 74")* replaces Statement No. 43, and requires more extensive note disclosures and requires supplementary information for defined benefit and defined contribution other postemployment benefit ("OPEB") plans. This statement establishes the rules on reporting by OPEB plans that administer benefits on behalf of governments. The adoption of this statement does not have an impact on the current year financial statements of 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.

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. The Authority did not invest in external investment pool in fiscal years ended June 30, 2017 and 2016. The adoption of this statement does not have an impact on the financial statements of the Authority.

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. The adoption of this Statement adjusted the presentation of payroll-related measures in the required supplementary information, but did not have an impact on the financial statements of the Authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. 81, *Irrevocable Split-Interest Agreements* ("GASB 81) provides guidance to improve accounting and financial reporting for irrevocable split agreement in situations when the government is a beneficiary of the agreement. GASB 81 will be effective for the Authority for its fiscal year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will have to recognize a liability based on the guidance in this statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement is effective for MARTA's fiscal year ending June 30, 2019.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements Effective in Future Periods or Not Applicable (continued)

GASB Statement No. 84, *Fiduciary Activities ("GASB 84")* will improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for MARTA's fiscal year ending June 30, 2020.

GASB Statement No. 85, *Omnibus ("GASB 85")* the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses various miscellaneous issues related to blending component units, goodwill, fair value measurement and application, and OPEB. This Statement is effective for MARTA's fiscal year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues ("GASB 86")* establishes accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for MARTA's fiscal year ending June 30, 2018.

GASB Statement No. 87, *Leases ("GASB 87")* establishes accounting and financial reporting model for leases based on the principles that leases are financing of rights to use an underlying asset and thereby ensuring the relevance and consistency of information on leasing activities. This Statement is effective for MARTA's fiscal year ending June 30, 2021.

2. CASH AND INVESTMENTS

Cash - At June 30, 2017 and 2016, the carrying amounts of MARTA's total cash on hand were $1,033 and $1,080, respectively.

At June 30, 2017 and 2016, the carrying amounts of MARTA's total cash on deposit, were $21,930 and $56,611, respectively.

The bank balances were $21,194 and $55,731, respectively. Of the bank balances at June 30, 2017 and 2016, $453 and $503, respectively, were covered by federal depository insurance and $20,741 and $55,228, 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.

(Dollars in Thousands)

2. CASH AND INVESTMENTS (continued)

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.

As of June 30, 2017, MARTA had the following investments and maturities:

Investment Type	Valuation Measurement Method	Book Value	Investment Maturities (in Years) Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	Cost	$ 112,036	112,036	$ -	$ -	$ -
U.S. Treasuries	Fair Value - Level 1	276,855	263,677	9,415	1,086	2,677
Prime Banker's Acceptance	Fair Value - Level 1	12,276	12,276	-	-	-
U.S. Agencies	Fair Value - Level 1	523,839	255,907	7,296	33,330	227,306
FDIC Public Funds	Cost	45,934	45,934	-	-	-
Certificate of Deposit	Cost	9,672	9,672	-	-	-
Guaranteed Inv Contracts	Amortized Cost	77,935	-	53,702	-	24,233
Investment Derivative	Fair Value - Level 2	(997)	-	-	-	(997)
Total		$ 1,057,550	$ 699,502	$ 70,413	$ 34,416	$ 253,219

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

Investment Type	Valuation Measurement Method	Book Value	Investment Maturities (in Years) Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	Cost	$ 121,922	121,922	$ -	$ -	$ -
U.S. Treasuries	Fair Value - Level 1	96,760	88,973	4,856	-	2,931
U.S. Agencies	Fair Value - Level 1	544,264	201,987	62,149	9,294	270,834
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	-	23,086
Investment Derivative	Fair Value - Level 2	(2,218)	-	-	-	(2,218)
Total		$ 880,915	$ 459,240	$ 117,748	$ 9,294	$ 294,633

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

(Dollars in Thousands)

2. CASH AND INVESTMENTS (continued)

Credit Quality Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of MARTA's debt securities to credit quality risk as of June 30, 2017 is as follows:

Investment Type	Book Value	Credit Rating	Rating Agency
Repurchase Agreements	$ 112,036	A1/P-1	Moody's / S&P
U.S. Treasuries	276,855	AAA+/ AA+	Moody's / S&P
Primte Banker's Acceptance	12,276	A1/P-1	Moody's / S&P
U.S. Agencies	523,839	AAA/AA+	Moody's / S&P
FDIC Public Funds	45,934	AAA/AA +/FDIC	Moody's / S&P
Certificate of Deposit	9,672	AAA/AA +/FDIC	Moody's / S&P
Guaranteed Inv Contracts	77,935	A-2/P-2/A-/Baa1/Ba1	Moody's / S&P
Investment Derivative	(997)		Moody's / S&P
	$ 1,057,550		

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MARTA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of MARTA's investments at June 30, 2017 and 2016, of $1,057,550 and $880,915, respectively, $10,172 and $10,307, 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 - 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:

	2017	2016
Restricted Cash and Investments:		
Sinking Fund	$ 288,778	$ 145,154
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	403,454	417,955
Investment Derivatives	(997)	(2,218)
Other	5,474	38,871
Total Restricted Cash and Investments	$ 825,467	$ 728,520

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, MARTA used 40% and 39%, respectively, of the sales and use tax proceeds to subsidize the net operating costs. MARTA apportions 47.4% 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:

	2017	2016
Cumulative under utilization, beginning of year	$ 95,251	$ 58,239
Under utlitilization during year	33,559	37,012
Cumulative under utilization, end of year	$ 128,810	$ 95,251

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, 2017 and 2016 were 59.6% and 76.2%, 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, 2017 was as follows:

	Balance June 30, 2016	Additions	Decreases	Balance June 30, 2017
Capital Assets, not being depreciated:				
Land	$ 560,418	$ -	$ (33)	$ 560,385
Construction in progress	307,283	139,812	(158,095)	289,000
Total capital assets not being depreciated	867,701	139,812	(158,128)	849,385
Capital Assets being depreciated:				
Rail systems and buildings	3,599,414	47,297	(183)	3,646,528
Transportation equipment	1,336,657	11,672	-	1,348,329
Other	1,226,071	100,018	(4,686)	1,321,403
Total capital assets being depreciated	6,162,142	158,987	(4,869)	6,316,260
Less accumulated depreciation for:				
Rail systems and buildings	(2,127,742)	(104,911)	99	(2,232,554)
Transportation equipment	(933,608)	(72,292)	-	(1,005,900)
Other	(1,002,353)	(58,225)	4,629	(1,055,949)
Total accumulated depreciation	(4,063,703)	(235,428)	4,728	(4,294,403)
Total capital assets being depreciated, net	2,098,439	(76,441)	(141)	2,021,857
Capital Assets, net	$ 2,966,140	$ 63,371	$ (158,269)	$ 2,871,242

The difference between Construction in Progress decreases of $158,095 and the Capital Asset Additions of $158,989 is due to a photocopier lease which passes thru Assets Additions but not Construction in Progress.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2017 and 2016
(Dollars in Thousands)

6. CAPITAL ASSETS (continued)

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 and 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 and 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)

7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2017 was as follows:

Series	Year Issued	Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2016	Outstanding Additions	Principal Retirements	Balance June 30, 2017
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2019	4.60% - 6.25%	$ 22,885	$ -	$ (22,885)	$ -
P*	1992	296,755	2021	3.30% - 6.25%	40,485	-	(40,485)	-
2000A	2000	100,000	2026	Variable	94,000	-	(1,800)	92,200
2000B	2000	100,000	2026	Variable	94,000	-	(1,700)	92,300
2005A*	2005	190,490	2021	5.00%	122,740	-	(19,060)	103,680
2006A*	2006	163,890	2021	5.00%	103,060	-	(103,060)	-
2007A*	2007	145,725	2033	5.25%	145,725	-	-	145,725
2009A	2008	250,000	2038	5.00%	250,000	-	-	250,000
2012A*	2009	311,075	2040	4.25% - 5.25%	311,075	-	-	311,075
2012B*	2012	17,930	2041	3.00% - 5.00%	16,830	-	(1,100)	15,730
2013A*	2012	22,980	2021	4.00% - 5.00%	20,980	-	(1,000)	19,980
2014A	2013	286,700	2021	3.00% - 5.00%	286,700	-	-	286,700
2015A	2015	87,015	2044	3.00% - 5.00%	87,015	-	-	87,015
2015B	2015	88,485	2045	5.00%	88,485	-	-	88,485
2015C	2015	93,085	2045	2.00% - 5.00%	93,085	-	-	93,085
2016A	2015	90,260	2029	2.30%	-	90,260	-	90,260
2016B	2016	242,985	2029	5.00%	242,985	-	-	242,985
2017A	2017	100,815	2047	3.00% - 4.00%	-	100,815	-	100,815
2017B	2017	180,800	2025	FRN	-	180,800	-	180,800
Subtotal					2,020,050	371,875	(191,090)	2,200,835
Less portion due within one year					(62,702)	(160,318)	-	(223,020)
Plus unamortized premium (discount)					156,533	88,511	(12,149)	144,650
Sales Tax Revenue Bonds total long-term portion					$ 2,113,881	$ 300,068	$ (203,239)	$ 2,122,465

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

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	286,700	2044	3.00% - 5.00%	286,700	-	-	286,700
2015A	2015	87,015	2045	5.00%	87,015	-	-	87,015
2015B	2015	88,485	2045	2.00% - 5.00%	-	88,485	-	88,485
2015C	2015	93,085	2029	5.00%	-	93,085	-	93,085
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

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 and 2000B Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A, 2009A, 2012A, 2012B, 2013A, 2016A, 2016B, 2016C, 2016A, 2016B, 2017A, and 2017B 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, 2017 and 2016 on the Series 2000A and 2000B Bonds utilizing the weekly mode were 0.87% 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 ten 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, 2017 were as follows:

Years Ended June 30	Principal	Interest*	Total
2018	$ 223,020	$ 91,648	$ 307,731
2019	43,585	87,243	130,828
2020	53,850	85,116	138,966
2021	56,135	82,688	138,823
2022	61,375	80,234	141,609
2023 to 2027	314,455	363,486	677,941
2028 to 2032	339,365	291,787	631,152
2033 to 2037	425,235	204,328	629,563
2038 to 2042	464,450	97,176	561,626
2043 to 2047	211,770	22,009	233,779
2048	7,595	152	7,747
	$ 2,200,835	$ 1,405,867	$ 3,599,765

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

7. LONG-TERM DEBT (continued)

MARTA's Board established a debt limit for the Sales Tax Revenue Bonds. The total annual debt service on such bonds is limited to no more than 45% of projected sales tax receipts for each year.

MARTA 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, 2016.

MARTA has pledged future sales tax revenues to repay $2,345,484 in sales tax revenue bonds issued in 2000, 2005, 2007, 2009, 2012, 2013, 2015, 2016, and 2017 of which $2,122,465 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 2047, 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, 2017 and 2016 were $108,792 and $145,443 respectively.

In fiscal year 2017, 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 new series 2016A Bonds reduced MARTA’s debt service by an additional $5.76 million. The transaction was priced on March 5, 2015 and closed on July 1, 2016.

On June 27, 2017, to allow for the elimination of the second indenture, a third Indenture 2017A Bonds was issued to refund the second Indenture 2000A and 2000B Bonds. Subsequently, on July 3, 2017, the second indenture 2000A and 2000B bond series were refunded and defeased. Since the defeasance happened in fiscal year 2018, the series 2000A and 2000B bonds were classified as current debt at June 30, 2017.

In order to place all MARTA Bonds on parity with each other and eliminate subordination, Series N and P Bonds secured by a first lien on sales and use tax receipts were defeased on June 6, 2017 using the authority’s existing resources.

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.

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, 2017 and 2016, 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.

(Dollars in Thousands)

7. LONG-TERM DEBT (continued)

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

	2017	2016
Balance, Beginning of Year	$ 145,154	$ 142,733
Sales and Use Tax Proceeds	130,570	150,834
Investment Income	212	151
Principal and Interest Payments on Bonds	(108,792)	(145,443)
Debt Refunding	(166,430)	(389,830)
Excess Sales Tax Withheld (Refunded)	287,958	386,611
Trustee Fees	106	98
Balance, End of Year	$ 288,778	$ 145,154

For the year ended June 30, 2017, MARTA recognized deferred loss expense of $2,972.

At June 30, 2017, MARTA reported $20,708 deferred outflows of resources related to debt refunding cost for unamortized deferred loss on bonds refunding from the following sources:

	Deferred Outflows of Resources Debt Refunding
Uamortized Deferred Loss Bond Refunding	$ 23,680
Current Year Amortization	(2,972)
Total Deferred Outflows of Resources - Debt Refunding	$ 20,708

(Dollars in Thousands)

8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2017, and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2017, 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	$ (9)	$ 80	$ 360
Diesel Commodity Swaps	Deferred Outflows of Resources	379	(75)	5,334
		$ 370	$ 5	
Investment Derivatives:				
Forward delivery arrangements	Gain (Loss) on Investment Derivatives	$ 1,221	$ (997)	$ 292,614

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	Loss on Investment Derivatives	$ (390)	$ (2,218)	$ 300,000

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)

Three contracts were terminated on June 30, 2017. A summary of agreements is as follows:

Execution Dates	Effective Dates	Termination Dates	Fixed Price	Counterparty	Net Settlement in FY 2017
Natural Gas:					
3/30/2016	7/1/2017	6/30/2018	2.865 MMBTU	JP Morgan Ventures	$ 79
Diesel:					
6/24/2016	7/1/2017	6/30/2018	1.566 per gallon	JP Morgan Ventures	$ (47)
6/24/2016	7/17/2016	6/30/2017	1.495 per gallon	Citi Energy, Inc.	$ (14)
2/20/2015	7/1/2016	6/30/2017	2.01 per gallon	Canadian Imperial Bank of Commerce	$ (26)
5/5/2017	5/5/2017	6/30/2018	1.4685 per gallon	JP Morgan Ventures	$ 12

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. The Series N and P Bonds were extinguished on June 6, 2017.

When MARTA entered into these agreements, an upfront cash payment of $11,350 was received by MARTA which represented the present value of the future interest cash flows. The cash received was recorded as deferred revenue and is being amortized over the life of the agreements. Due to the extinguishment of Series N and P, the outstanding unamortized amount of $601 as of June 30, 2017 was all recognized as revenue. The unamortized unearned revenue for Series 2005A was $1,150 for June 30, 2017 and $1,462 for June 30, 2016.

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. 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. There were no terminations during the year ended June 30, 2017.

(Dollars in Thousands)

9. CAPITAL LEASE OBLIGATIONS (continued)

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

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 June 30, 2017	Net Book Value June 30, 2016
3/22/2001	16 Hitachi CQ 310 Rail Cars	$ 2,617	$ 4,397
3/22/2001	46 Franco Beige CQ 310 Rail Cars	22,147	30,086
9/27/2002	20 Breda CQ 312 Rail Cars	21,859	24,657
9/2/9/2005	40 Breda CQ 312 Rail Cars	41,969	42,185
9/29/2003	MARTA South Line	324,686	307,622

Due to the termination of LILO agreements in fiscal year 2016, 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 rail cars and 46 were removed from the Franco Belge CQ310 rail cars. The 28 Breda, 24 Franco Belge, and 48 Hitachi rail cars were removed from the table above. The fiscal year 2017 Net Book Value increase in the South Line is due to the addition of a new Train Control project.

(Dollars in Thousands)

9. CAPITAL LEASE OBLIGATIONS (continued)

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 January 2018 and ending in January 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 $16.9 million supporting the remediated transactions related to the 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, 2017.

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2017:

Fiscal Years	
2018	$ 71,914
2019	19,278
2020	9,333
2021 - 2025	16,943
2026 - 2030	24,079
2031 - 2035	183,116
Present value of net minimum lease payments	324,663
Less: current principal maturities	(71,914)
Obligations under capital lease - long term	$ 252,749

The liability of these leases changed in 2017 and 2016 as follows:

Outstanding - June 30, 2016	$ 311,633
Net change in obligation	13,030
Outstanding - June 30, 2017	$ 324,663

10. 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)

10. 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 approval from MARTA's Board of Directors and the pension retirement committees.

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

Plan Membership - 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, 2017, for the Union Plan and Non-Rep Plan:

	Union	Non-Rep
Active Employees	2,600	630
Pensioners	1,947	1,311
Inactive Vestees	349	135
Total	4,896	2,076

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 plan year ended December 31, 2016, MARTA contributed $26,339 for the Non-Rep Plan and $8,807 for the Union Plan.

(Dollars in Thousands)

10. 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, 2017, and the current sharing pattern of costs between employer and employee.

	Union	Non-Rep
Pension Expense	$23,061	($10,916)
Actuarial Valuation Date	01/01/17	
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	20 years, Open	15 years, Closed
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	7.50%	6.70%
Inflation	2.80%	2.50%
Projected Salary Increases:		
Plan Members	4.50%	3.00%
Transit Police	n/a	3.50%
Cost of Living	3.00%	1.00%
Merit or Seniority	1.00% per year	1.00% per year
Postretirement 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 Tables separated by Sex, Project Scale BB to valuation date.
Disabled	RP-2014 Blue Collar Mortality Table using 1/2 of Scale MP-2014	RP-2000 Combined Health Mortality Tables separated by Sex, Project Scale BB to Valuation Date

(Dollars in Thousands)

10. 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 6.7% for the Non-Rep Plan, as well as what the individual plans' net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease Discount Rate	Current Discount Rate	1% Increase Discount Rate
Union Plan Discout Rate	6.50%	7.50%	8.50%
Plan Net Pension Liability	$ 60,312	$ 6,711	$ (38,869)
Non-Rep Plan Discount Rate	5.70%	6.70%	7.70%
Plan Net Pension Liability	$ 137,479	$ 90,300	$ 50,200

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	5.60%	0.00%
Domestic Mid Cap Equity	5.80%	n/a
Domestic SmallCap Equity	6.10%	n/a
International Equity	5.90%	4.50%
Opportunistic Equity	6.00%	n/a
Domestic Fixed Income	1.20%	.75%
US Broad Equity	n/a	4.60%
Non-US Fixed	n/a	(0.85%)
Global Fixed Income	1.90%	n/a
Global Ex-US Equity	n/a	4.75%
Real Estate	n/a	3.50%
Alernatives/Convertibles	5.90%	3.35%

Pension Liability, Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pension - At June 30, 2017, MARTA reported a net pension liability of $97,011.

The net pension liability was measured as of December 31, 2016 based on an actuarial valuation of January 1, 2017.

(Dollars in Thousands)

10. PENSION PLANS (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
UNION PLAN			
Change in Net Pension Liability			
Balance at December 31, 2015	$ 520,089	$ 503,140	$ 16,949
Changes for the year:			
Service Cost	11,677	-	11,677
Interest	38,448	-	38,448
Difference between expected and actual experience	(4,055)	-	(4,055)
Contributions - Employer	-	8,807	(8,807)
Contributions - Employee	-	4,828	(4,828)
Net Investment Income	-	41,493	(41,493)
Benefit Payments	(38,031)	(38,031)	-
Administrative Expenses	(928)	(928)	-
Changes in Assumptions	-	-	-
Changes in Benefit Terms	(1,180)	-	(1,180)
Other	-	-	-
Member Buybacks	-	-	-
Net Changes	5,931	16,169	(10,238)
Balance at December 31, 2016	$ 526,020	$ 519,309	$ 6,711
NON-REP PLAN			
Change in Net Pension Liability			
Balance at December 31, 2015	$ 480,793	$ 357,076	$ 123,717
Changes for the year:			
Service Cost	5,656	-	5,656
Interest	32,430	-	32,430
Difference between expected and actual experience	1,987	-	1,987
Contributions - Employer	-	26,339	(26,339)
Contributions - Employee	-	2,626	(2,626)
Net Investment Income	-	22,568	(22,568)
Benefit Payments	(33,470)	(33,470)	-
Administrative Expenses	-	(231)	231
Changes in Assumptions	15,000	-	15,000
Changes in Benefit Terms	(37,000)	-	(37,000)
Other	-	133	(133)
Member Buybacks	-	55	(55)
Asset (Gain (Loss)	-	-	-
Reserve	-	-	-
Net Changes	(15,397)	18,020	(33,417)
Balance at December 31, 2016	$ 465,396	$ 375,096	$ 90,300

(Dollars in Thousands)

10. PENSION PLANS (continued)

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
UNION PLAN			
Change in Net Pension Liability			
Balance at December 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	-	(7,547)	7,547
Changes in Benefit Terms	323	-	323
Difference between expected and 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 at December 31, 2015	$ 520,089	$ 503,140	$ 16,949
NON-REP PLAN			
Change in Net Pension Liability			
Balance at December 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	-	(2,994)	2,994
Difference between expected and actual experience	9,181	-	9,181
Changes in Assumptions	-	20,114	(20,114)
Contributions - Employer	-	2,818	(2,818)
Contributions - Employee	-	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 at December 31, 2015	$ 480,794	$ 357,077	$ 123,717

(Dollars in Thousands)

10. PENSION PLANS (continued)

For the year ended June 30, 2017, MARTA recognized pension expense of $12,145.

At June 30, 2017, 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
Net difference between projected and actual earnings on investments	$ 49,709	$ (3,752)
Changes in benefits terms	169	(895)
Difference between expected and actual experience	10,210	(4,691)
Changes of assumptions	36,467	-
Employer contribution subsequent to the measure date	13,774	-
Total	$ 110,329	$ (9,338)

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
Net difference between projected and actual earnings on investments	$ 65,258	$ -
Changes in benefits terms	246	-
Difference between expected and actual experience	10,769	(2,567)
Changes of assumptions	34,165	-
Employer contribution subsequent to the measure date	17,501	-
Total	$ 127,939	$ (2,567)

(Dollars in Thousands)

10. PENSION PLANS (continued)

$13,774 and $17,501 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized in the future periods, June 30, 2018 and June 30, 2017, respectively. Other amounts reported as collective deferred outflows and deferred inflows of resources to be recognized in pension expense as follows:

Year Ended June 30		Deferred Outflows (Inflows) of Resources
2018	$	43,185
2019		29,810
2020		22,187
2021		3,270
2022		2,509
	$	100,961

Defined Contribution Pension Plan

Plan Description - MARTA maintains one single-employer defined contribution plan, the MARTA Non-represented Defined Contribution Plan and Trust (the “DC Plan”). The DC Plan provides pension for all full-time non-represented employees of MARTA who were hired on or after January 1, 2005, Transit Police hired on or after January 1, 2015, and to those members of the Non-Rep Plan who elected to transfer to this plan. Covered employees were eligible to participate on the first date of employment. The plan provisions and contributions requirements are established and may be amended by the pension retirement committee after approval by resolution of the MARTA Board of Directors. The plan is administered by a pension retirement committee and MassMutual is the trustee.

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

Contributions - The contribution rates as a percent of earnings were at 6% for MARTA and 6% for employees with the DC Plan. Employer contributions to the DC Plan for the years ended June 30, 2017 and 2016 were $3,264 and $2,423, respectively. Employee contributions to the DC Plan for the years ended June 30, 2017 and 2016 were $3,221 and $2,670, respectively.

11. EMPLOYEE BENEFITS

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

The 457 Plan allows any employee to voluntarily defer receipt of up to 25% of gross compensation, not to exceed $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 (medical, dental, and vision), 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 for health care benefits through the earlier of the date an employee reaches Medicare eligibility, 15 years or death. Life insurance and transit pass benefits continue for life. Participants can choose from several plan options and pay a portion of the cost of benefits. The cost for represented coverage varies by plan but is available at no cost to the retiree for the first ten years after retirement and 50% of the cost for an additional five years, not to exceed 15 years.

These 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, 2017 and 2016, respectively, MARTA contributed $22,441 and $21,973 to its OPEB Plan (the "Plan").

(Dollars in Thousands)

11. EMPLOYEE BENEFITS (continued)

The following schedule (derived from the most recent actuarial valuation report) shows the components of MARTA's Annual OPEB costs for 2017 and 2016, the amounts actually contributed to the Plan, and changes in MARTA's Net OPEB (Obligation) Asset:

	2017	2016
Per Actuarial Valuation:		
Annual Required Contribution	$ 22,441	$ 21,978
Interest on Net OPEB Obligation	(17)	(15)
Adjustment to OPEB Obligation	-	-
Annual OPEB Cost	22,424	21,963
Actual Employer Contributions	22,441	21,973
Increase in Net OPEB Obligation Asset (Liability)	17	10
Beginning of Year	(809)	(819)
End of Year	$ (792)	$ (809)

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, 2016 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 21 years remaining in the amortization period. For the purposes of the fiscal years 2017 and 2016 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)

11. 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 8.25% for 2017 and 2016.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017 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)
2015	$ 22,038	100%	$ (819)
2016	21,963	100%	(809)
2017	22,424	100%	(792)

The funded status of the Plan as of June 30, 2017 was as follows:

Acturial Accrued Liability (AAL)	$ 211,461
Acturial Value of Plan Assets	(55,384)
Unfunded Actuarial Accrued Liability (UAAL)	$ 156,077
Funded Ratio	26.2%
Covered Payroll	$ 191,098
UAAL as a Percentage of Covered Payroll	81.7%

(Dollars in Thousands)

11. 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 of Percentage of Covered Payroll (c)
6/30/14	$ 44,166	$ 206,701	21.4%	$ 162,535	$ 181,842	89.4%
6/30/15	50,337	209,945	24.0%	159,608	188,840	84.5%
6/30/16	55,384	211,461	26.2%	156,077	191,098	81.7%

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

Active Participants	Union	Non-Rep	Total
Fully Eligible	278	308	586
Not Yet Fully Eligible	2,184	199	2,383
Total Number of Lives	2,462	507	2,969

12. RISK MANAGEMENT

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

There have been no significant reductions in insurance coverage during the years ended June 30, 2017 and 2016, and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

(Dollars in Thousands)

12. RISK MANAGEMENT (continued)

The changes in the liabilities for self-insurance for the years ended June 30, 2017 and 2016 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Total
Balance, June 30, 2015	$ 36,653	$ 16,443	$ 53,096
Incurred claims, net of any changes	8,102	2,653	10,755
Payments	(9,709)	(6,390)	(16,099)
Balance, June 30, 2016	35,046	12,706	47,752
Incurred claims, net of any changes	4,950	7,272	12,222
Payments	(8,150)	(6,913)	(15,063)
Balance, June 30, 2017	$ 31,846	$ 13,065	$ 44,911
Due Within One Year	$ 10,288	$ 6,018	$ 16,306

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.

13. 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.

(Dollars in Thousands)

13. UNEARNED REVENUE (continued)

During the years ended June 30, 2017 and 2016, the unamortized portion of unearned revenue for the South Line agreement was $18,160 and $19,437, respectively, and $382 and $1,000, respectively, for the Rail Cars agreements.

14. OPERATING LEASES

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

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. MARTA has identified development partners at five rail stations: King Memorial, Edgewood/Candler Park, Avondale, Brookhaven/Oglethorpe, and Chamblee.

Future lease payments scheduled to be received under non-cancelable operating leases are as follows at June 30, 2017.

Fiscal Year	Amount
2018	$ 7,357
2019	7,644
2020	8,394
2021	8,448
2022	8,500
	$ 40,343

15. COMMITMENTS AND CONTINGENCIES

Commitments - MARTA's long-range plan provides for the planning, construction, financing, and operation of a rapid transit system in multiple phases, consisting of approximately 60 miles of double track and 45 stations, of which 47.6 miles and 38 stations were in service June 30, 2017. At June 30, 2017, 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.

15. COMMITMENTS AND CONTINGENCIES (continued)

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 at the Authority's discretion. 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 on May 21, 2016.

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.

16. POLLUTION REMEDIATION OBLIGATION

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

MARTA has three active bus facilities and a closed maintenance facility at which underground fuel storage tanks have released fuel at various times in prior years. MARTA has for a number of years, and continues to use various methods to remediate the effects of these releases.

16. POLLUTION REMEDIATION OBLIGATION (continued)

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 $6,332 and $6,611 is its obligation to remediate the sites at the bus and maintenance facilities at June 30, 2017 and 2016, respectively, which is included in current liabilities on the Statements of Net Position.

17. SUBSEQUENT EVENT

MARTA has the majority of its fuel hedges in place for the fiscal year 2018 budget period. MARTA may execute additional fuel hedge contracts to complete fuel hedging for the fiscal year 2018 and initiate hedging activity for fiscal years 2019 and 2020. Fuel Swap transactions will be determined through a bid process conducted at points in fiscal years 2018 and 2019 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, 2019, and 2020 at levels not to exceed 75% of the forecast usage for any year.

MARTA refunded the 2009A bonds with pricing on August 3, 2017 and closing on August 17, 2017. The resulting Bond Series 2017C (par value $263.5M) provided an average bond rate reduction from 5.0% to 3.4%, a NPV Debt Service Savings of $41.6M ($2.7M per year) and a final maturity of 2039. The associated 2009A required Debt Service Reserve Fund of $25M was placed in a construction fund and completely drawn down with eligible capital expenditures supporting the Capital Improvement Plan (CIP).

On October 31, 2017 MARTA entered into a Master Lease Agreement with Pinnacle Public Finance Inc. in the amount of $36.2 million at an interest rate of 2.92%. There term for the lease is 19 years. This agreement was put in place to fund MART A's Energy Savings Performance Contract (ESCO) with Schneider Electric consisting of upgrading LED lighting and mechanical equipment, installing a building automation system, water conservation measures, and sub-metering. This project replaces existing equipment while at the same time generating an operating cost savings to the Authority.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2017
(Dollars in Thousands)

Based on Actuary Report as of December 31, 2016

UNION

	2016	2015	2014	2013	2012
Total Pension Liability:					
Service Cost	$ 11,677	$ 11,476	$ 11,099	$ 11,004	$ 9,870
Interest	38,448	35,684	35,109	34,672	34,932
Change of Benefit Terms	(1,180)	323	-	-	-
Difference between Expected and Actual Experience	(4,055)	(1,763)	(2,287)	(5,092)	(17,095)
Change in Assumptions	-	29,188	-	-	-
Benefit Payments	(38,031)	(36,727)	(35,123)	(33,491)	(30,075)
Administrative Expense	(928)	(851)	(588)	(553)	(549)
Net Change in Total Pension Liability	5,931	37,330	8,210	6,540	(2,917)
Total Pension Liability					
Beginning of Year	520,089	482,759	474,549	430,206	470,926
Net Increase (Decrease)	5,931	37,330	8,210	15,043	(2,917)
Total Pension Liability End of Year	$ 526,020	$ 520,089	$ 482,759	$ 445,249	$ 468,009
Plan Fiduciary Net Position:					
Employee Contributions	$ 4,828	$ 4,719	$ 4,392	$ 4,812	$ 4,521
Employer Contributions	8,807	8,630	8,077	8,839	6,218
Members Buybacks	-	-	-	-	-
Net Investment Income (Loss)	22,568	(7,547)	31,954	84,100	47,576
Benefits Payments	(33,470)	(36,727)	(35,123)	(33,492)	(30,075)
Administrative Expense	(231)	(851)	(588)	(553)	(549)
Other	133	(920)	920	-	-
Net Change in Plan Fiduciary Net Position	2,635	(32,696)	9,632	63,706	27,691
Total Fiduciary Net Position					
Beginning of Year	503,140	535,836	526,203	462,497	434,806
Net Increase (Decrease)	16,169	(32,696)	9,633	63,706	27,691
Total Plan Fiduciary Net Position End of Year	$ 519,309	$ 503,140	$ 535,836	$ 526,203	$ 462,497
Plan's Net Position Liability (NPL)	$ 6,711	$ 16,949	$ (53,077)	$ (51,654)	$ 5,512
Plan Fiduciary Net Position as % of TPL	98.7%	96.7%	111.0%	118.2%	98.8%
Covered Payroll	108,865	106,678	99,587	109,119	105,030
Plan's NPL as % of Covered Payroll	6.2%	15.9%	-53.3%	-47.3%	5.2%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Changes in the Net Pension Liability and Related Ratios (Continued)
Year Ended June 30, 2017
(Dollars in Thousands)

Based on Actuary Report as of December 31, 2016

UNION

	2011	2010	2009	2008	2007
Total Pension Liability:					
Service Cost	$ 10,114	$ 12,239	$ 12,129	$ 11,612	$ 11,221
Interest	34,847	34,119	33,061	31,776	30,331
Change of Benefit Terms	-	-	-	-	664
Difference between Expected and Actual Experience	2,283	(5,786)	(2,862)	(954)	1,632
Change in Assumptions	(16,182)	-	-	-	-
Benefit Payments	(28,207)	(28,739)	(26,885)	(23,771)	(25,166)
Administrative Expense	(583)	(541)	(518)	(510)	(485)
Net Change in Total Pension Liability	2,272	11,292	14,925	18,153	18,197
Total Pension Liability					
Beginning of Year	468,654	457,062	442,137	423,984	405,787
Net Increase (Decrease)	2,272	11,592	14,925	18,153	18,198
Total Pension Liability End of Year	$ 470,926	$ 468,654	$ 457,062	$ 442,137	$ 423,985
Plan Fiduciary Net Position:					
Employee Contributions	$ 3,671	$ 2,669	$ 2,847	$ 2,843	$ 2,667
Employer Contributions	6,941	11,360	5,392	5,429	4,903
Members Buybacks	-	-	-	(126)	-
Net Investment Income (Loss)	456	55,248	72,988	(107,540)	36,183
Benefits Payments	(28,207)	(28,739)	(26,885)	(23,771)	(25,166)
Administrative Expense	(583)	(541)	(518)	(510)	(485)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(17,722)	39,997	53,824	(123,675)	18,102
Total Fiduciary Net Position					
Beginning of Year	452,528	412,531	358,707	482,383	464,280
Net Increase (Decrease)	(17,722)	39,997	53,824	(123,676)	18,103
Total Plan Fiduciary Net Position End of Year	$ 434,806	$ 452,528	$ 412,531	$ 358,707	$ 482,383
Plan's Net Position Liability (NPL)	$ 36,120	$ 16,126	$ 44,531	$ 83,430	$ (58,398)
Plan Fiduciary Net Position as % of TPL	92.3%	96.6%	90.3%	81.1%	113.8%
Covered Payroll	108,930	116,744	108,030	105,031	95,036
Plan's NPL as % of Covered Payroll	33.2%	13.8%	41.2%	79.4%	-61.4%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Changes in the Net Pension Liability and Related Ratios (Continued)
Year Ended June 30, 2017
(Dollars in Thousands)

Based on Actuary Report as of December 31, 2016

NON-REP

	2016	2015	2014	2013	2012
Total Pension Liability:					
Service Cost	$ 5,656	$ 6,051	$ 5,602	$ 5,994	$ 7,358
Interest	32,430	31,569	31,475	30,517	31,878
Change of Benefit Terms	(37,000)	-	-	-	(26,143)
Difference between Expected and Actual Experience	1,987	9,181	4,158	(1,032)	2,452
Change in Assumptions	15,000	-	15,914	10,648	11,228
Benefit Payments	(33,470)	(34,383)	(34,023)	(31,084)	(27,986)
Administrative Expense	-	-	-	-	-
Net Change in Total Pension Liability	(15,397)	12,418	23,126	15,043	(1,213)
Total Pension Liability					
Beginning of Year	480,793	468,375	445,249	430,206	431,419
Net Increase (Decrease)	(15,397)	12,418	23,126	15,043	(1,213)
Total Pension Liability End of Year	$ 465,396	$ 480,793	$ 468,375	$ 445,249	$ 430,206
Plan Fiduciary Net Position:					
Employee Contributions	$ 2,626	$ 2,818	$ 2,902	$ 3,389	$ 3,416
Employer Contributions	26,339	20,114	20,623	21,619	24,036
Members Buybacks	55	82	44	90	31
Net Investment Income (Loss)	22,568	(2,994)	19,772	66,798	33,194
Benefits Payments	(33,470)	(34,383)	(34,023)	(31,084)	(27,986)
Administrative Expense	(231)	(245)	(227)	(351)	(1,315)
Other	133	(506)	525	341	415
Net Change in Plan Fiduciary Net Position	18,020	(15,114)	9,616	60,802	31,791
Total Fiduciary Net Position					
Beginning of Year	357,076	372,190	362,573	301,771	269,981
Net Increase (Decrease)	18,020	(15,114)	9,617	60,802	31,790
Total Plan Fiduciary Net Position End of Year	$ 375,096	$ 357,076	$ 372,190	$ 362,573	$ 301,771
Plan's Net Position Liability (NPL)	$ 90,300	$ 123,717	$ 96,185	$ 82,676	$ 128,435
Plan Fiduciary Net Position as % of TPL	80.6%	74.3%	79.5%	81.4%	70.1%
Covered Payroll	38,966	42,301	45,099	45,668	49,338
Plan's NPL as % of Covered Payroll	231.7%	292.5%	213.3%	181.0%	260.3%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Changes in the Net Pension Liability and Related Ratios (Continued)
Year Ended June 30, 2017
(Dollars in Thousands)

Based on Actuary Report as of December 31, 2016

NON-REP

	2011	2010	2009	2008	2007
Total Pension Liability:					
Service Cost	$ 7,124	$ 7,043	$ 7,978	$ 7,680	$ 6,519
Interest	30,054	28,593	28,402	27,326	23,796
Change of Benefit Terms	-	-	-	-	22,387
Difference between Expected and Actual Experience	9,121	10,086	(9,539)	287	14,455
Change in Assumptions	5,540	-	-	-	-
Benefit Payments	(27,527)	(25,174)	(21,618)	(20,879)	(21,600)
Administrative Expense	-	-	-	-	-
Net Change in Total Pension Liability	24,312	20,548	5,223	14,414	45,557
Total Pension Liability					
Beginning of Year	407,108	386,560	381,335	366,921	321,364
Net Increase (Decrease)	24,311	20,548	5,225	14,414	45,557
Total Pension Liability End of Year	$ 431,419	$ 407,108	$ 386,560	$ 381,335	$ 366,921
Plan Fiduciary Net Position:					
Employee Contributions	$ 3,366	$ 3,225	$ 3,411	$ 3,713	$ 3,542
Employer Contributions	21,825	20,543	17,324	18,851	17,610
Members Buybacks	21	33	121	175	130
Net Investment Income (Loss)	3,999	28,564	37,664	(58,648)	18,694
Benefits Payments	(27,527)	(25,174)	(21,618)	(20,879)	(21,600)
Administrative Expense	(1,192)	(1,086)	(903)	(1,174)	(1,394)
Other	242	136	172	419	100
Net Change in Plan Fiduciary Net Position	734	26,241	36,171	(57,543)	17,082
Total Fiduciary Net Position					
Beginning of Year	269,246	243,005	206,834	264,377	247,295
Net Increase (Decrease)	735	26,241	36,171	(57,543)	17,082
Total Plan Fiduciary Net Position End of Year	$ 269,981	$ 269,246	$ 243,005	$ 206,834	$ 264,377
Plan's Net Position Liability (NPL)	$ 161,438	$ 137,862	$ 143,555	$ 174,501	$ 102,544
Plan Fiduciary Net Position as % of TPL	62.6%	66.1%	62.9%	54.2%	72.1%
Covered Payroll	58,225	58,140	58,614	67,012	66,300
Plan's NPL as % of Covered Payroll	277.3%	237.1%	244.9%	260.4%	154.7%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Required Supplementary Information
Employer Contributions

Year Ended June 30, 2017

(Dollars in Thousands)

UNION

Based on Actuary Report as of December 31, 2016

PLAN YEAR ENDED	**2016**	**2015**	**2014**	**2013**	**2012**
Contributions					
Actuarially Determined Contribution	$ 8,807	$ 8,630	$ 8,828	$ 6,193	$ 7,935
Actual Employer Contributions	8,807	8,630	8,077	8,839	6,218
Contribution Deficiency (Excess)	$ -	$ -	$ 751	$ (2,646)	$ 1,717
Covered Payroll	$ 108,865	$ 106,678	$ 99,587	$ 109,119	$ 105,030
Actual Contributions as % of Covered Payroll	8.09%	8.09%	8.11%	8.10%	5.92%

NON-REP

Based on Actuary Report as of December 31, 2016

PLAN YEAR ENDED	**2016**	**2015**	**2014**	**2013**	**2012**
Contributions					
Actuarially Determined Contribution	$ 26,035	$ 20,387	$ 16,205	$ 21,087	$ 24,806
Actual Employer Contributions	26,339	20,114	20,623	21,619	24,036
Contribution Deficiency (Excess)	$ (304)	$ 273	$ (4,418)	$ (532)	$ 770
Covered Payroll	$ 38,966	$ 42,643	$ 45,099	$ 45,668	$ 49,338
Actual Contributions as % of Covered Payroll	67.59%	47.17%	45.73%	47.34%	48.72%

Please see Note 10 pg. 43 for the significant methods and assumptions used in calculating the actuarially determined contributions.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Required Supplementary Information
Employer Contributions (Continued)
Year Ended June 30, 2017
(Dollars in Thousands)

UNION

Based on Actuary Report as of December 31, 2016

PLAN YEAR ENDED	2011	2010	2009	2008	2007
Contributions					
Actuarially Determined Contribution	$ 9,902	$ 11,360	$ 5,392	$ 5,429	$ 4,903
Actual Employer Contributions	6,941	11,360	5,392	5,429	4,903
Contribution Deficiency (Excess)	$ 2,961	$ -	$ -	$ -	$ -
Covered Payroll	$ 108,865	$ 116,744	$ 108,031	$ 105,031	$ 95,036
Actual Contributions as % of Covered Payroll	6.38%	9.73%	4.99%	5.17%	5.16%

NON-REP

Based on Actuary Report as of December 31, 2016

PLAN YEAR ENDED	2011	2010	2009	2008	2007
Contributions					
Actuarially Determined Contribution	$ 21,892	$ 19,415	$ 20,193	$ 19,124	$ 13,543
Actual Employer Contributions	21,825	20,543	17,324	18,851	17,610
Contribution Deficiency (Excess)	$ 67	$ (1,128)	$ 2,869	$ 273	$ (4,067)
Covered Payroll	$ 58,225	$ 58,140	$ 58,614	$ 67,012	$ 66,300
Actual Contributions as % of Covered Payroll	37.48%	35.33%	29.56%	28.13%	26.56%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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

For the Year Ended June 30, 2017

(Dollars in Thousands)

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	$ 146,369	$ 137,914	$ (8,455)
Other Revenues	5,451	10,577	5,126
Total Operating Revenues	151,820	148,491	(3,329)
Operating Expenses:			
Transportation	196,465	219,867	(23,402)
Maintenance and Garage Operations	164,072	140,341	23,731
General and Administrative	92,752	72,747	20,005
Total Operating Expenses	453,289	432,955	20,334
Operating (Loss) Gain	(301,469)	(284,464)	17,005
Nonoperating Revenues:			
Sales and Use Tax	448,112	439,039	(9,073)
Federal Operating Revenues	69,500	84,976	15,476
Investment Income	4,285	2,225	(2,060)
Other Revenues	18,152	50,172	32,020
Total Nonoperating Revenues	540,049	576,412	36,363
Increase in Net Position - Budget Basis	$ 238,580	291,948	$ 53,368
Basis Differences:			
Depreciation		(235,608)	
Gain on Sales of Property and Equipment		2,864	
Interest Expense		(84,124)	
Interest Expense Capitalized		-	
Amortization of Financing Related Charges and Income from Derivative Activity		7,580	
Other - Nonoperating Expense		(45,441)	
Capital Grants		14,769	
Net Capital Lease Transaction Activity		(27,531)	
Gain (Loss) on Investment Derivatives		(1,123)	
Decrease in Net Position - GAAP Basis		$ (76,666)	

See notes to supplemental schedule

Notes to the Supplemental Schedule

Year Ended June 30, 2017

(Dollars in Thousands)

1. BUDGETARY HIGHLIGHTS

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. Operating revenue performed unfavorable to the budget, ending the year $3,329 (2.2%) less than budget. This underperformance was primarily due to decrease in fare revenues and ridership. Nonoperating revenues were $36,363 (6.7%) favorable to the budget. The largest favorable variance was for Title Ad Valorem tax which was $21,407 more than budgeted. MARTA continued a number of cost containment measures in fiscal year 2017 by focusing on increasing productivity and efficiencies while reducing cost. The fiscal year 2017 total operating expenses were $432,955 which excludes depreciation. This was $20,334 (4.5%) less than the fiscal year 2017 budget, which was $6,486 (1.5%) less than the previous year's budget.

STATISTICAL

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STATISTICAL SECTION - Unaudited

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

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)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
ASSETS:	Current and Other Assets	$1,253	$1,086	$1,161	$1,033	$1,039	$1,013	$968	$1,084	$904	$1,142
	Capital Assets	2,871	2,966	3,049	3,056	3,028	3,078	3,158	3,272	3,360	3,393
	Net Pension Assets	-	-	53	-	-	-	-	-	-	-
	Derivative Assets	-	-	-	-	-	-	-	-	-	-
	Other	-	-	2	-	-	-	-	-	-	-
	Total Assets	$4,124	4,052	4,265	4,089	4,067	4,091	4,126	4,356	4,264	4,535
DEFERRED OUTFLOWS OF RESOURCES											
	Deferred Outflow of Resources from Hedging	-	-	2	-	4	23	29	-	-	-
	Deferred Outflow of Resources - Pension	110	128	41	-	-	-	-	-	-	-
	Deferred Outflow of Resources - Debt Refunding	21	25	10	12	16	-	-	-	-	-
	Total Deferred Outflows of Resources	131	153	53	12	20	23	29	-	-	-
	Total Assets and Deferred Outflows of Resources	4,255	4,205	4,318	4,101	4,087	4,114	4,155	4,356	4,264	4,535
LIABILITIES:											
	Long-term Debt Outstanding	2,345	2,176	2,131	1,792	1,881	1,910	1,652	1,691	1,482	1,685
	Current and Other Liabilities	532	536	693	884	747	617	826	816	811	741
	Derivative Liabilty	-		2	-	-	-	-	-	-	-
	Net Pension Liability	97	141	96	-	-	-	-	-	-	-
	Net OPEB Liability	1	1	1	-	-	-	-	-	-	-
	Total Liabilities	2,975	2,854	2,924	2,676	2,628	2,527	2,476	2,507	2,293	2,426
DEFERRED INFLOWS OF RESOURCES											
	Deferred Inflows of Resources	-	-	-	-	-	-	1	-	-	-
	Deferred Inflows of Resources- Pension	9	3	2	-	-	-	-	-	-	-
	Total Libilities and Deferred Inflows of Resources	2,984	2,857	2,926	2,676	2,628	2,527	2,477	2,507	2,293	2,426
NET POSITION:											
	Net Invested in Capital Assets	222	503	478	647	654	796	915	987	1,307	1,707
	Restricted	936	857	929	789	788	768	717	709	621	307
	Unrestricted	113	(12)	(14)	(11)	17	23	44	153	43	95
	TOTAL NET POSITION	$1,271	$1,348	$1,393	$1,425	$1,459	$1,587	$1,676	$1,849	$1,971	$2,109

Summary of Revenues, Expenses and Changes in Net Position

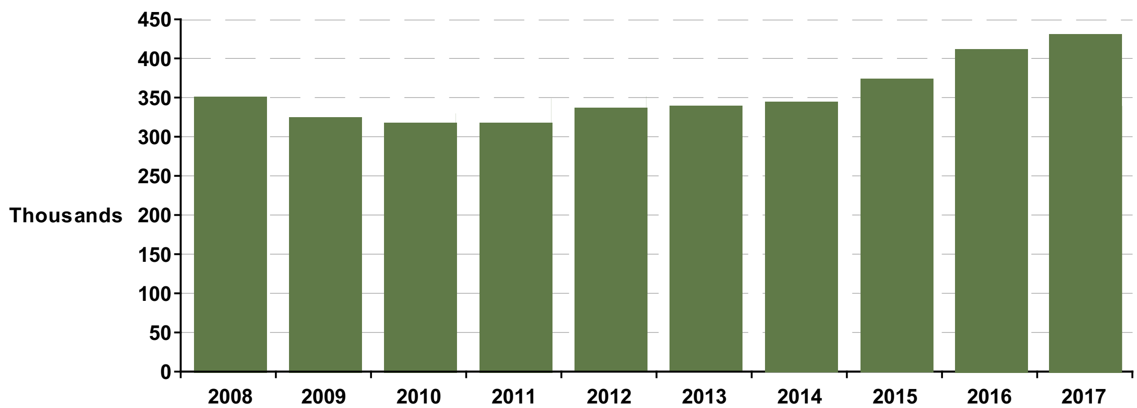
Last Ten Fiscal Years
(Dollars in Millions)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Revenues	Fare Revenues	$138	$141	$146	$140	$141	$133	$116	$110	$105	$104
	Other Revenues	10	11	11	12	10	11	11	13	9	14
	Total Operating Revenues	148	152	157	153	151	144	127	122	114	118
Non-Operating Revenues	Sales and Use Tax	439	410	378	347	339	341	320	308	313	350
	Federal Revenues	85	76	83	103	120	71	86	101	52	49
	Investment Income	2	2	1	1	2	1	1	2	7	18
	Net Capital Leases Transaction Activity	(27)	32	5	7	(32)	52	(12)	50	3	3
	Other Revenues	50	42	28	32	17	13	13	11	48	11
	Gain (Loss) on Sale of Property and Equip.	3	0	0	(0)	(1)	(0)	(1)	(0)	(2)	0
	Total Nonoperating Revenues	552	562	494	490	445	477	407	471	422	431
Total Revenues		700	715	651	642	596	621	534	594	535	549
Summary of Expenses Operating:											
	Transportation	220	206	187	182	183	186	184	180	178	175
	Maintenance and Garage Operations	140	144	131	142	138	147	147	147	141	129
	General and Administrative	73	83	82	89	79	79	80	76	72	64
	Depreciation	236	243	225	210	220	230	222	227	226	196
	Total Operating Expenses	669	676	625	623	619	642	633	630	617	565
Non-Operating Expenses	Interest Expenses	84	83	86	76	79	70	73	74	73	76
	Interest Expenses Capitalized	(0)	(0)	(1)	(1)	(2)	(1)	(0)	(0)	(0)	(0)
	Amortization of Financing Related Charges										
	and Income from Derivative Activity	(7)	(5)	(3)	(4)	(6)	(3)	1	(5)	(2)	(4)
	(Gain) Loss on Investment Derivatives	1	0	(1)	(8)	0	(9)	(8)	(6)	6	0
	Other Expenses-Special Pension Plan	0	0	0	0	0	0	0	0	0	0
	Other Nonoperating Expenses	45	39	44	62	81	51	35	39	33	23
	Total Nonoperating Expenses	123	117	125	124	152	109	101	102	109	95
Total Expenses		792	792	750	747	771	751	734	732	726	660
Loss Before Capital Contributions		(92)	(78)	(99)	(105)	(175)	(130)	(200)	(138)	(190)	(111)
	Capital Grants	15	32	82	71	47	40	27	34	80	81
Increase (Decrease) in Net Position		(77)	(45)	(17)	(34)	(128)	(90)	(173)	(104)	(110)	(29)
Net Position, July 1 as previously presented		1,348	1,393	1,425	1,459	1,587	1,676	1,849	1,953	2,081	2,138
Prior period adjustment		0	0	(15)	0	0	0	0	0	0	0
Net Position, July 1		1,348	1,393	1,410	1,459	1,587	1,676	1,849	1,953	2,081	2,138
Net Position, June 30		$1,271	$1,348	$1,393	$1,425	$1,459	$1,587	$1,676	$1,849	$1,971	$2,109

Sales Tax Collection and Usage

Last Ten Fiscal Years
(Dollars in Thousands)

			Usage (2,3,4,5)				
					Sales Tax for Operations		
Fiscal Year	Sales Tax(1)	Percent Change	Sinking Fund Withheld	Capital Construction	Subsidy	Percent Used	Overage/ (Shortage)
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
2017	429,886	4.9	130,570	95,550	170,207	40	33,559



(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)

	Fiscal Year	Operating and Other Miscellaneous Revenue			Operating Assistance			Total Revenue
		Fares	Other[2]	Total	Sales & Use Tax	Federal	Total	
Transportation Industry[1]								
	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*	*	*	*	*	*	*	*
	2017*	*	*	*	*	*	*	*
MARTA								
	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
	2017	19.7	5.5	25.2	62.7	12.1	74.8	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
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
2017	219,867	140,341	72,747	235,608	668,563	84,124	38,984	791,671

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
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
2017	304,955	35,890	38,607	12,857	9,701	26,682	235,608	4,263	668,563

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)									
	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	61.1	6.9	11.0	3.2	2.5	13.6	1.7	100.0
	2015	*	*	*	*	*	*	*	*
	2016	*	*	*	*	*	*	*	*
	2017	*	*	*	*	*	*	*	*
MARTA									
	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
	2017	70.4	8.3	8.9	3.0	2.2	6.2	1.0	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
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
2017	137,914	84,976	439,039	10,577	2,225	25,505	700,236

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

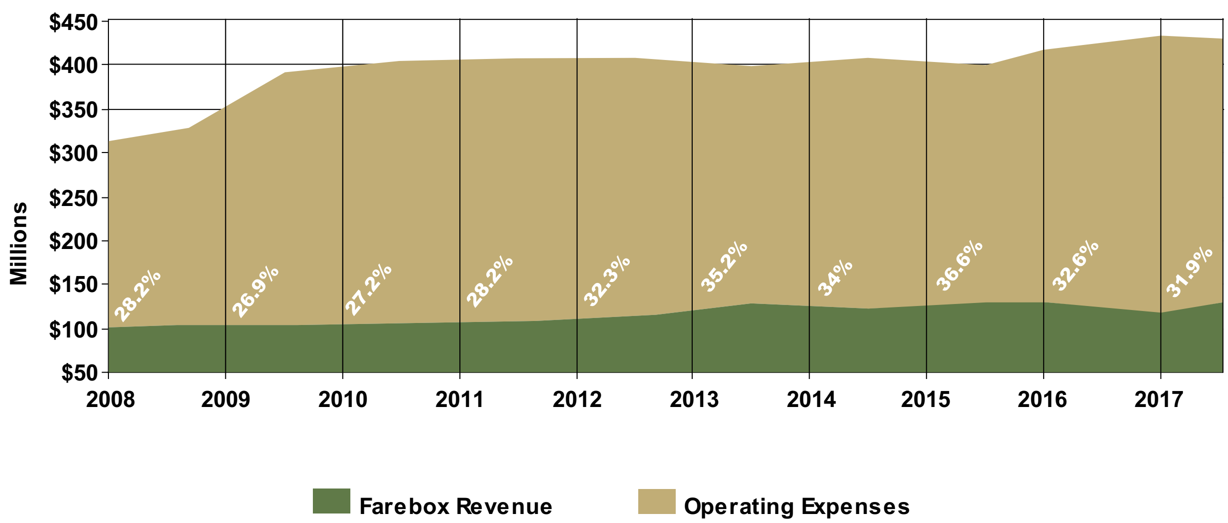
[2] MARTA is a public corporate body created as a joint public instrumentality and does not have the power to impose any tax on any subject of taxation. MARTA receives a 1% sales tax from Fulton County, DeKalb County,Cllayton County and the City of Atlanta levied on its behalf by the aforementioned jurisdictions.

[3] Non-Transportation Includes the net gain or loss on the disposition of fixed assets.

Farebox Recovery Percentage

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Farebox Revenue	Percent Change	Operating Expenses (1)	Percent Change	Farebox Recovery
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
2017	137,914	(2.4)	432,955	(0.0)	31.9



(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)
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
2017	4	1	3	3.75	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.

(9) Special Purpose Local Option Sales Tax increased by .75 percent effective April 01, 2017 for outside of Atlanta.
Total Sales Tax rate inside the City of Atlanta increased by .50 percent for MARTA Sales Tax.

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: Principal	Debt Service Requirements: Interest	Debt Service Requirements: Total	Debt Service Coverage [(1)]
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*
2017	439,039	24,660	84,132	108,792***	4.04

(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 calculating ratio of debt service for FY 2016, the $389,830 was deducted from the debt service requirements

***Actual debt service paid in FY 2017 of $191,090 includes refunding of bond series 2006A and series N &P of $166,430.
For purposes of calculating ratio of debt service for FY 2017, the $166,430 was deducted from the debt service requirements.

Sales & Use Tax Revenue Bond Debt Service Limit

June 30, 2017
(Dollars in Thousands)

Sales & Use Tax	$439,039
Debt Service Limitation [1]	45%
Debt Service Limit	197,568
Required for Debt Service [2]	108,792
Excess	$88,776

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

[2] From page 87- Sales & Use Tax Revenue Bond Debt Service requirement.

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)
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
2017	439,039	108,792***	24.8

(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.

***Actual debt service paid in FY 2017 of $191,090 included refunding of bond series 2006A and series N & P of $166,430. For purposes of calculating ratio of debt service for FY 2017, the $166,430 was deducted from required for debt service.

Sales & Use Tax Revenue Bond Debt Ratios

Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Net Outstanding Sales Tax Revenue Bond (1)	Capital Leases (1)	Total Debt Outstanding	Total Unlinked Passenger Count (2)	Per Capita (3)	As a Share of Personal Income(4)
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	2.36**
2016	2,176,583	311,633	2,488,216	132,724	18.75	*
2017	2,345,485	324,663	2,670,148	125,741	21.24	*

* Not available

** Revised

(1) From MARTA Financial Statements FY 2008 to FY 2017

(2) See “Unlinked Passenger Changes” on Page 103

(3) Outstanding Debt per Unlinked Passenger Count

(4) Outstanding Debt per Total Service District Personal Income , revised in FY 2017: see Trends in Personal Income on Page 95.

Computation of Overlapping Debt

December 31, 2016
(Dollars in Thousands)

Jurisdiction:	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Fulton County Library Bonds	$143,881	100%	$143,881
Fulton County School District	55,870	100	55,870
Fulton County Building Authority	-	100	-
Fulton County Urban Redevelopment Agency	21,291	100	21,291
DeKalb County	186,280	100	186,280
Municipalities:			
Atlanta	387,953	100	387,953
Alpharetta	94,330	100	94,330
Hapeville	12,925	100	12,925
Fairburn	8,830	100	8,830
Union City	10,179	100	10,179
Roswell	11,409	100	11,409
Fulton-DeKalb Hospital Authority Series 2012	99,330	100	99,330
Atlanta-Fulton County Recreation Authority (Zoo 2007)	10,930	100	10,930
Atlanta-Fulton County Recreation Authority (Arena 2010)	97,285	100	97,285
College Park Business and Industrial Development Authority	210	100	210
East Point Building Authority	55,009	100	55,009
Total Overlapping Debt	$1,195,712		$1,195,712

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, 2016 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
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 **	7,129,808	70,716,189	31,466,648	109,312,645	1.6	10.6	-1.6	26,025	69,977	42,819
2016 **	**	**	**	**	**	**	**	**	**	**
2017 **	**	**	**	**	**	**	**	**	**	**

* Revised per latest update from US Department of commerce BEA dated November 17, 2016

** Not available

*** Actual dollar amounts

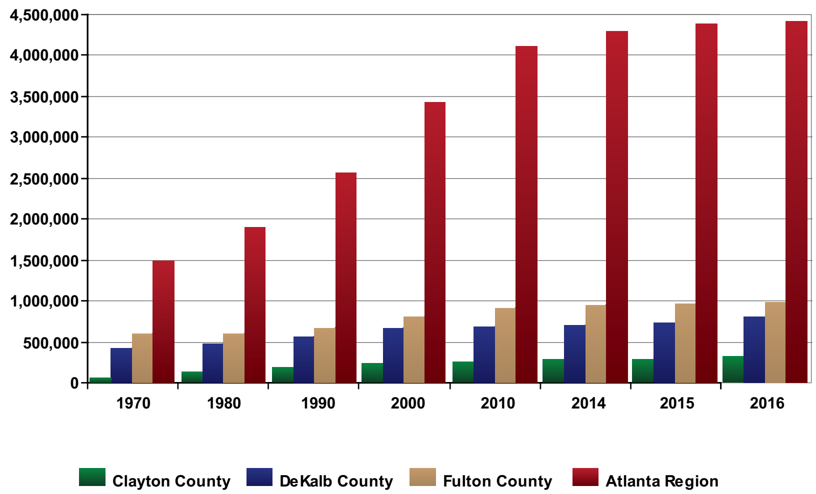
[1] Represents Total Personal Income.

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

Population and Employment

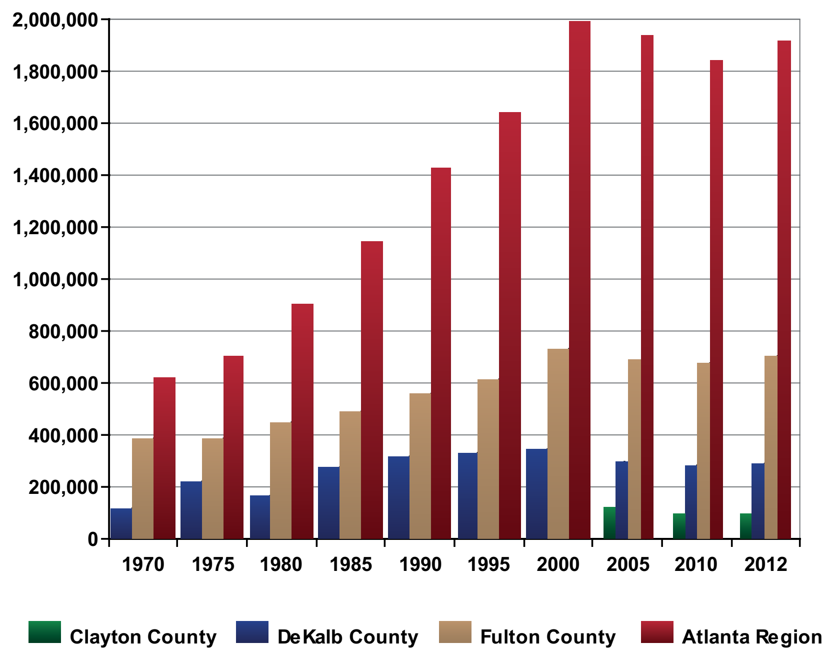
June 30, 2017

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
2016	270,600	985,700	725,000	4,401,800

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

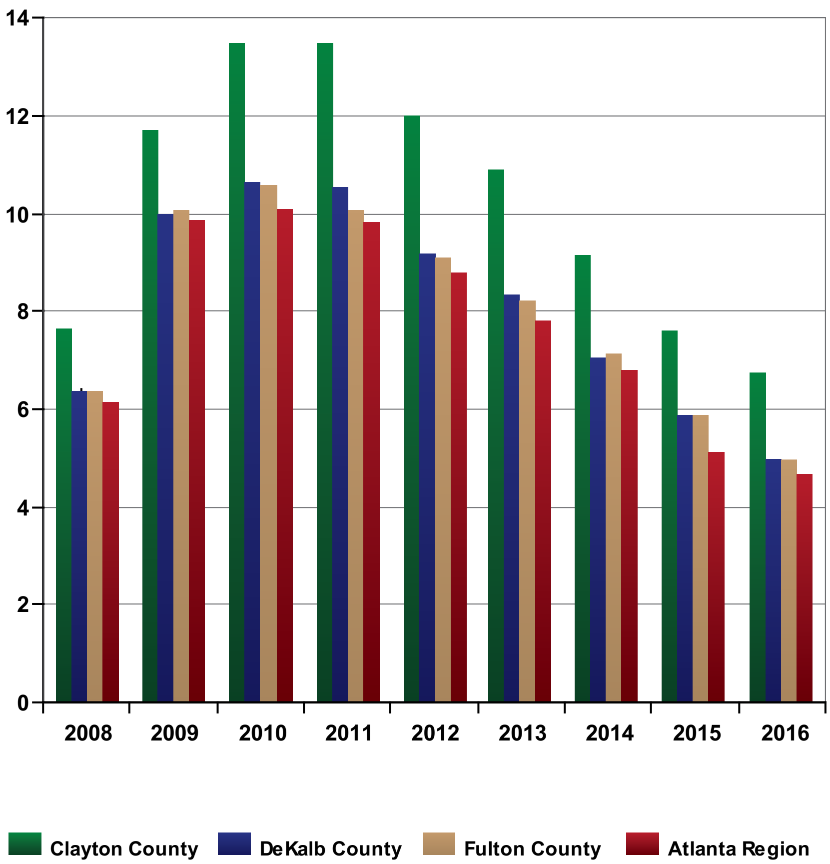
Source: Atlanta Regional Commission

* Not available

Unemployment Rates

Last Ten Fiscal Years

Unemployment Rates Since 2008



Year	Clayton County	Fulton County	DeKalb County	Atlanta Region
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	6.6	5.4	5.4	5.1
2017	**	**	**	**

* 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

	2016			2007		
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.	31,699	1	1.14%	26,433	1	1.02%
Emory Healthcare, Inc.	26,026	2	0.93	8,648	6	0.33
The Home Depot	25,000	3	0.90	9,153	5	0.35
Wellstar Health System, Inc.	20,000	4	0.72	8,585	7	0.33
AT&T, Inc.	17,000	5	0.61	21,400	3	0.82
United Parcel Service, Inc.	16,231	6	0.58	6,999	9	0.27
Northside Hospital	14,577	7	0.52			
Piedmont Healthcare	12,906	8	0.46			
Marriott International	12,000	9	0.43			
Publix Super Markets Inc	9,755	10	0.35	9,447	4	0.36
Walmart Stores, Inc.				24,751	2	0.95
IBM Corporation				7,081	8	0.27
Sun Trust Banks, Inc.				6,771	10	0.26
	185,194		6.64	129,268		4.97

Sources: 2016 Metro Atlanta Top Employers Survey, Metro Atlanta Chamber Economic Research Team
The Atlanta Business Chronicle, 2008-2009 Book of Lists (information current as of Dec. 2007).

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]
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
2017	26,239	22,334	48,573	2	8.91	0.60	2.6

(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			
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
2017	2,114	840	2,954	3	146.57	3.44	42.6

(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.

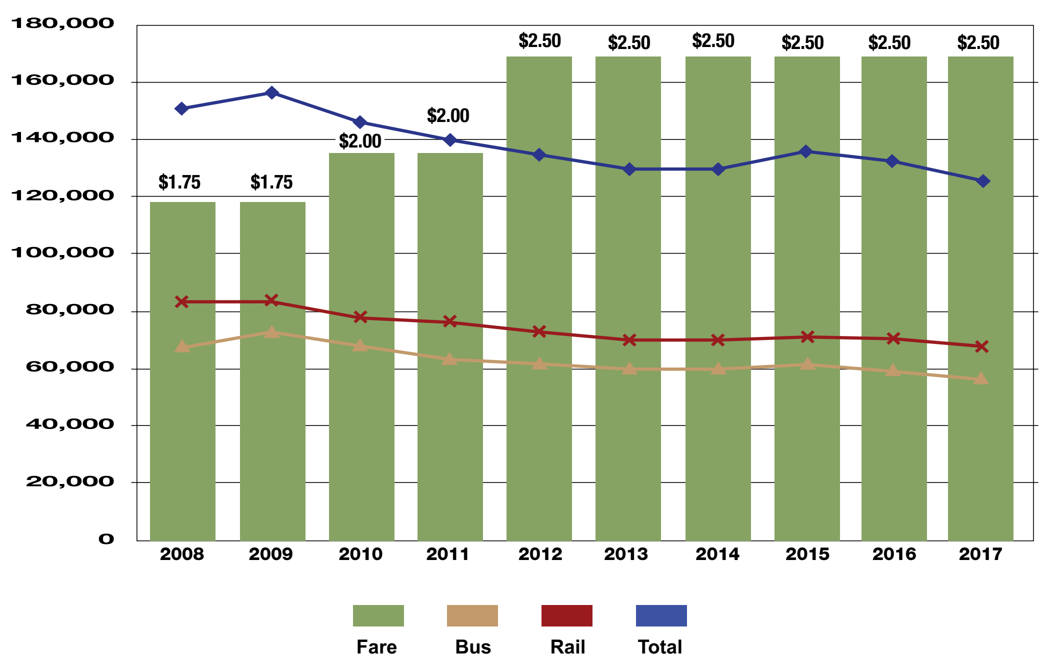
Source: National Transit Database

Unlinked Passenger Changes

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

Fiscal Year	Bus[(1)]	%Change	Rail[(1)]	%Change	Total[(1)]	%Change
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)
2017	57,460	(5.5)	68,281	(5.1)	125,741	(5.3)

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, 2017

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

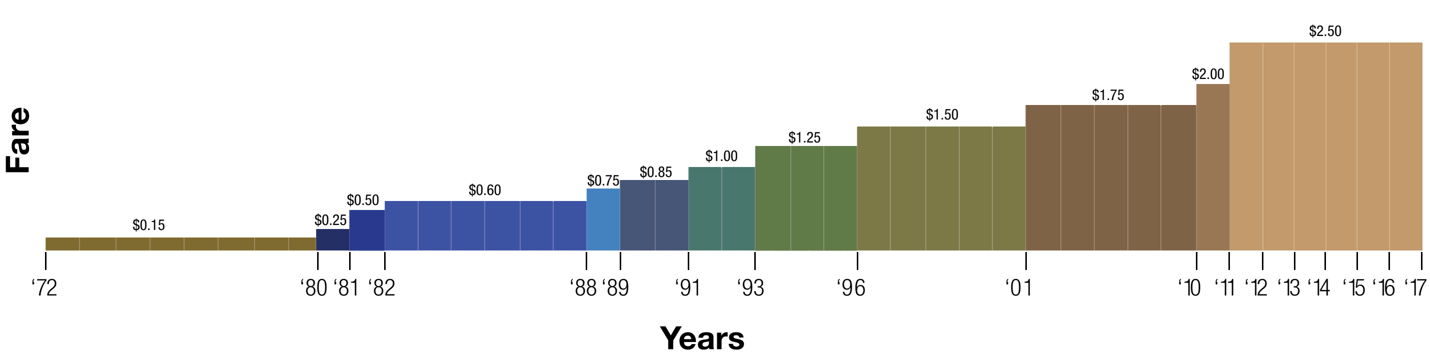
K-12 Program (Grade School and High School students K-12, Monday through Friday	**$14.40**
Ten(10) trip pass (to/from school), all regular school	

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]
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
2017	466	206	672

(1) Does not include demand response

Number of Employees
Last Ten Fiscal Years

Fiscal Year	Full-Time	Part-Time	Total
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
2017	4,249	264	4,513

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Population served	1,967,468	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
Size of area served (in square miles)	567	567	515	485	467	483	483	475	466	466
Number of Bus Routes	100	100	97	92	91	92	92	92	130	132
Annual Bus Passenger Miles (in millions) (Excludes Paratransit/Demand Response)	251.2	258.6	257.03	232.8	230.6	228.2	236.2	272.6	285	213.5
Miles of Bus Route	1600	1,659	1,636	1,449	1,439	1,445	1,435	1,784	1,765	1,084
-Average On Time Performance	78.5%	78.8%	79.6%	77.6%	76.4%	74.6%	72.1%	72.4%	70.0%	63.7%
Miles of Rail Route	48	48	48	48	48	48	48	48	48	48
-Average On Time Performance	98.0%	96.6%	96.2%	96.4%	97.5%	97.8%	97.6%	97.0%	96.4%	93.3%
Annual Rail Passenger Miles (in millions)	468.8	477.3	472.8	444.9	444.0	463.2	487.6	493.2	527	593.4
Number of Rail Stations	38	38	38	38	38	38	38	38	38	38
Number of Bus Stop Locations	9136	9,210	8,941	8,885	8,954	8,913	8,700	8,700	11,482	11,500
Number of Bus Park And Ride Facilities	7	7	6	6	9	8	8	8	7	6
Number of Bus Shelters	652	754	741	738	791	791	772	750	741	751
Bus Passenger Parking Capacity	2,843	2,807	2,750	2,691	2,686	2,744	2,711	2,607	2,254	1,798
Rail Passenger Parking Capacity	21,200	21,645	21,992	21,420	22,554	21,607	21,677	22,301	23,888	24,622
No. of Buses in Active Fleet	550	569	565	532	528	531	531	597	615	616
-Average Vehicle Age (in years)	6.4	5.4	4.4	6.5	8.6	7.6	6.6	5.6	7.6	5.6
No. of Mobility Vehicles in Active Fleet	210	211	198	187	171	172	172	173	174	129
-Average Vehicle Age (in years)	2.9	1.9	1.9	3.6	5.2	4.2	3.2	2.2	1.2	0.4
No. of Rapid Rail Vehicles	316	336	336	336	336	338	338	338	338	338
-Average Vehicle Age (in years)	27.6	27.6	26.6	25.6	24.6	23.6	22.6	21.6	20.6	19.6
Annual Mobility Vehicle Miles (in millions)	9.3	8.5	8.2	7.7	7.7	8.4	7.3	7.2	7.3	5.0
Investment In Property and Equipment (in billions)	$7,166	$7,030	$6,941	$6.781	$6,560	$6,440	$6,297	$6,224	$6,099	$5,919

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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
Atlanta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements, and have issued our report thereon dated November 08, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Atlanta, Georgia
November 08, 2017

Cherry Bekaert LLP
CPAs & Advisors

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

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Atlanta Rapid Transit Authority's ("MARTA") 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, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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, 2017, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements. We issued our report thereon dated November 08, 2017, 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
November 08, 2017

Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2017

	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		$ -	$ 12,317
FY06 Sec. 5309 - Bus & Bus Facilities	GA-04-0031	20.500		-	562,846
DeKalb Mem Dr./Buford Hwy. Pass-Thru to Subgrantee	GA-03-0082	20.500		87,731	87,731
Sec 5309 Fixed Guideway FY11_FY12	GA-05-0036	20.500		-	848,046
MARTA I20 E TOD Planning Pilot Program	GA-2016-007	20.500		-	5,057
Total Federal Transit Capital Improvement Grant				87,731	1,515,997
Federal Transit Capital & Planning - Formula Grants					
FY11 Sec. 5307	GA-90-X305	20.507		-	351,210
FY 13 Sec. 5307	GA-90-X328	20.507		-	155,968
FY 13 SGR 5337 - Prev Maint	GA-54-0001	20.525		-	19,561,174
FY 14 SEC 5307	GA-90-X335	20.507		-	57,780
FY15 Sec 5307	GA-90-X350	20.507		-	256,182
Memorial BRT/ITS Project CMAQ	GA-95-X013	20.507		-	73,370
FY 14 STP(Surface Transportation Program) SEC 5307	GA-95-X031	20.507		-	56,909
Atlanta Streetcar TE I	GA-95-X020	20.507		-	39,921
Atlanta Luckie Street Two Way Conversion	GA-95-X019	20.507		-	8,294
FY14 Flex CMAQ	GA-95-X033	20.507		-	1,812,675
Service expansion to Clayton Co. - Passed through Georgia Regional Transit Authority	GA-90-X234	20.507	PASS-GRTA	-	13,600
Regional Bus Program - Cobb	GA-34-0003	20.526		1,603,536	1,603,536
MARTA FY16 Section 5307	GA-2016-016	20.507		-	201,455
FY16 & FY17 Section 5307	GA-2017-021	20.507		-	31,000,000
FY17 Section 5337	GA-2017-032	20.525		-	35,000,000
Total Federal Transit Capital & Planning-Formula Grants				1,603,536	90,192,073
Total Federal Transit Cluster				1,691,267	91,708,070
TRANSIT SERVICES PROGRAMS CLUSTER					
FY06 New Freedom (Pass-Thru/MARTA)	GA-57-X002	20.521		121,380	121,380
FY12 New Freedom SEC 5307 (Pass-Thru/MARTA)	GA-57-X015	20.521		28,078	28,078
Sec5310ARC Cap	Sec5310ARC Cap	20.513		-	15,068
Sec5310AG1635.1	Sec5310AG1635.1	20.513		-	90,000
Total Transit Services Programs Cluster				149,458	254,526
OTHER FEDERAL TRANSIT GRANTS					
Wayside Worker Protection Demonstration	GA-26-7015	20.514		-	1,530,274
Atlanta Streetcar-Tiger II	GA-79-0001	20.933		-	2,617,393
FY16 OLI Safety Grant	FY16 OLI Safety	20.514		-	5,978
Total Other Federal Transit Grants				-	4,153,645
Total U.S. Department of Transportation				1,840,725	96,116,241
U.S. Department of Homeland Security					
Direct Programs					
EMW2015RA00029	EMW2015RA00029	97.075		-	388,622
FY16 SHSGP - Passed through Georgia Emergency Management Agency	FY16 SHSGP	97.075	PASS-GEMA	-	34,758
Total Direct Programs				-	423,380
OTHER HOMELAND SECURITY GRANTS					
FY15 TSA Canine Grant Program	15H-NCP443	97.072		-	206,687
FY 15 K9 Grant	15HCP443	97.072		-	479
Total Other Homeland Security Grants				-	207,166
Total U.S. Department of Homeland Security				-	630,546
Promotion of the Arts-Partnership Agreement					
FY15 TPD ARC 1	FY15 TPD ARC 1	45.025		-	8,333
Total Federal Financial Assistance				**$ 1,840,725**	**$ 96,755,120**

Notes to the Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2017

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, 2017

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: **None identified**

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

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

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: **Yes**

g) Identification of major programs:

Major Programs	CFDA Number
Federal Transit Cluster	20.500, 20.507, 20.525 and 20.526
National Infrastructure Investments	20.933

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**

YEAR ENDED JUNE 30, 2017

II. Federal Award Findings and Questioned Costs

Finding #:	2017-001
	Suspension and Debarment Verification Was Not Performed
Federal Agencies:	Department of Homeland Security
Federal Program:	Rail and Transit Security Grant Program – FY16 SHSGP
CFDA:	97.075

Statement of condition
One of the five contracts selected for testing did not include documentation to support that MARTA had performed the verification to determine that the vendor was not prohibited from contracting because they were suspended or debarred from participating in the transaction.

Criteria
Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred.

The non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (“EPLS”)* maintained by the General Services Administration (“GSA”), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Cause
MARTA did not include the clause or condition in its contract with the vendor as part of its verification process.

Effect
Management could be making purchases with a vendor that is ineligible as they are listed as a suspended or debarred vendor.

Recommendation
Management should maintain in its federal contract files or in its contracts’ documentation to support that a verification check was performed prior to entering into any contract to verify the party to the transaction was not suspended or debarred from federal procurements.

YEAR ENDED JUNE 30, 2017

II. Federal Award Findings and Questioned Costs (Continued)

Finding #:	2017-002
	Documentation for Piggybacked Contracts
Federal Agencies:	Department of Transportation
Federal Program:	Federal Transit Formula Grants – GA-90-X335
CFDA:	20.507

Statement of condition
One of the five contracts selected for testing did not include documentation in the contract's procurement file to support that MARTA had performed the established FTA procurement requirements related to the piggybacking of a third-party contract.

Criteria
According to FTA Circular 4220.1F, the recipient that obtains the contractual rights through assignment ("piggybacking") may do so if the following conditions are met: (1) the recipient must determine that the original contract price remains fair and reasonable, and the original contract provisions are adequate for compliance with all Federal requirements, (2) the recipient using assigned contract rights is responsible for ensuring the contractor's compliance with Federal certifications (i.e., Buy America clauses, suspension and debarment verification, etc.), (3) the recipient must review the original contract to be sure that the quantities the assigning recipient acquired, coupled with the quantities the acquiring recipient seeks, do not exceed the amounts available under the assigning recipient's contract, (4) full and open competition was performed under the assigning recipient's contract and (5) any other considerations need to be fully documented within the assigning recipients procurement files.

Cause
MARTA did not maintain the documentation in the contract's procurement files that demonstrated its compliance with the pertinent piggybacking FTA requirements.

Effect
Management could be entering into a contract that does not meet the established Federal requirements and/or certifications.

Recommendation
Management should establish a process in which all relevant documentation for piggybacked contracts is maintained within its procurement files, where applicable. The FTA provides as a resource in its Best Practices Procurement Manual a Piggybacking Worksheet to assist transit agencies in performing their review of potential piggybacking of existing agreements. Management can use this worksheet to determine the specific considerations and items that require documentation in its procurement files.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:
See attached

2424 PIEDMONT RD., N.E.
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MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN

Finding No. 2017-001

Management has implemented new processes to our quote sheet confirming if the purchase is federally funded, in an effort to ensure that proper verification is being performed prior to entering into a contract, and to verify that the party to the transaction was not suspended or debarred from federal procurements.

In addition, training is being conducted with the purchasing staff to ensure this verification check will be properly performed and documented in the federal contract files.

Finding No. 2017-002

Management will include a Piggybacking Worksheet to review existing agreements.

Management will use this worksheet to determine the specific considerations and items that require documentation in its procurement files.

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METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY