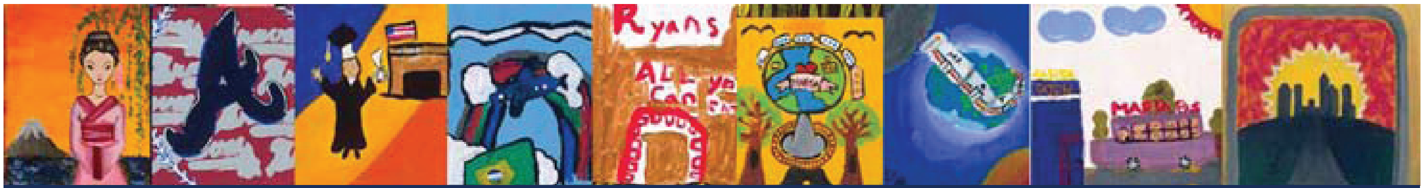
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008
Atlanta, Georgia



METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

2424 Piedmont Road, NE Atlanta, Georgia 30324-3330 404.848.5000 www.itsmarta.com

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

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

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INTRODUCTORY SECTION

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

October 29, 2008

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") fifteenth Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2008 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, 2007. 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, 2008 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and any significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded based upon their audit that there was a reasonable basis for rendering an unqualified opinion and that MARTA's financial statements for the fiscal year ended June 30, 2008, are presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

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

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

ORGANIZATION AND MANAGEMENT

The government of MARTA is vested in a Board of Directors (the "Board") composed of 18 members. Three members are appointed by Fulton County, five members by DeKalb County, four members by the City of Atlanta, one member by each of Clayton and Gwinnett Counties. In addition, the Commissioner of the State Department of Transportation, the Commissioner of the State Department of Revenue, the Executive Director of the State Properties Commission, and the Executive Director of the Georgia Regional Transit 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 338 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 new CQ312 BREDA vehicles, 120 CQ311 vehicles and 118 CQ310 vehicles. The ongoing vehicle rehabilitation program will overhaul the 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. Since that time, MARTA has continued to expand and has made significant improvements to its bus fleet, bus maintenance facilities, and the entire fixed route system. Other improvements include the expansion of the bus fleet to 601 diesel and compressed natural gas buses and 15 small buses; the construction of a heavy maintenance facility and four operating garages; the opening of several park and ride lots; the expansion of the service to over 120 different bus routes operating approximately 27.1 million annual vehicle miles; the addition of an extensive system of patron bus shelters; and, the continual improvement of the system's bus schedule and information services.

MARTA Mobility

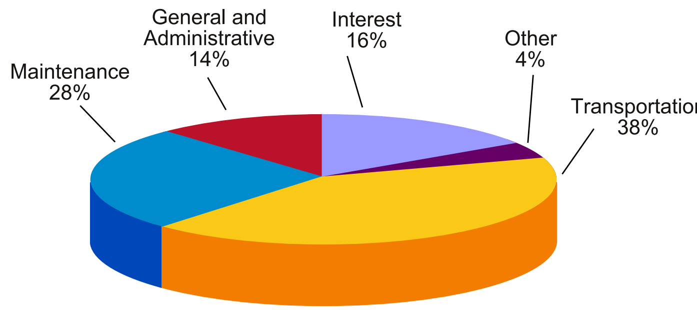
Paratransit Service, newly branded as MARTA Mobility, is for persons with disabilities who are unable to negotiate the MARTA fixed route system for some or all of their travel. Passengers must be certified as eligible through a two-part application (client and health care provider). Trips can be delivered curb-to-curb within three-quarters of a mile on each side of all MARTA fixed route services in Fulton and DeKalb counties. Mobility services outside of the MARTA service area will be governed by intergovernmental agreement and adhere to federal guidelines. MARTA maintains a fleet size of 175 Lift Vans and 15 Sedans to provide this service which is offered during the same hours and days as the regular bus and rail service.

FINANCIAL RESULTS

FY 2008 Expenses $463,721,000
(Excluding Depreciation Expense)

MARTA's FY 2008 total expenses by function, excluding depreciation, increased from FY 2007 by $11.3 million or 2.5%. Transportation and maintenance represent 65.6% or $304 million of MARTA's total expense by function, an increase of $29.3 million from FY 2007. Other expenses comprised 4.2% of total expenses which significantly decreased in FY 2008 as there was no special pension fund contribution in FY 2008. MARTA finances most of its capital equipment and rail construction with bond funds; thus, interest expense is expected to represent a significant portion of total expenses. General and administrative expenses include, but are not limited to, salaries and benefits for the General Manager, lawyers, engineers and accountants, and other office materials and supplies, and casualty reserves. These expenses account for 13.9% or $64.4 million of total expenses by function, an increase of $10.5 million over FY 2007 which is primarily due to merit increases and additional staff for improvement initiatives.

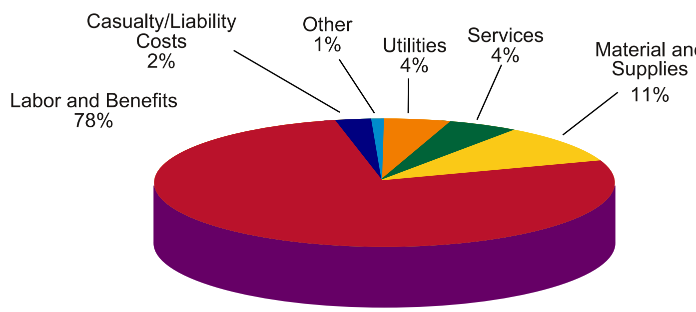
Total Expenses by Function
(Excluding Depreciation)



FY 2008 Operating Expenses $368,767,000
(Excluding Depreciation Expense)

The percentage composition of MARTA's operating expenses by object excluding depreciation declined by about 1% in most categories compared to FY 2007. However, materials and supplies and labor and benefits both had slight increases compared to last fiscal year due to reliability improvement initiatives and escalating healthcare costs. For further operating analysis see the MD&A in the Financial Section of this report.

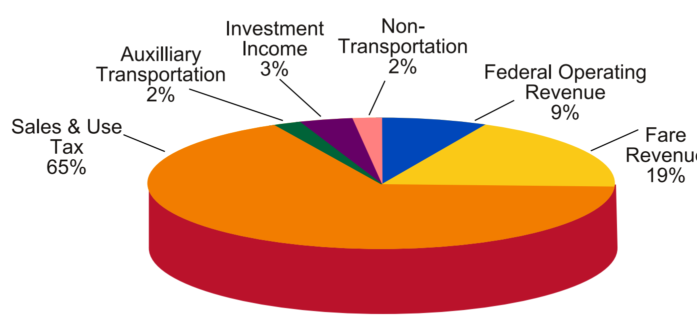
Total Expenses by Object
(Excluding Depreciation)



FY 2008 Revenues $545,608,000

In fiscal year 2008, total revenues increased by $14.9 million or 2.8%. The increase was primarily attributable to a 23% or $9.2 million rise in federal operating revenue. Other operating revenue increased by $ 8.3 million or 157.6% compared to FY 2007; this was mainly due to tax rebates earned for using alternative fuel. Fare revenue, sales tax, and investment income dropped slightly from FY 2007 due to problems stemming from the financial downturn which had a negative ripple effect throughout Georgia's economy.

Revenue by Source



ECONOMIC CONDITION AND OUTLOOK

Georgia's residential and commercial real estate sector continues to show signs of weakness which according to Dr. Rajeev Dhawan, Director of the Economic Forecasting Center at Georgia State University, not only impacts construction jobs but has spread to supporting sector jobs as well. Job losses are expected to continue at a somewhat heavy rate for the rest of the year and a net loss of 35,300 jobs for calendar year 2008 is anticipated. These factors point to a very bleak job picture and economy for the state of Georgia. In addition, high gas prices are negatively impacting consumer spending. Less jobs, less consumer spending, and less construction mean fewer sales and lower sales tax collections. Although MARTA's primary revenue source, sales tax revenue, declined by only .2% over fiscal year 2007, Georgia's continuing bleak economic outlook paints a very disturbing picture for sales tax revenue for the first half of FY 2009. MARTA's management has established strategic plans to mitigate the impact to its business operations. Whereas the high price of the oil commodity has negatively affected the Authority's sales tax revenue, it has had the opposite effect on MARTA's fare revenue. Fare Revenue increased by 8.3% or $2.2 million for the first quarter of FY 2008 compared to the same period in FY 2007. Due to the increase in gas prices, riders in the metropolitan Atlanta consider MARTA as a wise alternative mode of commuting.

Dr. Dahwan stated that continued high fuel costs, although expected to moderate under $100 per barrel, will only serve to soften consumer spending on specialty and high end specialty goods that drive sales tax revenue. The effect on Georgia as compared to the nation is not as drastic; therefore, he anticipates that the State will start seeing the recovery earlier than the rest of the nation, partially in 2009 and strengthening in 2010.

For more detailed information, please refer to the MD&A in the Financial Section of this report.

Debt Administration

At June 30, 2008, MARTA had a total of $1,504,145,000 bonds outstanding and issued under three debt indentures. Bonds issued under the first indenture bear credit ratings of AAA by Moody's Investors Service and AA+ by Standard & Poor's; bonds issued under the second and third indentures bear underlying ratings of AAA by Moody's and AA+ by Standard & Poor's. During FY2008 MARTA issued an additional $150,000,000 in commercial paper bond anticipation notes and retired $ 400,000,000 reducing the aggregate amount of commercial paper issued to $150,000,000. The notes bear underlying ratings of P-1 by Moody's and A-1+ by Standard & Poor's.

Legally, MARTA's estimated sales tax receipts must be at least twice the total debt service. The debt ratio for fiscal year 2008 was 3.55. 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 2008 was 28.2%.

Cash Management Program

MARTA's Investment Policy authorizes MARTA to invest in U.S. Treasury, Agencies or any corporation or instrumentality of the U.S. government, or State of Georgia instruments, or in repurchase agreements or certificates of deposit collateralized by these securities. MARTA uses the State of Georgia's Georgia Fund One as a benchmark in evaluating its investment performance. For the twelve months ended June 30, 2008 the yield on general investments exceeded the Standard & Poors Government Investment Pool Index and the yield on the Georgia Fund One for the same period.

Risk Management

MARTA is self-insured for workers' compensation risk and also for public liability and property claims up to certain limits per occurrence and in aggregate. MARTA carries liability insurance for amounts exceeding the self-insured limits.

AWARDS

MARTA received the following awards and recognition during FY 2008:

GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2007.

GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2007 Comprehensive Annual Financial Report.

GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for FY 2007.

ACKNOWLEDGEMENT

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

Sincerely,

Davis Allen
Assistant General Manager Finance/CFO

Beverly A. Scott, Ph.D.
General Manager/Chief Executive Officer

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Metropolitan Atlanta Rapid Transit Authority Georgia

for the Fiscal Year Ended

June 30, 2007

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Jeffrey L. Esser

Executive Director

Board of Directors

Officers

Chairman	Michael Walls *City of Atlanta*
Vice Chair	Joann Godfrey McClinton *DeKalb County*
Secretary	Juanita Jones Abernathy *City of Atlanta*
Treasurer	Barbara Babbit Kaufman *Fulton County*

Directors

City of Atlanta	Clara H. Axam Gloria Leonard
Clayton County	George E. Glaze
DeKalb County	Keith A. Adams Harold Buckley, Sr. Mukesh “Mike” Patel Edmund J. Wall
Fulton County	Walter L. Kimbrouigh Michael W. Tyler
Gwinnett County	Bruce E. LeVell

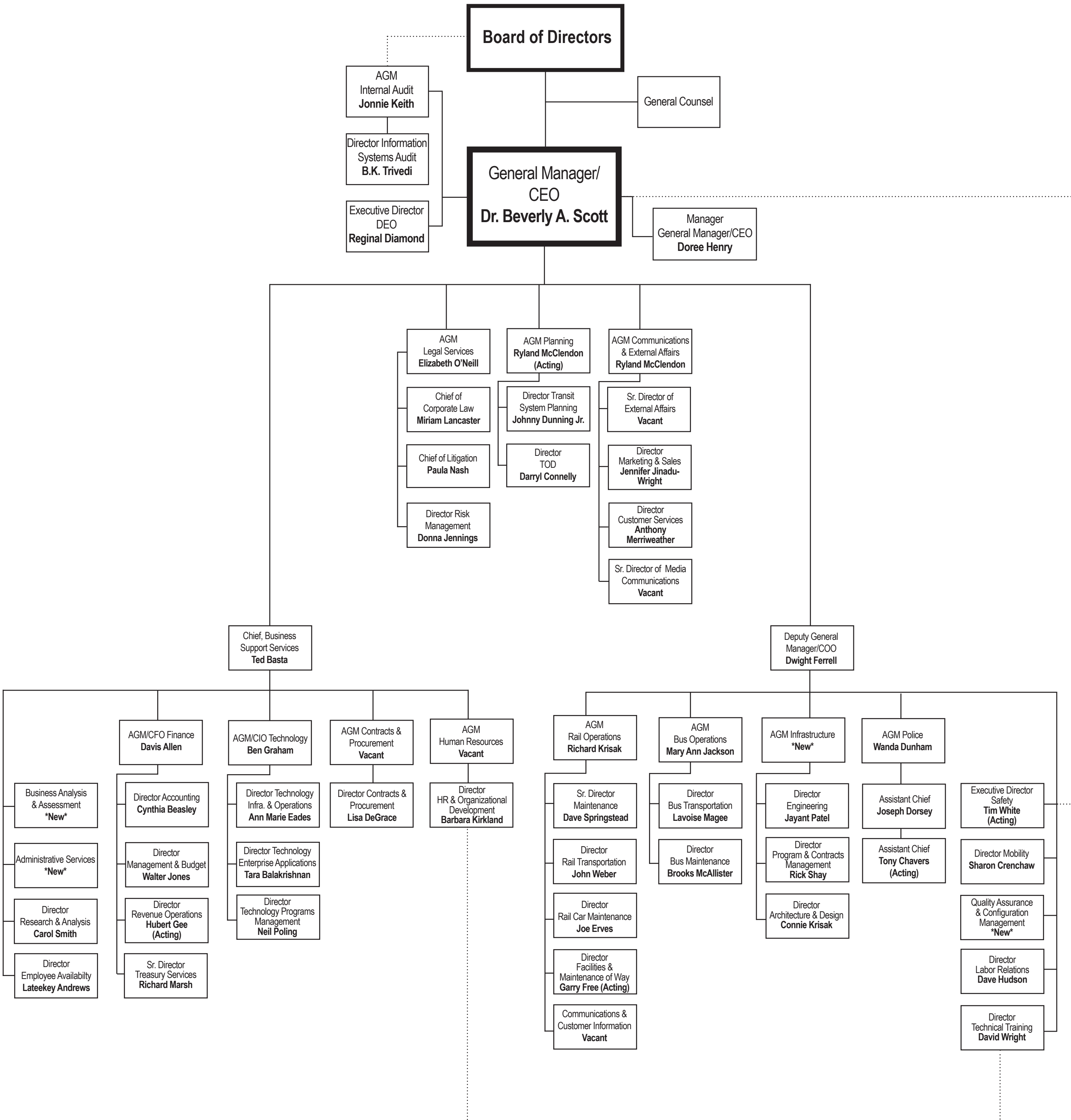
State of Georgia (Ex-Officio members while holding state office)

State Revenue Commissioner	Bart L. Graham
Commissioner of the State Department of Transportation	Kevin Clark
State Properties Officer	Gena L. Abraham
Regional Transportation Authority	Steve Stancil

General Manager/CEO and Executive Staff

General Manager /CEO	Beverly A. Scott, Ph.D.
Executive Staff	**Deputy General Manager/COO** Dwight A. Ferrell
	Chief, Business Support Services Theodore J. Basta, Jr.
	Assistant General Manager of Finance /CFO Davis Allen
	Assistant General Manager of Internal Audit Jonnie T. Keith
	Assistant General Manager of Legal Services Elizabeth O'Neill
	Assistant General Manager of Bus Operations Mary Ann Jackson
	Assistant General Manager of Rail Operations Richard Krisak
	Assistant General Manager of Police Wanda Dunham
	Assistant General Manager of Technology/CIO Ben Graham
	Assistant General Manager of Transit System & External Affairs Ryland McClendon

Organizational Chart




METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Rail System Map
N11 North Springs
N10 Sandy Springs
N9 Dunwoody
Medical Center N8
Buckhead N7
NE10 Doraville
NE9 Chamblee
NE8 Brookhaven/Oglethorpe
NE7 Lenox
N6 Lindbergh Center
Arts Center N5
Midtown N4
North Avenue N3
Civic Center N2
Peachtree Center N1
Bankhead P4
Five Points
E1 Georgia State
E2 King Memorial
E3 Inman Park/Reynoldstown
E4 Edgewood/Candler Park
E5 East Lake
E6 Decatur
E7 Avondale
E8 Kensington
E9 Indian Creek
W5 Hamilton E. Holmes
W4 West Lake
W3 Ashby
W2 Vine City
W1 Dome/GWCC/Philips Arena/CNN Center
S1 Garnett
S2 West End
S3 Oakland City
S4 Lakewood/ Ft. McPherson
S5 East Point
S6 College Park
S7 Airport
I-75
I-85
I-285
I-20
P Stations with free daily parking
P Stations with long-term and free daily parking
R MARTA RideStore & Half-Fare Program Locations:
NE7 Lenox Station–RideStore Only
N6 Lindbergh Center Station–Half-Fare Office & RideStore located in MARTA Headquarters Bldg.
S7 Airport Station–RideStore Only
Five Points Station–Half-Fare Office located at Forsyth St. entrance; RideStore located at Peachtree St. entrance
marta
We Serve With Pride

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority

We have audited the accompanying statements of net assets of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of MARTA's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the MARTA as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2008 on our consideration of MARTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report in an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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), listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule of revenues and expenses, budget versus actual (budget basis) has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on MARTA's basic financial statements. The introductory section, supplemental schedule of revenues and expenses, budget versus actual (budget basis), and statistical section, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule of revenues and expenses, budget versus actual (budget basis) has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

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

Atlanta, Georgia
October 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)

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, 2008 and 2007. 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. 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. Cash amounts are restricted for debt service and state and federal regulations. See the notes to the financial statements for a summary of MARTA's significant accounting policies.

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)

Financial Position Summary

Net assets may serve over time as a useful indicator of MARTA's financial position. MARTA's assets exceed liabilities by $2.1 billion at June 30, 2008 a $32.8 million decrease from June 30, 2007 when assets also exceeded liabilities by $2.1 billion, a $44.4 million decrease from June 30, 2006.

The largest portion of MARTA's net assets each year (82%, 83%, and 87% as of June 30, 2008, 2007 and 2006, respectively), represents its investment in capital assets (e.g., land, rail system, buildings and transportation equipment), less any related outstanding debt used to acquire those assets. MARTA uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although MARTA's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Summary of Net Assets:

	2008	2007	2006
ASSETS:			
Current and Other Assets	$ 676,460	$ 617,821	$ 539,981
Capital Assets	3,393,197	3,350,154	3,304,347
TOTAL ASSETS	4,069,657	3,967,975	3,844,328
LIABILITIES			
Long-term Debt	1,685,722	1,581,188	1,425,964
Other Liabilities	294,072	264,110	251,278
Total Liabilities	1,979,794	1,845,298	1,677,242
NET ASSETS			
Invested in Capital Assets, Net of Debt	1,707,475	1,768,966	1,878,383
Restricted	287,818	276,447	268,520
Unrestricted	94,570	77,264	20,183
TOTAL NET ASSETS	$ 2,089,863	$ 2,122,677	$ 2,167,086

An additional portion of MARTA's net assets (14%, 13%, 12%, as of June 30, 2008, 2007 and 2006, respectively), represents resources that are subject to external restrictions on how they can be used under Bond resolutions and State and Federal regulations. The remaining unrestricted net assets (4%, 4%, and 1% as of June 30, 2008, 2007 and 2006, respectively) may be used to meet any of the MARTA's ongoing obligations.

As of June 30, 2008, MARTA is able to report positive balances in all categories of net assets. The same situation held true for the past two fiscal years.

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)

Financial Operations Highlights

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

The MARTA Act places certain requirements on the rates that MARTA can charge for transportation services provided. The rates charged to the public for transportation services must be such that the total transit related revenues are no less than 35% of the operating costs, exclusive of depreciation and amortization, and other costs and charges as provided in the Act, of the preceding or prior fiscal year. Under provisions of amendments to the MARTA Act, all revenues, except the sales and use tax, are included in transit related revenues for purposes of this calculation. Transit related revenues were 59%, 59%, and 55% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2008, 2007 and 2006, respectively.

The following table presents the summary of Changes in Net Assets:

	2008	2007	2006
Operating Revenues	$ 117,558	$ 109,955	$ 105,260
Operating Expenses	564,659	492,897	453,557
Operating Loss	(447,101)	(382,942)	(348,297)
Non-operating Revenues (Expenses) - Net	333,096	297,256	322,983
Capital Grants	81,191	41,277	38,643
(Decrease) Increase in Net Assets	$ (32,814)	$ (44,409)	$ 13,329

As noted above, FY 2008 operating revenues increased by $7.6 million and operating expenses increased by $71.7 million, which resulted in an overall increase in the operating loss of $64.1 million from FY 2007 to FY 2008. FY 2007 operating revenues increased by $4.7 million and operating expenses increased by $39.3 million, which resulted in an overall increase in the operating loss of $34.6 million from the previous year.

Since 2001, Management has used measured steps to reign in controllable labor costs and expenditures, through administrative wage freezes and furloughs, increased benefit cost sharing and lastly, service cutbacks and modifications. These measures have not been used consistently each year, as MARTA works to keep its base of customers and employees. As a result, there is a roller coaster appearance when comparing financial results.

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)

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

	2008	2007	2006
Summary of Revenues			
Operating			
Fare Revenues	$ 103,963	$ 104,678	$ 99,148
Other Revenues	13,595	5,277	6,112
Total Operating Revenues	117,558	109,955	105,260
Nonoperating			
Sales and Use Tax	349,668	350,526	334,486
Federal Revenues	49,253	40,142	39,045
Investment Income	18,068	19,609	13,136
Other Revenues	10,786	9,614	10,088
Gains on Sale of Property and Equipment	275	833	572
Total Nonoperating Revenues	428,050	420,724	397,327
Total Revenues	545,608	530,679	502,587
Summary of Expenses			
Operating			
Transportation	174,927	158,300	146,162
Maintenance and Garage Operations	129,430	116,746	110,065
General and Administrative	64,410	53,912	50,278
Depreciation	195,892	163,939	147,052
Total Operating Expenses	564,659	492,897	453,557
Nonoperating			
Interest Expenses	75,558	70,326	65,831
Interest Expenses Capitalized	(177)	(1,710)	(3,470)
Amortization of Bond Discount, Issue Costs and Deferred Loss on Refunding	(3,715)	(2,966)	(1,177)
Other Expense - Special Pension Plan Contribution		45,000	
General and Administrative Expenses	23,288	12,818	13,160
Total Nonoperating Expenses	94,954	123,468	74,344
Total Expenses	659,613	616,365	527,901
Loss Before Capital Contributions	(114,005)	(85,686)	(25,314)
Capital Grants	81,191	41,277	38,643
Increase (Decrease) in Net Assets	(32,814)	(44,409)	13,329
Net Assets, July 1	2,122,677	2,167,086	2,153,757
Net Assets, June 30	$ 2,089,863	$ 2,122,677	$ 2,167,086

Net assets decreased by $32.8 million in FY 2008 after decreasing by $44.4 million in FY 2007 and increasing by $13.3 million in FY 2006. The decrease in net assets resulted from the increase in routine operating expenses and healthcare and other postemployment benefit expenses; this was compounded with negative growth in MARTA's largest revenue component, sales and use tax. MARTA also increased its receipt of capital grants by $40 million. This increase in capital grants significantly reduced the decrease in net capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)

In FY 2008 operating expenses increased by $71.7 million. The largest increase was in depreciation expense. Depreciation expense increased by $31.9 million from FY 2007 to 2008 and by $16.9 million from FY 2006 to 2007. In FY 2008 MARTA incurred a full year's depreciation on a number of major capital programs that were placed into service at various points during the past two fiscal years. This includes the implementation of Phase I of the Business Transformation Program. The Business Transformation Program is a major information technology initiative that MARTA will implement in three phases as part of its capital program. Once fully implemented, this technology will provide modern, integrated support for MARTA's finance, maintenance, and human resources business areas. Also contributing to the increase in operating expense in FY 2008 was management's decision to dedicate more resources to improving its core business functions including customer service, police patrol and station cleanliness. This resulted in increases in transportation expense and maintenance and garage operations expense of $16.6 million and $12.6 million, respectively.

MARTA saw a 1% decrease in passenger revenue in FY 2008; this is down from the 6% increase between 2007 and 2006. In 2007 MARTA recognized $3 million dollars in unredeemed tokens as it converted from a token based to an all smart card based fare collection system. Adjusting for this $3 million anomaly, MARTA actually had a $2.1 million increase in passenger revenue from FY 2007 to FY 2008. This represents a 2% growth for that time period. This growth is directly related to the increase in gas prices in metropolitan Atlanta and the nation. The increase in transit riders leads to the 8% increase in station parking revenue. Although the $209 thousand increase in station parking is small in terms of dollars, the percentage increase is significant in that it is indicative of the shift in perception as to how commuters in metropolitan Atlanta view transit as a reliable alternative to their cars.

In FY 2008 MARTA took advantage of other operating revenue opportunities. Other operating revenues increased by $8.3 million or 158% from FY 2007 to FY 2008. Included in other operating revenues are advertising, Transit Oriented Development Lease (TOD), and alternative fuel tax revenues. MARTA was very aggressive in securing advertising revenues. Advertising revenue increased from FY 2007 to FY 2008 by $1.4 million or 28%. MARTA also received positive results from its investments into the TOD program. TOD lease revenue increased by $1.1 million or 34% from FY 2007 to FY 2008. However, the largest increase in other operating revenues was in Alternative Fuel Tax revenue. In FY 2008 MARTA took advantage of the benefits offered under the Safe, Accountable, Flexible, Efficient Transportation Equity Act. Under this act, MARTA received a $5 million refund of excise fuel sales tax. MARTA did not receive this revenue in FY 2007.

In FY 2008 MARTA's largest component to nonoperating revenues, sales and use tax, was down from FY 2007 by $1 million or 2%. This decrease is directly related to the contracting of the local economy. The largest growth in nonoperating revenues is found in federal operating revenues. In FY 2008 there was a $9.1 million or 22.7% growth in this category in comparison to a $1.1 million or 2% growth from 2006 to 2007.

FY 2008 nonoperating expenses decreased by $28.5 million from FY 2007, which increased by $49.1 million from FY 2006. The decrease from FY 2007 was due to the special pension fund contribution made in FY 2007 offset by an increase in health benefit cost. The increase from FY 2006 was mainly due to the special pension fund contribution of $45 million and interest expenses related to the issuance of bond and commercial papers.

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)

Long Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds and Bond Anticipation Notes Commercial Paper to raise capital funds for construction and expansion, and rehabilitation of the transit system. During fiscal year 2005 MARTA initiated its commercial paper program, in the form of Bond Anticipation Notes, to provide flexibility and optimization to the issuance of debt. MARTA feels this will provide for a more timely issuance of long-term debt. The bonds and notes are payable from and secured by a first, second and third lien on sales and use tax receipts. The Bonds carry debt ratings of A-1 by Moody's Investors Service and AA by Standard and Poor's. The notes bear underlying ratings of P-1 by Moody's and A-1+ by Standard & Poor's. MARTA's total bond debt outstanding was $1,685,722, $1,581,188, and $1,425,964 as of June 30, 2008, 2007 and 2006, respectively.

On September 25, 2007 MARTA issued $389,830 par Series 2007B Sales Tax Revenue Bonds at a coupon rate of 5.0% per annum. The proceeds from this issuance were placed in escrow in order to facilitate the settlement of the current variable rate commercial paper program. Part of the proceeds was used to settle the outstanding maturities occurring between the closing date and December 12, 2007. The intent of the issue was to convert short term variable rate debt to fixed rate long-term debt in accordance with the design of the program.

Capital Acquisitions and Construction Activities

During fiscal year 2008, MARTA expended $239,438 on capital activities. The expenditures were primarily for the Automated Fare Collection system, rehabilitation of railcars, railcar and bus purchases, track replacement, implementation of an integrated financial and maintenance information system and other information technology upgrades. The net change in capital assets, including changes in accumulated depreciation and retirements was $43,043, $45,807, and $64,283 as of June 30, 2008, 2007 and 2006, 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.

Invested in Capital Assets, Net of Related Debt:

	2008	2007	2006
Capital Assets			
Property & Equipment - Net	$ 3,393,197	$ 3,350,154	$ 3,304,347
Capital Debt			
Current maturities of Bonds and Notes	51,640	48,685	45,160
Noncurrent maturities of Bonds and Notes	1,634,082	1,532,503	1,380,804
	1,685,722	1,581,188	1,425,964
Capital Assets, Net of Debt	$ 1,707,475	$ 1,768,966	$ 1,878,383

Request for Information

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

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STATEMENTS OF NET ASSETS – June 30, 2008 and 2007 (Dollars in Thousands)

Assets	*2008*	*2007*
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 6,893	$ 3,714
Investments (Note 2)	257,342	185,223
Material and Supplies Inventories	35,240	28,370
Sales Tax Receivables, Prepayments and Other	68,720	105,686
Total Unrestricted Current Assets	368,195	322,993
Restricted Cash and Cash Equivalents (Notes 2 and 3)	2,131	2,035
Restricted Investments (Notes 2 and 3)	84,012	73,331
Total Restricted Current Assets	86,143	75,366
Total Current Assets	454,338	398,359
Noncurrent Assets:		
Restricted Investments (Notes 2 and 3)	201,837	201,259
Capital Assets: (Note 6)		
Land	546,435	546,345
Rail System and Buildings	3,135,289	3,094,640
Transportation Equipment	1,093,577	979,103
Other	913,649	771,465
	5,688,950	5,391,553
Less Accumulated Depreciation	(2,526,191)	(2,334,352)
	3,162,759	3,057,201
Construction in Progress	230,438	292,953
Capital Assets - Net	3,393,197	3,350,154
Other Noncurrent Investments	10,000	10,000
Bond Issue Costs - Net	9,083	7,001
Other	1,202	1,202
Total Noncurrent Assets	3,615,319	3,569,616
Total Assets	$ 4,069,657	$ 3,967,975

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

STATEMENTS OF NET ASSETS – June 30, 2008 and 2007 (Dollars in Thousands)

Liabilities and Net Assets	**2008**	**2007**
Current Liabilities:		
Payable from NonRestricted Assets:		
Accounts and Contracts Payable	$ 85,080	$ 68,941
Salaries and Employee Benefits (Notes 9 and 10)	19,559	18,023
Self-Insurance Accruals (Note 11)	1,408	1,354
Other Current Liabilities	7,446	5,287
Total Current Liabilities Payable from NonRestricted Assets	113,493	93,605
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds (Note 7)	51,640	48,685
Accrued Interest	34,341	26,503
Due to Federal Transportation Administration	162	178
Total Current Liabilities Payable from Restricted Assets	86,143	75,366
Total Current Liabilities	199,636	168,971
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Discount and Deferred Loss on Refunding (Note 7)	1,634,082	1,532,503
Noncurrent Self Insurance Accruals (Note 11)	18,745	16,362
Other Post Employment Benefits (Note 10)	6,530	
Deferred Revenue (Notes 7 and 12)	120,801	127,462
Total Noncurrent Liabilities	1,780,158	1,676,327
Total Liabilities	1,979,794	1,845,298
Commitments and Contingencies (Note 13)		
Net Assets		
Invested in Capital Assets, net of Related Debt	1,707,475	1,768,966
Restricted for debt service	105,639	94,302
Restricted for other projects	49,602	49,602
Restricted for capital projects	132,577	132,543
Unrestricted	94,570	77,264
Total Net Assets	2,089,863	2,122,677
Total Liabilities and Net Assets	$ 4,069,657	$ 3,967,975

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2008 and 2007 (Dollars in Thousands)

	2008	2007
Operating Revenues:		
Fare Revenues (Note 5)	$ 103,963	$ 104,678
Other Revenues	13,595	5,277
Total Operating Revenues	117,558	109,955
Operating Expenses:		
Transportation	174,927	158,300
Maintenance and Garage Operations	129,430	116,746
General and Administrative	64,410	53,912
Depreciation	195,892	163,939
Total Operating Expenses	564,659	492,897
Operating Loss	(447,101)	(382,942)
Nonoperating Revenues (Expenses):		
Sales and Use Tax (Notes 1 and 4)	349,668	350,526
Federal Revenues	49,253	40,142
Investment Income	18,068	19,609
Other Revenues	10,786	9,614
Gain (Loss) on Sale of Property and Equipment	275	833
Interest Expense	(75,558)	(70,326)
Interest Expense Capitalized	177	1,710
Amortization of Bond Discount, Issue Costs and Deferred Loss on Refunding	3,715	2,966
Other Expenses-Special Pension Plan (Note 9)		(45,000)
General and Administrative Expense	(23,288)	(12,818)
	333,096	297,256
Loss Before Capital Contributions	(114,005)	(85,686)
Capital Grants	81,191	41,277
Net Assets		
Decrease in Net Assets	(32,814)	(44,409)
Net Assets, July 1	2,122,677	2,167,086
Net Assets, June 30	$ 2,089,863	$ 2,122,677

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

STATEMENTS OF CASH FLOW – For Years Ended June 30, 2008 and 2007 (Dollars in Thousands)

	2008	2007
Cash Flows from Operating Activities:		
Cash Received from Providing Services	$ 99,388	$ 114,442
Cash Paid to Suppliers	(116,263)	(118,487)
Cash Paid to Employees	(235,543)	(208,457)
Net Cash Used by Operating Activities	(252,418)	(212,502)
Cash Flows From Noncapital Financing Activities:		
Sales and Use Tax Collections	351,596	349,215
Federal Operating Subsidy	88,251	40,925
Net Cash Provided by Noncapital Financing Activities	439,847	390,140
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Bond	406,934	163,350
Proceeds from Issuance of Commercial Paper	150,000	200,000
Repayment of Bond Payable	(448,685)	(205,160)
Capital Contributions	81,191	41,277
Interest Paid on Revenue Bonds	(69,801)	(70,510)
Acquisition and Construction of Capital Assets	(238,484)	(206,542)
Net Cash Used by Capital and Related Financing Activities	(118,845)	(77,585)
Cash Flows from Investing Activities:		
Purchases of Investments	(6,837,991)	(6,115,105)
Proceeds from Sales and Maturities of Investments	6,753,804	6,045,599
Special Pension Plan Contribution		(45,000)
Interest Received on Investments	18,878	17,347
Net Cash Provided (Used) by Investing Activities	(65,309)	(97,159)
Net Increase in Cash and Cash Equivalents	3,275	2,894
Cash and Cash Equivalents, Beginning of Year	5,749	2,855
Cash and Cash Equivalents, End of Year	$ 9,024	$ 5,749
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Loss	$ (447,101)	$ (382,942)
Other Revenues and (Expenses)	(12,502)	(3,204)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	195,892	163,940
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(6,870)	(964)
Prepayments and Other	(3,961)	(1,828)
Current Liabilities and Due Federal Transportation Administration	28,785	3,833
Deferred Revenue	(6,661)	8,663
Net Cash Used by Operating Activities	$ (252,418)	$ (212,502)
Noncash Investing, Capital and Financing Activities:		
Amortization of Bond Issuance Costs	$ 3,715	$2,966
Increase (Decrease) in Fair Value of Investments	417	(2,510)
Net Noncash Investing, Capital and Financing Activities	$ 4,132	$ 456

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

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In order to measure the costs of providing mass transportation services, the revenues from those services and required subsidies, MARTA has adopted the accounting principles and methods appropriate for a governmental enterprise fund. In accordance with accounting standards applicable to enterprise funds, MARTA has elected not to apply pronouncements issued by the Financial Accounting Standards Board after November 30, 1989. This complies with the MARTA Act and Sales Tax Bond Trust Indenture legal requirements that all accounting systems and records, auditing procedures and standards, and financial reporting shall conform to generally accepted principles of governmental accounting. The following is a summary of the more significant accounting policies of the Authority:

Reporting Entity–MARTA is a municipal corporation governed by an eighteen-member board of directors. MARTA has implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14 of The Financial Reporting Entity, including additional guidance promulgated by GASB Statement No. 39. As defined by the 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.

Under the guidelines of GASB Statement No. 14, MARTA is a jointly governed organization. Of its eighteen member board, three members are appointed by Fulton County, five members by DeKalb County, four members by the City of Atlanta, and one member by each County of Clayton and Gwinnett. In addition, the Commissioner of the State Department of Transportation, the Commissioner of the State Department of Revenue, the Executive Director of the State Properties Commission, and the Executive Director of the Georgia Regional Transportation Authority serve as ex-officio members of the Board. None of the participating governments appoints a majority of MARTA's Board and none has an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2008 or 2007.

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

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

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Investments–MARTA carries all investments at fair value based on quoted market prices. U.S. Treasury and Agency obligations are reported at amortized cost if MARTA acquires them within one year of maturity.

Inventories–Materials (principally maintenance parts) and supplies inventories are stated at average cost and expenditure is based on the consumption method.

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

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

MARTA uses a three hundred-dollar capitalization threshold for its capital assets. Donated properties are stated at their fair value on the date donated. When assets are sold or retired, the cost of the asset and related accumulated depreciation is removed from the accounts and the resulting gain or loss, if any, is charged to non-operating revenue or expense. Ordinary maintenance and repairs are charged to expense as incurred, while property additions and betterments are capitalized. MARTA capitalizes, as a cost of its constructed assets, the interest expense based upon the weighted average cost of borrowings of MARTA.

Bond Proceeds, Discount, Issue Costs, and Losses on Refundings–Proceeds from the issuance of Sales Tax Revenue Bonds are initially deposited with the Bond Trustee in a Construction Fund as required by the Trust Indenture between MARTA and the Trustee. MARTA requisitions the funds as needed for construction of the transit system. Bond discount and issue costs are amortized using the bond outstanding method, over the term of the related debt. Losses on debt refundings are deferred and amortized over the shorter of the life of the refunded debt or the new debt, principally using the bond outstanding method.

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

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

Grants for capital asset acquisition, facility development, and rehabilitation are reported in the statements of revenues, expenses and changes in net assets, after non-operating revenues and expenses as capital grants.

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

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

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 non-operating general and administrative expenses are not budgeted. Management control for the operating budget is maintained at expenditure category levels. Management has flexibility of reprogramming funds in respective cost centers with approval of budget staff as long as the total budget authorization is not exceeded. Capital expenditures are controlled at the budget line item.

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

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

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

Deferred Revenue–Includes the remaining unamortized balance of the deferred amounts from the lease/leaseback arrangements in 2002, 2003, 2004, 2005, 2006 and 2007 and the sale/leaseback arrangements in 1987 and 1988 of certain rail cars and buses. The deferred gains are being amortized over the remaining lives of the respective leases on a straight-line basis. It also includes the upfront cash received from the 2004 interest basis swap agreements and the upfront cash received from the 2007 forward delivery agreement which are being amortized over the life of the related agreement.

Newly Adopted Governmental Accounting Standards

During the year ended June 30, 2008, MARTA adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The effect of implementing this standard was a $6 million increase in noncurrent liabilities on the the Statement of Net Assets and operating general and administrative expense on the Statement of Revenues, Expenses and Changes in Net Assets.

During the year ended June 30, 2008, MARTA adopted GASB Statement No. 50, Pension Disclosures-an amendment of GASB Statements No. 25 and 27. The impact of adopting this statement was additional disclosure in the notes to the financial statements relating to MARTA's pension plans.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Future Adoption of Governmental Accounting Standards
In 2008, the GASB issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets was issued in June 2007 and is effective for MARTA's fiscal year ending June 30, 2010. MARTA has not determined the impact of adopting this statement.

In 2008, the GASB issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments were issued June 2008 and is effective for MARTA's fiscal year ending June 30, 2010. MARTA has not determined the impact of adopting this standard.

2. CASH AND INVESTMENTS

Cash–At June 30, 2008 and 2007, the carrying amounts of MARTA's total cash on hand were $1,218 and $94, respectively. At June 30, 2008 and 2007 the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $7,806 and $5,655, respectively. The bank balances were $6,437 and $4,252, respectively. Of the bank balances at June 30, 2008 and 2007, $387 and $357, respectively, were covered by federal depository insurance and $6,050 and $3,895, respectively, were collateralized by government securities held by the pledging financial institution's trust department or agent in MARTA's name.

Investments–Georgia statutes authorize MARTA to invest in U.S. Government obligations, U.S. Government agency obligations, obligations of any instrumentality of the U.S. Government, or in repurchase agreements collateralized by any of the aforesaid securities, prime Bankers' Acceptances or in State of Georgia obligations, or in the State of Georgia sponsored investment pool or in other obligations or instruments as allowed by Georgia Law. MARTA's code, policy and guidelines mandate no deviation from the highest credit quality–only AAA and A1/P1. Under the terms of MARTA's Sales Tax Revenue Bond Trust Indenture, the Authority may not invest in securities with a remaining term to maturity greater than 5 years from the purchase date. In addition, MARTA requires that repurchase agreement collateral must have a market value ranging from 101% to 104% of the cost of the repurchase agreement, depending upon the maturity date and type of security. MARTA's policy states that collateral pledged for repurchase agreements and not delivered to MARTA's safekeeping agent must be held by the pledging bank's trust department in MARTA's name.

As of June 30, 2008, MARTA had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	$ 101,931	$ 101,931	$	$	$
U.S. Treasuries	61,715	56,412	5,046	73	184
U.S. Agencies	195,061	128,549	65,618	641	253
Corporate-BAC Prime BA	189,484	189,484			
Certificate of deposit (CDAR)	5,000	5,000			
Total	$ 553,191	$ 481,376	$ 70,664	$ 714	$ 437

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Interest Rate Risk–is the risk that changes in interest rates will adversely affect the fair value of financial instruments or cash flows. As a means of limiting its exposure to this, MARTA's investment policy prohibits investments in U.S. Treasuries and Agencies and State Obligations with maturities greater than five years and six months at the date of purchase. The policy also limits Repurchase Agreements to three months from the date of purchase.

Credit Quality Risk–is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of MARTA's debt securities to credit quality risk is indicated below:

Investment Type	Fair Value	Credit Rating	Rating Agency
Repurchase Agreements	$ 101,931	AAA/Aaa	S&P/Moody's
U.S. Government Treasuries	61,715		
U.S. Government Agencies	195,061	AAA/Aaa	S&P/Moody's
Corporate-BAC Prime BA	189,484	A-1+/P-1	S&P/Moody's Short
Certificate of Deposit (CDAR)	5,000		
Total	$ 553,191		

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

Custodial Credit Risk–for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MARTA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of MARTA's investment of $553,191, $10,227 of the securities is held by a trustee, not in the name of MARTA. These investments are the only securities not held in MARTA's name as per the terms of a trust agreement between MARTA and a Railroad company.

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

3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30, 2008 and 2007:

	2008	2007
Restricted cash and investments:		
Sinking Fund	$ 105,646	$ 94,326
Railroad Trust Fund Agreement	10,000	10,000
Capital Asset Purposes	63,193	63,193
Georgia DOT Project	2,131	2,059
Proceeds From Real Estate Sales	54,477	54,477
Other	52,533	52,570
Total restricted cash and investments	287,980	276,625
Due to FTA	162	178
Total Restricted Assets, Net of Related Debt	$ 287,818	$ 276,447

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

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, 2008 and 2007, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

Certain investments are restricted for repairing, rebuilding, or replacing capital assets and for a Georgia Department of Transportation project.

Proceeds from sales of certain real estate and the interest earned thereon through June 30, 1988 have been restricted until the year 2012. For the period from July 1, 1988 to June 30, 2008, interest earned on these funds is unrestricted.

Restricted net assets of $287,818 and $276,447 at June 30, 2008 and 2007, respectively, are reported in the statements of net assets and are restricted by enabling legislation.

4. SALES AND USE TAX

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

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

1) No more than 50% of the annual sales and use tax proceeds can be used to subsidize the net operating costs, as defined, of the system, exclusive of depreciation and amortization, and other costs and charges as defined in Section 25(I) of the MARTA Act, except for the period beginning January 1, 2002 and ending December 31, 2008 when no more than 55% shall be used.
2) If more than the legislative provided percentage of the annual sales and use tax proceeds is used to subsidize the net operating costs in any one year, the deficit in operations must be made up during a period not to exceed the three succeeding years.
3) If less than the legislative provided percentage of the annual sales and use tax proceeds is used to subsidize the net operating costs in any one year, the excess may, at the discretion of MARTA's Board of Directors, be reserved and later used to provide an additional subsidy for operations in any future fiscal year or years.

The Georgia General Assembly approved certain amendments to the MARTA Act which provided that, commencing on July 1, 1988 until June 30, 2008, interest earnings from the real estate reserve and the capital rehabilitation replacement reserve may be treated as "transit related operating revenue" for purposes of the legislative provided percentage requirement. The Board of Directors unanimously approved a resolution to use the interest earnings on these reserve funds to pay operating costs of the system through fiscal year 1995. Fiscal years 1996 through 2001

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

earnings were reserved for future use as either operating or capital expenditures. The Fiscal Years 2002 through 2005 budget resolutions provided for the use of the future use reserves interest.

During the years ended June 30, 2008 and 2007, MARTA used 52% and 46% of the sales and use tax proceeds to subsidize the net operating costs. The cumulative under-utilization of sales tax receipts for June 30, 2008 was $35,635. These sales tax receipts have been placed in a reserve and may be used in future years.

A summary of cumulative sales tax proceeds under utilization activity for the years ended June 30, 2008 and 2007 is as follows:

	2008	2007
Cumulative under utilization, beginning of year	$ 42,508	$ 26,831
Over/Under utilization during year	(6,873)	15,677
Cumulative under utilization, end of year	$ 35,635	$ 42,508

5. FARE REVENUES

The MARTA Act places certain requirements on the rates that MARTA is to charge for transportation services provided. The rates charged to the public for transportation services must be such that the total transit related revenues are no less than 35% of the operating costs, exclusive of depreciation and amortization, and other costs and charges as provided in the Act, of the preceding fiscal year. Under provisions of amendments to the MARTA Act, all revenues, except the sales and use taxes, are included in transit related revenues for purposes of this calculation.

Transit related revenues for the years ended June 30, 2008 and 2007 were 59% and 59% respectively of operating costs of the previous fiscal year as defined under the MARTA Act.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30,2007	Additions	Decreases	Balance June 30,2008
Capital Assets, not being depreciated:				
Land	$ 546,345	$ 90	$	$ 546,435
Construction in progress	292,953	239,438	(301,953)	230,438
Total capital assets not being depreciated	839,298	239,528	(301,953)	776,873
Capital Assets being depreciated:				
Rail systems & buildings	3,094,640	40,649		3,135,289
Transportation equipment	979,103	117,005	(2,531)	1,093,577
Other	771,465	144,209	(2,025)	913,649
Total capital assets being depreciated	4,845,208	301,863	(4,556)	5,142,515
Less accumulated depreciation for:				
Rail systems & buildings	(1,304,442)	(84,787)		(1,389,229)
Transportation equipment	(498,025)	(49,553)	2,170	(545,408)
Other	(531,885)	(61,570)	1,901	(591,554)
Total accumulated depreciation	(2,334,352)	(195,910)	4,071	(2,526,191)
Total capital assets being depreciated, net	2,510,856	105,953	(485)	2,616,324
Capital Assets, net	$ 3,350,154	$ 345,481	$ (302,438)	$ 3,393,197

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Capital Asset activity for the year ended June 30, 2007 was as follows:

	Balance June 30,2006	Additions	Decreases	Balance June 30,2007
Capital Assets, not being depreciated:				
Land	$ 547,615	$	$ (1,270)	$ 546,345
Construction in progress	324,601	211,302	(242,950)	292,953
Total capital assets not being depreciated	872,216	211,302	(244,220)	839,298
Capital Assets being depreciated:				
Rail systems & buildings	3,042,781	54,219	(2,360)	3,094,640
Transportation equipment	883,767	102,065	(6,729)	979,103
Other	693,050	87,830	(9,416)	771,465
Total capital assets being depreciated	4,619,598	244,114	(18,505)	4,845,208
Less accumulated depreciation for:				
Rail systems & buildings	(1,221,727)	(84,403)	1,688	(1,304,442)
Transportation equipment	(460,293)	(44,065)	6,333	(498,025)
Other	(505,447)	(35,485)	9,047	(531,885)
Total accumulated depreciation	(2,187,467)	(163,953)	17,068	(2,334,352)
Total capital assets being depreciated, net	2,432,131	80,161	(1,437)	2,510,856
Capital Assets, net	$ 3,304,347	$ 291,463	$ (245,657)	$ 3,350,154

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2008 was as follows:

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2007	Outstanding Additions	Principal Retirements	Balance June 30, 2008
Sales Tax Revenue Bonds:								
N*	1992	$ 122,245	2018	4.60%- 6.25%	$ 70,605	$	$ (4,090)	$ 66,515
P*	1992	296,755	2020	3.30%- 6.25%	207,850		(13,485)	194,365
1996A*	1996	163,650	2020	4.00%- 5.625%				
1998A*	1998	144,535	2010	5.50%- 6.250%	101,150		(23,005)	78,145
1998B*	1998	200,000	2020	5.10%- 5.19%				
2000A	2000	100,000	2025	Variable	100,000			100,000
2000B	2000	100,000	2025	Variable	100,000			100,000
2002*	2002	160,000	2032	5.00%- 5.25%				
2003A*	2003	103,075	2020	3.00%- 5.00%	83,640		(6,940)	76,700
2005A*	2005	190,490	2020	5.00%	190,490			190,490
2006A*	2006	163,890	2020	5.00%	163,540		(1,165)	162,375
2007A*	2007	145,725	2032	5.25%	145,725			145,725
2007B	2008	389,830	2037	5.00%		389,830		389,830
Subtotal					1,163,000	389,830	(48,685)	1,504,145
Less portion due within one year					(48,685)	(2,955)		(51,640)
Plus unamortized premium (discount)					52,938	15,124	(5,465)	62,597
Less unamortized deferred loss on refunding					(34,750)		3,730	(31,020)
Sales Tax Revenue Bonds Total					1,132,503	401,999	(50,420)	1,484,082
Sales Tax Revenue Commercial Paper Bond Anticipation Notes:								
2004A	2004	50,000	2008	Variable	100,000		(100,000)	
2004B	2004	50,000	2008	Variable	100,000		(100,000)	
2004A	2007	100,000	2008	Variable	100,000		(100,000)	
2004B	2007	100,000	2008	Variable	100,000		(100,000)	
2007C	2008	51,000	2011	Variable		51,000		51,000
2007D	2008	99,000	2011	Variable		99,000		99,000
Sales Tax Revenue Commercial Paper Bond Anticipation Notes Total					400,000	150,000	(400,000)	150,000
Total					$ 1,532,503	$ 551,999	$ (450,420)	$ 1,634,082

*Refunding bonds

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Long-term debt activity for the year ended June 30, 2007 was as follows:

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest	Balance 2006	Outstanding Additions	Principal Retirements	Balance 2007
N*	1992	$ 122,245	2018	4.60%- 6.25%	$ 74,450	$	$ (3,845)	$ 70,605
P*	1992	296,755	2020	3.30%- 6.25%	217,240		(9,390)	207,850
1996A*	1996	163,650	2020	4.00%- 5.625%				
1998A*	1998	144,535	2010	5.50%- 6.250%	122,805		(21,655)	101,150
1998B*	1998	200,000	2020	5.10%- 5.19%				
2000A	2000	100,000	2025	Variable	100,000			100,000
2000B	2000	100,000	2025	Variable	100,000			100,000
2002	2002	160,000	2032	5.00%- 5.25%	160,000		(160,000)	
2003A*	2003	103,075	2020	3.00%- 5.00%	93,560		(9,920)	83,640
2005A*	2005	190,490	2020	5.00%- 5.00%	190,490			190,490
2006A*	2006	163,890	2020	5.00%- 5.00%	163,890		(350)	163,540
2007A*	2007	145,725	2032	5.25%- 5.25%		145,725		145,725
Sales tax revenue bonds					1,222,435	$ 145,725	$ (205,160)	1,163,000
Less portion due within one year					(45,160)	(3,525)		(48,685)
Plus unamortized premium/discount					33,269	24,281	(4,612)	52,938
Less deferred loss on refunding					(29,740)	(8,626)	3,616	(34,750)
					1,180,804	157,855	206,156	1,132,503
Sales Tax Revenue Commerical Paper Bond Anticipation Notes:								
2004A	2004	50,000	2008	Variable	100,000			100,000
2004B	2004	50,000	2008	Variable	100,000			100,000
2004A	2007	100,000	2008	Variable		100,000		100,000
2004B	2007	100,000	2008	Variable		100,000		100,000
Sales Tax Revenue Commerical Paper Bond Anticipation Notes Total					200,000	200,000		400,000
Total					$ 1,380,804	$ 357,855	$ 206,156	$ 1,532,503

* Refunding bonds

Sales Tax Revenue Bonds–Principal on all the Sales Tax Revenue Bonds (the "Bonds") is payable in an annual installment on July 1; interest is payable semi-annually on January 1 and July 1 on all Bonds except the Series 2000A and 2000B Bonds, which interest is payable on the first day of each month for the previous month. Series N and P Bonds are payable from and secured by a first lien on sales and use tax receipts. Series 1996A, 1998A, 1998B, 2000A, 2000B, 2002 and 2003A Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A and 2007B are payable from and secured by a third lien on sales and use tax receipts (Note 4).

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

The Series 2000A and 2000B Bonds are variable-rate sales tax revenue bonds. Each series was issued in the aggregate principal amount of $100,000 each and was initially issued in the weekly mode. Interest in the weekly mode is payable on the first business day of each month, for the previous month. The bonds may bear interest at daily rates, weekly rates, commercial paper rates, or term rates for periods selected from time to time by the Authority. In addition, the bonds may be converted to bear interest at a fixed rate. The rate of interest to be borne during any particular interest period will be determined by the remarketing agents. The interest rate at June 30, 2008 on the Series 2000A and 2000B Bonds was 1.25% and 1.75%, respectively.

There are a variety of operational and financial covenants associated with the Bonds. Management believes that MARTA is in compliance with all such covenants.

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

Annual debt service requirements on the Bonds outstanding at June 30, 2008 are as follows:

Year Ending June 30	Principal	Interest	Total
2008	$ 51,640	$ 60,542	$ 112,182
2009	54,930	68,229	123,159
2010	58,370	67,230	125,600
2011	62,860	63,808	126,668
2012	51,035	60,162	111,197
2013 to 2017	300,065	256,059	556,124
2018 to 2022	301,755	175,258	477,013
2023 to 2027	212,455	130,480	342,935
2028 to 2032	222,135	85,497	307,632
2033 to 2037	188,900	34,096	222,996
2038		1,039	1,039
	$ 1,504,145	$ 1,002,400 *	$ 2,506,545

*Variable rate bond nterest requirement computed at year-end rate.

In January 2007, MARTA's bonding authority was revalidated by the Superior Court of Fulton County to increase its bonding capacity. Under the revalidated terms of this Third Trust Indenture, MARTA is limited to issue an additional $310,065 of Sales Tax Revenue Bonds. MARTA's Board established a debt limit for the Sales Tax Revenue Bonds. The total annual debt service on such bonds is limited to no more than 45% of projected sales tax receipts for each year.

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, 2008 and 2007, the amounts held in the Sinking Funds exceeded the amounts required to be held pursuant to the Bond Trust Indentures. All such amounts are classified as restricted cash and investments in the statements of net assets.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Following is a summary of the activity in the Sinking Funds for the years ended June 30, 2008 and 2007:

	2008	2007
Balance, beginning of year	$ 94,326	$ 90,040
Sales and use tax proceeds	125,311	118,277
Investment income	1,099	1,452
Principal and interest payments on Bonds	(98,561)	(99,929)
Excess sales tax withheld refunded	(16,126)	(15,201)
Trustee fees	(403)	(313)
Balance, end of year	$105,646	$94,326

Sales Tax Revenue Commercial Paper Notes–On June 30, 2008 MARTA had outstanding $150,000 of Sales Tax Revenue Commercial Paper Notes (the "Notes"), Series 2007C and 2007D, plus accrued interest of $631. The effective interest rate paid on the Notes outstanding ranged from 0.90% to 3.80% with an average of 2.35% for the year ended June 30, 2008. The proceeds of such Notes are being used to finance certain transit improvement projects. The accrued interest is payable as each Note matures solely from a third lien on the sales tax receipts. In addition, direct payment revolving credit agreement in the amount of $400, 000 was entered into for the purpose of making funds readily available for the payment of principal. The outstanding balance plus the related accrued interest on Notes, totaling $150,631, have been included in the long-term liabilities, rather than in current liabilities, in accordance with SFAS No. 6 as MARTA intends to refinance the Notes with long-term sales tax revenue bonds.

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

Date of Execution	Notional Amount	Termination Date	Associated Bonds	Payment	Counterparty Payment	Counterparty & Credit Rating	Fair Value at 6/30/08	Initial Cash Received
11/05/2004	$ 518,3100	7/01/2032	Series 1996A, 1998B, & 2002	USD-BMA [1]	65% of one-month LIBOR[2] + 11 basis points	Goldman Sachs Capital Markets A+	$ (18,384)	$ 19,250
11/05/2004	$ 200,0000	7/01/2025	Series 2000A & 2000B	USD-BMA	61% of one-month LIBOR + 30 basis points	Merrill Lynch Capital Services A+	$ (8,927)	$ 10,790

(1) The Bond Market Association Municipal Swap Index ™.

(2) London Interbank Offered Rate.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

The interest rate swap exposes MARTA to basis risk when the interest rates on the transactions are reset. The interest rate on the Bonds is a tax-exempt interest rate, while the basis on the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the 30 day LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. MARTA will be exposed to basis risk under the basis swap to the extent that BMA trades at greater than expected percentages of LIBOR for extended periods of time and/or in a high interest rate environment. MARTA would also be exposed to tax risk stemming from changes in marginal income tax rates or those caused by a reduction or elimination in the benefits of tax exemption for municipal bonds. The cash received at the inception of the interest rate swap agreements was deferred and is being amortized over the life of the agreements and is included in deferred revenue in the statements of net assets.

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

MARTA is exposed to Counterparty credit risk where the Counterparty will not perform pursuant to the contract's terms. This risk could require MARTA to make a termination payment.

MARTA is exposed to interest rate risk when a generally adverse move in variable rates increases the overall cost of borrowing or if credit concerns relating to MARTA have the same impact. MARTA currently has $150,000 exposure to variable rates and the basis swaps will not increase that exposure. However, variable rate exposure under the basis swap relates to the fact that MARTA's obligations under the basis swap will vary with market conditions and will not be fixed. Variability is associated with the absolute level of interest rates as well as the relationship between BMA and LIBOR.

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

MARTA is exposed to market-access risk; there is the risk that MARTA will not be able to enter the credit market or that credit will become more costly.

Forward Delivery Agreements–MARTA is required to make monthly deposits into debt service sinking funds for the principal and interest payments due semi-annually on its Bonds. MARTA, via the trustee, currently invests these deposits in money market funds or short-term permitted investments that mature on or before the debt service payment dates. On August 15, 2007, MARTA and its bond trustee, US Bank, entered into a debt service forward delivery agreement with the issuer, Bank of America, NA, with respect to the debt service fund related to Series N Bonds, issued in the original aggregate principal amount of $122,245, Series P Bonds, issued in the original aggregate principal amount of $296,755, Series1998A Bonds, issued in the original aggregate principal amount of $144,535, and Series 2005A Bonds, issued in the original aggregate principal amount of $190,490, providing for the upfront payment in an amount equal to the present value of the future interest cash flows. A portion of the proceeds from the upfront interest payments will be used towards fulfillment of debt service requirements on the related Bonds.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

The cash received at the inception of the agreements was $11,350 and was allocated by Bond Series as follows:

Series N	$ 1,348
Series P	4,130
Series 1998A	2,252
Series 2005A	3,620
Total	$ 11,350

These amounts were deferred and are being amortized over the life of the agreements and are included in deferred revenue in the statements of net assets.

8. BOND REFUNDINGS

In prior years, MARTA has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from MARTA's financial statements. At June 30, 2008, the amount of defeased debt outstanding but removed from MARTA's statement of net assets totaled $417,585.

9. PENSION PLANS

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

The funding methods and determination of benefits for the defined benefit plans were established by the MARTA Act creating such plans and in general, provide that pension funds are to be accumulated from employee contributions, MARTA contributions, and income from the investment of accumulated funds. Each plan is administered by a pension committee. Each plan issues a publicly available financial report that includes financial information for that plan. Those reports may be obtained by writing or calling the plan.

Non-Represented Pension Plan
2424 Piedmont Road NE
Atlanta, GA 30324
(404) 848-5237

MARTA/ATU Local 732 Employees Retirement Plan
2424 Piedmont Road NE
Atlanta, GA 30324
(404) 848-5237

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

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

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

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the plans as of January 1, 2008 for the Union Plan and Non-Rep Plan:

	Union	Non-Rep
Active employees	2,776	1,094
Pensioners	1,385	888
Inactive vestees	175	159
Total	4,336	2,141

Funding Status and Annual Pension Cost–MARTA's funding policy is to contribute a percentage of each plan's covered payroll as developed in the actuarial valuation for the individual plan. MARTA's contribution percentage is the actuarially determined amount necessary to fund plan benefits after consideration of employee contributions. In accordance with the plan agreement, employer and employee contributions to the Union Plan and the Non-Rep Plan must be at least equal to the actuarially determined amount necessary to fund plan benefits.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

The actuarially determined contribution amount is the sum of the annual normal costs determined under the Entry Age Normal actuarial cost method. The union plan's and non-rep plan's unfunded actuarial accrued liability is reported under the Schedule of Funding Progress. MARTA's annual pension cost for the current year, based on actuarial valuations performed as of January 1, 2008 for union and non-rep plans and related information for each plan, is as follows:

	Union	Non-Rep
Contribution rates:		
MARTA	4.48%	18.00%
Plan members	2.45%	5.00%
Transit Police	-	6.50%
Annual pension cost	$ 6,480	$ 10,515
Contributions made	$ 6,586	$ 59,284
Actuarial valuation date	1/1/07	1/1/07
Actuarial cost method	Frozen Entry Age Cost Method	Entry Age Cost Method
Amortization method	Level % of pay, open	Level % of pay, open
Remaining amortization period	N/A	N/A
Asset valuation method	5 - year weighted index	5 - year weighted index
Actuarial assumptions		
Investment rate of return	7.5%	7.5%
Projected salary increases:		
Inflation and productivity	4.5% per year	3.8% per year
Merit or seniority	1.0% per year	1.6% per year
Post retirement benefit increases	none	none

Entry Age Cost Method–The Non-Rep and Union plans use the entry age actuarial cost method. Under this method, the excess of the actuarial present value of projected benefits of the group included in the actuarial valuation over the actuarial value of assets is allocated as a level amount over the earnings of the group as a whole, not as a sum of individual allocations. The portion of the excess actuarial present value allocated to a valuation year is called the normal actuarial cost. All ancillary benefits are funded under the same method as retirement benefits. These liabilities are amortized through the normal cost.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Four-Year Trend Information

MARTA/ATU Local 732 Retirement Plan

Plan Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2004	$ 5,903	100	0
2005	6,270	100	0
2006	6,480	100	0
2007	6,253	100	0

Non-Represented Pension Plan

Plan Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2004	$ 10,043	100	0
2005	9,493	100	0
2006	10,515	100	0
2007	13,053	100	0

Schedule of Funding Progress

MARTA/ATU Local 732 Employees Retirement Plan

Beginning with the 2001 Fiscal Year the Actual Cost Method was changed from the Aggregate to the Frozen Entry Age. Neither method separately identifies an Actuarial Accrued Liability. As a result, the Aggregate Method is not required to provide a Schedule of Funding Progress. Beginning with the FY 2008 the Funded Status will be required to be reported using the Entry Age Normal method if the Actuarial Cost Method used to develop the Annual Required Contribution does not directly compute the Actuarial Accrued Liability. This requirement is mandated by GASB 50. The information below is what would have been reported using the Entry Age Normal Cost Method since 2004.

Plan Year	Actuarial Value of Assets	Unfunded Frozen Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2005	$ 425,719	$ (41,144)	$ 93,196	(44.1)%
1/1/2006	429,513	(40,301)	95,036	(42.4)
1/1/2007	444,445	(38,659)	105,031	(36.8)
1/1/2008	471,361	(47,316)	108,031	(43.9)

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Non-Represented Pension Plan

Prior to January 1, 2002, the Aggregate Actuarial Cost Method was used in determining the funding requirements. This method does not identify or separately amortize unfunded actuarial liabilities. These liabilities are amortized through the normal cost. As of 1/1/2002, the Entry Age Method was adopted. The schedule of funding progress thereafter reflects this change.

Plan Year	Actuarial Value of Assets	Unfunded Frozen Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2005	$ 170,633	$ 112,511	$ 62,699	179.4 %
1/1/2006	177,925	115,725	59,819	196.5
1/1/2007	239,243	82,121	62,163	132.1
1/1/2008	251,492	115,429	66,692	173.1

Defined Contribution Pension Plan–The MARTA Non-represented Defined Contribution Plan and Trust (the "Plan") was established to provide benefits at retirement to non-represented employees of MARTA who were hired on or after January 1, 2005 and to those members of the Non-Rep Plan who elected to transfer to this Plan. The Plan is administered by Princeton Retirement Group. The employee is required to contribute 6% of their annual compensation and MARTA matches at 3% of the enrolled employee's annual compensation. Plan provisions and contributions requirements are established and may be amended by the pension committee after approval by resolution of the MARTA Board of Directors. Employer contributions to the Plan for the years 1/1/2008 and 2007 were $360 and $195, respectively.

Employee contributions to the Plan for the years ended June 30, 2008 and 2007 were $718 and $389, respectively.

On August 9, 2006 MARTA contributed $45,000 to the Non-Rep Plan to reduce the unfunded actuarial accrued liability outlined in the Actuarial Valuation Report as of January 1, 2006. Georgia State law places restrictions on the types of investment securities that pension funds can be invested in if they fall in the category of MARTA's non-compliance. Specifically, Georgia State law requires that pension funds be at least 75% funded to continue to invest 60% of the fund's assets in the equity market and, of that, 5% in international equities. Failure to meet this requirement reduces the allowable equity investment to 55% and 0% in the international market. MARTA management and the Board of Directors believed that such a reduction would serve to further exacerbate the magnitude of the under-funding and therefore the additional contribution was made during the year ended June 30, 2007 from non-sales and use tax money to allow the Authority to avoid non-compliance on its Non-Rep Plan.

10. 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 $15 per year. All administration costs of the 457 Plan are deducted from the participant's account. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). The 457 Plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA's statements of net assets.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Other Post Retirement Benefits–In addition to providing pension benefits, MARTA provides certain health care benefits until age 65, life insurance and transit passes for all retired employees and temporary disability payments. Fully vested (5 years of service) non-represented employees less than age 52 who elect early retirement and represented employees retiring with a regular, disability, or early (unreduced) pension are eligible for post retirement health care benefits at no cost to the retiree for the first ten years after their retirement. Such retirees may elect to continue coverage for an additional five years, with the retiree contributing 50% of the cost of the coverage. The maximum number of years for a retiree to receive MARTA health care benefits is fifteen years or to age 65, whichever comes first. These post retirement benefits are not offered to any non-represented employee excluding police officers hired on or after July 1, 2004.

MARTA's annual other postemployment benefit (OPEB) cost is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) with increasing payments over a period not to exceed thirty years. The following schedule shows the components of MARTA's Annual OPEB cost for the year, the amount actually contributed to the plan and changes in MARTA's Net OPEB Obligation (Asset).

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 June 30, 2008 actuarial valuation, the Individual Entry Age Normal 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.

	Year Ended June 30, 2008
Annual required contribution	$ 20,039
Interest on net OPEB obligation	-
Annual OPEB cost	20,039
Actual employer contributions	13,509
Increase in net OPEB obligation(asset)	6,530
Net OPEB obligation, July 1, 2007	-
NEt OPEB obligation (asset), July 30, 2008	$ 6,530
Percentage of annual contributions made to ARC	67%

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

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.

For purposes of the fiscal year 2008 actuarial valuation, a discount rate of 4.7% was used.

11. RISK MANAGEMENT

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

MARTA also provides a coordinated insurance program for its construction program, which covers MARTA and its contractors. This program insures workers' compensation risks at 100%. General liability is covered by a $4,000 primary policy subject to $250 deductible, and an excess policy for claims from $4,000 to $50,000. All risk property is insured by the same program as MARTA property.

There have been no significant reductions in insurance coverage during the years ended June 30, 2008 and 2007 and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

The changes in the liabilities for self-insurance for the years ended June 30, 2008 and 2007 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Totals
Balance, July 1, 2006	$ 6,842	$ 7,979	$ 14,821
Incurred claims, net of any changes	8,522	3,424	11,946
Payments	(5,708)	(3,343)	(9,051)
Balance, June 30, 2007	9,656	8,060	17,716
Incurred claims, net of any changes	6,739	6,176	12,915
Payments	(5,544)	(4,934)	(10,478)
Balance, June 30, 2008	$ 10,851	$ 9,302	$ 20,153
Due within one year	$ 836	$ 572	$ 1,408

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.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

MARTA also provides employee health insurance which includes medical, vision, pharmacy drugs, dental, critical illness, and life insurance. Effective July 1, 2005 medical and dental plans moved from a fully-insured arrangement to a self-funded arrangement. The three medical plans have both specific and aggregate stop loss insurance coverages.

12. DEFERRED REVENUE

During the year ended June 30, 2001, MARTA entered into two arrangements to lease a number of its rail cars to third party investors and sublease them back under a capital sublease. The effect of the transaction was to transfer the tax benefits of ownership to the investors, in exchange for which MARTA received cash consideration equal to the difference between the lease and sublease payments of $24.2 million (less expenses totaling $4.6 million resulting in net proceeds totaling $19.6 million). The sublease payments have been economically defeased (prepaid) by MARTA and placed in an irrevocable trust. MARTA is required to maintain the cars at an operating level over the life of the sublease as specified in the terms of the lease agreement. Because of the ongoing maintenance and renovation expenditures required to meet this operating level, the net proceeds were deferred and will be amortized over the life of the respective leases (approximately 18.5 years) on a straight-line basis.

During the year ended June 30, 2002, MARTA entered into an additional arrangement to lease rail cars to third party investors and sublease them back under a capital sublease. MARTA received $11.4 million as a result of the transaction. The proceeds are being amortized over the life of the respective lease (approximately 25 years) on a straight-line basis.

During the year ended June 30, 2003, MARTA entered into an additional lease leaseback arrangement for rail cars with third party investors. A lease leaseback arrangement was also entered into for the Avondale Rail Maintenance Facility. MARTA received cash consideration of $15.3 million for the two transactions (less expenses totaling $1.5 million, resulting in net proceeds of $13.8 million). The net proceeds are being amortized over the life of the respective leases on a straight-line basis (approximately 25 years for the rail cars and 31.5 for the maintenance facility).

During the year ended June 30, 2004, MARTA entered into additional lease leaseback arrangements with third party investors. These arrangements consist of a 32-year lease-to-service contract on the east rail line from Five Points station to Indian Creek station and a 29-year lease-to-service contract on the south rail line from Five Points station to Airport station. MARTA received cash consideration of $51.7 million for the transactions (less expenses totaling $2.7 million, resulting in net proceeds of $49 million). The net proceeds are being amortized over the life of the respective leases on a straight-line basis.

During the year ended June 30, 2005, MARTA received additional cash consideration of $2.2 million, less a negligible amount of expenses, for a forward moving contract on the lease service deposits related to the south rail line and east rail line lease leaseback transactions entered into in the year ended June 30, 2004 and the Avondale Rail Maintenance Facility entered into during the year ended June 30, 2003.

During the year ended June 30, 2006, MARTA received cash consideration of $5.2 million, net of expenses, for defeased lease financing of forty railcars. The net proceeds are being amortized over the life of the lease, which is approximately 28 years, on a straight-line basis.

During the year ended June 30, 2007, MARTA received additional cash consideration of $4.1 million, less a negligible amount of expenses, for liquidating securities on the lease service deposits related to the south rail line, east rail and MARTA Rail STAT Custody (Avondale Account) leaseback transactions. The agreements were entered into on July 10, 2006 and April 10, 2007. The net proceeds are being amortized over the life of the agreements, which are approximately 25 years for south/east line and 26 years respectively, on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

13. 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, 2008. As of June 30, 2008, $12.5 million was committed for the upgrade and replacement of the bus and rail fare collection and processing system. At June 30, 2008 MARTA was committed to future capital expenditures for various other projects.

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

FTA has also authorized other grant funds for the construction of a bus rapid transit (BRT) system, bus transit facilities, replacement and rehabilitation of transit operating equipment, development work for construction support techniques, purchase and installation of a computer, 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, additional lease leaseback transactions, future new bond proceeds, issuance of commercial paper and federal and state capital grants. MARTA also has lease and interest revenue and capital reserves available to supplement its needs.

During the year ended June 30, 2001, MARTA began construction of a Transit Oriented Development Program whereby MARTA would lease office, retail, and residential space. The BellSouth Towers and related parking and retail space were completed in October 2002. Several lease agreements have been signed, the terms of which provide for various payments to be made to MARTA over a variety of years.

Atlanta Gas Light Company constructed a refueling station on MARTA's Perry Boulevard property. MARTA leases this refueling station under an operating lease. The non-cancelable lease term is for five years after which the lease provides three renewal options of five years each but does not include a bargain renewal option. MARTA has the option to purchase the refueling station at the remaining value of the outstanding options valued at $125 per year. The cost for this lease was $629 and $551 for the years ended June 30, 2008 and 2007, respectively. The minimum future rental payment for fiscal year 2009 and for each remaining option year is $384. However, the actual amount of lease payments for future years is dependent upon the amount of fuel used at the station.

MARTA leases air rights and ground leases over and adjacent to its stations to third parties for the construction of office and other developments. Future lease payments scheduled to be received under non cancelable operating leases are as follows at June 30, 2008:

Fiscal Year	Amount
2009	$ 4,229
2010	4,381
2011	4,548
2012	4,702
2013	4,791
	$ 22,651

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

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 forward contracts to hedge diesel (using low sulfur heating oil) and natural gas. It is possible that the index prices may be lower than the price at which MARTA committed to in the contracts. This would reduce the value of the contract and MARTA could sell the contract at a loss, or likewise if the index prices are higher, the value of the contracts would increase and MARTA could sell the contracts at a profit. If MARTA continues to hold the contract until maturity, MARTA may make or receive termination payments to or from the counterparty to settle the obligation under the contract. These contracts settle on a monthly basis and will expire on December 31, 2008.

A summary of these forward contracts is as follows:

Date of Execution	Notional Amount	Termination Date	Fixed Price	Counterparty	Fair Value at 6/30/08	Cash Received In FY 2008
Natural Gas:						
8/04/2004	$ 757,114	12/31/2008	$ 5.79 per MMBTU	Canadian Imperial Bank of Commerce	$ (2,934)	$ 1,765
Diesel:						
8/04/2004	$ 2,602,292	12/31/2008	$ .9885 per gallon	Canadian Imperial Bank of Commerce	$ 4,450	$ 4,254

MARTA is exposed to the failure of the counterparty to fulfill the forward-fuel contract. The terms of the contract 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.

Contingencies–MARTA is a defendant in several lawsuits relating to alleged personal injuries, and alleged damages to property and business as a result of its operations. Claims have also been filed with MARTA which, for the most part, relate to alleged changes and/or conditions imposed on various contractors by MARTA beyond those provided for in the original contracts. In addition, FTA periodically audits costs relating to the federal grants. Any costs that are ultimately determined to be non-allowable under the provisions of a federal capital grant will have to be funded with local funds. The outcome of the above matters is not presently determinable; however, management believes the ultimate resolution of these matters will not materially affect the financial statements of MARTA.

14. SUBSEQUENT EVENT

Sales Tax Revenue Commercial Paper Notes–MARTA's $400,000 commercial paper (CP) program is split into two programs that were originally remarketed by Bear Stearns and Co. Inc. and Lehman Brothers. Both of these companies declared bankruptcy in 2008, and the remarketing agent duties were subsequently assumed by JP Morgan and Barclays Capital respectively. There has been no disruption in the remarketing of the CP.

NOTES TO THE FINANCIAL STATEMENTS – June 30, 2008 and 2007 (Dollars in Thousands)

Variable Rate Demand Bonds–MARTA's $200,000 variable rate demand bonds (VRDB) program is split into two programs that were originally remarketed by Morgan Stanley and Lehman Brothers. Lehman Brothers declared bankruptcy in 2008, and the remarketing agent duties were subsequently assumed by Barclays Capital. There was a temporary disruption the remarketing of the VRDB during the period between the declaration of bankruptcy and the subsequent take over by Barclays Capital. During this period there were lenders that failed to remarket that were taken in by the letter of credit provider without incident. All VRDB was subsequently remarketed.

Lease to Service Transactions–From 2001 through 2005 MARTA entered into numerous Lease to Service Transactions involving heavy rail revenue rolling stock and rail infrastructure. American Insurance Group (AIG) was a participant in a majority of these transactions. With the recent downgrade of AIG to A-, rating thresholds were triggered involving fourteen of the transactions. There were three types of actions necessary as a result of these events.

- Five of the transactions required AIG to post collateral within 10 business days of receiving written request thereof. AIG was requested to post collateral and the request was subsequently honored.
- Three of the transactions require MARTA to replace the Payment Agreement and/or the Equity Payment Agreement within 60 days. MARTA is currently in the 60 day window for replacement and is evaluating the appropriate actions.
- Eleven of the transactions require MARTA to provide Acceptable Sublease Collateral for the Equity Payment Agreement within 45 days. These transactions are currently collateralized with United States Government backed securities. MARTA is still within the 45 day window and is evaluating the appropriate actions.

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

For the Year Ended June 30, 2008 (Dollars in Thousands)

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	$ 110,527	$ 103,963	$ (6,564)
Other Revenues	5,008	13,595	8,587
Total Operating Revenues	115,535	117,558	2,023
Operating Expenses:			
Transportation	166,701	174,927	(8,226)
Maintenance and Garage Operations	139,907	129,430	10,477
General and Administrative	75,412	64,410	11,002
Contingency	1,500		1,500
Total Operating Expenses	383,520	368,767	14,753
Operating Loss	(267,985)	(251,209)	16,776
Sales and Use Tax	371,209	349,668	(21,541)
Federal Operating Revenues	44,426	49,253	4,827
Investment Income	5,472	18,068	12,596
Other Revenues	11,132	10,786	(346)
Nonoperating Revenues (Expenses):	432,239	427,775	(4,464)
Increase in Net Assets - Budget Basis	$ 164,254	176,566	$ 12,312
Basis Differences			
Depreciation		(195,892)	
Gain (Loss) on Sales of Property and Equipment		275	
Interest Expense		(75,558)	
Interest Expense Capitalized		177	
Amortization of Bond Discount, Issue Costs and Deferred Loss on Refunding		3,715	
General and Administrative Expense - Non-operating		(23,288)	
Other Expenses-Special Pension Item			
Capital Grants		81,191	
Decrease in Net Assets - GAAP Basis		$ (32,814)	

See notes to Supplemental Schedule.

NOTES TO SUPPLEMENTAL SCHEDULE

For the Year Ended June 30, 2008 (Dollars in Thousands)

1. BUDGETARY HIGHLIGHTS

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. The fiscal year 2008 net operating expenses were $369 million which excludes depreciation. This was $15 million (3.8%) less than the fiscal year 2008 budget, which had been budgeted $33 million (9.2%) more than the previous year's budget. In Fiscal Year 2008, MARTA's Automated Fare Collection system (AFC) became fully operational. MARTA continued a number of cost containment measures in fiscal year 2008 by focusing on the Board of Director's priorities, which includes improving service reliability and cleanliness, as well as improving financial stability. These measures lead to the $11 million favorable variance in general and administrative expenses. The continuing weakness in the economy pushed Sales and Use Tax collections lower than anticipated.

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STATISTICAL SECTION

STATISTICAL SECTION – Unaudited

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

Contents

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

CONDENSED SUMMARY OF NEXT ASSETS

Last Six Fiscal Years (Dollars in Thousands)

	2008	2007	2006	2005	2004	2003
ASSETS:						
Current and Other Assets	$676,460	$617,821	$539,981	$510,527	$463,672	$529,780
Capital Assets	3,393,197	3,350,154	3,304,347	3,240,064	3,194,420	3,137,525
Total Assets	4,069,657	3,967,975	3,844,328	3,750,591	3,658,092	3,667,305
LIABILITIES:						
Long-term Debt Outstanding	1,685,722	1,581,188	1,425,964	1,357,907	1,288,364	1,325,757
Other Liabilities	294,072	264,110	251,278	238,927	219,286	186,662
Total Liabilities	1,979,794	1,845,298	1,677,242	1,596,834	1,507,650	1,512,419
NET ASSETS:						
Invested in Capital Assets, Net of Debt	1,716,558	1,775,967	1,884,865	1,887,897	1,912,103	1,818,589
Restricted	287,817	276,447	268,520	234,055	220,527	218,370
Unrestricted	85,487	70,263	13,701	31,805	17,812	117,927
TOTAL NET ASSETS	$2,089,863	$2,122,677	$2,167,086	$2,153,757	$2,150,442	$2,154,886

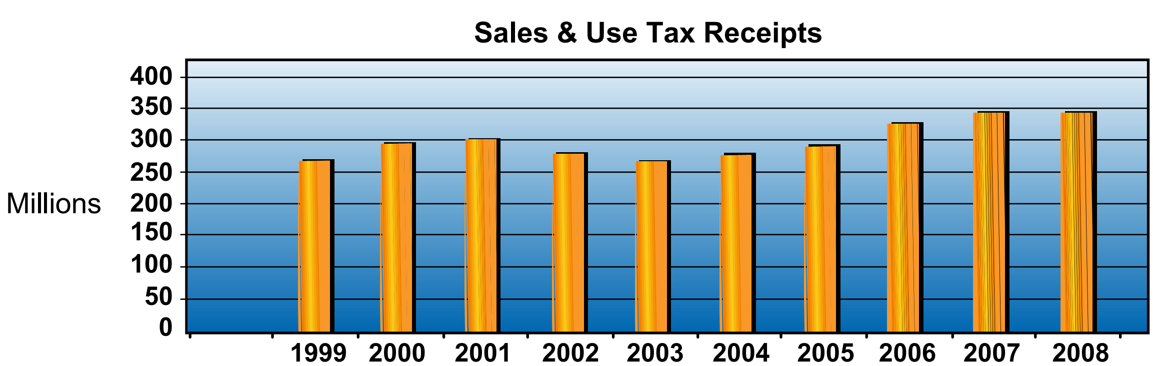
SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Last Six Fiscal Years (Dollars in Thousands)

	2008	2007	2006	2005	2004	2003
Operating Revenues						
Fare Revenues	$ 103,963	$ 104,678	$ 99,148	$ 96,244	$ 95,082	$ 96,059
Other Revenues	13,595	5,277	6,112	7,425	12,225	9,955
Total Operating Revenues	117,558	109,955	105,260	103,669	107,307	106,014
Non-Operating Revenues						
Sales and Use Tax	349,668	350,526	334,486	307,227	283,381	271,006
Federal Operating Revenues	49,253	40,142	39,045	40,374	41,556	40,157
Investment Income	18,068	19,609	13,136	7,778	4,305	8,227
Other Revenues	10,786	9,614	10,088	9,615	8,904	7,143
Gain (Loss) on Sale of Property and Equip.	275	833	572	(2,741)	(6,224)	459
Total Nonoperating Revenues	428,050	420,724	397,327	362,253	331,922	326,992
Total Revenues	545,608	530,679	502,587	465,922	439,229	433,006
Summary of Expenses Operating:						
Transportation	174,927	158,300	146,162	141,833	149,278	143,755
Maintenance and Garage Operations	129,430	116,746	110,065	117,871	113,930	118,446
General and Administrative	64,410	53,912	50,278	49,678	39,849	52,588
Depreciation	195,892	163,939	147,052	138,976	132,612	135,116
Total Operating Expenses	564,659	492,897	453,557	448,358	435,669	449,905
Non-Operating Expenses						
Interest Expenses	75,558	70,326	65,831	64,165	62,505	63,905
Interest Expenses Capitalized	(177)	(1,710)	(3,470)	(11,989)	(10,434)	(8,585)
Amortization of Bond Discount, Issue Costs and Deffered Loss on Refunding	(3,715)	(2,966)	(1,177)	653	1,191	1,715
Other Expenses-Special Pension Plan		45,000				
General and Administrative Expense	23,288	12,818	13,160	13,103	10,271	10,394
Total Nonoperating Expenses	94,954	123,468	74,344	65,932	63,533	67,429
Total Expenses	659,613	616,365	527,901	514,290	499,202	517,334
Loss Before Capital Contributions	(114,005)	(85,686)	(25,314)	(48,368)	(59,973)	(84,328)
Capital Grants	81,191	41,277	38,643	51,683	55,529	88,290
Increase (Decrease) in Net Assets	(32,814)	(44,409)	13,329	3,315	(4,444)	3,962
Net Assets, July 1	2,122,677	2,167,086	2,153,757	2,150,442	2,154,886	2,150,924
Net Assets, June 30	$ 2,089,863	$ 2,122,677	$ 2,167,086	$ 2,153,757	$ 2,150,442	$ 2,154,886

SALES TAX COLLECTION AND USAGE – Last Ten Fiscal Years (Dollars in Thousands)

			Usage (2 & 3)				
					Sales Tax for Operations		
Fiscal Year	Sales Tax(1)	Percent Change	Sinking Fund Withheld	Capital Construction	Subsidy	Percent Used	Overage/ (Shortage)
1999	$ 272,794	12.3%	$ 92,212	$ 44,185	$ 137,089	50 %	$ (692)
2000	295,796	8.4	91,858	56,040	163,747	55	(15,849)
2001	304,388	2.9	98,601	53,593	167,334	55	(15,140)
2002	286,435	(5.9)	92,449	50,769	144,209	51	(992)
2003	272,578	(4.8)	99,213	37,076	157,732	58	(21,443)
2004	280,663	3.0	93,361	46,970	143,439	51	(3,107)
2005	296,351	5.6	107,703	40,472	152,135	51	(3,959)
2006	331,213	11.8	111,523	54,083	145,617	44	19,990
2007	349,215	5.4	118,276	56,331	158,931	46	15,677
2008	351,596	0.7	125,311	50,487	182,671	52	(6,873)



(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.

REVENUES AND OPERATING ASSISTANCE COMPARISON TO INDUSTRY TREND DATA

Last Ten Fiscal Years (Dollars in Thousands)

	Fiscal Year	Operating and Other Miscellaneous Revenue: Fares	Operating and Other Miscellaneous Revenue: Other [2]	Operating and Other Miscellaneous Revenue: Total	Operating Assistance: Sales & Use Tax	Operating Assistance: Federal	Operating Assistance: Total	Total Revenue
Transportation Industry [1]								
	1999	37.3%	16.4%	53.7%	42.4%	3.9%	46.3%	100.0%
	2000	36.1	17.4	53.5	42.4	4.1	46.5	100.0
	2001	35.2	14.1	49.3	46.2	4.5	50.7	100.0
	2002	32.5	17.3	49.8	45.3	4.9	50.2	100.0
	2003	32.6	18.1	50.7	43.6	5.7	49.3	100.0
	2004	32.9	16.7	49.6	43.4	7.0	50.4	100.0
	2005	32.4	15.7	48.1	44.6	7.3	51.9	100.0
	2006	33.2	7.0	40.2	52.1	7.7	59.8	100.0
	2007	*	*	*	*	*	*	*
	2008	*	*	*	*	*	*	*
MARTA								
	1997	22.3 %	7.8 %	30.1%	61.2 %	8.7 %	69.9	100.0%
	1999	20.7	7.6	28.3	62.7	9.0	71.7	100.0
	2000	20.7	6.9	27.6	65.2	7.2	72.4	100.0
	2001	20.4	8.9	29.3	61.0	9.9	70.7	100.0
	2002	22.7	5.9	28.6	63.3	8.1	71.4	100.0
	2003	22.2	5.9	28.1	62.6	9.3	71.9	100.0
	2004	21.3	5.8	27.1	63.6	9.3	72.9	100.0
	2005	20.5	5.3	25.8	65.6	8.6	74.2	100.0
	2006	20.5	5.8	26.3	66.0	7.7	73.7	100.0
	2007	19.8	6.5	26.3	66.2	7.5	73.7	100.0
	2008	19.1	7.8	26.9	64.1	9.0	73.1	100.0

* Not Available

[1] Source: The American Public Transportation Association, APTA 2008 Transportation Fact Book, Table 47

[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
1999	$ 113,102	$ 116,047	$ 54,327	$ 120,894	$ 404,370	$ 60,513	$ 7,114	$ 471,997
2000	121,001	124,859	60,055	116,097	422,012	58,840	8,091	488,943
2001	128,445	141,819	59,924	121,088	451,276	59,662	13,832	524,770
2002	135,377	107,713	54,901	132,082	430,073	53,790	12,920	496,783
2003	143,755	118,446	52,588	135,116	449,905	55,320	12,109	517,334
2004	149,278	113,930	39,849	132,612	435,669	52,071	11,462	499,202
2005	141,833	117,871	49,678	138,976	448,358	52,175	13,757	514,290
2006	146,162	110,065	50,278	147,052	453,557	62,361	11,983	527,901
2007	158,300	116,746	53,912	163,939	492,897	68,616	54,852	616,365
2008	174,927	129,430	64,410	195,892	564,659	75,381	19,573	659,613

TOTAL 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
1999	$ 208,033	$ 26,353	$ 27,990	$ 10,814	$ 5,315	-	$ 120,894	$ 4,971	$ 404,370
2000	224,300	19,089	32,212	10,915	9,699	-	116,097	9,700	422,012
2001	243,196	36,865	28,914	12,347	4,657	-	121,088	4,209	451,276
2002	228,859	14,589	28,559	13,220	6,196	-	132,082	6,568	430,073
2003	238,776	17,751	30,403	13,229	6,896	-	135,116	7,734	449,905
2004	239,408	15,410	31,893	12,875	(487)	-	132,612	3,958	435,669
2005	236,793	15,691	32,437	13,014	7,682	-	138,976	3,765	448,358
2006	238,085	15,411	31,561	13,898	5,700	-	147,052	1,850	453,557
2007	250,759	16,755	33,871	15,511	9,777	-	163,939	2,285	492,897
2008	285,757	15,409	39,514	16,550	8,861	-	195,892	2,676	564,659

OPERATING EXPENSES COMPARISON TO INDUSTRY TREND DATA

Last Ten Fiscal Years

	Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Other	Total Operating Expenses **
Transportation Industry (1)									
	1999	70.9 %	5.9 %	9.2 %	3.3 %	2.2 %	11.5 %	(3.0)%	100.0%
	2000	69.8	5.7	10.0	3.2	2.2	12.2	(3.1)	100.0
	2001	69.5	5.9	10.0	3.3	2.1	12.6	(3.4)	100.0
	2002	70.2	6.2	9.2	3.1	2.5	12.0	(3.2)	100.0
	2003	69.0	6.0	9.0	3.0	2.6	13.4	(3.0)	100.0
	2004	68.7	5.8	9.1	3.0	2.6	13.4	(2.6)	100.0
	2005(P)	66.9	5.8	10.1	3.2	2.5	13.8	(2.3)	100.0
	2006	*	*	*	*	*	*	*	*
	2007	*	*	*	*	*	*	*	*
	2008	*	*	*	*	*	*	*	*
MARTA									
	1999	73.4%	9.3%	9.9%	3.7%	1.9%	0.0%	1.8%	100.0%
	2000	73.0	6.2	10.5	3.6	3.2	0.0	3.5	100.0
	2001	73.6	11.2	8.8	3.7	1.4	0.0	1.3	100.0
	2002	76.8	4.9	9.6	4.4	2.1	0.0	2.2	100.0
	2003	75.9	5.6	9.7	4.2	2.2	0.0	2.4	100.0
	2004	79.0	5.1	10.5	4.2	(0.1)	0.0	1.3	100.0
	2005	76.5	5.1	10.5	4.2	2.5	0.0	1.2	100.0
	2006	77.7	5.0	10.3	4.5	1.9	0.0	0.6	100.0
	2007	76.2	5.1	10.3	4.7	3.0	0.0	0.7	100.0
	2008	77.5	4.2	10.7	4.5	2.4	0.0	0.7	100.0

P Preliminary
* Not Available
** Excludes Depreciation
(1) Source: The American Public Transportation Association, APTA 2007 PublicTransportation Fact Book, Table 47.

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[3]	Non-Transportation[4]	Total
1999	$ 91,449	$ 39,741	$ 277,309	$ 4,438	$ 22,585	$ 6,743	$ 442,265
2000	95,095	32,763	299,103	6,628	21,559	3,576	458,724
2001	101,278	48,513	303,562	5,825	30,559	7,667	497,404
2002	102,207	36,477	284,427	9,434	14,211	2,956	449,712
2003	96,059	40,157	271,006	9,955	8,227	7,602	433,006
2004	95,082	41,556	283,381	12,225	4,305	2,680	439,229
2005	96,244	40,374	307,227	7,425	7,778	6,874	465,922
2006	99,148	39,045	334,486	6,112	13,136	10,660	502,587
2007	104,678	40,142	350,526	5,277	19,609	10,447	530,679
2008	103,963	49,253	349,668	13,595	18,068	11,061	545,608

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

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

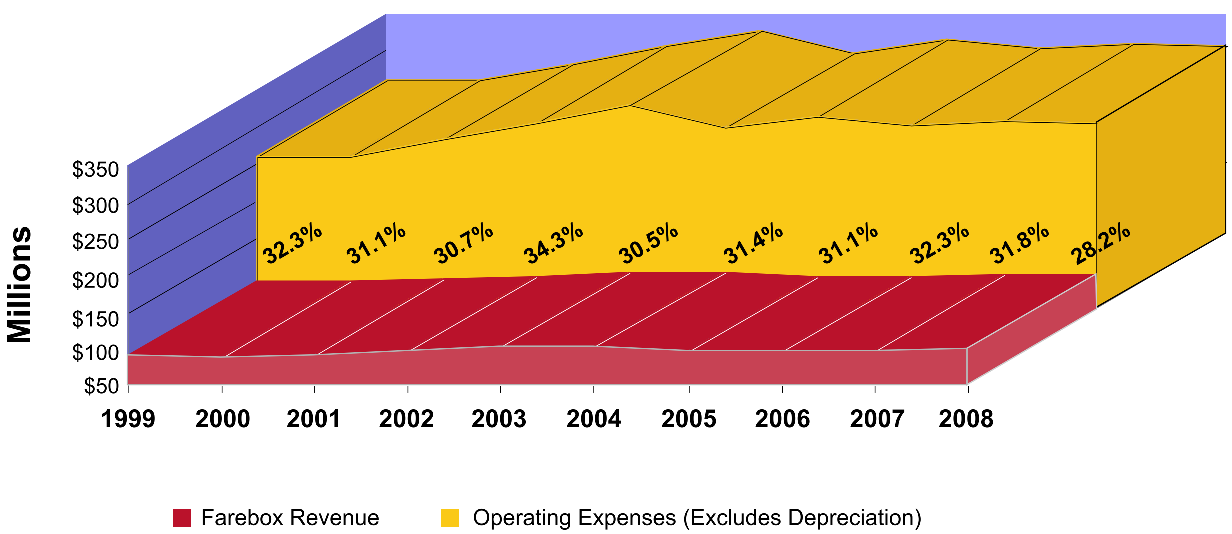
(3) In fiscal year 1998, MARTA changed its method of accounting for investments from the amortized cost method to the fair value method.

(4) 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
1999	$ 91,449	3.9%	$ 283,475	9.3%	32.3%
2000	95,095	4.0	305,915	7.9	31.1
2001	101,278	6.5	330,187	7.9	30.7
2002	102,207	0.9	297,991	(9.8)	34.3
2003	96,059	(6.0)	314,789	5.6	30.5
2004	95,082	(1.0)	303,057	(3.7)	31.4
2005	96,244	1.2	309,382	2.1	31.1
2006	99,148	3.0	306,505	(0.9)	32.3
2007	104,678	5.6	328,958	7.3	31.8
2008	103,963	(0.7)	368,767	12.1	28.2



[1] Excludes depreciation expense

SALES & USE TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	State of Georgia (1)	MARTA (2)	DeKalb County (3 & 8)	Fulton County (4 & 8)	Clayton County (5)	Cobb County (6)	Gwinnett County (7)
1998	4 %	1 %	2 %	2 %	2 %	1 %	2 %
1999	4	1	2	2	2	1	2
2000	4	1	2	2	3	1	2
2001	4	1	2	2	3	1	2
2002	4	1	2	2	2	1	2
2003	4	1	2	2	2	1	2
2004	4	1	2	2	2	1	2
2005	4	1	2	2	3	2	2
2006	4	1	2	2	3	2	2
2007	4	1	2	2	3	2	2
2008	4	1	2	2	3	2	2

(1) Charged in all counties.
(2) Charged in counties in the MARTA district which have a service contract with MARTA, currently Fulton and DeKalb counties.
(3) Education tax and homestead tax effective July 1, 1997.
(4) Local option tax effective April 1, 1983. Education tax effective July 1, 1997.
(5) Local option tax effective April 1, 1994. Education tax effective July 1, 1997. Special purpose tax effective July 1, 1998.
(6) Education tax effective April 1, 1999.
(7) Special purpose tax effective April 1, 1992. Education tax effective July 1, 1997.
(8) Local other purpose tax levied only within the City of Atlanta effective October 1, 2004.

SOURCE: Georgia Department of Revenue

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)]
1999	$ 277,309	$ 29,290	$ 57,228	$ 86,518	3.20
2000	299,103	30,360	62,930	93,290	3.21
2001	303,562	31,965	67,264	99,229	3.06
2002	284,427	33,735	56,883	90,618	3.14
2003	271,006	35,655	56,883	92,538	2.93
2004	283,381	37,525	62,047	99,572	2.85
2005	307,227	30,730	59,920	90,650	3.39
2006	334,486	43,000	58,368	101,368	3.30
2007	350,526	45,160	54,769	99,929	3.51
2008	349,668	48,685	49,876	98,561	3.55

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

SALES & USE TAX REVENUE BOND DEBT SERVICE LIMIT

June 30, 2008 (Dollars in Thousands)

Sales & Use Tax	$ 349,668
Debt Service Limitation [1]	45%
Debt Service Limit	157,351
Required for Debt Service	98,561
Excess	$ 58,790

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

SALES & USE TAX REVENUE BOND DEBT SERVICE LIMIT

Last Ten Fiscal Years (Dollars in Thousands)

Fiscal Year	Sales & Use Tax	Required for Debt Service	Ratio of Debt Service [1]
1998	$ 243,579	$ 84,910	34.9
1999	277,309	86,518	31.2
2000	299,103	93,290	31.2
2001	303,562	99,230	32.7
2002	284,427	90,618	31.9
2003	271,006	92,538	34.1
2004	283,381	99,572	35.1
2005	307,227	90,650	29.5
2006	334,486	101,368	30.3
2007	350,526	99,929	28.5
2008	349,668	98,561	28.2

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

SALES & USE TAX REVENUE BOND DEBT RATIOS

Last Ten Fiscal Years — June 30, 2008 and 2007 (Dollars in Thousands)

Fiscal Year	Outstanding Debt (1)	Total Linked Passenger Count (2)	Per Capita (3)	As a Share of Personal Income (4)
1998	$ 923,752	75,292	$ 12.27	1.82 %
1999	1,094,915	77,508	14.13	2.07
2000	1,065,143	77,761	13.70	1.81
2001	1,233,903	76,880	16.05	2.02
2002	1,201,102	68,777	17.46	1.93
2003	1,325,757	65,274	20.31	2.10
2004	1,288,364	66,375	19.41	1.93
2005	1,357,907	64,013	21.21	1.91
2006	1,425,964	64,296	22.18	*
2007	1,581,188	69,544	22.74	*
2008	1,685,722	150,503	11.20	*

* Not available

(1) From MARTA Financial Statements FY 1998 to FY 2008
(2) See UnLinked Passenger Changes on Page 63
(3) Outstanding Sales Tax Revenue Bond Debt per Linked Passenger Count
(4) Outstanding Sales Tax Revenue Bond Debt per Total Service District Personal Income
(see Trends in Personal Income on Page 57)

COMPUTATION OF OVERLAPPING DEBT

December 31, 2007 (Dollars in Thousands)

Jurisdiction	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Atlanta Downtown Development Authority	$ 57,055	100%	$ 57,055
Fulton County	4,581	100	4,581
Fulton County School District	191,360	100	191,360
Fulton County Building Authority	61,349	100	61,349
DeKalb County	408,874	100	408,874
Municipalities:			
Atlanta	260,095	100	260,095
Alpharetta	56,145	100	56,145
Hapeville	9,290	100	9,290
Union City	14,845	100	14,845
Roswell	44,570	100	44,570
Fulton-DeKalb Hospital Authority	212,080	100	212,080
Atlanta-Fulton County Recreation Authority (Zoo)	21,830	100	21,830
Atlanta-Fulton County Recreation Authority (Arena)	129,555	100	129,555
College Park Business and Industrial Development Authority	4,275	100	4,275
East Point Building Authority	77,790		77,790
Total Overlapping Debt	$ 1,553,694		$ 1,553,694
Total Direct Debt	$ 1,553,694		$ 1,553,694

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, 2007 CAFR for the City of Atlanta, Fulton County, and Dekalb County.

TRENDS IN PERSONAL INCOME

Last Ten Fiscal Years (Dollars in Billions)

Calendar Year	Fulton County	DeKalb County	Total Service District	Percentage Change Fulton County	Percentage Change DeKalb County
1998	$ 31.484	$ 19.226	$ 50.710	10.4%	7.2%
1999	33.411	19.522	52.933	6.1	1.5
2000	37.497	21.434	58.931	12.2	9.8
2001	38.302	22.519	60.821	2.1	5.1
2002	39.142	23.063	62.205	2.2	2.4
2003 *	39.829	23.185	63.014	1.8	0.5
2004	42.300	24.166	66.466	6.2	4.2
2005	46.049	24.976	71.025	8.9	3.4
2006 **	**	**	**	**	**
2007 **	**	**	**	**	**
2008 **	**	**	**	**	**

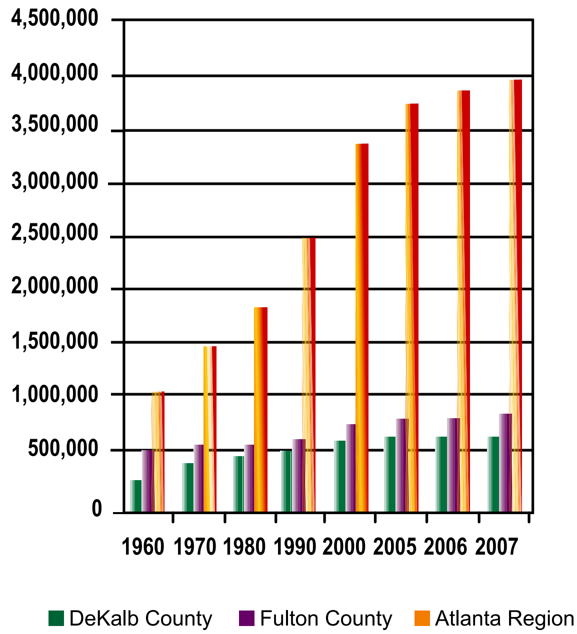
* Revised
** Not available

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

POPULATION AND EMPLOYMENT

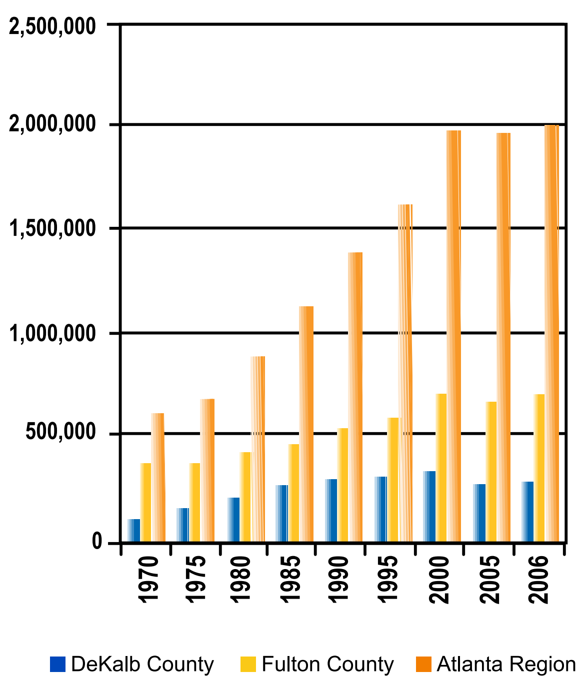
June 30, 2008

Population Growth Since 1960



Year		Fulton County	DeKalb County	Atlanta Region
1960		556,226	256,782	1,093,220
1970		605,210	415,387	1,500,823
1980		589,904	483,024	1,896,182
1990		670,800	553,800	2,557,800
2000	*	816,000	665,900	3,429,400
2005		874,100	700,500	3,813,700
2006	*	900,200	710,400	3,925,400
2007		933,600	718,400	4,029,400

Employment Growth Since 1970

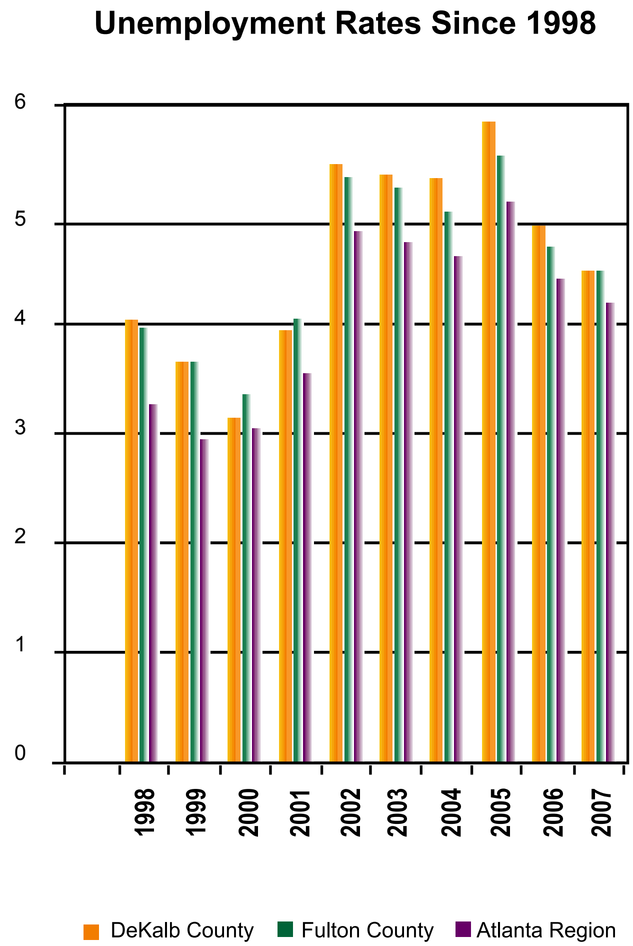


Year	**Fulton County**	**DeKalb County**	**Atlanta Region**
1970	386,988	120,554	619,693
1975	388,394	167,839	705,120
1980	445,341	218,142	901,157
1985	490,000	279,000	1,146,850
1990	560,600	318,300	1,426,000
1995	616,000	331,800	1,640,000
2000	730,900	346,900	1,991,500
2005	691,100	299,400	1,936,700
2006	716,100	303,800	2,003,500

*Revised
Source: Atlanta Regional Commission

UNEMPLOYMENT RATES

Last Ten Fiscal Years



Year		Fulton County	DeKalb County	Atlanta Region
1998		4.0%	4.1%	3.3%
1999		3.7	3.7	3.0
2000	*	3.4	3.2	3.1
2001	*	4.1	4.0	3.6
2002	*	5.4	5.5	4.9
2003	*	5.3	5.4	4.8
2004	*	5.1	5.4	4.7
2005	*	5.6	5.9	5.2
2006	*	4.8	5.0	4.5
2007	*	4.6	4.6	4.3

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

TOP TEN CORPORATE EMPLOYERS IN THE ATLANTA REGION

Current Year and Nine Years Ago

	2006			1997		
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.	23,563	1	0.93	23,991	1	1.17
AT&T Inc.	21,413	2	0.84	11,000	3	0.54
Wal-Mart Stores, Inc.	15,645	3	0.61	-	-	
The Home Depot, Inc.	10,317	4	0.41	-	-	
WellStar Health System Inc.	8,734	5	0.34	-	-	
IBM Corporation	7,500	6	0.29	6,200	8	0.30
SunTrust Banks, Inc.	7,135	7	0.28	0	-	
Emory Healthcare, Inc.	6,900	8	0.27	*	-	
Cox Enterprises, Inc.	6,852	9	0.27	-	-	
United Parcel, Inc.	6,719	10	0.26	*	-	
Bellsouth Corp.	-		-	17,965	2	0.87
Lockheed Martin	-		-	9,031	4	0.44
The Kroger Company	-		-	8,500	5	0.41
Columbia/HCA	-		-	8,035	6	0.39
Lucent Technologies	-		-	7,300	7	0.36
Rich's/Lazarus/Goldsmith's	-		-	5,479	9	0.27
The Coca-Cola Co.	-		-	5,227	10	0.25
	114,778		4.51	102,728		5.00

SOURCES : The Atlanta Business Chronicle, 2006-2007 Book of Lists (information current as of Dec. 2006)

TRANSIT SERVICE EFFORT AND ACCOMPLISHMENTS PER MILE

Last Ten Fiscal Years (Vehicle Miles in Thousands)

Fiscal Year	Revenue Vehicle Miles [1]				Operating Expense [2] Per Mile	Operating Expense [2] Per Passenger Mile [1] [3]	Unlinked Passenger Trips Per Mile [1] [3]
	Bus	Rail	Total	% Change			
1999	26,767	22,295	49,062	1	5.78	0.36	3.3
2000	27,246	21,561	48,807	(1)	6.27	0.37	3.4
2001	27,262	22,665	49,927	2	6.61	0.39	3.4
2002	26,818	23,552	50,370	1	5.91	0.37	3.2
2003	25,842	22,707	48,549	(4)	6.48	0.44	2.9
2004	25,646	22,050	47,696	(2)	6.35	0.41	2.9
2005	21,757	22,981	44,738	(6)	6.91	0.43	3.2
2006	22,233	21,091	43,324	(3)	7.07	0.41	3.2
2007	23,710	21,993	45,703	5	7.20	0.44	3.2
2008	27,099	23,208	50,307	10	7.33	0.46	2.7

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

SOURCE: MARTA

TRANSIT SERVICE EFFORT AND ACCOMPLISHMENTS PER HOUR

Last Ten Fiscal Years (Vehicle Hours in Thousands)

Fiscal Year	Revenue Vehicle Miles (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			
1999	2,167	838	3,005	2	$ 94.33	$ 1.73	54.5
2000	2,190	817	3,007	0	101.73	1.83	55.5
2001	2,183	861	3,044	1	108.47	2.01	53.8
2002	2,150	896	3,046	0	97.83	1.87	52.3
2003	2,070	856	2,926	(4)	107.58	2.20	48.6
2004	2,058	837	2,895	(1)	104.68	2.23	46.9
2005	1,798	875	2,673	(8)	115.74	2.18	53.1
2006	1,812	803	2,615	(2)	117.21	2.22	52.8
2007	1,942	833	2,775	6	118.54	2.23	53.0
2008	27,099	23,208	50,307	10	7.33	0.46	2.7

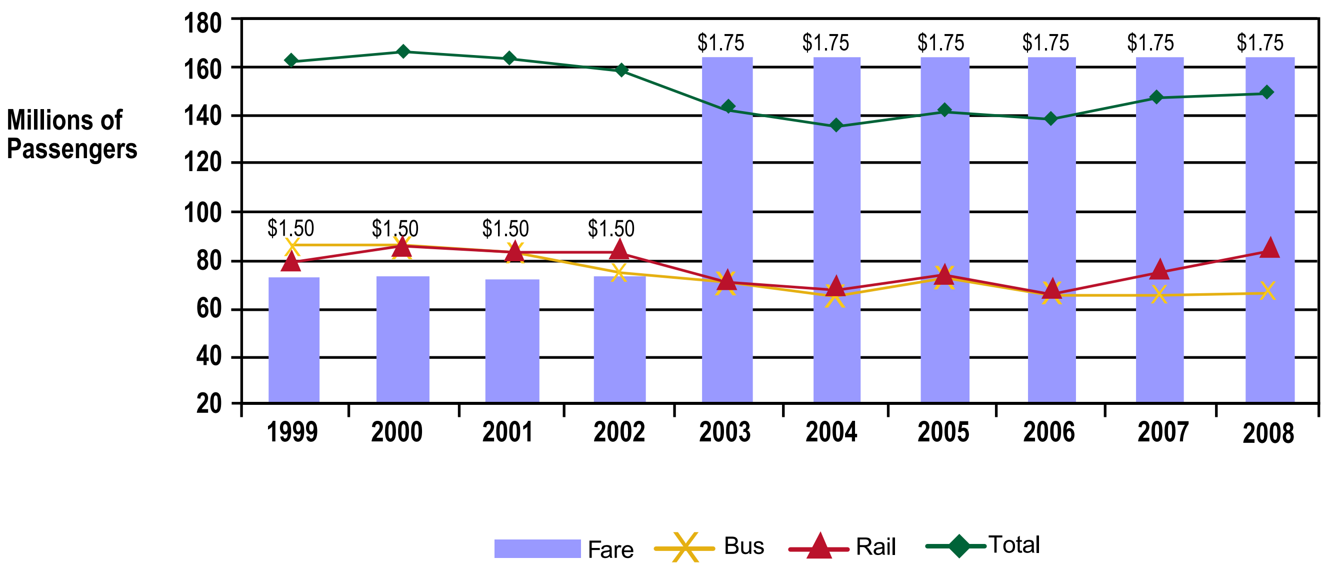
(1) Does not include demand response.
(2) Operating expense excludes depreciation.
(3) Unlinked Passenger figures count passengers each time that person boards a transit vehicle from the initial point of origin until he or she reaches a final destination.

SOURCE: MARTA

UNLINKED PASSENGER CHANGES – Last Ten Fiscal Years (In Thousands)

Fiscal Year	Unlinked Passenger Count [1] Bus	% Change	Rail	% Change	Total	% Change
1999	83,254	3.7%	80,398	3.3%	163,652	3.5%
2000	83,119	(0.2)	83,797	4.2	166,916	2.0
2001	81,497	(2.0)	82,389	(1.7)	163,886	(1.8)
2002	76,806	(5.8)	82,339	(0.1)	159,145	(2.9)
2003	70,641	(8.0)	71,860	(12.7)	142,501	(10.5)
2004	66,762	(5.5)	69,089	(3.9)	135,851	(4.7)
2005	71,066	6.4	70,984	2.7	142,050	4.6
2006	68,831	(3.1)	69,209	(2.5)	138,040	(2.8)
2007	69,465	0.9	77,686	12.2	147,151	6.6
2008	67,519	(2.8)	82,984	6.8	150,503	2.3

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: MARTA

FARE STRUCTURE

Fares and Single Fare History

Regular Fare

Single Trip (stored on Breeze Card or Breeze Ticket) $1.75
Round Trip-including transfers (stored on Breeze Card or Breeze Ticket $3.50
Ten (10) single trips (10 trips store on Breeze Card or Breeze Ticket) $17.50

Discounted Fare

Twenty (20) single trips (20 trips stored on one Breeze Card or Breeze Ticket) $30.00
30 day pass (unlimited travel for 30 consecutive days, all regular service) $52.50
7 day pass (unlimited travel for 7 consecutive days, all regular service) $13.00
Day passes (unlimited travel for consecutive days, all regular service) .... 1 day: $ 8.00
2 day: $ 9.00
3 day: $11.00
4 day: $12.00

Mobility and Half-Fare Programs

Half-Fare (for pre-qualified customers 65 and older and disabled customers using regular service) $0.85
Mobility Service (Demand response for certified customers) .... $3.50 (each way)
Personal care attendant may ride free, if required)
Discounted Mobility Service (Unlimited travel for 30 days on Breeze Card) $105.00
Mobility on Fixed Route .... No charge
(For Paratransit certified customers riding fixed route with Mobility Breeze Card)

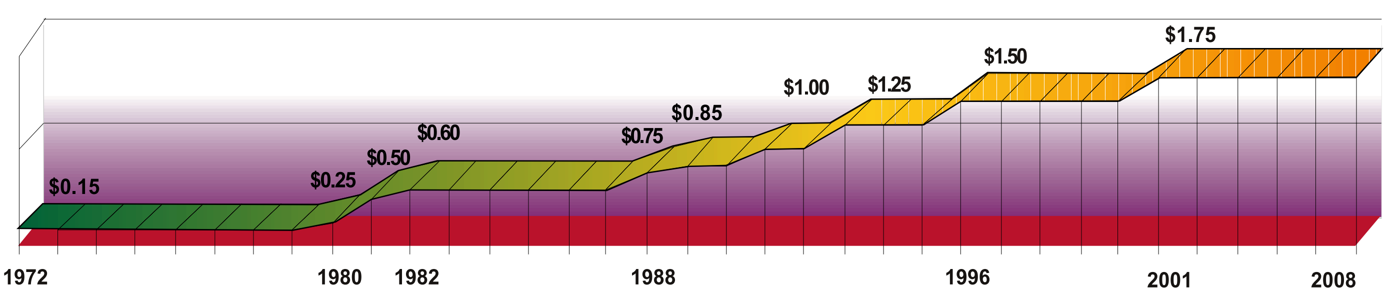
Student Programs

K-12 Program (Grade school and High school students K-12, Monday through Friday $10.00
Ten (10) Trip Pass (to and from school), all regular school

Convention and Visitors Pass

For groups of 15 or more, ordered a minimum of 20 days in advance .... 1 day: $ 8.00
2 day: $ 9.00
3 day: $11.00
4 day: $12.00
7 day: $13.00
8 days: $3.00
per day and over

Single Cash Fare History From Inception



VEHICLES OPERATED IN MAXIMUM SERVICE – Last Ten Fiscal Years

Fiscal Year	Bus	Rail	Total[1]
1999	595	182	777
2000	576	178	754
2001	603	186	789
2002	596	186	782
2003	555	180	735
2004	590	184	774
2005	556	182	738
2006	554	184	738
2007	483	182	665
2008	504	188	692

[1] Does not include demand response

SOURCE: MARTA

NUMBER OF EMPLOYEES – Last Ten Fiscal Years

Fiscal Year	Full-time	Part-time	Total
1999	4,206	560	4,766
2000	4,057	569	4,626
2001	4,456	486	4,942
2002	4,378	304	4,682
2003	4,357	254	4,611
2004	4,096	219	4,315
2005	4,029	326	4,355
2006	4,118	310	4,428
2007	4,436	293	4,729
2008	4,646	351	4,997

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population Served	1,371,900	1,396,100	1,354,871	1,458,484	1,541,000	1,354,871	1,547,600	1,574,600	1,610,600	1,652,000
Size of Area Served (in square miles)	805	805	804	498	498	498	498	498	466	466
Number of Bus Routes	158	158	158	126	121	118	120	120	132	132
Annual Bus Passenger Miles (in millions) (Excludes Paratransit/Demand Response)	312.6	274.4	286.5*	304.1	234.6	277.7	231	256.5	208.5	213.5
Miles of Bus Route	1,523.00	1,475.00	1,478.70	1,127.90	1,127.90	986.00	986.00	986.00	1,069.00	1,084.00
–Average On Time Performance	89.9%	90.2%	84.1%	85.6%	90.5%	93.4%	93.4%	93.4%	67.0%	63.7%
Miles of Rail Route	45.3	46.1	47.6	48	48	48	48	48	48	48
–Average On Time Performance	90.0%	89.7%	89.8%	89.2%	90.3%	91.7%	91.5%	91.5%	89.7%	93.3%
Annual Rail Passenger Miles (in millions)	476.2	503.5	563	510.4	487.3	455.4	481.1	488.5	541.4	593.4
Number of Rail Stations	36	36	38	38	38	38	38	38	38	38
Number of Bus Stop Locations	10,000	10,000	10,000	10,392	11,568	11,483	11,483	11,500	11,430	11,500
Number of Bus Park and Ride Facilities	4	3	3	9	6	8	8	8	6	6
Number of Bus Shelters	345	401	401	476	515	540	540	540	748	751
Bus Passenger Parking Capacity	2,839	2,839	2,839	3,341	1,910	3,243	3,243	2,630	1,847	1,798
Rail Passenger Parking Capacity	21,962	21,962	25,755	26,701	26,701	25,583	25,586	27,372	25,736	24,622
No. of Buses in Active Fleet	701	698	712	691	690	559	556	554	624	616
–Average Vehicle Age (in years)	7.1	9.8	8.8	7.6	7.6	5.6	4.9	4.6	4.6	5.6
No. of Paratransit Vehicles in Active Fleet	101	77	90	93	110	110	110	140	121	129
–Average Vehicle Age (in years)	2.5	2.4	1.7	2.3	1.6	1.4	2.4	1.6	2.6	0.4
No. of Rapid Rail Vehicles	238	232	252	284	318	332	338	338	338	338
–Average Vehicle Age (in years)	15.1	17	16.9	16.5	15.6	15.6	16.5	17.6	18.6	19.6
Annual Paratransit Vehicle Miles (in millions)	**	**	2.4	2.4	3.2	3.7	3.7	3.7	4.4	5.0
Investment In Property and Equipment (in billions)	$ 3.862	$ 4.294	$ 4.313	$ 4.770	$ 4.996	$ 5.162	$ 5.318	$ 5.491	$ 5.685	$ 5.919

Notes:

* includes Paratransit

**Data not available

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SINGLE AUDIT SECTION

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

We have audited the statements of net assets of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and have issued our report thereon dated October 29, 2008. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered MARTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MARTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MARTA's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MARTA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of MARTA's financial statements that is more than inconsequential will not be prevented or detected by MARTA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by MARTA's internal control.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether MARTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of MARTA in a separate letter dated October 29, 2008.

This report is intended solely for the information and use of management, the Board of Directors, others within MARTA, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Atlanta, Georgia
October 29, 2008

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Metropolitan Atlanta Rapid Transit Authority:

Compliance

We have audited the compliance of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. MARTA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MARTA's management. Our responsibility is to express an opinion on MARTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MARTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of MARTA's compliance with those requirements.

In our opinion, MARTA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of MARTA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MARTA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditure of Federal Awards

We have audited the basic financial statements of MARTA as of and for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, others within MARTA and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Atlanta, Georgia
October 29, 2008

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Program or Cluster Title	CFDA Number	Contract Number	Federal Expenditure
Federal Transit Cluster:			
U.S. Department of Transportation - Federal Transit Administration			
Direct Programs:			
Federal Transit Capital Improvement Grants:			
FY 06-07 SEC 5309 Fixed Guideway Mods	20.500	GA-05-0031	$ 24,426,731
Lindbergh Corridor Study	20.500	GA-03-0056	3,634
Bus Procurement Grant	20.500	GA-03-0062	1,857
Total Federal Transit Capital Improvement Grants			24,432,222
Federal Transit Capital and Planning Assistance Formula Grants:			
ITS MARTA 2 Project	20.507	GA-90-X111	1,666,724
Buckhead Station N. Entrance & Bridge	20.507	GA-90-X131	102,489
Pedestrian Projects	20.507	GA-90-X136	10,470
AA/FEIS West Line	20.507	GA-90-X159	690
Beltline/ C-Loop Study	20.507	GA-90-X189	5,505
Transit Projects FY 03 SEC 5307	20.507	GA-90-X174	180,309
FY 04 SEC 5307	20.507	GA-90-X195	1,840,802
FY 05 SEC 5307	20.507	GA-90-X212	1,570,293
Memorial Dr. BRT	20.507	GA-90-X227	3,909,695
Bus Procurement & Hamilton CNG	20.507	GA-90-X228	1,242,589
ITS Related	20.507	GA-90-X229	4,174,734
Inner Core/System Reengineering Studies	20.507	GA-90-X230	700,940
FY 06 SEC 5307	20.507	GA-90-X232	86,931
FY 07 SEC 5307	20.507	GA-90-X252	36,520,491
FY 08 SEC 5307	20.507	GA-90-X256	38,979,020
Total Federal Transit Capital and Planning Assistance Formula Grants:			90,991,682
Total Federal Transit Cluster:			115,423,904
U.S. Department of Homeland Security:			
Pass Through Georgia Emergency Management Agency:			
DHS Securtiy Grant GEMA FY 05	97.075	2005-GB-T5-0006	896,165
DHS Security Grant GEMA	97.075	2004-GE-T4-0012	703,467
Canine Tenn Program	97.072	TSA-HSTS04-04-H-LEF 161	2,034,718
Total U.S. Department of Homeland Security			3,634,350
Total Federal Expenditures of Federal Awards			$ 119,058,254

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

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

2. Matching Funds

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. Summary of Auditors' Results

A. The type of report issued on the financial statements: **Unqualified**
B. Internal control over financial reporting:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **None reported**
C. Noncompliance which is material to the financial statements:**No**
D. Internal control over major programs:
Material weaknesses identified: **No**
Significant deficiencies identified that are not considered to be material weaknesses: **None reported**
E. The type of report issued on compliance for major programs: **Unqualified**
F. Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
G. Identification of major programs:

Major Programs	CFDA Number
Federal Transit Cluster:	
Federal Transit Capital Improvement Grants	20.500
Federal Transit Capital and Planning Assistance Formula Grants	20.507

H. Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**
I. Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes**

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

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MARTA ART EDUCATION PROGRAM • CREATING PRIDE IN THE COMMUNITY

MARTA and the Creating Pride organization are involving the next generation of transit riders in 38 elementary, middle and high schools. Students have created art representing "My Destination: Where I Can Go on MARTA." Their art is being installed in MARTA's 38 rail stations. Cover designed by Office of Marketing and Sales.