Comprehensive Annual Financial Report

Year Ended June 30, 2006

Building a Better Way

Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

Comprehensive Annual Financial Report

Year Ended June 30, 2006

Prepared by The Department of Finance

Davis Allen
Assistant General Manager of Finance

marta®
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INTRODUCTORY SECTION

October 16, 2006

Board of Directors
Metropolitan Atlanta Rapid Transit Authority

Ladies and Gentlemen:

We are pleased to respectfully submit the Metropolitan Atlanta Transit Authority's (MARTA's) thirteenth Comprehensive Annual Financial Report (CAFR) for the fiscal Year Endeded June 30, 2006, to the MARTA Board, 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 ("MARTA Act") 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 Endeded June 30, 2005. 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 comprehensive annual financial report, 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 Endeded June 30, 2006 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 auditor 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 Endeded June 30, 2006 are presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the Financial Section of this report.

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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 auditor in the Financial Section of this report.

ORGANIZATION AND MANAGEMENT

The government of MARTA is vested in a Board of Directors 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 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 ("Plan"), an engineering report summarizing the Comprehensive Transit Plan for the Atlanta Metropolitan Area, was adopted by the MARTA Board of Directors 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.
A 1988 amendment of the Plan, which was passed by the participating local governments, added nine miles of track and five stations to the North Line. The Plan calls for 45 stations and 60 miles of track. 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, and D 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 complete 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 554 diesel and compressed natural gas 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 25.9 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.

PARATRANSIT

MARTA operates a fleet of lift-equipped vans for persons with disabilities who are unable to ride the regular bus or rail system. This service, called Paratransit, offers those with disabilities curb-to-curb pick-up and drop-off.

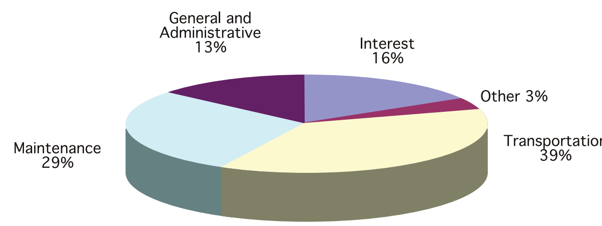
MARTA maintains a fleet size of 140 lift vans to provide this service which is offered during the same hours and days as the regular bus and rail service, and is provided to a corridor within 3/4 of a mile on each side of all fixed bus routes or within 3/4 of a mile radius of each station.

FINANCIAL RESULTS

FY 2006 EXPENSES $380,849,000

MARTA's FY 2006 total expenses by function, excluding depreciation, increased from FY 2005 by $5.5 million or 1 percent. Providing transportation and associated maintenance represent 67 percent or $256.2 million of MARTA's total expense by function, a decrease of $3.5 million. 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 13.2 percent or $50.3 million of total expenses by function, an increase of $600 thousand over FY 2005 which had increased by $9.8 million from FY 2004.

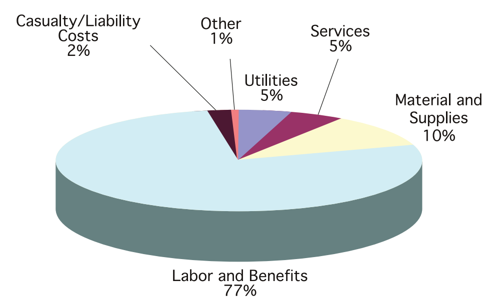
Total Expenses by Function
(Excluding Depreciation)



OPERATING EXPENSES $306,505,000

The percentage composition of MARTA's operating expenses by object stayed basically the same as the previous year varying only by slight increase in utilities and decrease in labor and benefits. For further operating analysis see the MD&A in the Financial Section.

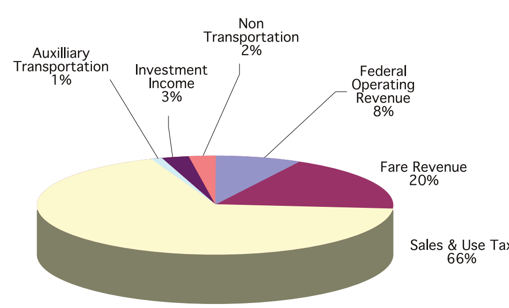
Total Expenses by Object
(Excluding Depreciation)



FY 2006 REVENUES $502,587,000

In fiscal year 2006, total revenues increased by $36.6 million or 7.9 percent. The increase was attributable to continued growth in collected sales tax revenue, which grew $27.2 million or 8.9 percent over the prior year. Also contributing was a $5.3 million or 68.9% increase in investment income as investment rates rise from historically low rates, and as MARTA increased its investment assets through commercial paper sale proceeds and upfront cash received from derivative transactions. Other operating revenue decreased by $1.3 million or 17.7% because of reduction to bus advertising guarantees related to service modifications.

Revenue by Source



ECONOMIC CONDITION AND OUTLOOK

MARTA continued to benefit from Georgia's positive economy. Despite increase in short term interest rates, oil price hikes, and the highest inflation in four years, Georgia's economy remained resilient and was graded 'A" by the Georgia State University Economic Forecasting Center in May 2006. Georgia ended its fiscal year up by 9.3 percent in tax collections and the state's nominal personal income increased by 5.5 percent in the first quarter of 2006 compared to a year ago. This is above the 5.1 percent personal income average for the nation.

Georgia had a fairly strong year for job growth which created a total of 80,000 jobs for the twelve-month period ending June 2006. Employment in Atlanta on a calendar year basis is expected to gain 64,000 jobs in 2006, create 47,600 additional jobs in 2007 and 62,300 jobs in 2008. While job growth is in the upward swing, the number of Atlanta's total housing permits decreased by 3.1 percent in 2005, and are expected to decrease by 6.4 percent in 2006, and by 12.6 percent in 2007. In 2008, permits are again expected to decrease by 2.1 percent. The forecast indicated that caution is still the "watch word" as high oil prices could affect a Delta Airlines recovery and rising interest rates will dampen the housing boom.

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

DEBT ADMINISTRATION

At June 30, 2006, MARTA had a total of $1,222,435 bonds outstanding and issued under three debt indentures. Bonds issued under the first indenture bear credit ratings of A-1 by Moody's Investors Service and AAA by Standard & Poor's; bonds issued under the second and third indentures bear underlying ratings of A-1 by Moody's and AA+ by Standard & Poor's. During FY 2006 MARTA issued an additional $100,000,000 in commercial paper bond anticipation notes bringing the aggregate amount of commercial paper issued to $200,000,000. 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 2006 was 3.3. 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 percent of the corresponding year's estimated sale tax receipts. The debt service percentage for fiscal year 2006 was 30.3% percent.

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, 2006 the yield on the General Fund investments met the yield on the Georgia Fund One for the same period.

RISK MANAGEMENT

MARTA is partially 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 2006:

United States Environmental Protection Agency (EPA) award for 2006 Clean Air Excellence in Community Development.

GFOA Award for Distinguished Budget Preparation for the Fiscal Year Beginning July 1, 2005.

GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2005 Comprehensive Annual Financial Report.

GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for FY 2005.

ACKNOWLEDGEMENT

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

Sincerely,

Davis Allen	Richard J. McCrillis
Assistant General Manager	General Manager/
Finance/CFO	Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Atlanta Rapid Transit Authority Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

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

President

Executive Director

BOARD of DIRECTORS
June 30, 2006

BOARD OFFICERS

CHAIRMAN DeKalb County	Edmund J. Wall
VICE CHAIRMAN Fulton County	Walter L. Kimbrough
SECRETARY City of Atlanta	Juanita Jones Abernathy
TREASURER DeKalb County	J. Thomas Kilpatrick

BOARD MEMBERS

CITY OF ATLANTA	Clara H. Axam Gloria Leonard Michael Walls
CLAYTON COUNTY	George E. Glaze
DEKALB COUNTY	Harold Buckley, Sr. Mukesh "Mike" Patel Pat Upshaw-Monteith
FULTON COUNTY	Marie R. Metze Barbara Babbit Kaufman
GWINNETT COUNTY	Bruce E. LeVell
STATE OF GEORGIA (Ex Officio members while holding state office)	
STATE REVENUE COMMISSIONER	Bart L. Graham
COMMISSIONER OF THE DEPARTMENT OF TRANSPORTATION	Harold E. Linnenkohl
STATE PROPERTIES OFFICER	Gena L. Abraham
EXECUTIVE DIRECTOR OF GEORGIA REGIONAL TRANSPORTATION AUTHORITY	Steve Stancil

GENERAL MANAGER/CEO AND EXECUTIVE STAFF

Interim General Manager /CEO
Richard J. McCrillis

Interim Deputy General Manager
Frank Beauford

Executive Staff
Assistant General Manager of Finance /CFO
Davis Allen

Assistant General Manager of Internal Audit
Jonnie T. Keith

Assistant General Manager of Legal /Chief Counsel
Michael Sloan

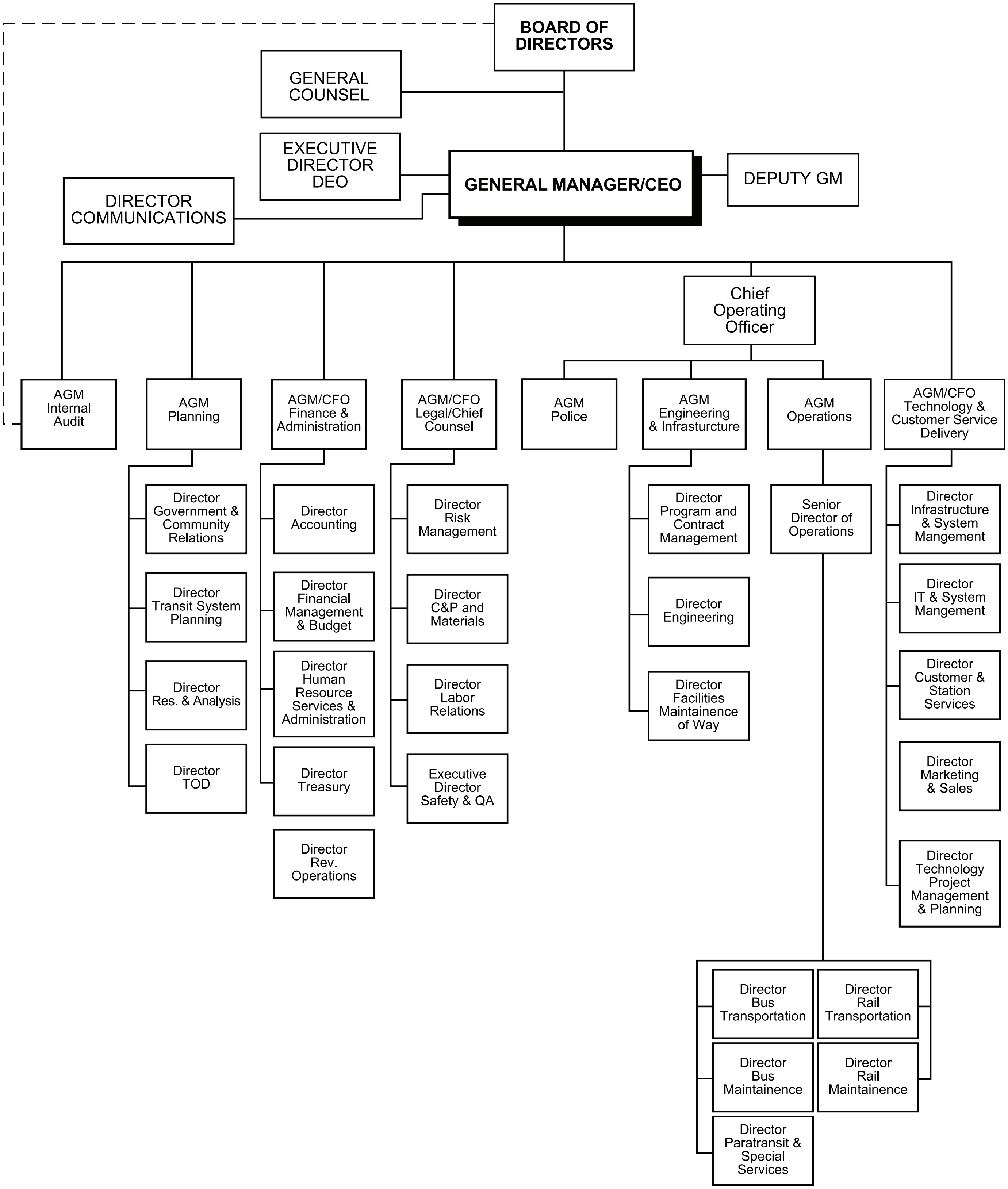
Assistant General Manager of Operations/COO
Kenneth McDonald

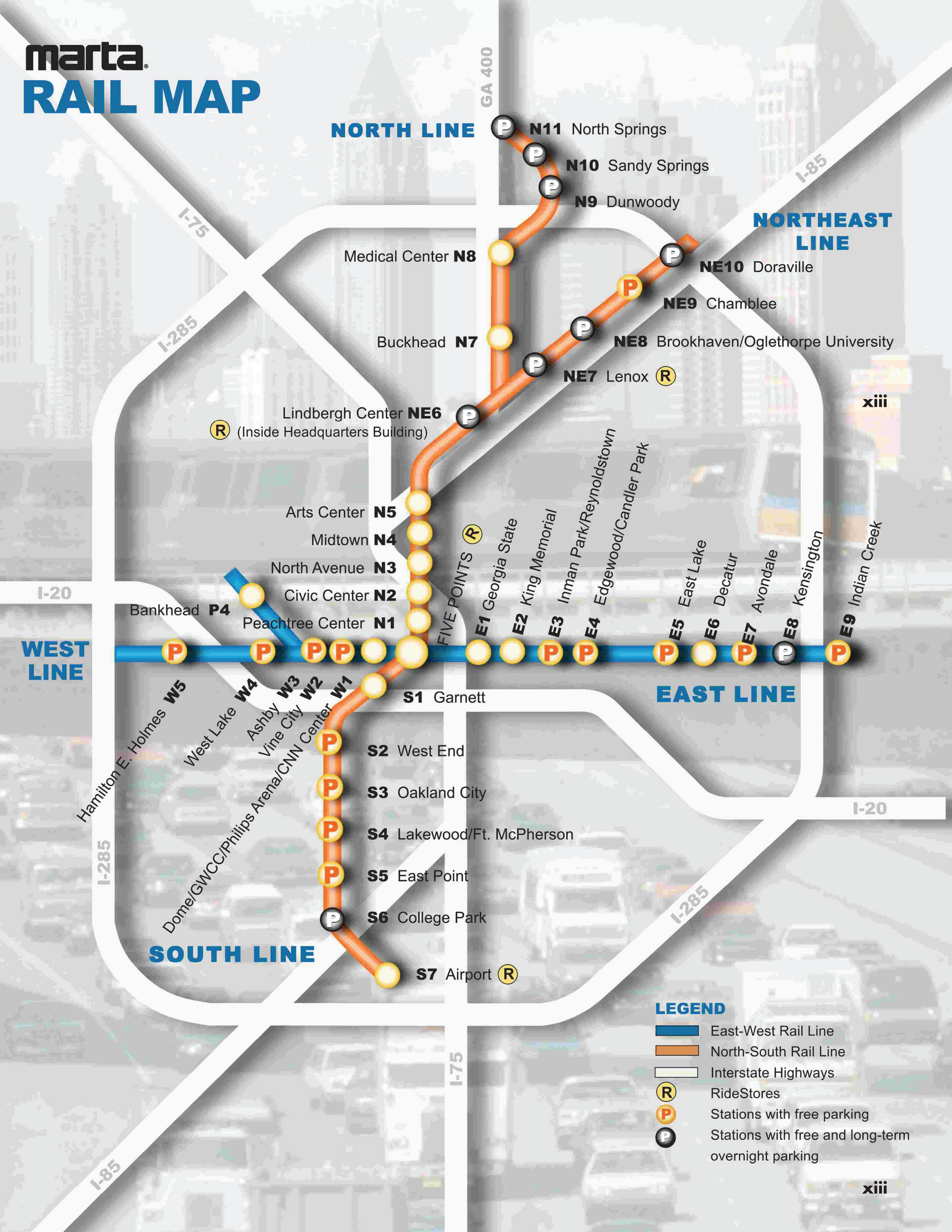
Assistant General Manager of Police & System Safety
Wanda Dunham

Assistant General Manager of Technology/CIO
Jannet Thoms

Assistant General Manager of Planning
Gloria Gaines

ORGANIZATIONAL CHART
June 30, 2006





marta
RAIL MAP
NORTH LINE
GA 400
N11 North Springs
N10 Sandy Springs
N9 Dunwoody
Medical Center N8
Buckhead N7
NORTHEAST LINE
NE10 Doraville
NE9 Chamblee
NE8 Brookhaven/Oglethorpe University
NE7 Lenox R
Lindbergh Center NE6
R (Inside Headquarters Building)
Arts Center N5
Midtown N4
North Avenue N3
Civic Center N2
Peachtree Center N1
Bankhead P4
FIVE POINTS R
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
WEST LINE
EAST LINE
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 R
SOUTH LINE
I-75
I-85
I-285
I-20
LEGEND
East-West Rail Line
North-South Rail Line
Interstate Highways
RideStores
Stations with free parking
Stations with free and long-term overnight parking

FINANCIAL SECTION

CHERRY BEKAERT & HOLLAND

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2006, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year 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 audit. The financial statements of the Metropolitan Atlanta Rapid Transit Authority as of and for the year ended June 30, 2005 were audited by other auditors whose report thereon, dated October 7, 2005, expressed an unqualified opinion.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 audit provide a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Atlanta Rapid Transit Authority as of June 30, 2006, and the changes in its financial position and its cash flows for the year 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 16, 2006 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 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 audit was 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), 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Atlanta, Georgia
October 16, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As management of the Metropolitan Atlanta Rapid Transit Authority (MARTA or 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, 2006 and 2005. 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. 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 $2.2 billion at June 30, 2006 an $8.4 million increase from June 30, 2005 when assets exceeded liabilities by $2.2 billion, a $3.3 million increase from June 30, 2004.

The largest portion of MARTA's net assets each year (87%, 88%, and 89% as of June 30, 2006, 2005 and 2004), 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:

	2006	2005	2004
ASSETS:			
Current and Other Assets	$ 539,981	$ 510,527	$ 463,672
Capital Assets	3,304,347	3,240,064	3,194,420
Total Assets	3,844,328	3,750,591	3,658,092
LIABILITIES			
Long-term Debt Outstanding	1,425,964	1,357,907	1,288,364
Other Liabilities	251,278	238,927	219,286
Total Liabilities	1,677,242	1,596,834	1,507,650
NET ASSETS			
Invested in Capital Assets, Net of Debt	1,884,865	1,887,897	1,912,103
Restricted	268,520	234,055	220,527
Unrestricted	13,701	31,805	17,812
TOTAL NET ASSETS	$ 2,167,086	$ 2,153,757	$ 2,150,442

An additional portion of MARTA's net assets (12%, 11%, 10%, as of June 30, 2006, 2005 and 2004, 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* (1%, 1%, and 1% as of June 30, 2006, 2005 and 2004, respectively) may be used to meet any of the MARTA's ongoing obligations.

At the end of the current fiscal year, MARTA is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

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, 2032 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 55%, 55%, and 53% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2006, 2005 and 2004, respectively.

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

	2006	2005	2004
Operating Revenues	$ 105,260	$ 103,669	$ 107,307
Operating Expenses	453,557	448,358	435,669
Operating Loss	(348,297)	(344,689)	(328,362)
Non-operating Revenues (Expenses)	322,983	296,321	268,389
Capital Grants	38,643	51,683	55,529
Increase (Decrease) in Net Assets	$ 13,329	$ 3,315	$ (4,444)

As noted above, FY 2006 operating revenues increased by $1.6 million and operating expenses increased by $5.2 million, which resulted in an overall increase in the operating loss of $3.6 million. FY 2005 operating revenues had decreased by $3.6 million and operating expenses increased by $12.7 million, an overall increase in the operating loss of $16.3 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. 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. MARTA's actual trend line for operating expenses remained flat, with current operating expenses only increasing by 1% from the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

MARTA saw a 3% increase in passenger revenue in 2006; this is up from the 1% increase between 2005 and 2004. This increase can be partially contributed to the rise in gas prices. As metropolitan Atlanta saw gas prices hover around the $3 mark, it also saw choice riders consider alternative modes of commuting. The 3% increase in passenger revenue was the largest percentage increase since 2001 . Other Operating Revenue saw declines as the advertising guarantee was reduced because fewer buses were on the street after the service reductions instituted in 2005.

The FY 2006 non-operating revenues increased by $35.1 million from FY 2005; which increased by $30.3 million from the FY 2004. This turnaround was spurred by an actual 8.9% growth in the sales and use tax collections for the year. MARTA continued to benefit from the strong economy in the metropolitan area. The Georgia Aquarium opened in November 2005 bringing with it tourists and sales tax dollars from across the country. The dramatic shift to in town residential and retail development in the city paved the way for the largest year-to-year sales tax increases since 1997. Investment income also provided a positive boost to this category with a 69% increase as interest rates rose from historically low rates. MARTA also increased its investment portfolio with upfront money received from a bond basis swap transaction and a repayment from commercial paper proceeds for prior drawdown of MARTA's unrestricted portfolio that had previously provided liquidity to fund construction activity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

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

	2006	2005	2004
Summary of Revenues			
Operating			
Fare Revenues	$ 99,148	$ 96,244	$ 95,082
Other Revenues	6,112	7,425	12,225
Total Operating Revenues	105,260	103,669	107,307
Nonoperating			
Sales and Use Tax	334,486	307,227	283,381
Federal Operating Revenues	39,045	40,374	41,556
Investment Income	13,136	7,778	4,305
Other Revenues	10,088	9,615	8,904
Gain (Loss) on Sale of Property and Equipment	572	(2,741)	(6,224)
Total Nonoperating Revenues	397,327	362,253	331,922
Total Revenues	502,587	465,922	439,229
Summary of Expenses			
Operating			
Transportation	146,162	141,833	149,278
Maintenance and Garage Operations	110,065	117,871	113,930
General and Administrative	50,278	49,678	39,849
Depreciation	147,052	138,976	132,612
Total Operating Expenses	453,557	448,358	435,669
Nonoperating			
Interest Expenses	65,831	64,165	62,505
Interest Expenses Capitalized	(3,470)	(11,989)	(10,434)
Amortization of Bond Discount, issue Costs and Deferred Loss on Refunding	(1,177)	653	1,191
General and Administrative Expenses	13,160	13,103	10,271
Total Nonoperating Expenses	74,344	65,932	63,533
Total Expenses	527,901	514,290	499,202
Loss Before Capital Contributions	(25,314)	(48,368)	(59,973)
Capital Grants	38,643	51,683	55,529
Increase (Decrease) in Net Assets	13,329	3,315	(4,444)
Net Assets, July 1	2,153,757	2,150,442	2,154,886
Net Assets, June 30	$ 2,167,086	$ 2,153,757	$ 2,150,442

Net assets increased by $13.3 million in fiscal year 2006 after increasing by $3.3 million in fiscal year 2005 and decreasing by $4 million in 2004. MARTA's change in net assets continued its positive trend primarily due to the upswing in the economy. The spike in the economy led to an increase in sales tax receipts. A major project for the Authority was the construction of the Armor Yard rail facility. In May 2005, MARTA opened Armor Yard; the associated capital interest was transferred to the project. This resulted in a $12 million increase in Interest Expense Capitalized.

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 issue 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 $1,425,964, $1,357,907, and $1,288,364 as of June 30, 2006, 2005 and 2004, respectively.

On July 28, 2005, MARTA issued $190,490 par Series 2005A refunding bonds at a coupon rate of 5.00% per annum. A portion of the proceeds will be applied, with other funds available, to refund all of the Authority's Sales Tax Revenue Bonds Series 1998B by placing the funds in an irrevocable trust with an escrow agent to provide debt service payments until the bonds refunded are called on July 1, 2008 at a redemption price of 101.

Also, on April 4, 2006, MARTA issued $163,890 par Series 2006A refunding bonds at a coupon rate of 5.00% per annum. A portion of the proceeds for this series will also be applied, with other funds available, to refund all of the Authority's Sales Tax Revenue Bonds Series 1996A by placing the funds in an irrevocable trust with an escrow agent to provide debt service payments until the bonds refunded are called on July 1, 2006 at a redemption price of 102.

Capital Acquisitions and Construction Activities

During fiscal year 2006, MARTA expended $209,045 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 $64,284, $45,644, and $56,895 as of June 30, 2006, 2005 and 2004, respectively. Additional information on MARTA's debt and capital asset activity and commitments can be found in notes 6 and 13 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Invested in Capital Assets, Net of Related Debt:

	2006	2005	2004
Capital Assets			
Property & Equipment - Net	$ 3,304,347	$ 3,240,064	$ 3,194,420
Bond Issue Cost	6,482	5,740	6,047
	3,310,829	3,245,804	3,200,467
Capital Debt			
Current Principal Bonds	45,160	43,000	30,730
Noncurrent Bonds	1,380,804	1,314,907	1,257,634
	1,425,964	1,357,907	1,288,364
Capital Assets, Net of Debt	$ 1,884,865	$ 1,887,897	$ 1,912,103

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.

Metropolitan Atlanta Rapid Transit Authority
Statements of Net Assets
June 30, 2006 and 2005
Dollars in Thousands

Assets	2006	2005
Current Assets:		
Cash and Cash Equivalents (Note 2)	$ 864	$ 627
Investments (Note 2)	121,324	150,101
Material and Supplies Inventories	27,406	25,453
Sales Tax Receivables, Prepayments and Other	103,331	71,210
Total Unrestricted Current Assets	252,925	247,391
Restricted Cash and Cash Equivalents (Notes 2 and 3)	1,991	1,909
Restricted Investments (Notes 2 and 3)	69,528	71,421
Total Restricted Current Assets	71,519	73,330
Total Current Assets	324,444	320,721
Noncurrent Assets:		
Restricted Investments (Notes 2 and 3)	197,194	160,933
Capital Assets: (Note 6)		
Land	547,615	552,590
Rail System and Buildings	3,042,781	2,982,645
Transportation Equipment	883,767	849,671
Other	693,050	654,684
	5,167,213	5,039,590
Less Accumulated Depreciation	(2,187,467)	(2,078,213)
	2,979,746	2,961,377
Construction in Progress	324,601	278,687
Capital Assets - Net	3,304,347	3,240,064
Other Restricted Noncurrent Investments (Notes 2 and 3)	10,000	10,000
Bond Issue Costs - Net	6,482	5,740
Deposits (Note 11)		12,672
Other	1,861	461
Total Noncurrent Assets	3,519,884	3,429,870
Total Assets	$ 3,844,328	$ 3,750,591

Metropolitan Atlanta Rapid Transit Authority
Statements of Net Assets
June 30, 2006 and 2005
Dollars in Thousands

Liabilities and Net Assets	**2006**	**2005**
Current Liabilities:		
Payable from NonRestricted Assets:		
Accounts and Contracts Payable	$ 65,876	$ 57,011
Salaries and Employee Benefits (Notes 9 and 10)	16,830	11,378
Self-Insurance Accruals (Note 11)	1,289	1,419
Other Current Liabilities	8,591	8,140
Total Current Liabilities Payable from NonRestricted Assets	92,586	77,948
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds (Note 7)	45,160	43,000
Accrued Interest	26,166	30,121
Due to Federal Transportation Administration	193	209
Total Current Liabilities Payable from Restricted Assets	71,519	73,330
Total Current Liabilities	164,105	151,278
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities, Unamortized Discount and Deferred Loss on Refunding (Note 7)	1,380,804	1,314,907
Noncurrent Self Insurance Accruals (Note 11)	13,532	14,512
Deferred Revenue (Notes 7 and 12)	118,800	116,137
Total Noncurrent Liabilities	1,513,136	1,445,556
Total Liabilities	1,677,242	1,596,834
Commitments and Contingencies (Note 13)		
Net Assets		
Invested in Capital Assets, net of Related Debt	1,884,865	1,887,897
Restricted	268,520	234,055
Unrestricted	13,701	31,805
Total Net Assets	2,167,086	2,153,757
Total Liabilities and Net Assets	$ 3,844,328	$ 3,750,591

Metropolitan Atlanta Rapid Transit Authority
Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2006 and 2005

Dollars in Thousands

	2006	2005
Operating Revenues:		
Fare Revenues (Note 5)	$ 99,148	$ 96,244
Other Revenues	6,112	7,425
Total Operating Revenues	105,260	103,669
Operating Expenses:		
Transportation	146,162	141,833
Maintenance and Garage Operations	110,065	117,871
General and Administrative	50,278	49,678
Depreciation	147,052	138,976
Total Operating Expenses	453,557	448,358
Operating Loss	(348,297)	(344,689)
Nonoperating Revenues (Expenses):		
Sales and Use Tax (Notes 1 and 4)	334,486	307,227
Federal Operating Revenues	39,045	40,374
Investment Income	13,136	7,778
Other Revenues	10,088	9,615
Gain (Loss) on Sale of Property and Equipment	572	(2,741)
Interest Expense	(65,831)	(64,165)
Interest Expense Capitalized	3,470	11,989
Amortization of Bond Discount, Issue Costs and Deferred Gain/(Loss) on Refunding	1,177	(653)
General and Administrative Expense	(13,160)	(13,103)
	322,983	296,321
Loss Before Capital Contributions	(25,314)	(48,368)
Capital Grants	38,643	51,683
Net Assets		
Increase in Net Assets	13,329	3,315
Net Assets, July 1	2,153,757	2,150,442
Net Assets, June 30	$ 2,167,086	$ 2,153,757

Metropolitan Atlanta Rapid Transit Authority
Statements of Cash Flows

June 30, 2006 and 2005

Dollars in Thousands

	2006	2005
Cash Flows from Operating Activities:		
Cash Received from Providing Services	$ 116,238	$ 142,224
Cash Paid to Suppliers	(102,896)	(138,059)
Cash Paid to Employees	(191,214)	(190,554)
Net Cash Used by Operating Activities	(177,872)	(186,389)
Cash Flows From Noncapital Financing Activities:		
Sales and Use Tax Collections	331,213	296,351
Federal Operating Subsidy	10,777	46,008
Net Cash Provided by Noncapital Financing Activities	341,990	342,359
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Long-term Debt	114,812	99,928
Capital Contributions	38,643	51,683
Principal Paid on Revenue Bonds	(46,320)	(30,730)
Interest Paid on Revenue Bonds	(69,786)	(64,667)
Acquisition and Construction of Capital Assets	(208,694)	(173,606)
Payments on Capital Leases	-	-
Net Cash (Used) Provided by Capital and Related Financing Activities	(171,345)	117,392
Cash Flows from Investing Activities:		
Purchases of Investments	(6,976,180)	(7,913,341)
Proceeds from Sales and Maturities of Investments	6,971,117	7,862,341
Interest Received on Investments	12,609	7,762
Net Cash Provided (Used) by Investing Activities	7,546	(43,238)
Net Increase (Decrease) in Cash and Cash Equivalents	319	(4,660)
Cash and Cash Equivalents, Beginning of Year	2,536	7,196
Cash and Cash Equivalents, End of Year	$ 2,855	$ 2,536
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Loss	$ (348,297)	$ (344,689)
Other Revenues and (Expenses)	(3,073)	(3,488)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	147,052	138,976
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(1,953)	321
Prepayments and Other	12,093	2,348
Current Liabilities and Due Federal Transportation Administration	13,643	(6,462)
Deferred Revenue	2,663	26,605
Net Cash Used by Operating Activities	$ (177,872)	$ (186,389)
Noncash Investing, Capital and Financing Activities:		
Amortization of Bond Issuance Costs	$ 1,177	$ (653)
Decrease in Fair Value of Investments	(359)	(143)
Net Noncash Investing, Capital and Financing Activities	$ 818	$ (796)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In order to measure the costs of providing mass transportation services, the revenues from those services and required subsidies, MARTA has adopted the accounting principles and methods appropriate for a governmental enterprise fund. 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 Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, including additional guidance promulgated by GASB 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 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 year 2006 or 2005.

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 considered investments.

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, principally using the interest 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, on a basis consistent with the interest 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 restrict the use of such properties to providing mass transportation services.

Grants for capital asset acquisition, facility development, and rehabilitation are reported in the Statement 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 statement 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.

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, gain/loss on sale of property, 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 statement 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 2001, 2002, 2003, 2004, 2005 and 2006 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 vehicles. It also includes the upfront cash received from the 2004 interest basis swap agreements.

Fuel Contracts - Forward contracts for the purchase of low sulfur diesel and natural gas commodities are reported at cost in the statements of net assets. Obligations to purchase the commodities are not recognized until the commodities are deliverable.

Adoption of Governmental Accounting Standards

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, was issued November 2003 and is effective for MARTA's fiscal year ending June 30, 2006. MARTA has adopted this statement and has determined that there is no impact to its financial statements.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued April 2004 and is effective for MARTA's fiscal year ending June 30, 2007. MARTA has not determined the impact of adopting this statement.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, was issued June 2004 and is effective for MARTA's fiscal year ending June 30, 2006. The impact of adopting this statement was to modify the presentation of some of the existing schedules and to add new schedules relating to net assets within the statistical section of MARTA's Comprehensive Annual Financial Report.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued August 2004 and is effective for MARTA's fiscal year ending June 30, 2008. MARTA has not determined the impact of adopting this statement.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, was issued December 2004 and is effective for MARTA's fiscal year ending June 30, 2006. The impact of adopting this statement in 2006 was to enhance disclosures concerning the amount of net assets that are restricted by enabling legislation.

GASB Statement No. 47, *Accounting for Termination Benefits*, was issued June 2005 and is effective for MARTA's fiscal year ending June 30, 2006. MARTA has adopted this statement and determined there is no impact to its financial statements.

2. CASH AND INVESTMENTS

Cash - At June 30, 2006 and 2005, the carrying amounts of MARTA's total cash on hand were $82 and $128, respectively. At June 30, 2006 and 2005 the carrying amounts of MARTA's total cash on deposit, including restricted assets, were $2,773 and $2,408 respectively. The bank balances were $3,737 and $4,810, respectively. Of the bank balances at June 30, 2006 and 2005, $371 and $462 were covered by federal depository insurance and $3,365 and $4,348 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 agreement 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. 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.

June 30, 2006 and 2005 Dollars in Thousands

As of June 30, 2006, 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	$ 161,276	$ 161,276	$ -	$ -	$ -
U.S. Treasuries	4,320	(535)	4,575	73	207
U.S. Agencies	232,450	189,348	43,056	-	46
Total	$ 398,046	$ 350,089	$ 47,631	$ 73	$ 253

Interest Rate Risk - as a means of limiting its exposure to fair value losses arising from rising interest rates, 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.

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. The investment in US Agencies amounting to $232,450 are rated AAA. MARTA does not hold more than 5% in any single issuer, other than investments related to the US 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 $161,276 investment in Repurchase agreements and $232,450 investment in U.S. Agencies and $4,320 investment in U.S. Treasuries, $1,953 and $4,224 and $4,556 respectively, of the underlying securities are 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.

June 30, 2006 and 2005 Dollars in Thousands

3. RESTRICTED CASH AND INVESTMENTS

Certain cash and investments have been restricted as follows:

	Years Ended June 30	
	2006	**2005**
Sinking Fund	$ 90,040	$ 90,423
Railroad Trust Fund Agreement	10,000	10,000
Capital Asset Purposes	63,193	63,193
Georgia DOT Project	1,980	1,907
Proceeds From Real Estate Sales	52,371	47,787
Other	51,129	20,953
Total	$ 268,713	$ 234,263
Restricted Debt - Due to FTA	193	208
Total Restricted, Net of Related Debt	$ 268,520	$ 234,055

The amounts held in the Sinking Fund are restricted to the payment of bond principal and interest as they become due and to the maintenance of the required reserved amounts (see Note 7).

Under the terms of an 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, 2006 and 2005, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

Included in restricted cash and investments are certain investments for repairing, rebuilding, or replacing capital assets and for a Georgia Department of Transportation project.

Also included in restricted assets are the proceeds from sales of certain real estate and the interest earned thereon through June 30, 1988. The use of these funds has been restricted until the year 2012. For the period from July 1, 1988 to June 30, 2006, interest earned on these funds is unrestricted.

The statement of net assets reports $268,520 and $234,055 of restricted net assets in 2006 & 2005 respectively, all of which 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, 2032 and .5% thereafter.

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(l) 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 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, 2006 and 2005, MARTA used 44% and 51% of the sales and use tax proceeds to subsidize the net operating costs. The cumulative under-utilization of sales tax receipts for June 30, 2006 was $26,831. These sales tax receipts have been placed in a reserve and may be used in future years.

June 30, 2006 and 2005 Dollars in Thousands

A summary of cumulative sales tax proceeds under-utilization is as follows:

	Years Ended June 30 2006	2005
Cumulative under-utilization, beginning of year	$ 6,841	$ 10,800
Under (Over)-utilization during year	19,990	(3,959)
Cumulative under-utilization, end of year	$ 26,831	$ 6,841

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, 2006 and 2005 were 55% and 55% respectively of operating costs of the previous fiscal year as defined under the MARTA Act.

Dollars in Thousands

6. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Decreases	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	$ 552,590	$ 36	$ (5,011)	$ 547,615
Construction in progress	278,687	213,484	(167,570)	324,601
Total capital assets not being depreciated	831,277	213,520	(172,581)	872,216
Capital assets, being depreciated:				
Rail systems & buildings	2,982,645	60,308	(172)	3,042,781
Transportation equipment.	849,671	57,857	(23,761)	883,767
Other	654,684	53,164	(14,798)	693,050
Total capital assets being depreciated	4,487,000	171,329	(38,731)	4,619,598
Less accumulated depreciation for:				
Rail systems & buildings	(1,142,476)	(79,527)	276	(1,221,727)
Transportation equipment	(442,687)	(41,259)	23,653	(460,293)
Other	(493,050)	(26,282)	13,885	(505,447)
Total accumulated depreciation	(2,078,213)	(147,068)	37,814	(2,187,467)
Total capital assets, being depreciated, net	2,408,787	24,261	(917)	2,432,131
Capital assets, net	$ 3,240,064	$ 237,781	$ (173,498)	$ 3,304,347

Capital Asset activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	$ 551,038	$ 2,342	$ (790)	$ 552,590
Construction in progress	343,587	142,926	(207,826)	278,687
Total capital assets not being depreciated	894,625	145,268	(208,616)	831,277
Capital assets, being depreciated:				
Rail systems & buildings	2,847,378	135,268	(1)	2,982,645
Transportation equipment	797,539	76,069	(23,937)	849,671
Other	622,393	38,091	(5,800)	654,684
Total capital assets being depreciated	4,267,310	249,428	(29,738)	4,487,000
Less accumulated depreciation for:				
Rail systems & buildings	(1,066,330)	(76,147)	1	(1,142,476)
Transportation equipment	(426,019)	(39,501)	22,833	(442,687)
Other	(475,166)	(23,343)	5,459	(493,050)
Total accumulated depreciation	(1,967,515)	(138,991)	28,293	(2,078,213)
Total capital assets, being depreciated, net	2,299,795	110,437	(1,445)	2,408,787
Capital assets, net	$ 3,194,420	$ 255,705	$ (210,061)	$ 3,240,064

June 30, 2006 and 2005 Dollars in Thousands

7. LONG-TERM DEBT

The following is a summary of MARTA's outstanding Long-Term Debt consisting of Sales Tax Revenue Bonds (the "Bonds") and Sales Tax Revenue Commercial Paper Bond Anticipation Notes:

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	2005	Outstanding Principal Additions	Outstanding Principal Retirements	2006
N*	1992	$ 122,245	2018	4.60% - 6.25%	$ 78,080	$ -	$ 3,630	$ 74,450
P*	1992	296,755	2020	3.30% - 6.25%	226,085		8,845	217,240
1996A*	1996	163,650	2020	4.00% - 5.625%	158,310		158,310	-
1998A*	1998	144,535	2010	5.50% - 6.250%	143,205		20,400	122,805
1998B*	1998	200,000	2020	5.10% - 5.19%	200,000		200,000	-
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%	103,075		9,515	93,560
2005A	2005	190,490	2020	5.00% - 5.00%	-	190,490		190,490
2006A	2006	163,890	2020	5.00% - 5.00%	-	163,890		163,890
Sales tax revenue bonds					1,268,755	$ 354,380	$ 400,700	1,222,435
Less portion due within one year					(43,000)			(45,160)
Plus unamortized premium/discount					6,704			33,269
Less deferred loss on refunding					(17,552)			(29,740)
Commercial paper notes								
2004A	2004	50,000	2008	Variable	50,000	50,000		100,000
2004B	2004	50,000	2008	Variable	50,000	50,000		100,000
Total					$ 1,314,907	$ 454,380		$ 1,380,804

June 30, 2006 and 2005 Dollars in Thousands

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	2004	Outstanding Principal Additions	Retirements	2005
N*	1992	$ 122,245	2018	4.60% - 6.25%	$ 81,505	$ -	$ 3,425	$ 78,080
P*	1992	296,755	2020	3.30% - 6.25%	234,420		8,335	226,085
1996A*	1996	163,650	2020	4.00% - 5.625%	159,170		860	158,310
1998A*	1998	144,535	2010	5.50% - 6.250%	143,455		250	143,205
1998B	1998	200,000	2020	5.10% - 5.19%	200,000			200,000
2000A	2000	100,000	2025	Variable	100,000			100,000
2000B	2000	100,000	2025	Variable	100,000			100,000
2001*	2001	34,900	2004	5.00% - 5.00%	17,860		17,860	-
2002	2002	160,000	2032	5.00% - 5.25%	160,000			160,000
2003A*	2003	103,075	2020	3.00% - 5.00%	103,075			103,075
					1,299,485		30,730	1,268,755
Less portion due within one year					(30,730)			(43,000)
Plus unamortized premium/discount					8,920			6,704
Less deferred loss on refunding					(20,041)			(17,552)
Commercial paper notes								
2004A	2004	50,000	2007	Variable	-	50,000		50,000
2004B	2004	50,000	2007	Variable	-	50,000		50,000
Total					$ 1,257,634	$ 100,000		$ 1,314,907

* Refunding bonds

Principal on all 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 2000A, and 2000B, of which the 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 from sales and use tax receipts. Series 1996A, 1998A, 1998B, 2000A, 2000B, 2001, 2002 and 2003A are payable from and secured by a second lien on sales and use tax receipts (Note 4).

Series 2000A and 2000B 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, 2006 on Series 2000A and 2000B was 4.00% and 3.95%, respectively.

There are a variety of operational and financial covenants associated with the short-term revenue bonds. Management believes that MARTA is in compliance with all such covenants.

Approximately half of the currently outstanding Bonds except Series 2000A and 2000B 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.

June 30, 2006 and 2005 Dollars in Thousands

Debt service requirements on the Bonds outstanding at June 30, 2006 are as follows:

Fiscal Year	Principal	Interest	Total
2007	$ 45,160	$ 67,440	$ 112,600
2008	48,685	67,749	116,434
2009	51,640	64,728	116,368
2010	54,930	61,509	116,439
2011	58,370	58,087	116,457
2012 to 2016	284,295	283,478	567,773
2017 to 2021	351,255	155,237	506,492
2022 to 2026	223,110	68,370	291,480
2027 to 2031	71,065	17,727	88,792
2032 to 2033	33,925	1,718	35,643
	$ 1,222,435	$ 846,043 *	$ 2,068,478

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

Commercial Paper Bond Anticipation Notes – On June 30, 2006 MARTA had outstanding $200,000 of Sales Tax Revenue Commercial Paper Bond Anticipation Notes, Series 2004A and 2004B, plus accrued interest of $1,087. The effective interest rate paid on the Notes outstanding ranged from 3.28% to 3.72%.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, a direct pay irrevocable letter of credit in the amount of $435,507 was entered into for the purpose of making funds readily available for payment of principal and interest on the Notes. As of June 30, 2006 the amount of the outstanding Letter of Credit was $217,753. The outstanding commercial paper bond anticipation notes and accrued interest, totaling $201,087, have been included in the long-term liabilities, rather than in current liabilities, in accordance with SFAS No. 6. MARTA intends to refinance the commercial paper with long-term sales tax revenue bonds.

In February 2004, 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 $900,000 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 Trust Indenture. At June 30, 2006 and 2005, the amounts held in the Sinking Fund exceeded the amounts required to be held pursuant to the Trust Indenture. All such amounts are classified as restricted assets in the accompanying statements of net assets.

June 30, 2006 and 2005 Dollars in Thousands

Following is a summary of the activity in the Sinking Fund for the years ended June 30, 2006 and 2005:

	Years Ended June 30	
	2006	2005
Balance, beginning of year	$ 90,423	$ 77,879
Sales and use tax proceeds	111,523	107,704
Investment income	2,016	1,327
Principal and interest payments on Sales Tax Revenue Bonds	(101,368)	(90,650)
Excess sales tax withheld refunded	(12,175)	(5,631)
Trustee/Other fees	(379)	(206)
Balance, end of year	$ 90,040	$ 90,423

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

Date of Execution	Notional Amount	Termination Date	Associated Bonds	MARTA Payment	Counterparty Payment	Counterparty & Credit Rating	Fair Value at 6/30/06	Cash Received
11/05/2004	518,310	07/01/2032	Series 1996A, 1998B, & 2002	USD-BMA [1]	65% of one-month LIBOR[2] + 11 basis points	Goldman Sachs Capital Markets A+	(25,778)	19,250
11/05/2004	200,000	07/01/2025	Series 2000A & 2000B	USD-BMA	61% of one-month LIBOR + 30 basis points	Merrill Lynch Capital Services A+	(10,584)	10,790

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

(2) London Interbank Offered Rate.

The 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.

MARTA is exposed to termination risk if the 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 contract documents. 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 $200,000 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.

MARTA received $30,040 upfront payment of cash from the derivatives transactions. This cash money has increased assets and increased liabilities as deferred revenue in the Statements of Net Assets. This advance is being amortized monthly on an interest basis and is netted with the payment or receipt from monthly resetting of rates and applied to the interest expense of the underlying notional bond issues.

8. BOND REFUNDINGS

On July 28, 2005 MARTA issued $190,490 par Series 2005A refunding bonds at a coupon rate of 5.00% per annum. A portion of the proceeds will be applied, with other funds available, to refund all of the Authority's Sales Tax Revenue Bonds Series 1998B by placing the funds in an irrevocable trust with an escrow agent to provide debt service payments until the bonds refunded are called on July 1, 2008 at a redemption price of 101. The difference of 10,242 between the amounts paid to refund the bonds and the net carrying amount of such bonds is reported in the financial statements as a reduction in the sales tax revenue bonds and is being charged to operations over the life of the 2005A bonds, which has the same life as the refunded debt. As a result of the refunding, MARTA reduced its future debt service requirements by 17,274 and obtain an economic gain of 12,405 (difference between the present value of the debt service payments on the on the old and new debt).

On April 4, 2006 MARTA issued $163,890 par Series 2006A refunding bonds at a coupon rate of 5.00% per annum. A portion of the proceeds will be applied, with other funds available, to refund all of the Authority's Sales Tax Revenue Bonds Series 1996A by placing the funds in an irrevocable trust with an escrow agent to provide debt service payments until the bonds refunded are called on July 1, 2006 at a redemption price of 102. The difference of 5,374 between the amounts paid to refund the bonds and the net carrying amount of such bonds is reported in the financial statements as a reduction in the sales tax revenue bonds and is being charged to operations over the life of the 2006A bonds, which has the same life as the refunded debt. As a result of the refunding, MARTA reduced its future debt service requirements by 2,704 and obtain an economic gain of 2,719 (difference between the present value of the debt service payments on the on the old and new debt).

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, 2006, the amount of defeased debt outstanding but removed from MARTA's statement of net assets amounted to $357,758.

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 and Non-Represented Pension Plan) and beginning in January 2005 a defined contribution pension plan, for substantially all full-time permanent employees. The MARTA/ATU Local 732 Employees Retirement Plan (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-Represented Pension Plan (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. After this date covered employees are eligible to participate in the Defined Contribution Plan on the first date of employment.

Dollars in Thousands

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
Atlanta, GA 30324
(404) 848-5237

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

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, 2006 for the Union Plan and Non-Rep Plan.

	Union	Non-Rep
Active employees	2,528	1,111
Pensioners	1,246	837
Inactive vestees	70	158
Total	3,844	2,106

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.

June 30, 2006 and 2005 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 unfunded actuarial accrued liability is reported under Section III Valuation Results as of January 1, 2006 of the Actuarial Valuation Report. The non-rep plan's unfunded actuarial accrued liability is reported under Section I Statement of Actuarial Position as of January 1, 2006 of the Actuarial Valuation Report. MARTA's annual pension cost for the current year, based on actuarial valuations performed as of January 1, 2006 for union and non-rep plans and related information for each plan, is as follows:

	Union	Non-Rep
Contribution rates:		
MARTA	4.48%	14.50%
Plan members	2.45%	5.00%
Transit Police	-	6.50%
Annual pension cost	$6,270	$9,493
Contributions made	$6,458	$15,994
Actuarial valuation date	1/1/2006	1/1/2006
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

June 30, 2006 and 2005 Dollars in Thousands

Entry Age Cost Method – The Non-Rep plan uses 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.

Frozen Entry Age Actuarial Cost Method – Under the Union Plan, the cost method has been changed from the Aggregate Actuarial Cost Method to the Frozen Entry Age Actuarial Cost Method. Under this method the excess of the Present Value of Future Benefits of the group included in the actuarial valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings of the group between the valuation date and the assumed age of benefit commencement. That portion of the Present Value of Future Benefits allocated to the current valuation year is called the Normal Cost. This amount is added along with administrative expenses for the year to the Amortization Payment required to pay off the Unfunded Frozen Actuarial Accrued Liability systematically over a fixed period to determine the Total Required Contribution for the Plan Year. The Plan's Actuarial Accrued Liability is set equal to the Actuarial Value of Assets.

Three-Year Trend Information –

MARTA/ATU Local 732 Retirement Plan

Plan Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2003	$ 7,095	100%	$ 0
2004	5,903	100	0
2005	6,270	100	0

Non-Represented Pension Plan

Plan Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2003	$ 7,794	100%	0
2004	10,043	100	0
2005	9,493	100	0

June 30, 2006 and 2005 Dollars in Thousands

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. The Frozen Entry Age Method is required to demonstrate the systematic amortization of the Unfunded Actuarial Accrued Liability.

Fiscal Year Ended December 31	Actuarial Value of Assets	Unfunded Frozen Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2003	$ 433,906	$ (5,871)	$ 98,862	(5.9) %
2004	425,719	(6,021)	93,196	(6.5)
2005	429,513	(6,189)	95,036	(6.5)

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
1/1/2004	$ 168,780	$ 109,066	$ 66,493	164.0 %
1/1/2005	170,633	112,511	62,699	179.4
1/1/2006	177,925	115,725	59,819	196.5

Defined Contribution Pension Plan – The MARTA Non-represented Defined Contribution Plan and Trust 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 year totaled $125. Employee contributions to the plan were $240.

June 30, 2006 and 2005 Dollars in Thousands

10. EMPLOYEE BENEFITS

Deferred Compensation Plan - MARTA has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. The 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 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 plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the plan assets are not included on MARTA's financial statements.

Postretirement Benefits - In addition to providing pension benefits, MARTA provides certain health care benefits until age 65 and life insurance for all retired employees. 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 postretirement 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 hired on or after July 1, 2004. The cost of providing benefits is financed on a pay-as-you-go basis and expensed as paid.

The cost of providing healthcare benefits and life insurance for represented and non-represented retirees is as follows:

	Represented Employees			Non-Represented Employees		
Fiscal Year	Medical # of Participants	Life Insurance # of Participants	Cost	Medical # of Participants	Life Insurance # of Participants	Cost
2004	485	738	$ 3,030	382	604	$ 2,729
2005	570	1,008	4,196	429	672	2,119
2006	575	1,051	4,463	427	711	1,936

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. MARTA is self-insured for public liability and property damage claims up to $5,000 per occurrence. MARTA carries liability insurance for amounts exceeding the self-insured limits. MARTA has a combination employee health and dental plan, whereby employees may select their desired coverage.

MARTA entered into an insurance program on January 1, 2000 with an insurance company, wherein loss payments in any month after that date are capped at $500 and aggregate losses in excess of $250 up to $5,000 on a single occurrence are capped at $25,000 for the five-year period. The insurance program was terminated on June 30, 2006. MARTA received the initial deposit premium of $20,000, less claim adjustments, plus accrued interest of $262, on June 30, 2006.

June 30, 2006 and 2005 Dollars in Thousands

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 tiered $1,000 primary policy subject to $100 deductible, $4,000 self-insured, and an excess policy for claims from $5,000 to $25,000. All risk property is insured by the same program as MARTA property.

There were no significant reductions in insurance coverage from coverage in the prior year. 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, 2006 and 2005 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Totals
Balance, July 1, 2004	$ 6,148	$ 10,068	$ 16,216
Incurred claims, net of any changes	5,004	4,463	9,467
Payments	(4,955)	(4,797)	(9,752)
Balance, June 30, 2005	6,197	9,734	15,931
Incurred claims, net of any changes	5,710	2,384	8,094
Payments	(5,065)	(4,139)	(9,204)
Balance, June 30, 2006	$ 6,842	$ 7,979	$ 14,821
Due within one year	$ 766	$ 523	$ 1,289

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported and incremental claims adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

MARTA also provides employee health insurance which includes medical, vision, pharmacy drugs, dental, critical illness, and life insurance. 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

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 31½ 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 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. The net proceeds are being amortized over the life of the leases, which are approximately 28 years and 31 years respectively, on a straight-line basis.

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.

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, 2006. Procurement of 100 new railcars is complete with all received as of June 30, 2006. MARTA has entered into a contract to rehabilitate 238 railcars. As of June 30, 2006, $6.1 million was committed to this project. As of June 30, 2006, $46.6 million was committed for the upgrade and replacement of the bus and rail fare collection and processing system. At June 30, 2006 MARTA was committed to future capital expenditures for various other projects, including a new Enterprise Resource Planning/Enterprise Assets Management system, a closed circuit TV system upgrade project, upgrade of the rail stations for the fare collection system and track renovation 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 approved $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 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.

MARTA has entered into forward contracts to hedge diesel (using low sulfur heating oil) and natural gas. MARTA enters these contracts 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. 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 recieve 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.

MARTA is also 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.

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

June 30, 2006 and 2005 Dollars in Thousands

lease agreements have been signed, the terms of which provide for various payments to be made to MARTA over a variety of years.
AGL constructed a refueling station on MARTA's property at Perry Boulevard. 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.

Total cost for such lease was $552 for the year ended June 30, 2006 and $538 for year ended June 30, 2005. The minimum future rental payment for year FY2007 is $384, 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 noncancelable operating leases are as follows at June 30, 2006:

Fiscal Year	Amount
2007	$ 3,436
2008	3,805
2009	3,899
2010	4,289
2011	4,444
Total	$ 19,873

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 EVENTS

MARTA is required to make monthly deposits into the debt service (sinking fund) for the principal and interest payments due semi-annually on its bonds. MARTA, via the trustee, currently invests these deposits in a money market fund or short-term permitted investments that mature on or before the debt service payment dates. MARTA chose to receive the interest earnings from the debt service funds in an upfront payment which represents the present value of the future interest cash flow. On August 15, 2006, MARTA and its bond trustee, SunTrust 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 issued in original aggregate principal amount of $122,245, Series P issued in the original aggregate principal amount of $296,755, Series1998A issued in the original aggregate principal amount of $144,535 and Series 2005A issued in the original aggregate principal amount of $190,490 providing for the upfront payment of present valued interest of $11,350. A portion of the proceeds from the upfront interest payments on the bonds will be used towards fulfillment of debt service requirements.

On August 9, 2006 MARTA contributed $45,000 to the Non-represented pension plan to reduce the unfunded actuarial accrued liability outlined in the Actuarial Valuation Report as of January 1, 2006. State law places restrictions on pensions that fall in the category of MARTA's non-represented pension plan. Prior to this contribution, MARTA was in the position of falling out of compliance with the State restriction that requires that the pension fund be at least 75% funded to continue to invest 60% of the funds assets in the equity market and, of that, 5% in international equities. Failure to meet this requirement will reduce the allowable equity investment to 55% and 0% in the international market. This reduction would serve to further exacerbate the magnitude of the under-funding. The additional funding allowed the Authority to avoid non-compliance on its non-represented pension plan.

Metropolitan Atlanta Rapid Transit Authority

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

June 30, 2006

Dollars in Thousands

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	$ 96,645	$ 99,148	$ 2,503
Other Revenues	10,031	6,112	(3,919)
Total Operating Revenues	106,676	105,260	(1,416)
Operating Expenses:			
Transportation	140,935	146,162	(5,227)
Maintenance and Garage Operations	116,867	110,065	6,802
General and Administrative	63,748	50,278	13,470
Contingency	2,000	-	2,000
Total Operating Expenses	323,550	306,505	17,045
Operating Loss	(216,874)	(201,245)	15,629
Nonoperating Revenues (Expenses):			
Sales and Use Tax	311,956	334,486	22,530
Federal Operating Revenues	37,076	39,045	1,969
Investment Income	4,220	13,136	8,916
Other Revenues	3,674	10,088	6,414
	356,926	396,755	39,829
Increase in Net Assets - Budget Basis	$ 140,052	195,510	$ 55,458
Basis Differences			
Depreciation		(147,052)	
Gain (Loss) on Sales of Property and Equipment		572	
Interest Expense		(65,831)	
Interest Expense Capitalized		3,470	
Amortization of Bond Discount, Issue Costs and Deferred Loss on Refunding		1,177	
General and Administrative Expense - Nonoperating		(13,160)	
Capital Grants		38,643	
Increase in Net Assets - GAAP Basis		$ 13,329	

Notes to the Financial Statements

June 30, 2006
Dollars in Thousands

Budgetary Highlight

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change without Board approval. The fiscal year 2006 net operating expenses were $306 million. This was $17 million (5%) less than the fiscal year 2006 original budget, which had been budgeted $6.8 million (2.15%) more than the previous year's budget. In fiscal year 2006, MARTA inspected and placed into service fifty-five (55) low floor buses to replace aging (14 year old) high floor buses. MARTA also reviewed and changed the Preventative Maintenance Program and initiated a Reliability Centered Maintenance/Predictive Maintenance (RCM) program in order to improve reliability and reduce cost. MARTA continued a number of cost containment measures in fiscal year 2006, such as, restrictions on hiring new employees, salary freezes for non-represented employees (non-represented employees received their first increase in four years in February 2006), and aggressively managing its health insurance program, These measures lead to the $13 million favorable variance in general and administrative expenses. MARTA benefited from a general rise in the economy which pushed Sales and Use Tax collections higher than anticipated.

STATISTICAL SECTION

Unaudited

Condensed Summary of Net Assets

Last Six Fiscal Years (Dollars In Thousands)

	2006	2005	2004	2003	2002	2001
ASSETS:						
Current and Other Assets	$ 539,979	$ 510,526	$ 463,672	$ 529,780	$ 494,190	$ 617,990
Capital Assets	3,304,348	3,240,064	3,194,420	3,137,525	3,027,869	2,926,257
Total Assets	3,844,327	3,750,591	3,658,092	3,667,305	3,522,059	3,544,247
LIABILITIES						
Long-term Debt Outstanding	1,425,964	1,357,907	1,288,364	1,325,757	1,198,102	1,225,836
Other Liabilities	251,277	238,927	219,286	186,662	173,033	179,591
Total Liabilities	1,677,241	1,596,834	1,507,650	1,512,419	1,371,135	1,405,427
NET ASSETS						
Invested in Capital Assets, Net of Debt	1,884,865	1,887,897	1,912,103	1,818,589	1,804,483	1,669,605
Restricted	268,520	234,055	220,527	218,370	225,534	231,897
Unrestricted	13,701	31,805	17,812	117,927	120,907	237,318
TOTAL NET ASSETS	$2,167,086	$2,153,757	$2,150,442	$2,154,886	$2,150,924	$2,138,820

MARTA implemented GASB Statement 34 in fiscal year 2002 and included fiscal year 2001 for comparative purposes; hence, relative accrual basis financial information is only availiable back to 2001.

Summary of Revenues, Expenses and Changes in Net Assets

Last Six Fiscal Years (In Thousands)

	2006	2005	2004	2003	2002	2001
Operating						
Fare Revenues	99,148	96,244	95,082	96,059	102,207	101,278
Other Revenues	6,112	7,425	12,225	9,955	9,434	5,825
Total Operating Revenues	105,260	103,669	107,307	106,014	111,641	107,103
Nonoperating Revenues						
Sales and Use Tax	334,486	307,227	283,381	271,006	284,427	303,562
Federal Operating Revenues	39,045	40,374	41,556	40,157	36,477	48,513
Investment Income	13,136	7,778	4,305	8,227	14,211	30,559
Other Revenues	10,088	9,615	8,904	7,143	4,674	5,200
Gain (Loss) on Sale of Property and Equip.	572	(2,741)	(6,224)	459	(1,718)	2,465
Total Nonoperating Revenues	397,327	362,253	331,922	326,992	338,071	390,299
Total Revenues	502,587	465,922	439,229	433,006	449,712	497,402
Summary of Expenses						
Operating:						
Transportation	146,162	141,833	149,278	143,755	135,377	128,445
Maintenance and Garage Operations	110,065	117,871	113,930	118,446	107,713	141,819
General and Administrative	50,278	49,678	39,849	52,588	54,901	59,924
Depreciation	147,052	138,976	132,612	135,116	132,082	121,088
Total Operating Expenses	453,557	448,358	435,669	449,905	430,073	451,276
Nonoperating Expenses						
Interest Expenses	65,831	64,165	62,505	63,905	61,507	66,494
Interes Expenses Capitalized	(3,470)	(11,989)	(10,434)	(8,585)	(7,717)	(6,832)
Amortization of Bond Discount, Issue Costs and Deffered Loss on Refunding	(1,177)	653	1,191	1,715	2,225	2,302
General and Administrative Expense	13,160	13,103	10,271	10,394	10,695	11,530
Total Nonoperating Expenses	74,344	65,932	63,533	67,429	66,710	73,494
Total Expenses	527,901	514,290	499,202	517,334	496,783	524,770
Loss Before Capital Contributions	(25,314)	(48,368)	(59,973)	(84,328)	(47,071)	(27,368)
Capital Grants	38,643	51,683	55,529	88,290	59,175	116,535
Increase (Decrease) in Net Assets	13,329	3,315	(4,444)	3,962	12,104	89,167
Net Assets, July 1	2,153,757	2,150,442	2,154,886	2,150,924	2,138,820	2,049,653
Net Assets, June 30	2,167,086	2,153,757	2,150,442	2,154,886	2,150,924	2,138,820

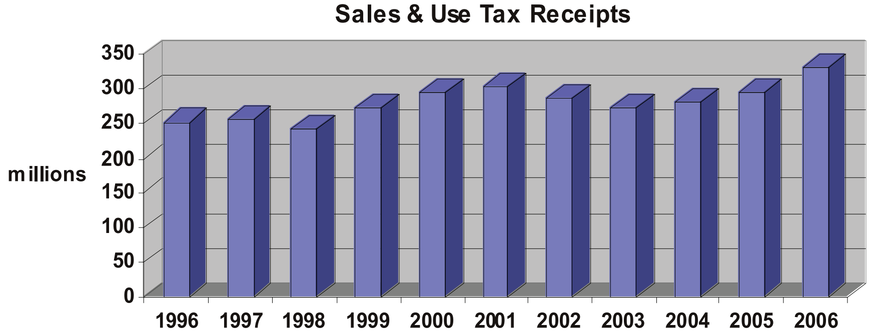
MARTA implemented GASB Statement 34 in fiscal year 2002 and included fiscal year 2001 for comparative purposes; hence, relative accrual basis financial information is only availiable back to 2001.

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)
1996	$251,668	13.1 %	$83,103	$42,731	$113,378	45 %	$12,456
1997	256,171	1.8	86,559	41,527	119,353	47	8,732
1998	242,924	(5.2)	83,133	38,329	125,619	52	(4,157)
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

Sales & Use Tax Receipts



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

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

[3] For the period January 1, 2002 until December 31, 2006 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	Other [2]	Total	Operating Assistance: Sales & Use Tax	Federal	Total	Total Revenue
Transportation Industry [1]								
	1997	38.7 %	16.9 %	55.6 %	41.1 %	3.3 %	44.4 %	100.0 %
	1998	37.8	17.5	55.3	41.1	3.6	44.7	100.0
	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	*	*	*	*	*	*	*
	2006	*	*	*	*	*	*	*
MARTA								
	1997	22.3 %	7.8 %	30.1 %	61.2 %	8.7 %	69.9 %	100.0 %
	1998	22.7	6.7	29.4	62.8	7.8	70.6	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

[P] Preliminary

* Not Available

[1] Source: The American Public Transportation Association, APTA 2006 Transportation Fact Book, Table 50.

[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
1997	$ 99,938	$ 105,599	$ 53,390	$ 119,521	$ 378,448	$ 53,734	$ 10,365	$ 442,547
1998	103,529	113,034	42,789	118,936	378,288	54,872	5,723	438,883
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

Total Operating Expenses by Object

Last Ten Fiscal Years (Dollars In Thousands)

Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Depreciation	Other	Total Operating Expenses
1997	$ 180,506	$ 25,028	$ 24,274	$ 11,383	$ 6,322	$ 2,501	$ 119,521	$ 8,913	$ 378,448
1998	187,347	22,425	25,344	10,432	7,400	-	118,936	6,404	378,288
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

Operating Expenses Comparison to Industry Trend Data

Last Ten Fiscal Years (Dollars In Thousands)

Fiscal Year	Labor and Benefits	Services	Material and Supplies	Utilities	Casualty/ Liability Costs	Purchased Transportation	Other	Total Operating Expenses **
Transportation Industry [1]								
1997	70.1 %	5.6 %	9.2 %	3.6 %	2.7 %	11.6 %	(2.7) %	100.0 %
1998	71.7	6.0	9.4	3.5	2.4	10.1	(3.1)	100.0
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 [P]	68.7	5.8	9.1	3.0	2.6	13.4	(2.6)	100.0
2005	*	*	*	*	*	*	*	*
2006	*	*	*	*	*	*	*	*
MARTA								
1997	69.7%	9.7%	9.4%	4.4%	2.4%	1.0 %	3.4 %	100.0 %
1998	72.2	8.6	9.8	4.0	2.9	0.0	2.5	100.0
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

[P] Preliminary

* Not Available

** Excludes Depreciation

[1] Source: The American Public Transportation Association, APTA 2006 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
1997	$ 89,732	$ 35,029	$ 246,678	$ 9,015	$ 19,993	$ 2,999	$ 403,446
1998	88,042	30,226	243,579	4,191	18,745	3,328	388,111
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

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

(2) MARTA is a public body corporate 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.

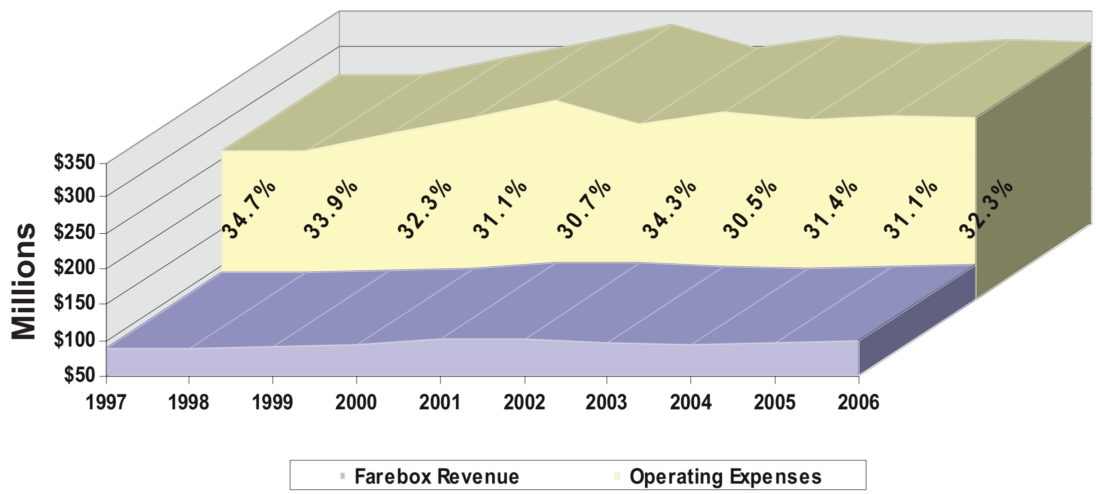
(3) In fiscal year 1998, MARTA changed its method of accounting for investments from the amortized cost method to the fair value method. The investment revenue amounts for 1997 and prior years have been restated.

(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
1997	$ 89,732	6.0 %	$ 258,927	12.6 %
1998	88,042	(1.9)	259,352	0.2
1999	91,449	3.9	283,475	9.3
2000	95,095	4.0	305,915	7.9
2001	101,278	6.5	330,187	7.9
2002	102,207	0.9	297,991	(9.8)
2003	96,059	(6.0)	314,789	5.6
2004	95,082	(1.0)	303,057	(3.7)
2005	96,244	1.2	309,382	2.1
2006	99,148	3.0	306,505	(0.9)



[1] Excludes depreciation expense

Sales & Use Tax Rates Direct and Overlapping Governments

Last Ten Fiscal Years

Year	State of Georgia [1]	MARTA [2]	DeKalb County [3 & 8]	Fulton County [4 & 8]	Clayton County [5]	Cobb County [6]	Gwinnett County [7]
1997	4 %	1 %	0 %	1 %	1 %	1 %	1 %
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

(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	Interest	Total	Debt Service Coverage [1]
1997	$246,678	$22,950	$ 56,032	$ 78,982	3.12
1998	243,579	25,675	59,235	84,910	2.87
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

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

Sales & Use Tax Revenue Bond Debt Service Limit

June 30, 2006 (Dollars In Thousands)

Sales & Use Tax	$ 334,486
Debt Service Limitation [1]	45%
Debt Service Limit	150,519
Required for Debt Service	101,368
Excess	$ 49,151

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

Sales & Use Tax Revenue Bond Debt Service Limit

Last Ten Fiscal Years (Dollars In Thousands)

Fiscal Year	Sales & UseTax	Required for Debt Service	Ratio of Debt Service [1]
1997	$ 246,678	$ 78,982	32.0
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

[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 Ratios

Last Ten Fiscal Years (In Thousands)

Fiscal Year	Outstanding Debt (1)	Total Linked Passenger Count (2)	Per Capita (3)	As a Share of Personal Income
1997	$ 953,826	78,356	$ 12.17	2.05 %
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	*
2006	1,425,964	64,296	22.18	*

* Not available

(1) From MARTA Financial Statements FY1997 to FY 2006

(2) See Linked Passenger Changes on Page 62

(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 56)

Computation of Overlapping Debt

December 31, 2005 (In Thousands)

Jurisdiction	Amount Outstanding	Percentage Applicable to MARTA	Amount Applicable to MARTA
Atlanta Downtown Development Authority	$ 61,280	100 %	$ 61,280
Fulton County	14,381	100	14,381
Fulton County School District	215,895	100	215,895
Fulton County Building Authority	84,158	100	84,158
DeKalb County	203,187	100	203,187
Municipalities:			
Atlanta	283,865	100	283,865
Alpharetta	41,896	100	41,896
Hapeville	10,505	100	10,505
Union City	7,720	100	7,720
Roswell	53,315	100	53,315
Fulton-DeKalb Hospital Authority	237,115	100	237,115
Atlanta-Fulton County Recreation Authority (Zoo)	3,115	100	3,115
Atlanta-Fulton County Recreation Authority (Arena)	134,900	100	134,900
College Park Business and Industrial Development Authority	5,020	100	5,020
East Point Building Authority	32,454	100	32,454
Total Overlapping Debt	$ 1,388,806		$ 1,388,806
Total Direct Debt	$ 1,388,806		$ 1,388,806

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, 2005 CAFR for the City of Atlanta and Fulton County

Trends in Personal Income

Last Ten FGiscal Years (Dollars in Billions)

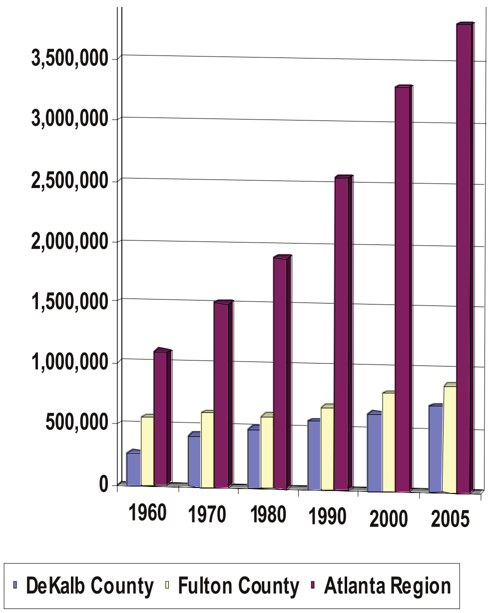
Calendar Year	Fulton County	DeKalb County	Total Service District	Percentage Change Fulton County	Percentage Change DeKalb County
1997	$ 28,508	$17,932	$46,440	7.7%	5.8%
1998	31,484	19,226	50,710	10.4	7.2
1999	33,411	19,522	52,933	6.1	1.5
2000	37,497	21,434	58,931	12.2	9.8
2001	38,302	22,519	60,821	2.1	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 **	**	**	**	**	**
2006 **	**	**	**	**	**

* Revised
** Not available

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

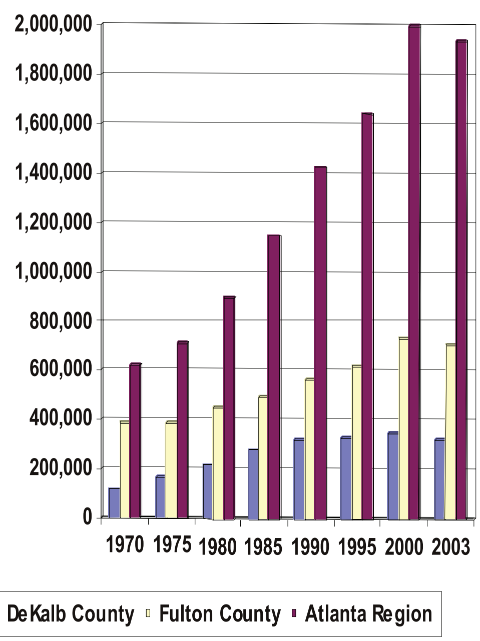
Population and Employment

June 30, 2006



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	798,300	622,300	3,304,000
2005	874,100	700,500	3,813,700

Employment Growth Since 1970



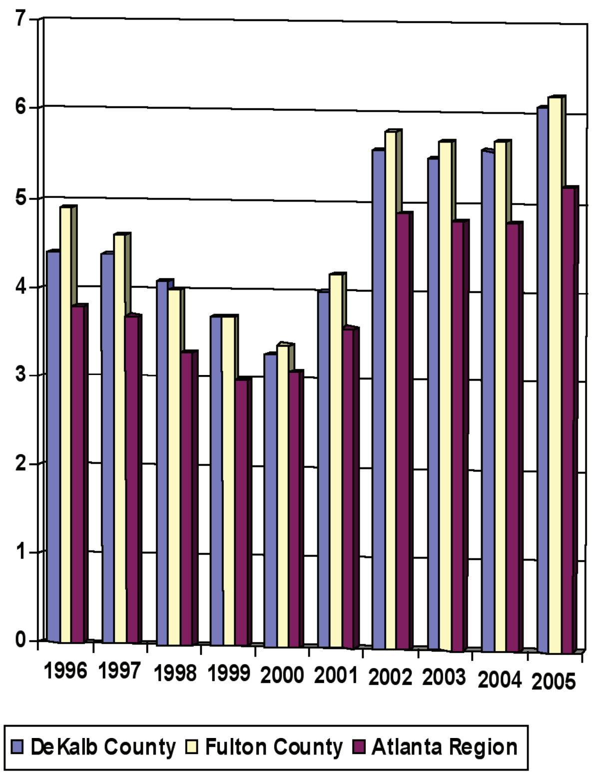
Year	Fulton County	DeKalb County	Atlanta Region
1970	386,988	120,554	619,693
1975	388,394	167,839	705,120
1980	445,341	218,142	901,157
1985	490,000	279,000	1,146,850
1990	560,600	318,300	1,426,000
1995	616,000	331,800	1,640,000
2000	730,900	346,900	1,991,500
2003	702,000	321,000	1,934,200

Source: Atlanta Regional Commission

Unemployment Rates

Last Ten Fiscal Years

Unemployment Rates Since 1996



Year	Fulton County	DeKalb County	Atlanta Region
1996	4.9 %	4.4 %	3.8 %
1997	4.6	4.4	3.7
1998	4.0	4.1	3.3
1999	3.7	3.7	3.0
2000	3.4	3.3	3.1
2001	4.2	4.0	3.6
2002	5.8	5.6	4.9
2003	5.7	5.5	4.8
2004	5.7	5.6	4.8
2005	6.2	6.1	5.2

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

Top Ten Corporate Employers in the Atlanta Region

Current Year and Nine Years Ago

	2004			1995		
Company	Number of Full Time Employees	Rank	Percentage of Total Employment	Number of Full Time Employees	Rank	Percentage of Total Employment
Delta Airlines Inc.	27,344	1	1.15	22,911	1	1.23
Wal-Mart Stores Inc.	17,689	2	0.75	-	-	
BellSouth Corp.	15,800	3	0.67	15,834	3	0.85
Publix Super Markets Inc.	10,650	4	0.45	-	-	
WellStar Health System	10,112	5	0.43	-	-	
IBM Corp.	7,500	6	0.32	-	-	
United Parcel Service Inc.	7,351	7	0.31	-	-	
SunTrust Banks, Inc.	7,287	8	0.31	4,697	10	0.25
Lockheed Martin Aero Co.	6,292	9	0.27	11,000	4	0.59
Cox Enterprises, Inc.	6,177	10	0.26		-	
AT&T	-		-	20,000	2	1.08
NationsBank Corp.	-		-	6,954	5	0.37
The Southern Company	-		-	6,430	6	0.35
The Kroger Company	-		-	5,522	7	0.30
The Home Depot Inc.	-		-	5,000	8	0.27
Turner Broadcasting	-		-	5,000	9	0.27
	116,202		4.90	103,348		5.57

SOURCES : The Atlanta Business Chronicle, 2005-2006 Book of Lists (information current as of Dec, 2004)
The Atlanta Business Chronicle, 1995 Book of Lists
U.S. Department of Labor-Bureau of Labor Statistics Local Area Unemployment Statistics

Transit Service Effort and Accomplishments Per Mile

Last Ten Fiscal Years (Vehicle Miles in Thousands)

Fiscal Year	Revenue Vehicle Miles [1] Bus	Rail	Total	% Change	Operating Expense [2] Per Mile	Operating Expense [2] Per Passenger Mile [1] [3]	Unlinked Passenger Trips Per Mile [1] [3]
1997	26,638	26,983	53,621	10 %	4.83	0.32	3.2
1997	26,480	22,177	48,657	(9)	5.33	0.35	3.3
1997	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

(1) Does not include demand response.

(2) Operating expense excludes depreciation.

(3) Unlinked Passenger figures count passengers each time that person boards a transit v ehicle 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 Hours [1] Bus	Rail	Total	% Change	Operating Expense [2] Per Hour	Operating Expense [2] Per Passenger Trip [1] [3]	Unlinked Passenger Trips Per Revenue Vehicle Hour [1] [3]
1997	2,152	927	3,079	7 %	84.09	1.52	55.3
1998	2,129	821	2,950	(4)	87.92	1.68	53.6
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

(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.

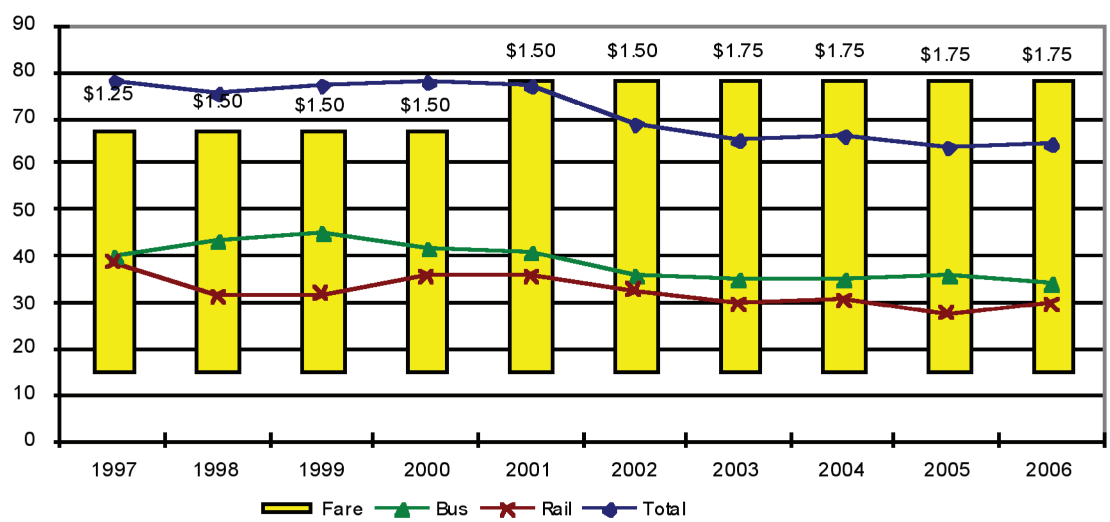
SOURCE: MARTA

Linked Passenger Changes

Last Ten Fiscal Years (In Thousands)

Fiscal Year	Linked Passenger Count [1] Bus	% Change	Rail	% Change	Total	% Change
1997	39,766	7.2%	38,590	27.5%	78,356	16.3%
1998	43,664	9.8	31,628	(18.0)	75,292	(3.9)
1999	45,429	4.0	32,079	1.4	77,508	2.9
2000	41,880	(7.8)	35,881	11.9	77,761	0.3
2001	41,301	(1.4)	35,579	(0.8)	76,880	(1.1)
2002	35,997	(12.8)	32,780	(7.9)	68,777	(10.5)
2003	35,502	(1.4)	29,772	(9.2)	65,274	(5.1)
2004	35,509	0.0	30,866	3.7	66,375	1.7
2005	36,064	1.6	27,949	(9.5)	64,013	(3.6)
2006	34,399	(4.6)	29,897	7.0	64,296	0.4

Relationship of Fare Changes to Linked Passenger Counts



[1] Linked passenger count denotes a complete passenger movement from the point of origin to the final destination regardless of the number of transfers needed to reach the destination.

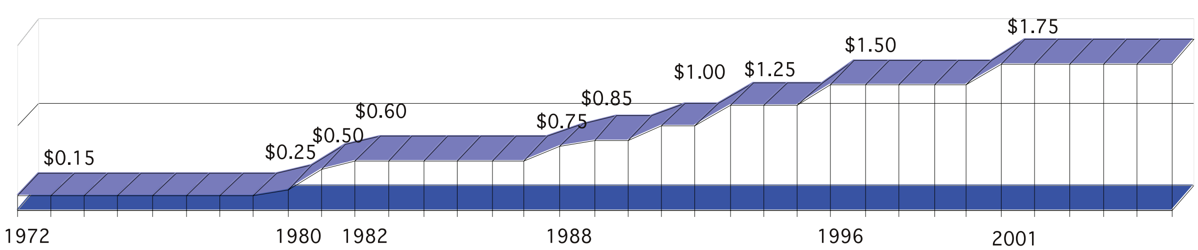
SOURCE: MARTA

Fare Structure

June 30, 2006

Full Fare	
Cash, Single Token or Breeze Ticket	$1.75
Discounted Fare	
Bulk Tokens Twenty Roll	$30.00
Super Discounts	
Weekly TransCard	$13.00
(Unlimited travel, 7-day week, Monday through Sunday)	
Monthly TransCard	$52.50
(Unlimited travel, one calendar month)	
Other Fares/Discounts	
Out-of-District Route	$2.50
Elderly/Disabled Indistrict	$0.85
Elderly/Disabled Out-of-district	$1.25
(at all times, with permit)	
L-Van (Lift-equipped vans: required attendants may ride free)	$3.50
Student TransCard (Unlimited travel, 6 am to 7 pm, Monday thru Friday)	$10.00
Weekend TransCard (Unlimited travel on weekend sold Friday - Sunday)	$9.00
Convention/Visitor Pass (for groups of 15 or more,	
ordered a minimum of 20 days in advance)	
8 or more days available at an additional $2.00 per day	
7 day	$13.00
6 day	$12.00
5 day	$11.00
4 day	$10.00
3 day	$9.00
2 day	$8.00
1 day	$7.00

Single Cash Fare History From Inception



Vehicles Operated in Maximum Service

Last Ten Fiscal Years

Fiscal Year	Bus	Rail	Total[1]
1997	569	173	742
1998	579	182	761
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

(1) Does not include demand response

SOURCE: MARTA

Number of Employees By Function

June 30, 2006

Function	Full-time	Part-time	Total
Transportation Administration	408	52	460
Revenue Vehicle Operations	1,466	150	1,616
Vehicle Maintenance	659	0	659
Non-vehicle Maintenance	531	0	531
Ticket-fare Collections	110	89	199
General Administration	617	19	636
System Security	327	0	327
Total Employees	4,118	310	4,428

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

June 30, 2006

Date of Creation of Authority By The Georgia Legislature	March 10, 1965	
Date of Acquisition of Assets of Atlanta Transit System	February, 1972	
Form of Government	Board of Directors, with fulltime General Manager/CEO	
Number of Board of Directors	18	
Number of Employees Full-time and Part-time	4118	310
Counties In Which Authority Operates	DeKalb and Fulton	
Population Served (From Atlanta Regional Commission)	1,574,600	
Size of Area Served	498 square miles	
Type of Tax Support	1% Sales & Use Tax in DeKalb and Fulton Counties	
Number of Bus Routes	120	
Annual Bus Passenger Miles (Excludes Paratransit/Demand Response)	256.5 million	
Miles of Bus Route and Average On-time Performance	986	93.4%
Miles of Rail Route and Average On-time Performance	48	91.5%
Annual Rail Passenger Miles	488.5 milllion	
Number of Rail Stations	38	
Number of Bus Stop Locations	11,500	
Number of Bus Park And Ride Facilities	8	
Number of Bus Shelters	540	
Bus Passenger Parking Capacity	2,630	
Rail Passenger Parking Capacity	27,372	
Number of Buses in Active Fleet and Average Vehicle Age	554	4.6 years
Number of Paratransit Vehicles in Active Fleet and Average Age	140	1.6 years
Number of Rapid Rail Vehicles and Average Vehicle Age	338	17.6 years
Annual Bus Revenue Vehicle Miles	22.2 million	
Annual Paratransit Vehicle Miles	3.7 million	
Annual Rail Car Revenue Vehicle Miles	21.1 million	
Investment In Property and Equipment	$5.491 billion	

SINGLE AUDIT SECTION

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 financial statements of the Metropolitan Atlanta Rapid Transit Authority (MARTA) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered MARTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be deleted within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of MARTA in a separate letter dated October 16, 2006.

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*.

This report is intended solely for the information and use of the board of directors, management, 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 16, 2006

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 its major federal programs for the year ended June 30, 2006. MARTA's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of MARTA's management. Our responsibility is to express and 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 compliance 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 on 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, 2006.

Internal Control over Compliance

The management of MARTA is responsible for establishing and maintaining effective internal control over compliance with 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 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 out opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of MARTA in a separate letter dated October 16, 2006.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of MARTA as of and for the year ended June 30, 2006, and have issued our report thereon dated October 16, 2006. 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.

The report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than theses specified parties.

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

Atlanta, Georgia
October 16, 2006

METROPOLITAN ATLANTA
RAPID TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2006

Federal Grantor/Program or Cluster Title	CFDA Number	Contract Number	Federal Program Expenditures
Major Programs:			
U.S. Department of Transportation - Federal Transit Administration			
Direct Programs:			
Federal Transit Capital Improvement Grants:			
Sandy Springs/North Springs & Railcars	20.500	GA-03-0061	$ 34,796,240
Purchase CNG Buses	20.500	GA-03-0048	1,490
Bus Procurement Grant	20.500	GA-03-0062	11,639,125
Lindbergh Corridor Study	20.500	GA-03-0056	18,293
Total Federal Transit Capital Improvement Grants			46,455,148
Federal Transit Capital and Planning Assistance formula Grants:			
Transit Projects	20.507	GA-90-X089	264
Buckhead Station Entrance	20.507	GA-90-X131	63,345
Transit Projects	20.507	GA-90-X118	2,622
ITS MARTA 2	20.507	GA-90-X111	9,938,979
Pedestrian Projects	20.507	GA-90-X136	9,594
CNG Bus Purchase	20.507	GA-90-X137	4,189,007
Transit Projects FY 01	20.507	GA-90-X141	7,059
Transit Projects FY 02	20.507	GA-90-X156	79,233
FY 03 SECT 5307	20.507	GA-90-X174	617,533
Auto Fare Collection System	20.507	GA-90-X188	1,552,488
Preventive Maintenance (SEC 5307)	20.507	GA-90-X195	90,230
Transit Projects	20.507	GA-90-X126	36,304
FY 05 SEC 5307	20.507	GA-90-X212/232	11,325,860
AA/FEIS West Line	20.507	GA-90-X159	320,676
Beltline Loop Study	20.507	GA-90-X189	826,237
Total Fedral Transit Capital and Planning Assistance Formula Grants			29,059,431
Total Major Programs			75,514,579
Nonmajor Programs:			
U.S. Department of Transportation - Federal Transit Administration:			
Pass Through Georgia Regional Transportation Authority:			
Public Transportation Research Grant	20.514	GA-26-0002	125,038
Total U.S. Department of Transportation - Federal Transit Administration			125,038
U.S. Department of Homeland Security:			
Homeland Security Grant	16.011	2003EUT30061	1,084,435
UASI Grant - GA Emergency Mgmt. Admin/Planning	16.011	GE-T4-0012	174,990
GEMA Subgrant - Homeland Security	16.011	GE-T4-0012	682,189
GEMA FY 03 Security Procurements	16.011	2003M4-T3-0010	112,629
Canine Team Program	97.072	TSA-HSTS04-04-H LEF161	632,214
Total U.S. Department of Homeland Security			2,686,457
Total Non-Major Programs			2,811,495
Total Federal Financial Assistance			$ 78,326,074

See accompanying notes to the Schedule of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2006

1. Basis of Presentation

The accompanying schedule 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. The schedule includes all known federal pass-through federal funds expended by MARTA for the year ended June 30, 2005.

2. Schedule of Expenditures of Federal Awards

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 (MARTA) and State of Georgia match.

The Schedule of Expenditures of Federal Awards of the Metropolitan Atlanta Transit Authority (MARTA) reports project costs that were funded from both federal and non-federal sources. MARTA allocates the costs to the applicable funding source based on the terms defined in the approved agreement. Because the federal portion of the expenditures is an allocation of the full amount, project costs are reported in the accompanying Schedule of Expenditures of Federal Awards.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

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1) Summary of Auditors' Results

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

b) Reportable conditions on internal control were disclosed by the audit of the financial statements: **none reported** Material weaknesses: **no**

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

d) Reportable conditions in internal control over major programs: **none reported**

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

f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **no**

g) Major programs

Program	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: **$3,051,316**

i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **yes**

2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

There were no findings relating to the financial statements reported in accordance with *Government Auditing Standards* for the year ended June 30, 2006.

3) Findings and Questioned Costs Relating to Federal Awards

There were no findings or questioned costs relating to federal awards for the year ended June 30, 2006 or 2005.

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