Metropolitan Transportation Authority

(A Component Unit of the State of New York)

Independent Accountants' Review Report

Consolidated Financial Statements
Period Ended March 31, 2007

METROPOLITAN TRANSPORTATION AUTHORITY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members of the Board of
Metropolitan Transportation Authority

We have reviewed the accompanying consolidated interim balance sheet of the Metropolitan Transportation Authority (the "Authority"), a component unit of the State of New York, as of March 31, 2007, and the related consolidated statements of revenues, expenses and changes in net assets, and consolidated cash flows for the periods ended March 31, 2007 and 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Authority.

A review consists principally of inquiries of Authority personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5, to the interim consolidated financial statements, the Agency adopted Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Financial Reporting by Employers for the Post Employment Benefits Other Than Pensions.*

The supplemental schedules listed in the table of contents on pages 71 through 73 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Authority's management. Such schedules were not audited or reviewed by us and, accordingly we do not express an opinion or any other form of assurance on them.

The consolidated financial statements for the year ended December 31, 2006 were audited by us, and based on our audit and the reports of other auditors, we expressed an unqualified opinion on them in our report dated April 20, 2007, we also applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation to the 2006 Management's Discussion and Analysis and other supplementary information required by the Governmental Accounting Standards Board and such report expressed no opinion on the information. We have not performed any auditing procedures since the date of such report.

Deloitte & Touche LLP

June 19, 2007

1. OVERVIEW OF THE FINANCIAL STATEMENTS

Introduction **-** This report consists of four parts: Management's Discussion and Analysis ("MD&A"), Consolidated Financial Statements, Notes to the Consolidated Financial Statements, and Supplementary Information.

Consolidated Financial Statements include:

Consolidated Balance Sheets which provide information about the nature and amounts of investments in resources (assets) and the obligations to Metropolitan Transportation Authority (the "MTA") creditors (liabilities), with the difference between the two reported as net assets.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets which provide information about the MTA's changes in net assets for the period then ended and accounts for all of the period's revenues and expenses, measures the success of the MTA's operations during the period and can be used to determine how the MTA has funded its costs.

The Consolidated Statements of Cash Flows provide information about the MTA's cash receipts, cash payments and net changes in cash resulting from operations, non-capital financing, capital and related financing and investing activities.

Notes to the Consolidated Financial Statements provide information that is essential to understanding the consolidated financial statements, such as the MTA's accounting methods and policies, details of cash and investments, employee benefits, long-term debt, lease transactions, future commitments and contingencies of the MTA, and information about other events or developing situations that could materially affect the MTA's financial position.

Required Supplementary Information provides information concerning the MTA's progress in funding its obligation to provide pension benefits to its employees.

Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the MTA for the three months ended March 31, 2007 and 2006 and the twelve months ended December 31, 2006. This management discussion and analysis is intended to serve as an introduction to the MTA's consolidated financial statements. It provides an assessment of how the MTA's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the MTA's overall financial position. It may contain opinions, assumptions, or conclusions by the MTA's management that should not be considered a replacement for, and must be read in conjunction with, the consolidated financial statements.

2. FINANCIAL REPORTING ENTITY

The Metropolitan Transportation Authority was established under the New York Public Authorities Law and is a public benefit corporation and a component unit of the State of New York whose mission is to continue, develop, and improve public transportation and to develop and implement a unified public transportation policy in the New York metropolitan area.

MTA Related Groups

- Headquarters ("MTAHQ") - provides general oversight, planning and administration, including budget, cash management, finance, legal, real estate, treasury, risk management and other functions to the related groups listed below.

- The Long Island Rail Road Company ("MTA Long Island Rail Road") - provides passenger transportation between New York City and Long Island.

- Metro-North Commuter Railroad Company ("MTA Metro-North Railroad") - provides passenger transportation between New York City and the suburban communities in Westchester, Dutchess, Putnam, Orange and Rockland counties in New York State and New Haven and Fairfield counties in Connecticut.

- Staten Island Rapid Transit Operating Authority ("MTA Staten Island Railway") - provides passenger rail transportation on Staten Island.

- Metropolitan Suburban Bus Authority ("MTA Long Island Bus") - provides public bus service in Nassau and Queens counties.

- First Mutual Transportation Assurance Company ("FMTAC") - operates as a captive insurance company to provide insurance coverage for property and primary liability.

- New York City Transit Authority ("MTA New York City Transit") and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority ("MaBSTOA") - provide subway and public bus service within the five boroughs of New York City.

- Triborough Bridge and Tunnel Authority ("MTA Bridges and Tunnels") - operates seven toll bridges, two tunnels and the Battery Parking Garage.

- MTA Capital Construction Company ("MTA Capital Construction") – provides oversight for the planning, design and construction of current and future major MTA system expansion projects.

- MTA Bus Company ("MTA Bus") – operates certain bus routes in areas previously served by private bus operators pursuant to franchises granted by the City of New York.

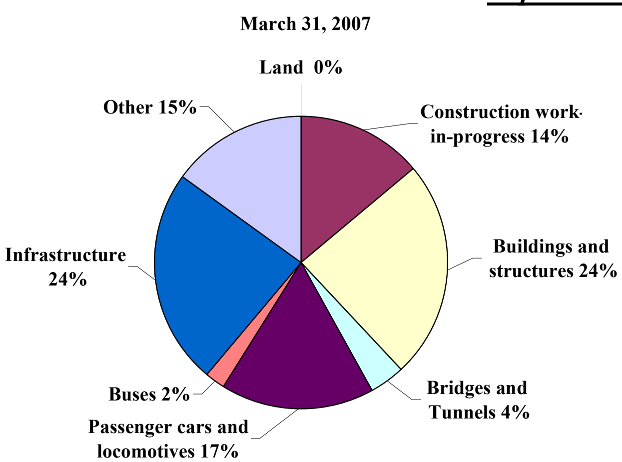
3. CONDENSED FINANCIAL INFORMATION

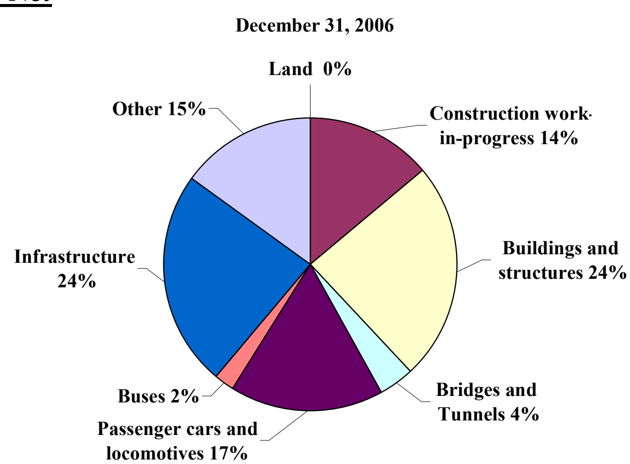
The following sections discuss the significant changes in the MTA's financial position for the three months ended March 31, 2007. An analysis of major economic factors and industry trends that have contributed to these changes is provided. It should be noted that for purposes of the MD&A, the information contained within the summaries of the consolidated financial statements and the various exhibits presented were derived from the MTA's consolidated financial statements. All dollar amounts are in millions.

Total Assets, Distinguished Between Capital Assets, Net and Other Assets

		March 31, 2007 (Unaudited)		December 31, 2006
Capital assets, net (see Note 6)	$	38,601	$	38,307
Other assets		11,493		11,778
Total assets	$	50,094	$	50,085

Capital Assets, Net





<u>March 31, 2007 versus December 31, 2006</u>

- Net capital assets increased at March 31, 2007 by $294. The largest net increase, $239, occurred in construction in progress. Other capital assets (which includes work trains, service vehicles passenger stations and other equipment, excluding passenger cars and locomotives and buses) increased by $178; passenger cars and locomotives, $103; and buildings and structures $81. These increases were partially offset by additional depreciation expenses of $409. Some of the more significant projects contributing to the increase included:

  – Rehabilitation of the East River tunnel, including safety improvements and ventilation projects.

  – Projects upgrading shops and yards and a new automated materials handling system in the Hillside Complex of MTA Long Island Rail Road.

  – Milestone costs for construction, testing and quality assurance of new electric passenger cars.

  – Passenger station rehabilitation including Atlantic Terminal.

  – MTA New York City Transit station rehabilitation at various locations and the Fulton Street Transit Center.

- MTA New York City Transit new R160 subway cars (58) and passenger buses (44) placed in service during the first quarter.

- Elevated Line structural rehabilitation and Subway tunnel rehabilitation.

- Design and construct new depot at Grand Avenue facility.

- Replacement of the deck at the Triborough and Bronx-Whitestone Bridges, including span replacement on the Bronx-Whitestone Bridge and rehabilitation of the electrical and mechanical systems at the Triborough Bridge.

• Other assets had a net decrease of $285. The items contributing to this change include but are not limited to:

  - A net decrease in current and non-current investments and investments held under capital leases of $222 due in part to the increase in funds available from the issuance of additional commercial paper offset by use of funds for capital expenditures, debt service payments on bonds and lease obligations and operating expense.

  - A decrease of $56 in State and regional mass transit taxes receivable due to receipt of funds. The current year appropriation of Metropolitan Mass Transit Operating Assistance will be recorded after the New York State budget is approved.

  - Cash decreased by a net $55 due primarily to use of capital cash for capital expenditures and use of cash for operating expense.

  - Amounts due from New York City increased by $60. This increase is due primarily to MTA Bus subsidy receivable from the City.

  - Station maintenance, operation and use assessments increased by $33. The balance at March 31, 2007 reflects twelve months of accrual while the balance at December 31, 2006 reflects nine months of accruals. Station maintenance is usually billed in April with payments received between June and September.

  - Other subsidies receivable decreased by $11 due to the increase in MTA New York City Transit urban tax subsidies receivable offset by receipt of funds receivable by MTA Bus.

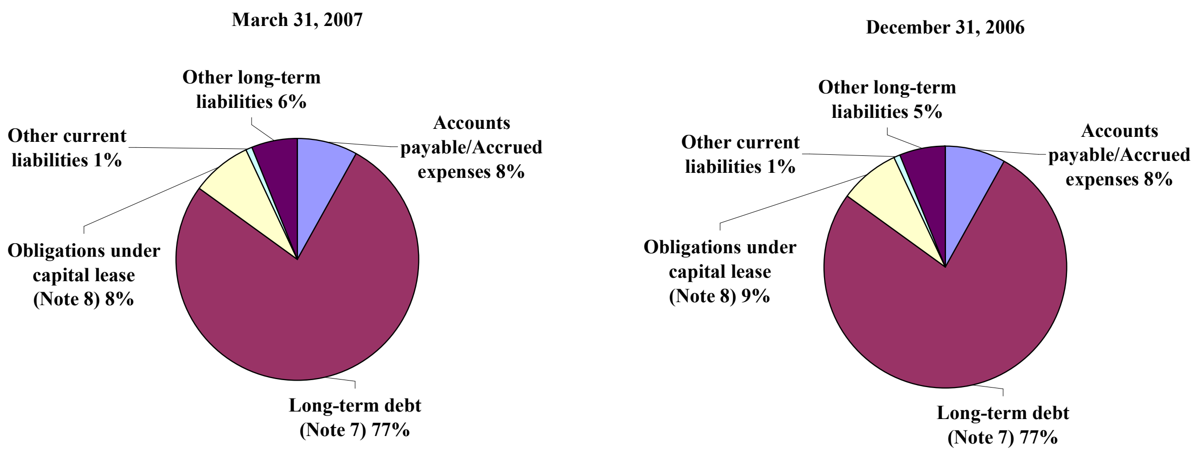
  - Material and supplies increased by $26. This increase is shared by all the agencies to insure availability of parts and supplies for emergency needs.

  - Advance to Defined Benefit Pension Trust decreased by $12. In December 2006, MTA New York City Transit Authority made an advance payment of $12.5 to the Trust. In 2007, this was transferred to current expense.

Total Liabilities, Distinguishing Between Long-Term Liabilities and Other Liabilities

	March 31, 2007 (Unaudited)	December 31, 2006
Current liabilities	$ 3,038	$ 3,073
Long-term liabilities	28,256	27,649
Total liabilities	$ 31,294	$ 30,722

<u>Total Liabilities</u>



Significant Changes in Liabilities Include:

<u>March 31, 2007 versus December 31, 2006</u>

- Current liabilities decreased by $35. This net decrease is due primarily to:

  – Accounts payable and accrued expense had a net increase of $39. Accounts payable decreased by $45 due primarily to payment in the first quarter of invoices accrued at December 31, 2006. Accrued expenses increased by a net of $84. This increase results primarily from increases of $116 in accrued interest on long term debt, partially offset by a reduction in accrued salaries, wages and payroll taxes of $14, due primarily to payment of retroactive wages on a contract settled through arbitration at MTA New York City Transit on December 15, 2006, and a net reduction in other miscellaneous liabilities of $19 due to payment of invoices accrued at year end, payment of the Dutchess, Orange and Rockland liability.

  – Other current liabilities had a net decrease of $74. This was due to a decrease of $82 in the current portion of long-term debt and an increase of $8 in deferred revenue. The deferred revenue increase is due primarily to an increase in the value of unused fare media.

- Non-current liabilities increased by $607. This net increase is primarily related to:

  – The net increase of $317 in Long-Term Debt due primarily to the issuance of $750 of Transportation Revenue Bond Anticipation Notes Commercial Paper, partially offset by the retirement of $440 of Bond Anticipation Notes Commercial Paper; increase of $320 due to recording a liability for post employment benefits other than pension, partially offset by a reduction in contract retainage payable of $17, obligations under capital lease of $9, and a reduction in retirement and death benefits of $4.

Total Net Assets, Distinguishing Among Amounts Invested in Capital Assets, Net of Related Debt, Restricted Amounts and Unrestricted Amounts

	March 31, 2007 (Unaudited)	December 31, 2006
Invested in capital assets, net of related debt	$ 14,750	$ 14,777
Restricted for debt service	1,152	1,095
Unrestricted	2,898	3,491
Total	$ 18,800	$ 19,363

March 31, 2007 versus December 31, 2006

At March 31, 2007, the total net assets decreased by $563 from December 31, 2006. This decrease includes net non-operating revenues of $490, and appropriations, grants and other receipts externally restricted for capital projects of $272, offset by operating losses of $1,325.

Capital assets, net of related debt decreased by $27 due to the fact that new capital expenditures net of depreciation and retirements were less than the amount of new debt issued less debt retirement.

Funds restricted for debt service increased by $57 due to the issuance of new bonds.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	March 31, 2007	March 31, 2006
	(Unaudited)	
Operating Revenues		
Passenger and tolls	$ 1,233	$ 1,192
Other	117	102
Total operating revenues	1,350	1,294
Nonoperating Revenues		
Grants, appropriations and taxes	672	719
Other	80	141
Total nonoperating revenues	752	860
Total Revenues	2,102	2,154
Operating Expenses		
Salaries and wages	1,057	1,000
Retirement and other employee benefits	691	355
Depreciation and amortization	411	391
Other expenses	516	464
Total operating expense	2,675	2,210
Nonoperating Expense		
Interest on long-term debt	259	242
Other nonoperating expense	3	18
Total nonoperating expense	262	260
Total Expenses	2,937	2,470
Appropriations, grants and other receipts externally restricted for capital projects	272	257
Change in net assets	(563)	(59)
Net assets, beginning of period	19,363	17,993
Net assets, end of period	$ 18,800	$ 17,934

Revenues and Expenses, by Major Source:

March 31, 2007 versus March 31, 2006

- Total operating revenues for the three months ended March 31, 2007 were $56 higher than in the three months ended March 31, 2006.

  – Fare revenues and vehicle toll revenues were higher by $41. The major source of that increased revenue was from subway ridership which contributed $19, followed by MTA bus ridership of $7, MTA Metro-North Railroad and MTA Long Island Rail Road increases of $6 and $5, respectively and $4 from MTA Bridges and Tunnels.

- Total operating expenses for the three months ended March 31, 2007 were higher than the three months ended March 31, 2006 by $465.

  – Labor costs, including retirement and other employee benefits, were higher by approximately $393. The major factor in this increase is the recognition of post employment benefits other than pension in compliance with GASB 45 in the amount of $320. Wage rate increases at MTA New York City Transit and the MTA Bus Company's acquisition of additional routes accounted for $40 of the $57 increase in salaries and wages. Health and welfare cost increased by approximately $15 as premium rates for health and welfare plans continue to escalate.

  – Non-labor operating costs were higher by approximately $72. Cost elements contributing to this increase were depreciation resulting in part from new capital assets being placed into beneficial service, $20, traction and propulsion power and fuel expense increases of $14 are due primarily to fuel price increases. Materials and supplies costs increased by $16 primarily at MTA New York City Transit due to data processing equipment and material requirements and subway/bus fleet maintenance requirements; MTA Long Island Rail Road and MTA Metro-North Railroad for parts for fleet maintenance, gap elimination costs and track maintenance. Paratransit Service Contract costs increased $13 primarily due to increased trip volume.

- Total grants, appropriations and taxes were lower by approximately $47 for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. In the first quarter of 2006, the MTA received an advance of $200 of Metropolitan Mass Transportation Assistance. There was no advance in 2007. This, along with lower Petroleum Business Tax receipts resulted in a decrease in Tax supported subsidies-NYS of $207. The increase in tax-supported subsidies from New York City and local is due primarily to receipt of Urban Tax allocated to MTA New York City Transit and MTA Bus due to the increase in the real estate activity in the service counties in the amount of $160.

4. OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS

Economic Conditions - Metropolitan New York is the most transit-intensive region in the United States. A financially sound and reliable transportation system is critical to the region's economic well-being. The MTA's business consists of urban subway and bus systems, suburban rail and bus systems, and bridge and tunnel facilities, all of which are affected by many different economic forces. In order to achieve maximum efficiency and success in its operations, the MTA must identify economic trends and continually implement strategies to adapt to changing economic conditions.

Through March 2007, system-wide utilization—excluding MTA Bus Company—continued to increase significantly, with 2007 MTA ridership 2.0 percent higher (12.1 million more trips) compared to ridership through March 2006. In addition, MTA Bus Company experienced ridership growth of 7.9% in the first quarter of 2007, carrying nearly 1.9 million more revenue passengers than in the same quarter of 2006. However, the merger of the private bus operations into MTA Bus was not completed until part-way through the first quarter of 2006. At the start of 2006, four of the seven franchisees had been merged; in early January Green Bus was merged; at the end of January Jamaica Bus was merged; and towards the end of February Triboro Coach was merged. MTA system-wide utilization, including MTA Bus, was 2.3% higher (13.9 million more trips). Vehicle crossing levels at MTA Bridges and Tunnels facilities were 1.1 percent higher (0.8 million more crossings).

During the first quarter of 2007 New York City added more than 56,000 new jobs compared to the number of jobs existing during the first quarter of 2006. According to Coincident Economic Indicators (CEI's) published by the Federal Reserve Bank, the regional economy experienced modest growth between the final quarter of 2006 and the first quarter of 2007, while New York City itself continued to grow robustly, stimulated in part by the rebuilding of the downtown infrastructure and the MTA's multi-billion-dollar capital programs.

The city's strong economic growth was accompanied by an increase in consumer prices that was slightly higher than the average for all U.S. cities: the consumer price index in the New York metropolitan area increased by 2.90 percent in the first quarter of 2007 relative to the first quarter of 2006, while the national consumer price index increased 2.42 percent. The energy component of the consumer price index increased by only 1.72 percent, while there was a 3.0 percent increase in the consumer price index excluding energy. The New York Harbor spot price for conventional gasoline averaged $1.67 per gallon in the first quarter, a small increase of 0.2 percent compared to the average spot price in the first quarter of 2006. However, the small increase in energy and gasoline prices during the first quarter as a whole belie the much sharper increase that occurred toward the end of the quarter: oil refinery disruptions and Saudi Arabia's announcement that it would cut crude production coincided with high demand for home heating fuel during an unusually cold February and March.

As the national economy has emerged from the recession of 2001-2003, the Federal Reserve Board has adjusted its monetary policies in an effort to keep inflation under control. From the end of June 2003 --when the Federal Funds Rate was at a 46-year low of 1.0 percent--through March 2007, the Federal Reserve Board raised the Federal Funds Rate by one-quarter point on each of seventeen occasions. Five of the seventeen rate increases occurred during 2004, eight occurred in 2005 and four occurred in 2006; the most recent increase occurred on June 29, 2006, when the Feds increased the Federal Funds Rate from 5.00 percent to 5.25 percent, its highest level since January of 2001. These increases started to have an impact on 30-year conforming fixed mortgage rates, which slowly rose during the first and second quarters of 2006; but Fed restraint since the summer of 2006 has contributed to falling rates in three consecutive quarters, beginning with the third quarter of 2006. The behavior of mortgage rates is a matter of interest to the MTA, since their variability can affect the number of real estate transactions and can thereby impact receipts from the Mortgage Recording Tax and Urban Tax, two sources of MTA revenue.

Results of Operations – Paid MTA Bridges and Tunnels traffic level for the three months ended March 31, 2007 reached 70.6 million vehicles. Total volume was 1.1 percent greater in the first quarter of 2007 when compared to the first quarter of 2006. Most of the increased volume is attributable to the weather – relatively less precipitation in January 2007 and a record blizzard in February 2006.

The E-ZPass electronic toll collection system continued to facilitate the management of heavy traffic volumes. On an average weekday during the first quarter of 2007, 76 percent of all MTA Bridges and Tunnels traffic used E-ZPass compared to 75 percent during the first quarter of 2006. In the first three months of 2007, toll revenues were $290.5 which was $3.7 or 1.3 percent greater than the toll revenues in the first quarter of 2006.

MTA New York City Transit's fare revenues for the three months ended March 31, 2007 were higher than in 2006 by $32.1 or 4.4 percent. The increase of $19.3 in fare revenues due primarily to increased subway ridership, is believed to be driven by a strong local economy. Other operating revenues increased by $12.8 due to higher school, elderly and paratransit revenues due to higher paratransit urban tax revenues driven by strong commercial real estate market of $9.5 and by favorable timing of advertising revenues of $3.3.

MTA Long Island Rail Road ridership for the three months ended March 31, 2007 was at approximately 19.9 million on passenger revenues of $110.2. Farebox revenues increased by approximately $5.1 or 4.9 percent for the three months ended March 31, 2007 over the three months ended March 31, 2006. This increase is due to increased ridership with increases in all ticket types attributed to rising gasoline prices and also increases in non-commutation travel on MTA Long Island Rail Road.

MTA Metro-North Railroad's operating revenue increased by $5.4 or approximately 4.8 percent for the three months ended March 31, 2007 over the three months ended March 31, 2006. It is believed that higher gasoline prices contributed to increases in commuter ridership to Manhattan, and there has been increases in customers traveling between stations, and increased weekend travel as well.

The MTA receives the equivalent of four quarters of Metropolitan Mass Transportation Operating Assistance receipts each year, with the State advancing the first quarter of each succeeding calendar year's receipts in the fourth quarter of the current year. This results in little or no Metropolitan Mass Transportation Operating Assistance receipts being received during the first quarter of each calendar year. The MTA has made other provisions to provide for cash liquidity during this period. During the first quarter of 2006, however, the State advanced the payment of $200 of MMTOA assistance to the MTA from MTA's 2006 appropriation. There has been no change in the timing of the State's payment of, or MTA's receipt of, Dedicated Mass Transportation Trust Fund ("MTTF") Receipts, which MTA anticipates will be sufficient to make monthly principal and interest deposits into the Debt Service Fund for the Dedicated Tax Fund Bonds.

Over the last few years, the mortgage recording taxes payable to the MTA have generally exceeded expectations due primarily to the high level of home buying and refinancings caused by historically low interest rates. Due to, among other things, the Federal Reserve Bank's continuation of its interest rate increases and the adverse consequences those actions are expected to have on the level of activity in the real estate market, the MTA does not expect that its collection of mortgage recording taxes will continue at the current levels.

Capital Programs – During the first three months of 2007, $766 was committed and $410 was expended for the combined 2005-2009 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program, bringing the total committed at March 31, 2007, to $5,936 and the total expended to $2,080. During the first three months of 2007, $489 was committed and $509 was expended for the combined 2000-2004 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program, bringing the total committed at March 31, 2007, to $19,563 and the total expended to $15,734.

MTA's and MTA Bridges and Tunnels' capital programs are described in Note 1 to the consolidated financial statements.

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Bond Issues During 2007 – During the month of June, the MTA expects to issue MTA Bridges and Tunnels General Revenue Bonds in the amount of $225. During the month of July the MTA expects to issue MTA Transportation Revenue Bonds, Series 2007A in the amount of $425.

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METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED BALANCE SHEETS
FOR THE PERIODS ENDED MARCH 31, 2007 AND DECEMBER 31, 2006
(Amounts in Millions)

	March 2007 (Unaudited)	December 2006
ASSETS		
CURRENT ASSETS:		
Cash (Note 3)	$ 100	$ 155
Investments (Note 3)	2,472	2,604
Receivables:		
Station maintenance, operation and use assessments	134	101
State and regional mass transit taxes	50	106
Mortgage Recording Tax receivable	61	60
State and local operating assistance	5	8
Other subsidies	97	108
Connecticut Department of Transportation	8	7
New York City	88	28
Other	347	353
Less allowance for doubtful accounts	(25)	(25)
Total receivables - net	765	746
Materials and supplies	343	317
Advance to Defined Benefit Pension Trust	413	425
Prepaid expenses and other current assets (Notes 2 and 4)	121	114
Total current assets	4,214	4,361
NONCURRENT ASSETS:		
Capital assets - net (Note 6)	38,601	38,307
Restricted investment held under capital lease obligations (Note 3 and 8)	2,456	2,463
Investments (Note 3)	1,500	1,583
Receivable from New York State	2,245	2,246
Other noncurrent assets	1,078	1,125
Total noncurrent assets	45,880	45,724
TOTAL ASSETS	$ 50,094	$ 50,085

(continued)

See Independent Accountants' Review Report and notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED BALANCE SHEETS
FOR THE PERIODS ENDED MARCH 31, 2007 AND DECEMBER 31, 2006
(Amounts in Millions)

	March 2007 (Unaudited)	December 2006
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 431	$ 476
Accrued expenses:		
Interest	316	200
Salaries, wages and payroll taxes	266	280
Vacation and sick pay benefits	659	652
Current portion - retirement and death benefits	184	184
Current portion - estimated liability from injuries to persons (Note 9)	170	176
Other	389	408
Total accrued expenses	1,984	1,900
Current portion - long-term debt (Note 7)	256	338
Current portion - obligations under capital lease (Note 8)	7	7
Deferred revenue	360	352
Total current liabilities	3,038	3,073
NONCURRENT LIABILITIES:		
Retirement and death benefits (Note 4)	2	6
Estimated liability arising from injuries to persons (Note 9)	984	984
Post employment benefits other than pensions	320	-
Long-term debt (Note 7)	23,861	23,544
Obligations under capital leases (Note 8)	2,599	2,608
Contract retainage payable	163	180
Other long-term liabilities	327	327
Total noncurrent liabilities	28,256	27,649
Total liabilities	31,294	30,722
NET ASSETS:		
Invested in capital assets, net of related debt	14,750	14,777
Restricted for debt service	1,152	1,095
Unrestricted	2,898	3,491
Total net assets	18,800	19,363
TOTAL LIABILITIES AND NET ASSETS	$ 50,094	$ 50,085

(Concluded)

See Independent Accountants' Review Report and notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIODS ENDED MARCH 31, 2007 AND 2006
(Amounts in Millions)

	March 2007 (Unaudited)	March 2006
OPERATING REVENUES		
Fare revenue	$ 942	905
Vehicle toll revenue	291	287
Rents, freight, and other revenue	117	102
Total operating revenues	1,350	1,294
OPERATING EXPENSES:		
Salaries and wages	1,057	1,000
Retirement and other employee benefits	691	355
Traction and propulsion power	79	65
Fuel for buses and trains	39	39
Insurance	11	11
Claims	36	34
Paratransit service contracts	54	41
Maintenance and other operating contracts	127	124
Professional service contracts	35	32
Materials and supplies	124	108
Depreciation	411	391
Other	11	10
Total operating expenses	2,675	2,210
OPERATING LOSS	(1,325)	(916)
NON OPERATING REVENUES (EXPENSES)		
Grants, appropriations and taxes:		
Tax supported subsidies-NYS	143	350
Tax supported subsidies-NYC and local	473	369
Operating subsidies - NYS	-	-
Operating subsidies - NYC and local	56	-
Total grants, appropriations and taxes	672	719

(Continued)

See Independent Accountants' Review Report and notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE PERIODS ENDED MARCH 31, 2007 AND 2006 (Amounts in Millions)

	March 2007 (Unaudited)	March 2006 (Unaudited)
Operating subsidies recoverable from Connecticut Department of Transportation related to New Haven Line	$ 13	$ 12
Subsidies paid to Dutchess, Orange and Rockland Counties	(1)	(1)
Interest on long-term debt	(259)	(242)
Station maintenance, operation and use assessments	34	36
Unrealized (loss)/gain on investment	(2)	(17)
Other nonoperating revenue	33	93
Net non operating revenues	490	600
LOSS BEFORE APPROPRIATIONS	(835)	(316)
APPROPRIATIONS, GRANTS AND OTHER RECEIPTS EXTERNALLY RESTRICTED FOR CAPITAL PROJECTS	272	257
CHANGE IN NET ASSETS	(563)	(59)
NET ASSETS, BEGINNING OF PERIOD	19,363	17,993
NET ASSETS, END OF PERIOD	$ 18,800	$ 17,934

(Concluded)

See Independent Accountants' Review Report and notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2007 AND 2006
(Amounts in Millions)

	March 2007	March 2006
	(Unaudited)	
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Passenger receipts/tolls	$ 1,276	$ 1,272
Rents and other receipts	105	83
Payroll and related fringe benefits	(1,431)	(1,460)
Other operating expenses	(623)	(564)
Net cash used in operating activities	(673)	(669)
CASH FLOWS PROVIDED BY/(USED IN) NONCAPITAL FINANCING ACTIVITIES:		
Grants, appropriations and taxes	667	703
Operating subsidies from CDOT	15	17
Suburban transportation fund subsidy	-	(20)
Subsidies paid to Dutchess, Orange and Rockland counties	(16)	(18)
Net cash provided by noncapital financing activities	666	682
CASH FLOWS PROVIDED BY/(USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES:		
MTA anticipation notes proceeds	750	450
MTA anticipation notes redeemed	(440)	-
Capital lease payments	(15)	(8)
Grants and appropriations	548	521
CDOT capital contributions	-	-
Capital expenditures	(1,010)	(815)
Debt service payments	(295)	(313)
Net cash used in capital and related financing activities	(462)	(165)
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:		
Purchase of long-term securities	(1,129)	(5,731)
Sales of maturities of securities - long-term	907	6,363
Sale/(purchase) of short-term securities	606	(558)
Earnings on investments	30	22
Net cash provided by investing activities	414	96
NET DECREASE IN CASH	(55)	(56)
CASH, BEGINNING OF PERIOD	155	138
CASH, END OF PERIOD	$ 100	$ 82

See Independent Accountants' Review Report and notes to consolidated financial statements.

(Continued)

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2007 AND 2006
(Amounts in Millions)

	March 2007 (Unaudited)	March 2006 (Unaudited)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (1,325)	$ (916)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	411	391
Net increase in payables, accrued expenses and other liabilities	303	75
Net decrease in receivables	10	24
Net increase in materials and supplies and prepaid expenses	(72)	(243)
NET CASH USED IN OPERATING ACTIVITIES	$ (673)	$ (669)

(Concluded)

See Independent Accountants' Review Report and notes to consolidated financial statements.

1. BASIS OF PRESENTATION

The Metropolitan Transportation Authority ("MTA") was established in 1965, under Section 1263 of the New York Public Authorities Law, and is a public benefit corporation and a component unit of the State of New York ("NYS") whose mission is to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York metropolitan area.

These consolidated financial statements are of the Metropolitan Transportation Authority, including its related groups (collectively, the "MTA") as follows:

Metropolitan Transportation Authority and Related Groups -

- Metropolitan Transportation Authority Headquarters ("MTAHQ") provides support in budget, cash management, finance, legal, real estate, treasury, risk and insurance management, and other services to the related groups listed below.

- The Long Island Rail Road Company ("MTA Long Island Rail Road") provides passenger transportation between New York City ("NYC") and Long Island.

- Metro-North Commuter Railroad Company ("MTA Metro-North Railroad") provides passenger transportation between NYC and the suburban communities in Westchester, Dutchess, Putnam, Orange, and Rockland counties in NYS and New Haven and Fairfield counties in Connecticut.

- Staten Island Rapid Transit Operating Authority ("MTA Staten Island Railway") provides passenger transportation on Staten Island.

- Metropolitan Suburban Bus Authority ("MTA Long Island Bus") provides public bus service in NYC and Nassau County, New York.

- First Mutual Transportation Assurance Company ("FMTAC") provides primary insurance coverage for certain losses, some of which are reinsured, and assumes reinsurance coverage for certain other losses.

- MTA Capital Construction Company ("MTA Capital Construction") provides oversight for the planning, design and construction of current and future major MTA system-wide expansion projects.

- MTA Bus Company ("MTA Bus") operates certain bus routes in areas previously served by private bus operators pursuant to franchises granted by the City of New York.

- MTAHQ, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Staten Island Railway, MTA Long Island Bus, FMTAC, MTA Capital Construction and MTA Bus, collectively are referred to herein as MTA. MTA Long Island Rail Road and MTA Metro-North Railroad are referred to collectively as the Commuter Railroads.

- New York City Transit Authority ("MTA New York City Transit") and its subsidiary, Manhattan and Bronx Surface Transit Operating Authority ("MaBSTOA") provide subway and public bus service within the five boroughs of New York City.

- Triborough Bridge and Tunnel Authority ("MTA Bridges and Tunnels") operates seven toll bridges, two tunnels and the Battery Parking Garage, all within the five boroughs of New York City.

MTA New York City Transit and MTA Bridges and Tunnels are operationally and legally independent of the MTA. These related groups enjoy certain rights typically associated with separate legal status including, in some cases, the ability to issue debt. However, they are included in the MTA's financial statements because of the MTA's financial accountability for these entities and they are under the direction of the MTA Board. Under accounting principles generally accepted in the United States of America ("GAAP"), the MTA is required to include these related groups in its financial statements. While certain units are separate legal entities, they do have legal capital requirements and the revenues of all of the related groups of the MTA are used to support the organization as a whole. The components do not constitute a separate accounting entity (fund) since there is no legal requirement to account for the activities of the components as discrete accounting entities. Therefore, the MTA financial statements are presented on a consolidated basis with segment disclosure for each distinct operating activity.

Capital Program - The MTA has ongoing capital programs, which except for MTA Bridges and Tunnels, MTA Long Island Bus and MTA Bus, are subject to the approval of the Metropolitan Transportation Authority Capital Program Review Board ("CPRB"), and are designed to improve public transportation in the New York Metropolitan area.

2005-2009 Capital Program **–** Capital programs covering the years 2005-2009 have been approved by the MTA Board for (1) the commuter railroad operations of the MTA conducted by MTA Long Island Rail Road and MTA Metro-North Railroad (the "2005–2009 Commuter Capital Program"), (2) the transit system operated by MTA New York City Transit and its subsidiary, MaBSTOA, and the rail system operated by MTA Staten Island Railway (the "2005–2009 Transit Capital Program"), and (3) the toll bridges and tunnels operated by MTA Bridges and Tunnels (the "2005–2009 MTA Bridges and Tunnels Capital Program"). The 2005–2009 MTA Bridges and Tunnels Capital Program was effective upon adoption by the MTA Bridges and Tunnels Board. The 2005–2009 amended Commuter Capital Program and the 2005–2009 amended Transit Capital program (collectively, the "2005–2009 MTA Capital Programs") have been approved by the MTA Board and have been sent to CPRB for approval.

The amended 2005–2009 MTA Capital Programs and the amended 2005–2009 MTA Bridges and Tunnels Capital Program through March 31, 2007, provide for $22,586 in capital expenditures, of which $11,220 relates to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway, $3,546 relates to ongoing repairs of, and replacements to, the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad, $5,830 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $495 relates to a multi-faceted security program, $155 relates to MTA interagency initiatives including MTA Police Department plus an MTA-wide integrated computer systems initiative, $138 relates to MTA Bus company initiatives, and $1,202 relates to the ongoing repairs of, and replacements to, MTA Bridges and Tunnels facilities.

The combined funding sources for the MTA Board approved 2005–2009 MTA Capital Programs and 2005–2009 MTA Bridges and Tunnels Capital Program include $9,441 in MTA and MTA Bridges and Tunnels Bonds, $1,450 in New York State general obligation bonds approved by the voters in the November 2005 election, $7,842 in Federal Funds and $3,853 from other sources.

At March 31, 2007, $5,936 had been committed and $2,080 had been expended for the combined 2005-2009 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program.

2000-2004 Capital Program – Capital programs covering the years 2000-2004 have been approved by the MTA Board for (1) the commuter railroad operations of the MTA conducted by MTA Long Island Rail Road and MTA Metro-North Railroad (the "2000-2004 Commuter Capital Program"), (2) the transit system operated by the MTA New York City Transit and its subsidiary, MaBSTOA, and the rail system operated by MTA Staten Island Railway (the "2000-2004 Transit Capital Program"), and (3) the toll bridges and tunnels operated by MTA Bridges and Tunnels (the 2000-2004 MTA Bridges and Tunnels Capital Program"). The 2000-2004 MTA Bridges and Tunnels Capital Program was effective upon adoption by the MTA Bridges and Tunnels Board. The 2000-2004 amended Commuter Capital Program and the 2000-2004 amended Transit Capital Program (collectively, the "2000-2004 MTA Capital Programs") have been approved by the MTA Board and sent CPRB for approval.

The amended 2000-2004 MTA Capital Programs and the amended 2000-2004 MTA Bridges and Tunnels Capital Program through March 31, 2007, provide for $21,147 in capital expenditures, of which $10,295 relates to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway, $3,959 relates to ongoing repairs of, and replacements to, the Commuter System operated by MTA Long Island Rail Road and MTA Metro-North Railroad, $4,689 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $450 relates to planning and design and customer service projects, $249 relates to World Trade Center repair projects, $1,003 relates to the ongoing repairs and replacements to MTA Bridges and Tunnels facilities, and $502 relates to MTA Bus.

The combined funding sources for the MTA Board approved 2000–2004 MTA Capital Programs and 2000–2004 MTA Bridges and Tunnels Capital Program include $7,919 in bonds, $6,522 in Federal funds, $4,575 from the proceeds of the MTA/MTA Bridges and Tunnels debt restructuring in 2002 and $2,131 from other sources.

At March 31, 2007, $19,563 had been committed and $15,734 had been expended for the combined 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program.

The federal government has a contingent equity interest in assets acquired by the MTA with federal funds, and upon disposal of such assets, the federal government may have a right to its share of the proceeds from the sale. This provision has not been a substantial impediment to the MTA's operation.

2. SIGNIFICANT ACCOUNTING POLICIES

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the MTA applies all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989 that do not conflict with GASB pronouncements. The MTA has elected not to apply FASB Standards issued after November 30, 1989.

Estimates - Financial statements prepared in accordance with GAAP require the use of estimates made by management for certain account balances and transactions. Actual results may differ from these estimates.

Principles of Consolidation - The consolidated financial statements consist of MTAHQ, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Staten Island Railway, MTA Long Island Bus, FMTAC, MTA Bus, MTA Capital Construction, MTA New York City Transit, and MTA Bridges and Tunnels. All significant related group transactions have been eliminated for consolidation purposes.

Basis of Accounting - The MTA follows enterprise fund and accrual basis of accounting, which is similar in presentation to private business enterprises.

Investments - The MTA's investment policies comply with the New York State Comptroller's guidelines for such policies. Those policies permit investments in, among others, obligations of the U.S. Treasury, its agencies and instrumentalities, and repurchase agreements secured by such obligations.

Investments expected to be utilized within a year of December 31 have been classified as current assets in the financial statements.

All investments are recorded on the balance sheets at fair value and all investment income, including changes in the fair value of investments, is reported as revenue on the statement of revenues, expenses and changes in net assets. Fair values have been determined using quoted market values at March 31, 2007 and December 31, 2006.

Materials and Supplies - Materials and supplies are valued principally at the lower of average cost or market value, net of obsolescence reserve.

Prepaid Expenses and Other Current Assets – Prepaid expenses and other current assets reflect advance payment of insurance premiums as well as farecard media related with ticket machines, WebTickets and AirTrain tickets.

Capital Assets - Properties and equipment are carried at cost and are depreciated on a straight-line basis over estimated useful lives. Expenditures for maintenance and repairs are charged to operations as incurred.

Liability Insurance – FMTAC, an insurance captive subsidiary of MTA, operates a liability insurance program ("ELF") that insures certain claims in excess of the self-insured retention limits of the agencies on both a retrospective (claims arising from incidents that occurred before October 31, 2003) and prospective (claims arising from incidents that occurred on or after October 31, 2003) basis. For claims arising from incidents that occurred on or after November 1, 2001, but before November 1, 2006, the self-insured retention limits are: $7 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Staten Island Railway, MTA Long Island Rail Road and MTA Metro-North Railroad; $2 for MTA Long Island Bus; and $1.4 for MTA and MTA Bridges and Tunnels. Effective November 1, 2006, the self-insured retention limits for ELF were increased to the following amounts: $8 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Staten Island Railway, MTA Long Island Rail Road and MTA Metro-North Railroad; $2.3 for MTA Long Island Bus; and $1.6 for MTA and MTA Bridges and Tunnels. The maximum amount of claims arising out of any one occurrence is the total assets of the program available for claims, but in no event greater than $50. The retrospective portion contains the same insurance agreements, participant retentions, and limits as existed under the ELF program for occurrences happening on or before October 30, 2003. On a prospective basis, FMTAC issues insurance policies indemnifying the MTA, its subsidiaries and affiliates above their specifically assigned self-insured retention with a limit of $50 per occurrence with $50 annual aggregate. FMTAC charges appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. On December 31, 2006, the balance of the assets in this program was $82.5.

MTA also maintains an All-Agency Excess Liability Insurance Policy that affords the MTA and its subsidiaries and affiliates additional coverage limits of $250, for a total limit of $300 ($250 excess of $50). In certain circumstances, when the assets in the program described in the preceding paragraph are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the coverage position of $50.

On March 1, 2007, the “non-revenue fleet” automobile liability policy program was renewed. This program provides third party auto liability insurance protection for the MTA and its member agencies with the exception of MTA New York City Transit and MTA Bridges and Tunnels. The policy provides $7 per occurrence limit with a $.5 per occurrence deductible. FMTAC renewed its deductible buy back policy, where it assumes the liability of the agencies for their deductible. FMTAC issued a comprehensive automobile excess liability policy that provides $1 per occurrence in excess of $7.

On March 1, 2006, the “Access-A-Ride” automobile liability policy program was renewed. This program provides third party auto liability insurance protection for the MTA New York City Transit’s Access-A-Ride program, including the contracted operators. This policy provides a $3 per occurrence limit with a $1 per occurrence deductible.

On November 1, FMTAC increased the primary coverage on the Station Liability and Force Account liability policies from $7 to $8 for MTA Metro-North Railroad and MTA Long Island Rail Road.

Property Insurance – Effective October 31, 2006, FMTAC renewed the all-agency property insurance program. For the period October 31, 2006 through October 30, 2007, FMTAC directly insures property damage claims of the related entities in excess of a $25 per occurrence self-insured retention (“SIR”), subject to an annual $75 aggregate. Losses occurring after the retention aggregate is exceeded are subject to a deductible of $7.5 per occurrence. The total program limit has been maintained at $1.25 billion per occurrence covering property of the related entities collectively. With the exception of acts of terrorism (both domestic and foreign), and subject to certain parts of the program limit that have been retained by FMTAC as discussed in the next paragraph, FMTAC is reinsured in the domestic, London, European and Bermuda marketplaces for this coverage. The storms in 2005 had a severe impact on pricing and capacity for property insurance. Although the market is beginning to stabilize given the absence of major catastrophes in 2006, available capacity at reasonable pricing levels remains tight. As a result, FMTAC was able to obtain additional reinsurance capacity over last year (reducing the amount retained from $394.5 for the year beginning October 31, 2005 to $267.9 for the year beginning October 31, 2006), but continues to retain portions of upper tiers of the program limit. The following chart shows the portions of the tiers of the program limit that have been reinsured and the portions that have been retained by FMTAC. Within each tier, losses would be shared on a pro rata basis.

Incremental Insurance Loss	Amount Reinsured	Amount Retained by FMTAC
$ 0 – 25	$ 0.0	$ 25.0
25 – 125	100.0	0.0
125 – 175	50.0	0.0
175 – 400	225.0	0.0
400 – 700	300.0	0.0
700 – 1,000	57.1	242.9
1,000 – 1,250	250.0	0.0
Total	$ 982.1	$ 267.9

The property insurance, which is subject to annual renewal on October 31, 2007, provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages. With respect to acts of international terrorism committed by or on behalf of foreign interests, as covered by the Terrorism Risk Insurance Act of 2002, and amended by the Terrorism Risk Insurance Extension Act of 2005 ("2005 TRIA"), FMTAC is reinsured by the United States Government for 85% of such "certified" losses, subject to an annual cap on all losses payable under TRIA for $100 billion. No federal compensation will be paid unless the aggregate industry insured losses exceed $100 ("trigger"). The remaining 15% of MTA losses would be covered under an additional policy described below. TRIA coverage is provided through December 31, 2007. Negotiations are underway in Congress to extend the current arrangement, or implement a more permanent solution.

With respect to terrorism losses not covered by the United States Government under TRIA, MTA obtained an additional commercial reinsurance policy with Lexington Insurance Co. (part of AIG). That policy provides coverage for (1) 15% of any "certified" act of terrorism caused by foreign interests – up to a maximum recovery of $150 for any one occurrence, or (2) 100% of any terrorism loss not "certified" by the United States Government (including losses within the established event "trigger") – up to a maximum recovery of $100 for any occurrence. This coverage expires on December 31, 2007. Recovery under this policy is subject to a retention of $25 per occurrence and $75 in the annual aggregate – in the event of multiple losses during the policy year. Should the MTA's retention in any one year come to a total $75, then future losses in that policy year are subject to a retention of just $7.5.

Effective October 31, 2004 through October 30, 2005, FMTAC directly insured property damage claims of the MTA in excess of a $25 per occurrence self-insurance retention, subject to an annual $75 aggregate. The aggregate limitation of $1.25 billion per occurrence (up from $1 billion for the preceding year) covers all property of the related entities collectively. The property insurance provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages.

Operating Revenues

Passenger Revenue and Tolls - Revenues from the sale of tickets, tokens, electronic toll collection system, and farecards are recognized as income as they are used. Deferred revenue is recorded for the estimated amount of unused tickets, tokens and farecards.

Nonoperating Revenues

- *Operating Assistance* - The MTA receives, subject to annual appropriation, NYS operating assistance funds that are generally recognized as revenue when all applicable eligibility requirements are met. Generally, funds received under the NYS operating assistance program are fully matched by contributions from NYC and the seven other counties within the MTA's service area.

- *Mortgage Recording Taxes ("MRT")* - Under NYS law, the MTA receives capital and operating assistance through a Mortgage Recording Tax (MRT-1), which is collected by NYC and the seven other counties within the MTA's service area, at the rate of .25 of one percent of the debt secured by certain real estate mortgages. Effective June 1, 2005, the rate was increased from 25 cents per 100 dollars of recorded mortgage to 30 cents per 100 dollars of recorded mortgage. The MTA also receives an additional Mortgage Recording Tax (MRT-2) of .25 of one percent of certain mortgages secured by real estate improved or to be improved by structures containing one to six dwelling units in the MTA's service area. MRT-1 and MRT-2 taxes are recognized as revenue based upon reported amounts of taxes collected.

  – MRT-1 proceeds are initially used to pay MTAHQ's operating expenses. Remaining funds, if any, are allocated 55 percent to certain Transit Operations and 45 percent to the Commuter Railroads. The Commuter Railroad portion is first used to fund the NYS Suburban Highway Transportation Fund in an amount not to exceed $20 annually (subject to the moneys being returned under the conditions set forth in the governing statute if the Commuter Railroads are operating at a deficit). As of March 31, 2007 and 2006 the amounts payable to the NYS Suburban Highway Transportation Fund were $20 and $0 respectively. Of the MTA New York City Transit portion, the MTA distributed $0 and $0 as of March 31, 2007 and 2006, respectively.

  – The first $5 of the MRT-2 proceeds is transferred to the MTA Dutchess, Orange and Rockland Fund ($1.5 each for Dutchess and Orange Counties and $2 for Rockland County). Additionally, the MTA must transfer to each County's fund an amount equal to the product of (i) the percentage by which each respective County's mortgage recording tax payments (both MRT-1 and MRT-2) to the MTA increased over such payments in 1989 and (ii) the base amount received by each county as described above. The counties do not receive any portion of the June 1, 2005 increase in MRT-1 from 25 cents per $100 of recorded mortgage to 30 cents. Excess amounts transferable to the counties as of March 31, 2007 and December 31, 2006, were $0 and $15.1, respectively. Through March 31, 2007, the MTA had made no distribution from the MRT-2 funds to the Commuter Railroads or to MTA New York City Transit for their current operations. In the same period in 2006 the MTA made no distribution from the MRT-2 funds to the Commuter Railroads or to MTA New York City Transit for their current operations. During 2006, $2.1 of MRT-2 funds was transferred to fund the MaBSTOA Pension Plan and $267.1 was transferred to fund the MTA Defined Benefit Pension Plan.

- In addition, MTA New York City Transit Authority receives operating assistance directly from NYC through a mortgage recording tax at the rate of .625 of one percent of the debt secured by certain real estate mortgages and through a property transfer tax at the rate of one percent of the assessed value (collectively referred to as "Urban Tax Subsidies") of certain properties.

- *Dedicated Taxes* - Under NYS law, subject to annual appropriation, the MTA receives operating assistance through a portion of the Dedicated Mass Transportation Trust Fund ("MTTF") and Metropolitan Mass Transportation Operating Assistance Fund ("MMTOA"). The MTTF receipts consist of a portion of the revenues derived from certain business privilege taxes imposed by the State on petroleum businesses, a portion of the motor fuel tax on gasoline and diesel fuel, and a portion of certain motor vehicle fees, including registration and non-registration fees. Effective October 1, 2005, the State increased the amount of motor vehicle fees deposited into the MTTF for the benefit of the MTA. MTTF receipts are applied first to meet certain debt service requirements or obligations and in the second instance are used to pay operating and capital costs. The MMTOA receipts are comprised of .375 of one percent regional sales tax (which was increased effective June 1, 2005 from .25 of one percent), a temporary regional franchise tax surcharge, a portion of taxes on certain transportation and transmission companies, and an additional portion of the business privilege tax imposed on petroleum businesses. MMTOA receipts, to the extent that MTTF receipts are not sufficient to meet debt service requirements, will also be applied to certain debt service obligations, and secondly to operating and capital costs of the Transit System, and the Commuter Railroads.

  The State Legislature enacts in an annual budget bill for each state fiscal year an appropriation to the MTA Dedicated Tax Fund for the then current state fiscal year and an appropriation of the amounts projected by the Director of the Budget of the State to be deposited in the MTA Dedicated Tax Fund for the next succeeding state fiscal year. The assistance deposited into the MTTF is required by law to be allocated, after provision for debt service on Dedicated Tax Fund Bonds (see Note 6), 85 percent to certain Transit Operations (not including MTA Bus) and 15 percent to the Commuter Railroads. Revenues from this funding source are recognized based upon amounts of tax reported collected by NYS, to the extent of the appropriation.

- *Operating Subsidies Recoverable from Connecticut Department of Transportation ("CDOT")* - The portion of the deficit from operations relating to MTA Metro-North Railroad's New Haven line is recoverable from CDOT. Under the terms of a renewed Service Agreement, which began on January 1, 2000, and the 1998 resolution of an arbitration proceeding initiated by the State of Connecticut, CDOT pays 100 percent of the net operating deficit of MTA Metro-North Railroad's branch lines in Connecticut (New Canaan, Danbury, and Waterbury), 65 percent of the New Haven mainline operating deficit, and a fixed fee for the New Haven line's share of the net operating deficit of Grand Central Terminal ("GCT") calculated using several years as a base, with annual increases for inflation and a one-time increase for the cost of operating GCT's North End Access beginning in 1999. The Service Agreement also provides that CDOT pay 100 percent of the cost of non-movable capital assets located in Connecticut, 100 percent of movable capital assets to be used primarily on the branch lines and 65 percent of the cost of other movable capital assets allocated to the New Haven line. Remaining funding for New Haven line capital assets is provided by the MTA. The Service Agreement provides for automatic five-year renewals unless a notice of termination has been provided. The Service Agreement has been automatically renewed for an additional five years beginning January 1, 2005. Capital assets completely funded by CDOT are not reflected in these financial statements, as ownership is retained by CDOT. The Service Agreement provides that final billings for each year are subject to audit by CDOT. Years subsequent to 2000 remain subject to final audit.

- *Reimbursement of Expenses* - The cost of operating and maintaining the passenger stations of the Commuter Railroads in NYS is assessable by the MTA to NYC and the other counties in which such stations are located for each NYS fiscal year ending March 31, under provisions of the NYS Public Authorities Law. This funding is recognized as revenue based upon an amount, fixed by statute, for the costs to operate and maintain passenger stations and is revised annually by the increase or decrease of the regional Consumer Price Index.

- Pursuant to an agreement with NYS and NYC each pays to MTA $45 annually to cover a portion of the cost of the free fare student program. The estimated cost of this program is approximately $176 for the 2006 - 2007 school year. It is believed that NYC will continue to provide for the City's $45 contribution for the 2006-2007 school year, of which $15 was received in December 2006. The Transit Operations approved 2007 Adopted Budget assumes that the remaining $30 from NYC will be received in 2007. It also assumes that the State's full $45 for the 2006–2007 school year will be received in 2007. The Transit Operation's 2008–2010 Financial Plan assumes the continuation of the joint funding of the free fare program for students.

- Policing of the transit system is carried out by the NYC Police Department at NYC's expense. The MTA, however, continues to be responsible for certain capital costs and support services related to such police activities, a portion of which is reimbursed by NYC. The MTA received approximately $0.9 in the three months ended March 31, 2007, and $0.7 in the three months ended March 31, 2006 from NYC for the reimbursement of transit police costs.

- Federal law and regulations require a paratransit system for passengers who are not able to ride the buses and trains because of their disabilities. Pursuant to an agreement between NYC and the MTA, MTA New York City Transit had assumed operating responsibility for all paratransit service required in NYC by the Americans with Disabilities Act of 1990. The services are provided by private vendors under contract with MTA New York City Transit. NYC reimburses the MTA for the lesser of 33.0 percent of net paratransit operating expenses defined as labor, transportation, and administrative costs less fare revenues and 6.0 percent of gross Urban Tax Subsidies, or an amount that is 20.0 percent greater than the amount paid by the City for the preceding calendar year. Fare revenue and reimbursements aggregated approximately $30.9 in the three months ended March 31, 2007, and $20.8 in the three months ended March 31, 2006.

Grants and Appropriations - Grants and appropriations for capital projects are recorded when requests are submitted to the funding agencies for reimbursement of capital expenditures and beginning in 2001 were recorded as non-operating revenues in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. These amounts are reported separately after Total non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Assets.

Operating Expenses – Expenses incurred in the generation of operating revenues are classified as operating expenses. These expenses include but are not limited to labor, health and welfare and other employee benefits; cost associated with operating and maintaining revenue producing equipment, including fuel and electricity, maintenance, depreciation, insurance and other service and contract expenses, and "administrative overhead."

Non-Operating Expenses – Expenses not directly related to generating income are classified as non-operating expenses. These expenses include but are not limited to subsidies to Dutchess, Orange and Rockland counties, and the Suburban High Transportation Fund, interest on long-term debt, loss on disposal of fixed assets and such other expenses as may from time to time occur that are not directly related to operations.

Recent Accounting Pronouncements - The MTA has completed the process of evaluating the impact that will result from implementing GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section,* The MTA has concluded that implementation of GASB Statement No. 44 had little impact on the MTA's statistical section. GASB Statement No. 44 is effective for statistical sections prepared for periods beginning after June 15, 2005.

The MTA has completed the process of evaluating the impact that will result from adopting GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and has disclosed the required information as per this statement in Note 5. The Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Statement is effective for financial statement periods beginning after December 15, 2006.

The MTA has completed the process of evaluating the impact that will result from adopting GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*--an amendment of GASB Statement No. 34. The MTA has concluded that GASB Statement No. 46 had no impact on its financial position and results from operations based upon the MTA's current reporting of its net assets. The Statement clarifies the definition of a "legally enforceable" enabling legislation restriction on a government's net assets. The statement is effective for fiscal periods beginning after June 15, 2005.

The MTA has completed the process of evaluating the impact that will result from implementing GASB Statement No. 47, *Accounting for Termination Benefits*. The MTA has concluded that the impact of adopting GASB Statement No. 47 did not have a material impact on its financial position and results of operations. The Statement establishes the accounting standards for voluntary termination benefits (for example, early-retirement incentives) and involuntary benefits (for example, severance benefits). The Statement was effective for fiscal periods beginning after June 15, 2005.

The MTA has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of assets and Future Revenues*. The MTA is therefore unable to disclose the impact GASB Statement No. 48 will have on its financial position and results of operations when such statement is adopted. The Statement establishes criteria that governments will use to ascertain whether proceeds received should be reported as revenues or as a liability. The Statement is effective for fiscal periods beginning after December 15, 2006.

The MTA has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* The MTA is therefore unable to disclose the impact GASB Statement No. 49 will have on its financial position and results of operations when such statement is adopted. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The Statement is effective for fiscal periods beginning after December 15, 2007.

3. CASH AND INVESTMENTS

Cash, including deposits in transit, consists of the following at March 31, 2007 and December 31, 2006:

	March 2007 (Unaudited)		December 2006	
	(Amounts in Million)			
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
FDIC insured or collateralized deposits	$ 36	$ 29	$ 72	$ 66
Uninsured and not collateralized	64	27	83	14
	$ 100	$ 56	$ 155	$ 80

All collateralized deposits are held by the MTA or its agent in the MTA's name.

The MTA, on behalf of the Transit operations, MTA Bridges and Tunnels, MTA Long Island Bus and MTA Bus operations, invests funds which are not immediately required for the MTA's operations in securities permitted by the New York State Public Authorities Law, including repurchase agreements collateralized by U.S. Treasury securities, U.S. Treasury notes and U.S. Treasury zero coupon bonds.

The MTA's uninsured and uncollateralized deposits are primarily held by commercial banks in the metropolitan New York area and are subject to the credit risks of those institutions.

Investments, at fair value, consist of the following at March 31, 2007 and December 31, 2006:

	March 2007 (Unaudited)		December 2006	
	(Amounts in Millions)			
Repurchase agreements		$ 543		$ 680
U.S. Treasuries due 2007 - 2020		1,292		1,639
Investments restricted for capital lease obligations				
US Treasury Notes			8	
Treasury Strips	123		121	
Other Agencies	2,333		2,334	
Sub-total		2,456		2,463
Other Agencies due 2007 - 2008		1,292		1,217
Commercial Paper due 2008		845		651
Total	$ 2,456	$ 6,428	$ 2,463	$ 6,650

Fair values include accrued interest to the extent that interest is included in the carrying amounts. Accrued interest on investments other than Treasury bills and coupons is included in other receivables on the balance sheet. The MTA's investment policy states that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment. The net unrealized loss on investments for the three months ended March 31, 2007 was $1.7 as compared to a loss for the year ended December 31, 2006 of $13.0.

In connection with certain lease transactions described in Note 7, the MTA has purchased securities or entered into payment undertaking, letter of credit, or similar type agreements or instruments (guaranteed investment contracts) with financial institutions that have a credit rating of AAA by Standard and Poor's, which generate sufficient proceeds to make payments under the terms of the leases. If the obligors do not perform, the MTA may have an obligation to make the related rent payments.

All investments are either insured or registered and held by the MTA or its agent in the MTA's name. Investments had weighted average yields of 5.1 percent and 5.0 percent for the three months ended March 31, 2007 and the year ended December 31, 2006, respectively.

Of the above cash and investments, amounts held for restricted purposes were as follows at March 31, 2007 and December 31, 2006:

	March 2007 (Unaudited)	December 2006
	(Amounts in Millions)	
Construction or acquisition of capital assets	$ 1,593	$ 1,858
Funds received from related groups for investment	1,025	1,071
Debt service	525	489
Payment of claims	348	269
Restricted for capital leases	2,456	2,463
Other	477	432
Total	$ 6,424	$ 6,582

Credit Risk

At March 31, 2007, the following credit quality rating has been assigned to MTA investments by a nationally recognized rating organization:

Quality Rating S & P	Total	Percent of Portfolio
A-1+	$ 1,217	28.13%
A-2	174	4.02%
AAA	64	1.48%
AA	20	0.46%
A	52	1.20%
BBB	30	0.69%
Not Rated	28	0.65%
Gov't/Gov't Agencies	2,742	63.37%
Total	$ 4,327	100.00%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of interest rate risk. The greater the duration of a bond or portfolio of bonds, the greater its price volatility will be in response to a change in interest rate risk and vice versa. Duration is an indicator of bond price's sensitivity to 100 basis point change in interest rates.

Securities	Fair Value	Duration
U.S. Treasuries	$ 1,290	0.30
U.S. Agencies	1,035	0.49
Tax Benefits Lease Investments	417	11.38
Repurchase Agreement	545	0.00
Certificate of Deposits	11	0.22
Commercial Paper	846	0.01
Mortgage Backed Securities	35	4.53
Asset Backed Securities	40	1.45
Collateralized Mortgage Backed Securities	23	5.10
Corporates	68	3.71
Total Fair Value	4,310	
Modified Duration		1.45
Equities	17	
Total	$ 4,327	

The MTA as a public benefit corporation established under the New York Public Authorities Law, is subject to the investment guidelines established by the New York Public Authorities Law Section 1265(4). (See below.)

"§ 1265. General powers of the authority. Except as otherwise limited by this title, the authority shall have power:

4. To invest any funds, accounts or other monies not required for immediate use or disbursement, at the discretion of the authority, in (a) obligations of the state or the United States government, (b) obligations the principal and interest of which are guaranteed by the state or the United States government, (c) certificates of deposit of banks or trust companies in this state, secured, if the authority shall so require, by obligations of the United States or of the state of New York of a market value equal at all times to the amount of the deposit, (d) banker's acceptances with a maturity of ninety days or less which are eligible for purchase by the Federal Reserve Banks and whose rating at the time of purchase is in the highest rating category of two nationally recognized independent rating agencies, provided, however, that the amount of banker's acceptances of any one bank shall not exceed two hundred fifty million dollars, (e) obligations of any bank or corporation created under the laws of either the United States or any state of the United States maturing within two hundred seventy days, provided that such obligations receive the highest rating of two nationally recognized independent rating agencies and, provided further, that no more than two hundred fifty million dollars may be invested in such obligations of any one bank or corporation, (f) as to any such moneys held in reserve and sinking funds, other securities in which the trustee or trustees of any public retirement

system or pension fund has the power to invest the monies thereof pursuant to article four-a of the retirement and social security law, each such reserve and sinking fund being treated as a separate fund for the purposes of article four-a of the retirement and social security law, (g) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States Postal Service, the federal national mortgage association, the federal home loan mortgage corporation, the student loan marketing association, the federal farm credit system, or any other United States government sponsored agency, provided that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, the highest rating of all independent rating agencies that rate such agency or its obligations, provided, however, that no more than two hundred fifty million dollars or such greater amount as may be authorized for investment for the state comptroller by section ninety-three of the state finance law may be invested in the obligations of any one agency, (h) general obligation bonds and notes of any state other than the state, provided that such bonds and notes receive the highest rating of at least one independent rating agency, and bonds and notes of any county, town, city, village, fire district or school district of the state, provided that such bonds and notes receive either of the two highest ratings of at least two independent rating agencies, (i) mutual funds registered with the United States securities and exchange commission whose investments are limited to obligations of the state described in paragraph (a) of this subdivision, obligations the principal and interest of which are guaranteed by the state described in paragraph (b) of this subdivision, and those securities described in paragraph (h) of this subdivision and that have received the highest rating of at least one independent rating agency, provided that the aggregate amount invested at any one time in all such mutual funds shall not exceed ten million dollars, and, provided further, that the authority shall not invest such funds, accounts or other monies in any mutual fund for longer than thirty days, and (j) financial contracts in a foreign currency entered into for the purpose of minimizing the foreign currency exchange risk of the purchase price of a contract with a vendor chosen through competitive process for the acquisition of capital assets for the benefit of the capital program of the Triborough bridge and tunnel authority or either the transit or transportation capital programs."

4. EMPLOYEE BENEFITS

Substantially all of the MTA's related groups and pension plans have separately issued financial statements that are publicly available and contain descriptions and supplemental information regarding employee benefit plans. These statements may be obtained by calling the administrative office of the respective related group.

Pension Plans - The MTA sponsors and participates in a number of pension plans for its employees. These plans are not component units of the MTA and are not included in the combined financial statements.

Defined Benefit Pension Plans

- *Single-Employer Pension Plans* - The Long Island Rail Road Company Pension Plan and the Long Island Rail Road Company Plan for Additional Pensions ("Additional Plan") are contributory, defined-benefit pension plans that cover employees who began service with MTA Long Island Rail Road prior to January 1, 1988. Benefit provisions are established by MTA Long Island Rail Road and are based on length of qualifying service and final average compensation.

- The MaBSTOA Pension Plan is a defined-benefit plan covering substantially all of its employees. This plan assigns authority to amend the plan and determine contributions to the MaBSTOA Board.

- For the plan years ended December 31, 2006 and 2005, MTA New York City Transit made contributions to the MaBSTOA Plan of $159.6 and $153.4, respectively, equal to or in excess of the required contributions for each year. The MTA Board recently approved amendments authorizing the MaBSTOA Plan to invest in alternative investments. Such investments will be subject to specific investment guidelines and monitored by the Plan's independent investment adviser. On September 28 and October 25, 2006, MTA made contributions to the MaBSTOA Plan of $100.0 and $.3 to reduce unfunded pension liabilities. In December 2006, MTA New York City Transit made an advance payment of $12.5.

- MTA Staten Island Railway has a contributory defined benefit plan that was a single-employer public employee retirement system covering certain employees. Authority to amend the plan and to determine contributions rests with the MTA Board. In 2005, that plan was merged with the MTA Defined Benefit Pension Plan and administered by the MTA.

- *Multi-Employer Pension Plan* - The MTA Defined-Benefit Pension Plan ("MTA Plan"), a defined benefit pension plan for certain MTA Long Island Rail Road non-represented employees hired after December 31, 1987, and MTA Metro-North Railroad non-represented employees, certain MTA Long Island Bus employees hired prior to January 23, 1983, MTA Police, certain MTA Long Island Rail Road represented employees hired after December 31, 1987, certain MTA Metro-North Railroad represented employees, employees of MTA Staten Island Railway and certain employees of the MTA Bus Company ("MTA Bus") is a cost sharing multiple-employer retirement plan. MTA Long Island Rail Road, MTA Metro-North Railroad, MTA, MTA Staten Island Railway and MTA Bus contribute to the MTA Plan, which offers distinct retirement, disability, and death benefits for covered MTA Metro-North Railroad and MTA Long Island Rail Road employees, covered MTA Bus employees and participants of the MTA 20-Year Police Retirement Program, MTA Long Island Bus Employees' Pension Plan, and the SIRTOA Pension Program. Participants of the MTA Police Program contribute to that program at various rates. Annual pension costs and related information about this plan are presented in the following table for all years presented as if the plan was a single-employer plan at the MTA level.

- Beginning in 2005, certain employees of MTA Bus became participants of defined benefit programs within the MTA Plan. Those programs, most of which are contributory, are based on the pension plans which covered these employees when they were employed by the seven private bus companies which previous provided the service now provided by MTA Bus.

- The MTA Board has approved plan and trust amendments to provide for and implement the merger of the Long Island Rail Road ("LIRR") Company Pension Plan into the MTA Defined Benefit Plan. The Board also approved amendments pursuant to which the LIRR Plan for Additional Pensions, which includes the same members as the LIRR Company Pension Plan, will participate in the MTA Plans' Master Trust. In addition, the Board approved amendments authorizing the MTA Plan to invest in alternative investments. Such investments will be subject to specific investment guidelines and monitored by the Plan's independent investment adviser. On September 28, 2006, MTA made a contribution to the MTA Master Trust of $363.7 to reduce unfunded pension liabilities of the MTA plan and the LIRR Plan for Additional Pensions. This amount has been allocated $229.7 to the MTA Plan and $134.0 to the LIRR Plan for Additional Pensions. On October 25, 2006, an additional $1.4 was contributed to the Trust.

- The MTA Plan may be amended by action of the MTA Board.

  A stand-alone financial report may be obtained by writing to the MTA Comptroller, 347 Madison Avenue, New York, New York, 10017.

Annual pension costs and related information about each plan follows:

	Single-Employer Plans		
	LIRR	**MaBSTOA**	**MTA Plan**
Date of valuation	1/1/2006	1/1/2006	1/1/2006
Required contribution rates:			
Plan members	variable	variable	variable
Employer:	actuarially determined	actuarially determined	actuarially determined
Employer contributions made in 2006	$ 124.5	$ 260.0	$ 72.6
Three-year trend information:			
Annual Required Contribution			
2006	$ 124.5	$ 159.6	$ 72.6
2005	109.1	153.4	58.2
2004	102.8	142.0	54.7
Percentage of ARC contributed:			
2006	100%	163%	100%
2005	100%	101%	100%
2004	100%	101%	100%
Annual Pension Cost (APC):			
2006	$ 124.6	$ 157.6	$ 72.6
2005	109.2	151.4	58.2
2004	102.9	140.1	54.7
Net Pension Obligation (NPO) (assets) at end of year:			
2006	(4.6)	(47.5)	-
2005	(4.6)	54.9	-
2004	(4.7)	57.0	-
Percentage of APC contributed:			
2006	100%	165%	100%
2005	100%	101%	100%
2004	100%	101%	100%
Components of APC			
Annual required contribution (ARC)	$ 124.5	$ 159.6	$ 72.6
Interest on NPO	(0.3)	4.4	-
Adjustment of ARC	(0.4)	6.4	-
APC	124.6	157.6	72.6
Contributions made	124.5	260.0	72.6
Change in NPO (assets)	0.1	(102.4)	-
NPO (assets) beginning of year	(4.7)	54.9	-
NPO (assets) end of year	$ (4.6)	$ (47.5)	$ -

	Single-Employer Plans		
	LIRR	MaBSTOA	MTA Plan
Actuarial cost method	Entry age normal	Entry age normal frozen initial liability	Entry age normal frozen initial liability
Method to determine actuarial value of plan assets	5-year smoothing	5-year smoothing	5-year smoothing
Investment return	8.00%	8.00%	8.00%
Projected salary increases	3.5%	3.5% - 18.0%	3.5% - 36.2%
Consumer price inflation	2.50%	2.50%	2.50%
Amortization method and period	level dollar / 27 years	level dollar / 30 years	level dollar / 23 years
Period closed or open	closed	closed	closed

Cost Sharing Multiple-Employer Plans

New York City Employees' Retirement System ("NYCERS")

Plan Description – MTA New York City Transit and MTA Bridges and Tunnels contribute to the New York City Employees' Retirement System, a cost-sharing multiple-employer retirement system for employees of NYC and certain other governmental units. NYCERS combines features of a defined-benefit pension plan with those of a defined-contribution pension plan. NYCERS provides pension benefits to retired employees based on salary and length of service. In addition, NYCERS provides disability benefits, cost-of-living adjustments and death benefits subject to satisfaction of certain service requirements and other provisions. The NYCERS plan functions in accordance with existing NYS statutes and NYC laws and may be amended by action of the State Legislature. NYCERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York City Employees' Retirement System, 335 Adams Street, Suite 2300, Brooklyn, New York 11201.

Funding Policy - NYCERS is a contributory plan, except for certain employees who entered prior to July 27, 1976 who make no contribution. Employees who entered qualifying service after July 1976, contribute 3 percent of their salary. The State legislature passed legislation in 2000 that suspended the 3 percent contribution for employees who have 10 years or more of credited service. MTA New York City Transit and MTA Bridges and Tunnels are required to contribute at an actuarially determined rate. The contribution requirements of plan members and MTA New York City Transit and MTA Bridges and Tunnels are established and amended by law. MTA New York City Transit's required contributions for NYCERS fiscal years ending June 30, 2006, and 2005 were $220.5 and $182.4, respectively. MTA Bridges and Tunnels' contributions to NYCERS for the years ended December 31, 2006 and 2005 were $12.9, and $10.1, respectively, which were equal to or in excess of the actuary's recommendation, plus interest.

New York State and Local Employees' Retirement System ("NYSLERS")

Plan Description and Funding Policy - MTAHQ and MTA Long Island Bus employees who were hired after January 23, 1983, are members of NYSLERS. NYSLERS is a cost sharing multiple-employer plan and offers a broad spectrum of benefits including retirement, death and disability benefits and cost of living adjustments. Generally, employees contribute 3 percent of salary. In 2000, the State Legislature passed legislation that suspends the 3 percent contribution of members who have 10 or more years of member service. MTAHQ and MTA Long Island Bus recognize pension expense based upon annual assessments made by NYSLERS. NYSLERS pension expense was approximately $11.2 and $11.8, for the years ended December 31, 2006 and 2005, respectively, and was equal to the annual required contributions for each year. Further information about the plan is more fully described in the publicly available statement of NYSLERS and may be obtained by writing to New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001.

Defined Contribution Plans

Single-Employer

The Long Island Rail Road Company Money Purchase Plan ("Money Purchase Plan") is a defined contribution plan that covers certain represented employees who began service with MTA Long Island Rail Road after December 31, 1987. Effective January 1, 2004, employees who were participants in the Money Purchase Plan have become participants in the MTA Plan and have similar benefits as those applicable to non-represented employees of MTA Long Island Rail Road in the MTA Plan.

The Metro-North Commuter Railroad Company Defined Contribution Pension Plan for Agreement Employees ("Agreement Plan") established January 1, 1988, covers represented employees in accordance with applicable collective bargaining agreements. Under this plan, MTA Metro-North Railroad will contribute an amount equal to 4 percent of each eligible employee's gross compensation to the plan on that employee's behalf. For employees who have 19 or more years of service MTA Metro-North Railroad contributes 7 percent. In addition, employees may voluntarily match MTA Metro-North Railroad's contribution to the plan, on an after-tax basis. The plan is administered by MTA Metro-North Railroad and the Plan's Board of Managers of Pension. Effective January 1, 2004, certain employees who were participants of the Agreement Plan became participants in the MTA Plan and have similar benefits as those applicable to non-represented employees of MTA Metro-North Railroad in the MTA Plan.

	March 31, 2007 (Unaudited)	December 31, 2006	
	(Amounts in Millions)		
	MNCR Agreement Plan	LIRR Money Purchase Plan	MNCR Agreement Plan
Employer contributions	$ 2.7	$ -	$ 10.8
Employee contributions	0.1	0.3	0.6

Deferred Compensation Plans - As permitted by Internal Revenue Code Section 457, the MTA has established a trust or custodial account to hold plan assets for the exclusive use of the participants and their beneficiaries. Plan assets and liabilities are not reflected on the MTA's combined balance sheets.

Certain MTA employees are eligible to participate in a second deferred compensation plan established in accordance with Internal Revenue Code Section 401(k). Participation in the plan is available to most represented and non-represented employees. All amounts of compensation deferred under the plan, and all income attributable to such compensation, are in trust for the exclusive use of the participants and their beneficiaries. Accordingly, this plan is not reflected in the accompanying combined balance sheets.

5. OTHER POST-EMPLOYMENT BENEFITS

The MTA has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions" ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Postemployment Benefits ("OPEB") expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers.

Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government's financial reports to reflect systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provide information about actuarial accrued liabilities associated with the OPEB and whether and to what extent progress is being made in funding the plan.

Prior to the adoption of GASB 45, accounting rules required the employer to recognize only those costs that were incurred for the benefits of currently retired members and their beneficiaries during the fiscal year (the pay-as-you-go method). This is the method currently used by MTA. The application of the GASB 45 standards will significantly increase the expense recognized in the fiscal year.

Plan Description: The Benefits provided by the MTA and its Agencies include medical, pharmacy, dental, vision and life insurance, plus monthly supplements for Medicare Part B or Medicare supplemental plan reimbursement and welfare fund contributions.

Annual OPEB Cost and Net OPEB Obligation: The MTA's annual OPEB cost (expense) represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation, included on the balance sheet. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustments if a net OPEB obligation exists. The ARC is equal to the normal cost plus an amortization of the unfunded frozen actuarial accrued liability.

For determining the ARC, the MTA has chosen to use Frozen Initial Liability ("FIL") cost method with the initial liability amortized over a 22 year period.

In order to recognize the liability over an employee's career, an actuarial cost method divides the present value in to three pieces: the part that is attributed to past years (the "Accrued Liability" or "Past Service Liability"), the part that is being earned this year (the "Normal Cost"), and the part that will be earned in future years (the "Future Service Liability"). Under FIL, an initial past service liability is determined based on the Entry Age Normal ("EAN") Cost Method and is amortized separately. This method determines the past service liability for each individual based on a level percent of pay. The Future Service Liability is allocated based on the present value of future compensation for all members combined to determine the Normal Cost. In future years, actuarial gains/losses will be incorporated into the Future Service Liability and amortized through the Normal Cost.

Actuarial Methods and Assumptions: The Frozen Initial Liability ("FIL") Cost Method was used for determining the Normal Cost. The Entry Age Normal ("EAN") Cost Method was used to determine the Frozen Accrued Liability and will be used to determine the unfunded actuarial accrued liability in the GASB 45 supplementary schedules. This method determines the Frozen Accrued liability for each individual based on a level percent of pay for service accrued through the initial valuation date. The difference between the Actuarial Present Value of Benefits and the Frozen Accrued Liability equals the Present Value of Future Normal Cost. The Normal Cost equals the Present Value of Future Normal Cost divided by the present value of future compensation and multiplied by the total of current compensation for members less than certain retirement age.

Valuation Date: January 1, 2006 (January 1, 2007 for MTA Bus Company)

Discount Rate: 4.2%

Per Capita Claim Costs:
For members of NYSHIP and certain SIRTOA and Transit members who retired prior to NYSHIP availability, unadjusted premiums were used.

For (1) some of the self-insured benefits provided to Pre-NYSHIP Transit members, (2) TWU Local 100, ATU 1056 and ATU 726 represented employees and (3) MTA Bus Company employees, per capita claim costs adjusted by age were used. A sample of these claim costs are shown below:

Age	TWU Local 100 GHI Medical	TWU Local 100 Pharmacy	Pre-NYSHIP Group 1 Hospital	Pre-NYSHIP Retirees Pharmacy	Pre-NYSHIP Group 2 Hospital
Male Employees					
30-34	132.40	41.43	79.28	46.79	69.79
35-39	157.83	59.00	98.72	66.64	86.91
40-44	199.16	75.24	131.16	84.97	115.47
45-49	256.98	100.57	178.35	113.59	157.01
50-54	320.34	121.05	234.54	136.72	206.48
55-59	364.78	126.36	277.66	142.71	244.44
60-64	473.09	149.15	372.58	168.45	328.00

Age	TWU Local 100 GHI Medical	TWU Local 100 Pharmacy	Pre-NYSHIP Group 1 Hospital	Pre-NYSHIP Retirees Pharmacy	Pre-NYSHIP Group 2 Hospital
Female Employees					
30-34	259.97	69.63	173.83	78.64	153.03
35-39	257.28	82.61	167.05	93.30	147.07
40-44	261.23	101.58	162.14	114.73	142.74
45-49	294.56	127.90	181.72	144.45	159.97
50-54	330.81	150.66	210.21	170.16	185.06
55-59	352.73	164.37	233.16	185.64	205.27
60-64	432.35	181.08	304.58	204.52	268.14

Medicare Part B Premiums:

The Medicare Part B premium reimbursement was included in the 2006 premium for those members covered by NYSHIP. Recently NYSHIP issued revised premiums for 2007 removing this reimbursement. Assuming the adjustment to the 2006 premium rate would be similar to that announced for 2007, the impact of using the revised premium rates (including the percentage increase in the premium rates from 2006 to 2007) on the Annual Required Contribution (ARC) for the MTA was estimated. For other members, where applicable, the reimbursement was determined using the 2006 premium level and increasing this amount by the Health Care Cost Trend rates.

Health Care Cost Trend Rates:

Fiscal Year	Trend	Fiscal Year	Trend
2007	11.0%	2014	7.5%
2008	10.5	2015	7.0
2009	10.0	2016	6.5
2010	9.5	2017	6.0
2011	9.0	2018	5.5
2012	8.5	2019+	5.0
2013	8.0		

In addition, 2006 premiums and claim costs were trended 11% to 2007.

Participation:

For members that participate in NYSHIP, 100% of eligible members, including current retirees and surviving spouses, are assumed to elect the Empire PPO Plan. For groups that do not participate in NYSHIP, various coverage election rates are used. The following table displays the election rates used for future union retirees in NYC Transit

	TWU 100	ATU 1056	ATU 726
Future Retiree Plan Election Percentage			
GHI	65%	65%	35%
HIP	35	35	49
Aetna	0	0	16
Medicare HIP/Aetna HMO Elections			
VIP 1	80%	100%	75%
VIP 2	20	0	0
Aetna	0	0	25

Dependent Coverage: Current retirees are valued using coverage reported by the MTA. Based on an analysis of members who retired within the last 5 years, we have assumed that, for future retirees, 85% of male members and 55% of female members elect family coverage with a spouse.

Demographic Assumptions:

Mortality: Preretirement and postretirement healthy annuitant rates are projected on a generational basis using Scale AA, as recommended by the Society of Actuaries Retirement Plans Experience Committee.

Preretirement: RP-2000 Employee Mortality Table for Males and Females with blue collar adjustments. No blue collar adjustments were used for management members of Headquarters.

Postretirement Healthy Lives: RP-2000 Healthy Annuitant mortality table for males with Blue Collar adjustments and 133% of the rates from the RP-2000 Healthy Annuitant mortality table for females. No blue collar adjustments were used for management members of Headquarters.

Postretirement Disabled Lives: 75% of the rates from the RP-2000 Disabled Annuitant mortality table for males and females. At age 85 and later for males and age 77 and later for females, the disability rates are set to the male and female healthy rates, respectively.

Turnover and retirement rates:

All demographic assumptions were based on assumptions utilized in the 2006 actuarial valuations for the pension plans, with the exception of the mortality assumption. The following is a table displaying the various sources of the assumptions utilized by group.

Group	Pension Plan
MaBSTOA	MaBSTOA
New York City Transit Authority	NYCERS - TA
TBTA	NYCERS - TBTA
LIRR Pre-1988	LIRR Plan
LIRR Post-1987	MTA DB Plan
Metro North Mgrs and ACRE	MTA DB Plan
Metro North Other Unions	DC Plan – used same as ACRE
MTA Police	MTA DB Plan
Headquarters Mgrs and IBT	NYSLERS
Long Island Bus Pre-1983	MTA DB Plan
Long Island Bus Post-1982	NYSLERS
Staten Island	MTA DB Plan
Yonkers, Eastchester, College Point	MTA DB Plan
Baisley Park and LaGuardia	TWU - NYC Private Bus Lines Pension Plan
JFK	Green Bus Lines Pension Plan
Springcreek	Command – Local 1181 Pension Plan

Vestee Coverage: For members that participate in NYSHIP, Vestees (members who have terminated, but not yet eligible to retire) are eligible for NYSHIP benefits provided by the Agency upon retirement, but must maintain NYSHIP coverage at their own expense from termination to retirement. Vestees are assumed to retire at first eligibility and would continue to maintain NYSHIP coverage based on the following percentages. This assumption is based on the Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation report provided to Participating Employers of NYSHIP. These percentages were also applied to current vestees, which were only provided by Headquarters.

Age at Termination	Percent Electing
<40	0%
40-43	5
44	20
45-46	30
47-48	40
49	50
50-51	80
52+	100

The following table shows the elements of MTA's estimated net OPEB cost for the year ending December 31, 2007, the estimated amount to be paid, and changes in MTA's net OPEB for the Year ending December 31, 2007:

	Amount (In Millions)
Annual required contribution	$ 1,578.7
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost/expense	$ 1,578.7
Payments projected	319.2
Increase in net OPEB obligation	1,259.5
Net OPEB obligation - beginning of year	-
Estimated net OPEB obligation - end of year	$ 1,259.5

The MTA's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net estimated OPEB obligation for the year ending December 31, 2007 projected is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Estimated Net OPEB Obligation
	(In Million)		(In Million)
12/31/2007	$ 1,578.7	20.2%	$1,259.5

6. CAPITAL ASSETS

Capital assets and improvements include all land, buildings, equipment, and infrastructure of the MTA having a minimum useful life of two years, having a cost of more than $.025.

Capital assets are stated at historical cost, or at estimated historical cost based on appraisals, or on other acceptable methods when historical cost is not available. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease.

Accumulated depreciation and amortization are reported as reductions of fixed assets. Depreciation is computed using the straight-line method based upon estimated useful lives of 25 to 50 years for buildings, 2 to 40 years for equipment, and 25 to 100 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset whichever is less. Capital assets consist of the following at March 31, 2007 and December 31, 2006:

	Balance December 31, 2005	Additions	Deletions	Balance December 31, 2006	Additions	Deletions	Balance March 31, 2007 (Unaudited)
				(Amounts in Millions)			
Capital assets, not being depreciated							
Land	$ 136	$ 1	$ -	$ 137	$ -	$ -	$ 137
Construction work-in-progress	5,641	2,083	2,469	5,255	372	133	5,494
Total capital assets, not being depreciated	5,777	2,084	2,469	5,392	372	133	5,631
Capital assets, being depreciated							
Buildings and structures	11,812	1,096	41	12,867	81	-	12,948
Bridges and tunnels	1,647	65	-	1,712	-	-	1,712
Equipment							
Passenger cars and locomotives	9,151	666	183	9,634	104	1	9,737
Buses	2,056	182	-	2,238	63	-	2,301
Infrastructure	11,448	1,395	79	12,764	46	7	12,803
Other	7,767	1,095	21	8,841	178	-	9,019
Total capital assets, being depreciated	43,881	4,499	324	48,056	472	8	48,520
Less accumulated depreciation							
Buildings and structures	3,167	364	1	3,530	93	-	3,623
Bridges and tunnels	353	15	-	368	4	-	372
Equipment							
Passenger cars and locomotives	2,841	341	181	3,001	82	1	3,082
Buses	1,246	122	-	1,368	34	-	1,402
Infrastructure	3,235	398	18	3,615	103		3,718
Other	2,916	363	20	3,259	94	-	3,353
Total accumulated depreciation	13,758	1,603	220	15,141	410	1	15,550
Total capital assets, being depreciated, net	30,123	2,896	104	32,915	62	7	32,970
Capital assets, net	$ 35,900	$ 4,980	$ 2,573	$ 38,307	$ 434	$ 140	$ 38,601

Interest capitalized in conjunction with the construction of capital assets at March 31, 2007 and December 31, 2006 was $12.7 and $75.9, respectively.

Capital assets acquired prior to April 1982 for MTA New York City Transit were funded primarily by NYC with capital grants made available to MTA New York City Transit. NYC has title to a substantial portion of such assets and, accordingly, these assets are not recorded on the books of the MTA. Subsequent acquisitions, which are part of the MTA Capital Program, are recorded at cost by MTA New York City Transit. In certain instances, title to MTA Bridges and Tunnels' real property may revert to NYC in the event the MTA determines such property is unnecessary for its corporate purpose. During the 2006, MTA Long Island Rail Road placed into service 244 new M-7 electric cars and retired 206 M-1 electric cars and a locomotive from service, and MTA Metro-North purchased 76 new M-7, completed overhaul on 15 M-2 and disposed of 69 M-1 cars, 79 MU cars, 1 M-1 car, 2 M-3 cars and 1 Dual Mode locomotive.

For certain construction projects, the MTA holds in a trust account marketable securities pledged by third-party contractors in lieu of cash retainages. At March 31, 2007 and December 31, 2006 these securities totaled $67.2 and $71.6, respectively, and had a market value of $82.0 and $75.9 respectively, and are not included in these financial statements.

7. LONG -TERM DEBT

	December 31, 2006	Issued	Retired	Refunded	March 31, 2007 (Unaudited)
MTA:					
Transportation Revenue Bonds 2.25% - 5.752% due through 2036	$ 9,940	$ -	$ -	$ -	$ 9,940
Transportation Revenue Bond Anticipation Notes Commercial Paper	440	750	440	-	750
State Service Contract Bonds 3.00% - 5.50% due through 2031	2,289	-	23	-	2,266
Dedicated Tax Fund Bonds 3.00% - 6.25% due through 2037	3,972	-	-	-	3,972
Certificates of Participation 4.40% - 5.625% due through 2030	431	-	9	-	422
	17,072	750	472	-	17,350
Less net unamortized bond discount and premium	(315)	-	6	-	(321)
	$ 16,757	$ 750	$ 478	$ -	$ 17,029
TBTA:					
General Revenue Bonds 4.00% - 5.77% due through 2033	$ 4,701	$ -	$ 9	$ -	$ 4,692
Subordinate Revenue Bonds 4.00% - 5.77% due through 2033	2,324	-	24	-	2,300
	7,025	-	33	-	6,992
Less net unamortized bond discount and premium	100	-	4	-	96
	$ 7,125	$ -	$ 37	$ -	$ 7,088
Total	$ 23,882	$ 750	$ 515	$ -	$ 24,117
Current portion	(338)				(256)
Long-term portion	$ 23,544				$ 23,861

MTA Transportation Revenue Bonds – Prior to 2005, MTA issued ten series of Transportation Revenue Bonds secured under its General Resolution Authorizing Transportation Revenue Obligation adopted on March 26, 2002 in the aggregate principal amount of $6,695. The Transportation Revenue Bonds are MTA's special obligations payable solely from transit and commuter systems revenues and certain state and local operating subsidies.

During 2005, the MTA issued the following series of Transportation Revenue Bonds to finance transit and commuter projects or to refund outstanding bonds: Series 2005A in the amount of $650; Series 2005B in the amount of $750; Series 2005C in the amount of $150; Series 2005D in the amount of $250; Series 2005E in the amount of $250; Series 2005F in the amount of $469; Series 2005G in the amount of $250; and Series 2005H in the amount of $173. The Series 2005H was issued to redeem Series 2002C.

During 2006, the MTA issued the following Transportation Revenue Bonds: Series 2006A in the amount of $475 to finance transit and commuter projects; and Series 2006B in the amount of $717.7 to pay in full the principal portion of MTA's outstanding commercial paper notes and to refund certain MTA bonds that were previously issued to fund transit and commuter projects.

MTA Bond Anticipation Notes (commercial paper program) – From time to time, MTA issues Transportation Revenue Bond Anticipation Notes in accordance with the terms and provisions of the General Resolution described in the preceding paragraph in the form of commercial paper to fund its transit and commuter capital needs. The interest rate payable on the notes depends on the maturity and market conditions at the time of issuance. Payment of principal and interest on the notes are additionally secured by a letter of credit issued by a bank. The MTA Act requires MTA to periodically refund (at least each five years), its commercial paper notes with bonds.

As of December 31, 2005, MTA issued its Transportation Revenue Bonds, Series 2005F and Series 2005G to refund its outstanding commercial paper program in the amount of $720. In March 2006 MTA issued Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced in the amount of $450.

In February 2007 MTA issued Transportation Revenue Bond Anticipation, Series CP-1 Credit Enhanced in the amount of $750.

MTA State Service Contract Bonds – Prior to 2005, MTA issued two series of State Service Contract Bonds secured under its state Service Contract Obligation Resolution adopted on March 26, 2002, in the aggregate principal amount of $2,395. The State Service Contract Bonds are MTA's special obligations payable solely from certain payments from the State of New York under a service contract.

MTA Dedicated Tax Fund Bonds – Prior to 2005, MTA issued seven series of Dedicated Tax Fund Bonds secured under its Dedicated Tax Fund Obligation Resolution adopted on March 26, 2002, in the aggregate principal amount of $3,391. The Dedicated Tax Fund Bonds are MTA's special obligations payable solely from monies held in the Pledged Amounts Account of the MTA Dedicated Tax Fund. State law requires that the MTTF revenues and MMTOA revenues (described above in footnote 2 under "Nonoperating Revenues") be deposited, subject to appropriation by the State Legislature, into the MTA Dedicated Tax Fund.

During 2005, the MTA issued the following series of Dedicated Tax Fund Bonds to refund outstanding bonds: Series 2005A in the amount of $350.

During 2006, the MTA issued the following series of Dedicated Tax Fund Bonds to finance certain transit and commuter projects: Series 2006A in the amount of $350; and Series 2006B in the amount of $410.

MTA Certificates of Participation – Prior to 2005, MTA, MTA New York City Transit and MTA Bridges and Tunnels executed and delivered two series of Certificates of Participation in the aggregate principal amount of $479 to finance certain building and leasehold improvements to an office building at Two Broadway in Manhattan occupied principally by MTA New York City Transit, MTA Bridges and Tunnels, MTA Capital Construction and MTAHQ. The Certificates of Participation which represent proportionate interests in the principal and interest components of Base Rent paid severally, but not jointly, in their respective proportionate shares by MTA New York City Transit, MTA and MTA Bridges and Tunnels, pursuant to a Leasehold Improvement Sublease Agreement.

MTA Bridges and Tunnels General Revenue Bonds – Prior to 2005, MTA Bridges and Tunnels issued eight series of General Revenue Bonds secured under its General Resolution Authorizing General Revenue Obligations adopted on March 26, 2002, in the aggregate principal amount of $4,447. The General Revenue Bonds are MTA Bridges and Tunnels' general obligations payable generally from the net revenues collected on the bridges and tunnels operated by MTA Bridges and Tunnels.

During 2005, MTA Bridges and Tunnels issued the following series of General Revenue Bonds to finance bridge and tunnel projects or to refund outstanding bonds: Series 2005A in the amount of $150 and Series 2005B in the amount of $800.

During 2006, MTA Bridges and Tunnels issued the following series of General Revenue Bonds to finance bridge and tunnel projects: Series 2006A in the amount of $200.

MTA Bridges and Tunnels Subordinate Revenue Bonds – Prior to 2005, MTA Bridges and Tunnels issued nine series of Subordinate Revenue Bonds secured under its 2001 Subordinate Revenue Resolution Authorizing Subordinate Revenue Obligations adopted on March 26, 2002, in the aggregate principal amount of $2,412. The Subordinate Revenue Bonds are MTA Bridges and Tunnels' special obligations payable generally from the net revenues collected on the bridges and tunnels operated by MTA Bridges and Tunnels after the payment of debt service on the MTA Bridges and Tunnels General Revenue Bonds described in the preceding paragraph.

Debt Limitation - The NYS Legislature has imposed limitations on the aggregate amount of debt that the MTA and MTA Bridges and Tunnels can issue to fund the approved transit and commuter capital programs. The current aggregate ceiling, subject to certain exclusions, is $28,877 compared with issuances totaling approximately $14,866 at March 31, 2007. The MTA expects that the current statutory ceiling will allow it to fulfill the bonding requirements of the 2000-2004 MTA Capital Program and the 2005-2009 MTA Capital program.

Bond Refundings - During 2002 as part of the Debt Restructuring, the MTA and MTA Bridges and Tunnels retired most of their outstanding debt with either funds available or by issuing new bonds. From time to time, the MTA and MTA Bridges and Tunnels issue additional refunding bonds to achieve debt service savings or other benefits. The proceeds of refunding bonds are generally used to purchase U.S. Treasury obligations that were placed in irrevocable trusts. The principal and interest within the trusts will be used to repay the refunded debt. The trust account assets and the refunded debt are excluded from the consolidated balance sheets.

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, gains or losses resulting from debt refundings have been deferred and will be amortized over the lesser of the remaining life of the old debt or the life of the new debt.

At March 31, 2007, the following amounts of MTA bonds, which have been refunded, remain valid debt instruments and are secured solely by and payable solely from their respective irrevocable trusts.

	March 31, 2007 (Amounts In Millions) (Unaudited)
MTA Transit and Commuter Facilities:	
Transit Facilities Revenue Bonds	$ 1,529
Commuter Facilities Revenue Bonds	1,480
Commuter Facilities Subordinate Revenue Bonds	18
Transit and Commuter Facilities Service Contract Bonds	895
Dedicated Tax Fund Bonds	1,363
Excess Loss Trust Fund	19
MTA New York City Transit:	
Transit Facilities Revenue Bonds (Livingston Plaza Project)	113
MTA Bridges and Tunnels:	
General Purpose Revenue Bonds	2,135
Special Obligation Subordinate Bonds	219
Mortgage Recording Tax Bonds	207
Total	$ 7,978

***Debt Service Payments* -** Principal and interest debt service payments (excluding refunded bonds) at March 31, 2007, are as follows:

	MTA		MTA BRIDGES AND TUNNELS					
			Senior Revenue		Subordinate Revenue		Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	(Amounts in Millions) (Unaudited)							
2007	$ 292	$ 519	$ 78	$ 174	$ 18	$ 94	$ 388	$ 787
2008	337	758	97	210	44	111	478	1,079
2009	353	744	102	206	48	108	503	1,058
2010	368	728	106	202	50	105	524	1,035
2011	384	711	112	196	52	103	548	1,010
2012-2016	2,220	3,259	627	885	304	470	3,151	4,614
2017-2021	2,817	2,660	826	701	451	378	4,094	3,739
2022-2026	3,584	1,939	969	484	519	267	5,072	2,690
2027-2031	4,482	1,017	1,232	228	654	132	6,368	1,377
2032-2036	1,763	162	543	21	160	9	2,466	192
	$ 16,600	$ 12,497	$ 4,692	$ 3,307	$ 2,300	$ 1,777	$ 23,592	$ 17,581

The above interest amounts include both fixed and variable rate calculations. The interest rate assumptions for variable rate bonds are as follows:

- *Dedicated Tax Fund Refunding Bonds, Series 2005A* – 3.3156% per annum taking into account the interest rate swap

- *Transportation Revenue Bonds, Series 2005D* – 3.561% per annum taking into account the interest rate swaps
- *Transportation Revenue Bonds, Series 2005E* – 3.561% per annum taking into account the interest rate swaps
- *Transportation Revenue Bonds, Series 2005G* – 4.00% per annum
- *Dedicated Tax Fund Bonds, Series 2004D* – 4.00% per annum
- *Certificates of Participation, Series 2004A* – 3.542% per annum taking into account the interest rate swaps
- *Transportation Revenue Bonds, Series 2004A* – 4.00% per annum
- *Dedicated Tax Fund Bonds, Series 2004B* – 4.00% per annum
- *Dedicated Tax Fund Bonds, Series 2002B* – 4.06% per annum until September 1, 2013 based on the interest rate swap and 4.00% per annum thereafter
- *Transportation Revenue Refunding Bonds, Series 2002B* – 4.00% per annum
- *Transportation Revenue Refunding Bonds, Series 2002D* – 4.00% per annum *and including net payments made by MTA under the swap agreements*
- *Transportation Revenue Refunding Bonds, Series 2002G* – 4.00% per annum
- *MTA Bridges and Tunnels General Revenue Bonds, Series 2005A* – 4.00% per annum
- *MTA Bridges and Tunnels General Revenue Refunding Bonds, Series 2005B* – 3.513% per annum based on the Basis Risk Interest Rate Swap through January 1, 2012 and 3.076% per annum based on the Initial Interest Rate Swaps thereafter.
- *MTA Bridges and Tunnels Subordinate Revenue Bonds, Series 2004A* – 4.00% per annum
- *MTA Bridges and Tunnels Subordinate Refunding Bonds, Series 2000A and 2000B* – 4.00% per annum *and including net payments made by MTA Bridges and Tunnels under the sw*ap *agreements*
- *MTA Bridges and Tunnels General Revenue Refunding Bonds, Series 2002D* – 4.00% per annum
- *MTA Bridges and Tunnels General Revenue Refunding Bonds, Series 2002F* – 4.00% per annum
- *MTA Bridges and Tunnels General Revenue Refunding Bonds, Series 2002G* – 4.00% per annum

Tax Rebate Liability - Under the Internal Revenue Code of 1986, the MTA accrues a liability for an amount of rebateable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. The arbitrage liability is payable to the federal government every five years and is reported as part of other long-term liabilities. MTA made an arbitrage payment of \$2.7 in 2005. No additional rebate liability was recorded for the year ended December 31, 2006.

Swap Agreements Relating to Synthetic Fixed Rate Debt

Board-adopted Guidelines. The Related Entities adopted guidelines governing the use of swap contracts to manage the interest rate exposure of their debt. The Guidelines establish specific requirements that must be satisfied for a Related Entity to enter into a swap contract, such as suggested swap terms and objectives, credit ratings of the counterparties, collateralization requirements and reporting requirements.

Objectives of the Swaps. In order to protect against the potential of rising interest rates, to achieve a lower net cost of borrowing, to reduce exposure to changing interest rates on a related bond issue, or, in some cases where Federal tax law prohibits an advance refunding, to achieve debt service savings through a synthetic fixed rate, MTA, MTA Bridges and Tunnels and MTA New York City Transit have entered into separate pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what MTA, MTA Bridges and Tunnels and MTA New York City Transit would have paid to issue fixed-rate debt.

Fair Value. Relevant market interest rates on the valuation date of the swaps reflected in the following charts (March 31, 2007) in some cases were higher than, and in some cases were lower than, market interest rates on the effective date of the swaps. Consequently, as of the valuation date, some of the swaps had negative fair values and some had positive fair values. A negative fair value means that MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would have to pay the counterparty that approximate amount to terminate the swap. In the event there is a positive fair value, MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would be entitled to receive a payment from the counterparty to terminate the swap; consequently, MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would be exposed to the credit risk of the counterparties in the amount of the swaps' fair value should the swap be terminated.

The fair values listed in the following tables represent the theoretical cost to terminate the swap as of the date indicated, assuming that a termination event occurred on that date. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bond due on the date of each future net settlement on the swap. In the event both parties continue to perform their obligations under the swap, there is not a risk of termination and neither party is required to make a termination payment to the other. MTA, MTA Bridges and Tunnels and MTA New York City Transit are not aware of any event that would lead to a termination event with respect to any of their existing swaps. See "*Termination Risk*" below.

Terms and Fair Values. The terms, fair values and counterparties of the outstanding swaps of MTA and MTA Bridges and Tunnels, as well as the swaps entered into in connection with the 2 Broadway Certificates of Participation refunding, are reflected in the following tables. The MTA swaps are reflected in separate tables for the Transportation Revenue Bonds and Dedicated Tax Fund Bonds. The MTA Bridges and Tunnels swaps are reflected in separate tables for the senior lien and subordinate revenue bonds.

MTA TRANSPORTATION REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 3/31/07 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 3/31/07 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2002D-2	200.0	01/01/07	4.45	69% of one-month LIBOR[1]	$ (21.6)	11/01/32	Bear Stearns Capital Markets Inc.
Series 2005D and Series 2005E	500.0	11/02/05	3.561	67% of one-month LIBOR	(3.7)	11/01/35	60% – UBS AG 20% – Lehman Brothers Special Financing Inc. 20% – AIG Financial Products Corp.
Total	$700.0				$ (25.3)		

(1) London Interbank Offered Rate.

MTA DEDICATED TAX FUND BONDS							
Associated Bond Issue	Notional Amounts as of 3/31/07 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 3/31/07 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2002B	$440.0	09/05/02	4.06 %	Actual bond rate until 04/30/10, and thereafter, BMA	$ (13.3)	09/01/13	Morgan Stanley Capital Services Inc.
Series 2005A	346.6	03/24/05	3.3156	67% of one-month LIBOR	7.4	11/01/31	Citigroup Financial Products Inc.
Total	$786.6				$ (5.9)		

MTA BRIDGES AND TUNNELS SENIOR LIEN REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 3/31/07 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 3/31/07 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2001B and 2001C(2)	$205.2	01/01/02	5.777%	Actual bond rate	$ (25.7)	01/01/19	Citigroup Financial Products Inc.
Series 2002C(3)	77.2	01/01/00	5.634	Actual bond rate	(6.9)	01/01/13	Ambac Financial Services, L.P.
Series 2005B	797.2	07/07/05	3.076	67% of one-month LIBOR	44.9	01/01/32	25% each – Citibank, N.A., JPMorgan Chase Bank, BNP Paribas North America, Inc. and UBS AG
Series 2005B	797.2	07/07/05	67% of one-month LIBOR plus 43.7 basis points(4)	BMA minus 10 basis points	(12.7)	01/01/12	UBS AG
Total	$1,876.8				$ (0.4)		

(2) In accordance with a swaption entered into on February 24, 1999 with the Counterparty paying to MTA Bridges and Tunnels a premium of $19.2.

(3) In accordance with a swaption entered into on February 24, 1999 with the Counterparty paying to MTA Bridges and Tunnels a premium of $8.4.

(4) For the purpose of mitigating the basis risk during the escrow period with respect to the $797.2 notional amount swaps entered into in connection with the Series 2005B Bonds, MTA Bridges and Tunnels will pay 67% of one-month LIBOR plus 43.7 basis points to the UBS AG and receive a variable rate equal to the BMA Index minus 10 basis points.

MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 3/31/07 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 3/31/07 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2000A and 2000B(5)	$201.1	01/01/01	6.08 %	Actual bond rate	$ (28.3)	01/01/19	Bear Stearns Capital Markets Inc.
Series 2000C and 2000D(5)	201.1	01/01/01	6.07	Actual bond rate	(28.2)	01/01/19	Citigroup Financial Products Inc.
Series 2002G-1	90.5	11/26/02	3.218	Lesser of actual bond rate, or 67% of one-month LIBOR minus 45 basis points	(1.6)	01/01/18	JPMorgan Chase Bank
Series 2002G-2	90.5	11/26/02	3.218	Lesser of actual bond rate, or 67% of one-month LIBOR minus 45 basis points	(1.7)	01/01/18	JPMorgan Chase Bank
Total	$583.2				$(59.8)		

(5) In accordance with a swaption entered into on August 12, 1998 with each Counterparty paying to MTA Bridges and Tunnels a premium of $22.7.

2 Broadway Certificates of Participation Swaps

In addition to the foregoing, MTA, MTA New York City Transit and MTA Bridges and Tunnels entered into separate ISDA Master Agreements with UBS AG relating to the $357.9 Variable Rate Certificates of Participation, Series 2004A (Auction Rate Securities) in connection with the refunding of certain certificates of participation originally executed to fund certain improvements to the office building located at 2 Broadway in Manhattan. The 2 Broadway swaps have (1) an effective date of September 22, 2004, (2) a fixed rate paid of 3.092%, (3) a variable rate received of the lesser of (a) the actual bond rate, or (b) 67% of one-month LIBOR minus 45 basis points, and (4) a termination date of January 1, 2030. Based on the aggregate notional amount of $355.5 outstanding as of March 31, 2007, MTA New York City Transit is responsible for $244.2 aggregate notional amount of the swaps, MTA for $74.7 aggregate notional amount, and MTA Bridges and Tunnels for $36.6 aggregate notional amount. As of March 31, 2007, the aggregate unaudited fair value of the swaps was $1.2.

Counterparty Ratings

The current ratings of the counterparties are as follows:

Counterparty	Ratings of the Counterparty or its Credit Support Provider		
	S&P	Moody's	Fitch
AIG Financial Products Corp.	AA	Aa2	AA
Ambac Financial Services, L.P.	AAA	Aaa	AAA
Bear Stearns Capital Markets Inc.	A+	A1	A+
BNP Paribas North America, Inc.	AA	Aa2	AA
Citibank, N.A.	AA+	Aaa	AA+
Citigroup Financial Products Inc.	AA	Aa1	AA+
JPMorgan Chase Bank	AA-	Aa2	A+
Lehman Brothers Special Financing Inc.	A+	A1	A+
Morgan Stanley Capital Services Inc.	A+	Aa3	AA-
UBS AG	AA+	Aa2	AA+

Except as set forth below, the notional amounts of the swaps match the principal amounts of the associated bonds. The following table sets forth the notional amount and the outstanding principal amount as of March 31, 2007 for the swap where the notional amount does not match the outstanding principal amount of the associated bonds.

Associated Bond Issue	Principal Amount of Bonds (in millions)	Notional Amount (in millions)
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C	$296.4	$205.2
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002C	$103.3	$77.2

Except as discussed below under the heading "*Rollover Risk*," the swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the principal amount of the associated bonds.

Risks Associated with the Swap Agreements

From MTA's, MTA Bridges and Tunnels' and MTA New York City Transit's perspective, the following risks are generally associated with swap agreements:

- Credit Risk – The counterparty becomes insolvent or is otherwise not be able to perform its financial obligations. In the event of a deterioration in the credit ratings of the counterparty or MTA/MTA Bridges and Tunnels/MTA New York City Transit, the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement. See "*Collateralization*" below. Further, ratings deterioration by either party below levels agreed to in each transaction could result in a termination event requiring a cash settlement of the future value of the transaction. See "Termination Risk" below.

- Basis Risk – The variable interest rate paid by the counterparty under the swap and the variable interest rate paid by MTA, MTA Bridges and Tunnels or MTA New York City Transit on the associated bonds may not be the same. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement does not fully reimburse MTA, MTA Bridges and Tunnels or MTA New York City Transit for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to MTA, MTA Bridges and Tunnels or MTA New York City Transit.

- Termination Risk – The swap agreement will be terminated and MTA, MTA Bridges and Tunnels or MTA New York City Transit will be required to make a termination payment to the counterparty.

- Rollover Risk – The notional amount under the swap agreement terminates prior to the final maturity of the associated bonds on a variable rate bond issuance, and MTA, MTA Bridges and Tunnels or MTA New York City Transit may be exposed to then market rates and cease to receive the benefit of the synthetic fixed rate for the duration of the bond issue.

Credit Risk. The following table shows, as of March 31, 2007, the diversification, by percentage of notional amount, among the various counterparties that have entered into ISDA Master Agreements with MTA and/or MTA Bridges and Tunnels, or in connection with the 2 Broadway Certificates of Participation refunding. The notional amount totals below include all five swaps (including the UBS basis risk swap) in connection with the MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2005B. The counterparties have the ratings set forth above.

Counterparty	Notional Amount (in millions)	% of Total Notional Amount
UBS AG	$1,652.0	38.40%
Citigroup Financial Products Inc.	752.9	17.50
Morgan Stanley Capital Services Inc.	440.0	10.23
Bear Stearns Capital Markets Inc.	401.1	9.32
JPMorgan Chase Bank	380.3	8.84
BNP Paribas North America, Inc.	199.3	4.63
Citibank, N.A.	199.3	4.63
AIG Financial Products Corp.	100.0	2.32
Lehman Brothers Special Financing Inc.	100.0	2.32
Ambac Financial Services, L.P.	77.2	1.79
Total	$4,302.1	100.00%

The ISDA Master Agreements entered into with the following counterparties provide that the payments under one transaction will be netted against other transactions entered into under the same ISDA Master Agreement:

- Bear Stearns Capital Markets Inc. with respect to the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000A and 2000B,
- Citigroup Financial Products Inc. with respect to the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000C and 2000D,
- Citigroup Financial Products Inc. with respect to the MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C, and
- Ambac Financial Services, L.P. (though there is only one transaction outstanding under that Master Agreement).

Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

Collateralization. Generally, the Credit Support Annex attached to the ISDA Master Agreement requires that if the outstanding ratings of MTA, MTA Bridges and Tunnels or MTA New York City Transit, as the case may be, or the counterparty falls to a certain level, the party whose rating falls is required to post collateral with a third-party custodian to secure its termination payments above certain threshold amounts. Collateral must be cash or U.S. government or certain Federal agency securities.

The following tables set forth the ratings criteria and threshold amounts relating to the posting of collateral set forth for MTA, MTA Bridges and Tunnels or MTA New York City Transit, as the case may be, and the counterparty for each swap agreement. In most cases, the Counterparty does not have a Fitch rating on its long-term unsecured debt, so that criteria would not be applicable in determining if the Counterparty is required to post collateral.

<table>
<tr><th colspan="3">MTA Transportation Revenue Bonds</th></tr>
<tr><th>Associated Bond Issue</th><th>If the highest rating of the related MTA bonds or the counterparty's long-term unsecured debt falls to</th><th>Then the downgraded party must post collateral if its estimated termination payments are in excess of</th></tr>
<tr><td rowspan="2">Series 2002D-2</td><td>Fitch – BBB+,
Moody's – Baa1, or
S&P – BBB+</td><td>$10.0</td></tr>
<tr><td>Fitch – BBB and below or unrated,
Moody's – Baa2 and below or unrated by S&P & Moody's, or
S&P – BBB and below or unrated</td><td>$0.0</td></tr>
<tr><td rowspan="2">Series 2005D and Series 2005E</td><td>Fitch – BBB+,
Moody's – Baa1, or
S&P – BBB+</td><td>$10.0</td></tr>
<tr><td>Fitch – below BBB+,
Moody's – below Baa1, or
S&P – below BBB+</td><td>$0.0</td></tr>
</table>

MTA Dedicated Tax Fund Bonds

Associated Bond Issue	If the highest rating of the related MTA bonds or the counterparty's long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
Series 2002B	Fitch – BBB+, or S&P – BBB+	$10.0
	Fitch – BBB and below or unrated, or S&P – BBB and below or unrated	$0.0
Series 2005A [Note: for this swap, MTA is not required to post collateral under any circumstances.]	Fitch – A-, or Moody's – A3, or S&P – A-	$10.0
	Fitch – BBB+ and below, or Moody's – Baa1 and below, or S&P – BBB+ and below	$0.0

2 Broadway Certificates of Participation

Associated Agencies	If the highest rating of the MTA Transportation Revenue Bonds falls to	Then MTA, MTA Bridges and Tunnels and MTA New York City Transit must post collateral if its estimated termination payments are in excess of
MTA MTA Bridges and Tunnels MTA New York City Transit	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$25.0
	Fitch – BBB and below or unrated, Moody's – Baa2 and below or unrated by S&P & Moody's, or S&P – BBB and below or unrated	$0.0
	If the highest rating of the Counterparty's long-term unsecured debt falls to	Then the Counterparty must post collateral if its estimated termination payments are in excess of
	Moody's – Baa1 or lower, or S&P – BBB+ or lower	$0.0

MTA Bridges and Tunnels Senior Lien Revenue Bonds		
Associated Bond Issue	If the highest rating of the related MTA Bridges and Tunnels bonds or the counterparty's long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
Series 2001B and 2001C	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Citigroup is required to post collateral if its estimated termination payments are in excess of $1.0.	
Series 2002C	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Ambac is required to post collateral if its estimated termination payments are in excess of $1.0.	
Series 2005B interest rate swap and Series 2005B basis risk swap	For counterparty, Fitch – A-, or Moody's – A3, or S&P – A- For MTA, Fitch – BBB+, or Moody's – Baa1, or S&P – BBB+ For MTA, Fitch – BBB, or Moody's – Baa2, or S&P – BBB	$10.0 $30.0 $15.0
	For counterparty, Fitch – BBB+ and below, or Moody's – Baa1 and below, or S&P – BBB+ and below For MTA, Fitch – BBB- and below, or Moody's – Baa3 and below, or S&P – BBB- and below	$0.0 $0.0

MTA Bridges and Tunnels Subordinate Revenue Bonds		
Associated Bond Issue	If the highest rating of the related MTA Bridges and Tunnels bonds or the counterparty's long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
Series 2000A and 2000B	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Bear Stearns is required to post collateral if its estimated termination payments are in excess of $1.0.	
Series 2000C and 2000D	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Citigroup is required to post collateral if its estimated termination payments are in excess of $1.0.	
Series 2002G-1 and 2002G-2	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$10.0
	Fitch – Below BBB+, Moody's – Below Baa1, or S&P – Below BBB+	$0.0

Notwithstanding the foregoing, in the event any downgraded party is responsible for an event of default or potential event of default as defined in the ISDA Master Agreement, the downgraded party must immediately collateralize its obligations irrespective of the threshold amounts.

Under each MTA and MTA Bridges and Tunnels bond resolution, the payments relating to debt service on the swaps are parity obligations with the associated bonds, as well as all other bonds issued under that bond resolution, but all other payments, including the termination payments, are subordinate to the payment of debt service on the swap and all bonds issued under that bond resolution. In addition, MTA and MTA Bridges and Tunnels have structured each of the swaps (other than the 2 Broadway swaps) in a manner that will permit MTA or MTA Bridges and Tunnels to bond the termination payments under any available bond resolution.

The payments relating to debt service on the 2 Broadway swaps are parity obligations with respect to the sublease payments under the 2 Broadway Certificates of Participation, payable solely from available transportation revenues after the payment of the MTA's transportation revenue bonds and additional parity and subordinate bonds. All other payments, including the termination payments, are payable from substantially the same pool of available transportation revenues after the payment of the MTA's transportation revenue bonds and additional parity and subordinate bonds.

The ISDA Master Agreement sets forth certain termination events applicable to all swaps entered into by the parties to that ISDA Master Agreement. MTA, MTA Bridges and Tunnels and MTA New York City Transit have entered into separate ISDA Master Agreements with each counterparty that governs the terms of each swap with that counterparty, subject to individual terms negotiated in a confirmation.

The following table sets forth, for each swap, the additional termination events for the following associated bond issues. In certain swaps, where the counterparty has a guarantor of its obligations, the ratings criteria applies to the guarantor and not to the counterparty.

MTA Transportation Revenue and Dedicated Tax Fund Bonds	
Associated Bond Issue	Additional Termination Event(s)
Transportation Revenue Bonds	
Series 2002D-2, Series 2005D and Series 2005E	The ratings by S&P and Moody's of the Counterparty or the MTA Transportation Revenue Bonds falls below "BBB-" and "Baa3," respectively, or are withdrawn.
Dedicated Tax Fund Bonds	
Series 2002B	The ratings by S&P and Fitch of the Counterparty or the MTA Dedicated Tax Fund Bonds falls below "BBB-" or are withdrawn.
Series 2005A Bonds	The ratings by S&P or Moody's of the Counterparty fall below "BBB+" or "Baa1," respectively, or the ratings of S&P or Fitch with respect to the MTA Dedicated Tax Fund Bonds falls below "BBB" or, in either case the ratings are withdrawn.

2 Broadway		
Associated Bond Issue	Counterparty	Additional Termination Event(s)
2 Broadway Certificates of Participation, Series 2004A	UBS AG	Negative financial events relating to the swap insurer, Ambac Assurance Corporation.

MTA Bridges and Tunnels Senior and Subordinate Revenue Bonds	
Associated Bond Issue	Additional Termination Events
Senior Lien Revenue Bonds	
Series 2001B and 2001C and Series 2002C	1. MTA Bridges and Tunnels can elect to terminate the swap relating to that Series on 10 Business Days' notice if the Series of Bonds are converted to a fixed rate, the fixed rate on the converted Bonds is less than the fixed rate on the swap and MTA Bridges and Tunnels demonstrates its ability to make the termination payments, or MTA Bridges and Tunnels redeems a portion of the Series of Bonds and demonstrates its ability to make the termination payments. 2. Negative financial events relating to the related swap insurer, Ambac Assurance Corporation.
Series 2005B interest rate swap and basis risk swap	The ratings by S&P or Moody's of the Counterparty fall below "BBB+" or "Baa1," respectively, or the ratings of S&P or Moody's with respect to the MTA Bridges and Tunnels Senior Lien Revenue Bonds falls below "BBB" or "Baa2," respectively, or , in either case the ratings are withdrawn.
Subordinate Revenue Bonds	
Series 2000A, 2000B, 2000C and 2000D	1. MTA Bridges and Tunnels can elect to terminate the swap relating to that Series on 10 Business Days' notice if the Series of Bonds are converted to a fixed rate, the fixed rate on the converted Bonds is less than the fixed rate on the swap and MTA Bridges and Tunnels demonstrates its ability to make the termination payments, or MTA Bridges and Tunnels redeems a portion of the Series of Bonds and demonstrates its ability to make the termination payments. 2. Negative financial events relating to the related swap insurer, Financial Security Assurance Inc.
Series 2002G-1 and Series 2002G-2	1. The ratings by S&P and Moody's of the Counterparty or the MTA Bridges and Tunnels Subordinate Revenue Bonds falls below "BBB-" and "Baa3," respectively, or are withdrawn. 2. MTA Bridges and Tunnels may terminate the swap at no cost on or after December 29, 2010 in the case of the Series 2002G-1 swap, and on or after January 5, 2011 in the case of the Series 2002G-2 swap.

Rollover Risk. MTA and MTA Bridges and Tunnels are exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, MTA or MTA Bridges and Tunnels may not realize the synthetic fixed rate offered by the swaps on the underlying debt issues. The following debt is exposed to rollover risk:

Associated Bond Issue	Bond Maturity Date	Swap Termination Date
MTA Dedicated Tax Fund Variable Rate Bonds, Series 2002B	11/01/22	09/01/13
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C	01/01/32	01/01/19
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002C	01/01/33	01/01/13
MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2002G(1)	11/01/32	01/01/18

It should also be noted that, in connection with the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000A, 2000B, 2000C and 2000D, currently, all of the principal of the bonds is scheduled to be amortized through sinking fund redemption payments by the time of the swap's termination; however, MTA Bridges and Tunnels has retained the right to readjust the sinking fund payments to decrease the amounts of the sinking fund payments currently scheduled and to extend the amortization period of the Series 2000A – D Bonds to January 1, 2031. A readjustment of the sinking fund payments would not change the scheduled decreases in notional amounts of the associated swap. As a result, the principal amount of the bonds outstanding would exceed the notional amount of the associated swap. However, if MTA Bridges and Tunnels decided to readjust the sinking fund schedules, MTA Bridges and Tunnels would be exposed to rollover risk at the swap termination date. MTA Bridges and Tunnels could readjust such sinking fund redemption schedules only upon delivery of an opinion of nationally recognized bond counsel meeting the conditions of the bond resolutions. MTA Bridges and Tunnels has no current intention of exercising these rights.

(1) The swap relating to the Subseries 2002G-1 Bonds in the notional amount of $90.5 may be terminated at the option of MTA Bridges and Tunnels on or after December 29, 2010, and the swap relating to the Subseries 2002G-2 Bonds in the notional amount of $90.5 may be terminated at the option of MTA Bridges and Tunnels on or after January 5, 2011.

MTA (in millions)				
	Variable-Rate Bonds			
Fiscal Year Ending December 31	Principal	Interest	Net Swap Payments	Total
2007	$ 1.5	$ 59.5	$ (3.4)	$ 57.5
2008	1.5	59.4	(3.4)	57.5
2009	1.6	59.3	(3.4)	57.6
2010	1.7	59.3	(3.4)	57.6
2011	1.7	59.2	(3.4)	57.6
2012-2016	144.0	289.0	(17.5)	415.6
2017-2021	398.3	235.0	(16.3)	617.0
2022-2026	303.8	157.0	(10.9)	449.9
2027-2031	381.2	98.1	(3.8)	475.5
2032-2036	251.3	16.8	(0.1)	267.9

MTA Bridges and Tunnels (in millions)				
	Variable-Rate Bonds			
Fiscal Year Ending December 31	Principal	Interest	Net Swap Payments	Total
2007	$ 26.3	$ 71.2	$ 4.5	$ 102.0
2008	34.1	69.8	3.5	107.4
2009	36.4	68.4	3.0	107.7
2010	38.2	66.9	2.1	107.2
2011	41.1	65.2	1.2	107.5
2012-2016	274.1	295.2	(14.4)	554.8
2017-2021	225.6	239.1	(34.7)	429.9
2022-2026	217.0	200.1	(33.0)	384.2
2027-2031	691.0	119.1	(22.1)	788.0
2032-2036	222.7	0.3	-	222.9

8. LEASE TRANSACTIONS

Hillside Facility - On March 31, 1997, the MTA entered into a lease/leaseback transaction with a third party whereby the MTA leased MTA Long Island Rail Road's Hillside maintenance facility. The term of the lease is 22 years, but the third party has the right to renew for a further 21.5 year term. The facility was subsequently subleased back to the MTA as a capital lease, and sub-subleased by the MTA to MTA Long Island Rail Road.

Under the terms of the lease/leaseback agreement, the MTA initially received $314, which was utilized as follows. The MTA paid $266 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the MTA to make these payments to the third party. The MTA used $21 to purchase Treasury securities, which it deposited under pledge to the third party. This deposit, together with the aforementioned obligation of the third party's lender, resulted in a financial defeasance of all sublease obligations, including the cost of purchasing the third party's remaining rights at the end of the 22 year sublease period, if the purchase option is exercised. A further $.6 was used to pay for legal and other costs of the transaction, and $3 was used to pay the first rental payment under the sublease. A further $23 is the MTA's net benefit from the transaction, representing consideration for the tax benefits. MTA Bridges and Tunnels has entered into a guarantee with the third party that the sublease payments will be made. At March 31, 2007, the MTA has recorded a long-term capital obligation and capital asset of $274 arising from the transaction.

Subway and Rail Cars - On December 12, 1997, the MTA entered into lease/leaseback transactions whereby the MTA leased certain of MTA Metro-North Railroad's rail cars to a third party and MTA New York City Transit leased certain subway maintenance cars to the same third party. The lease periods for MTA Metro-North Railroad's rail cars expire between 2009 and 2014, depending on the asset, and the lease period for MTA New York City Transit's subway maintenance cars expires in 2013. The third party has the right to renew the lease for an additional period of 12 years for MTA Metro-North Railroad cars, depending on the asset, and a further 12 years for MTA New York City Transit's subway maintenance cars. The cars were subsequently subleased back to the MTA as a capital lease, and sub-subleased by the MTA to MTA Metro-North Railroad and MTA New York City Transit, respectively.

Under the terms of the lease/leaseback agreement, the MTA initially received $76.6, which was utilized as follows: The MTA paid $59.8 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the MTA to make these payments to the third party. The MTA used $12.5 to purchase a Letter of Credit from an affiliate of the third-party's lender, guaranteed by the third-party lender's parent. This payment, together with the aforementioned obligation of the third-party's lender, is sufficient to settle all obligations, including the cost of purchasing the third party's remaining rights at the end of the sublease period if the purchase options are exercised. At March 31, 2007, the MTA has recorded a long-term capital obligation and capital asset of $44 arising from the transaction. The net proceeds are deferred and amortized to operations over the period of the lease.

On September 25, 2002 and December 17, 2002 the MTA entered into four sale/leaseback transactions whereby MTA New York City Transit transferred ownership of certain MTA New York City Transit subway cars to the MTA, the MTA sold those cars to third parties, and MTA leased those cars back from such third parties. The MTA subleased the cars to MTA New York City Transit. The four leases expire in 2032, 2034, 2033, and 2033, respectively. At the lease expiration, the MTA has the option of either exercising a fixed price purchase option for the cars or returning the cars to the third party owner.

Under the terms of the sale/leaseback agreements, the MTA initially received $1,514.9, which was utilized as follows: The MTA paid $1,058.6 to affiliates of certain of the lenders to the third parties, which affiliates have the obligation to make a portion of the lease rent payment equal to the debt service on the related loans, thereby eliminating the need for MTAHQ to make these payments to the third parties. The MTA also purchased Freddie Mac, FNMA, and U.S. Treasury debt securities in amounts and with maturities which are sufficient to make the lease rent payments equal to the debt service on the loans from the other lenders to the third parties. In the case of one of the four leases, MTAHQ also purchased Freddie Mac debt securities in amounts and with maturities which are expected to be sufficient to pay the remainder of the lease rent payments under that lease and the purchase price due upon exercise by the MTA of the purchase option if exercised. In the case of the other three leases, the MTA entered into Equity Payment Agreements with Premier International Funding Co. (which are guaranteed by Financial Security Assurance, Inc.) whereby that entity has the obligation to provide to the MTA the amounts necessary to make the remainder of the basic lease rent payments under the leases and to pay the purchase price due upon exercise by the MTA of the purchase options if exercised. The amount remaining after payment of transaction expenses, $96.2, was the MTA's net benefit from these four transactions. These amounts are deferred and amortized to operations over the period of the lease.

During 1995, MTA Bridges and Tunnels entered into a sale/leaseback transaction with a third party whereby the MTA Bridges and Tunnels sold certain subway cars, which were contributed by the MTA New York City Transit, for net proceeds of $84.2. These cars were subsequently leased back by MTA Bridges and Tunnels under a capital lease. The deferred credit of $34.2 was netted against the carrying value of the leased assets, and the assets were recontributed to the MTA New York City Transit. MTA Bridges and Tunnels transferred $5.5 to the MTA, representing the net economic benefit of the transaction. The remaining proceeds, equal to the net present value of the lease obligation, of which $71.3 was placed in an irrevocable deposit account and $7.5 was invested in U.S. Treasury Strips. The estimated yields and maturities of the deposit account and the Treasury Strips are expected to be sufficient to meet all obligations under the lease as they become due. The capital lease obligation is included in other long-term liabilities. At the end of the lease term MTA Bridges and Tunnels has the option to purchase the subway cars for approximately $106 which amount has been reflected in the net present value of the lease obligation, or to make a lease termination payment of approximately $89.

QTE Lease Transactions - On December 19, 2002, the MTA entered into four sale/leaseback transactions whereby MTA New York City Transit transferred ownership of certain MTA New York City Transit qualified technological equipment (QTE) relating to the MTA New York City Transit automated fare collection system to the MTA. The MTA sold that equipment to third parties and the MTA leased that equipment back from such third parties. The MTA subleased the equipment to MTA New York City Transit. The four leases expire in 2022, 2020, 2022, and 2020, respectively. At the lease expiration the MTA has the option of either exercising a fixed price purchase option for the equipment or returning the equipment to the third-party owner.

Under the terms of the sale/leaseback agreements the MTA initially received $507.4, which was utilized as follows: The MTA paid $316.2 to affiliates of certain of the lenders to the third parties, which affiliates have the obligation to make a portion of the lease rent payment equal to the debt service on the related loans, thereby eliminating the need for the MTA to make these payments to the third parties. The MTA also purchased FNMA and U.S. Treasury debt securities in amounts and with maturities which are sufficient to make the lease rent payments equal to the debt service on the loans from the other lenders to the third parties. In the case of three of the four leases the MTA also purchased U.S. Treasury debt securities in amounts and with maturities which are expected to be sufficient to pay the remainder of the lease rent payments under those leases and the purchase price due upon exercise by the MTA of the purchase options if exercised. In the case of the other lease the MTA entered into an Equity Payment Undertaking Agreement with XL Insurance (Bermuda) Ltd. (which is guaranteed by XL Financial Assurance Ltd.) whereby that entity has the obligation to provide to the MTA the amounts necessary to make the remainder of the basic lease rent payments under that lease and to pay the purchase price due upon exercise by the MTA of the purchase option if exercised. The amount remaining after payment of transaction expenses, $57.6, was the MTA's net benefit from these four transactions. As consideration for the cooperation of the City of New York in these transactions, including the transfer of any property interests held by the City on such equipment to MTA New York City Transit and the MTA, the MTA is obligated to pay to the City 24.11% of the net benefit received from these four QTE transactions. At December 31, 2005, MTA had paid the City of New York $13.7.

On June 3, 2003, the MTA entered into a sale/leaseback transaction whereby MTA New York City Transit transferred ownership of certain MTA New York City Transit subway cars to the MTA, the MTA sold those cars to a third party, and the MTA leased those cars back from such third party. The

MTA subleased the cars to MTA New York City Transit. The lease expires in 2033. At the lease expiration, the MTA has the option of either exercising a fixed price purchase option for the cars or returning the cars to the third-party owner.

Under the terms of the sale/leaseback agreement, the MTA initially received $168.1 million, which was utilized as follows: The MTA paid $126.3 to an affiliate of one of the lenders to the third party, which affiliate has the obligation to make a portion of the lease rent payment equal to the debt service on the related loan, thereby eliminating the need for MTAHQ to make these payments to third parties. The MTA also purchased FNMA and U.S. Treasury securities in amounts and with maturities which are sufficient to make the lease rent payments equal to the debt service on the loans from the other lender to the third party and to pay the remainder of the rent under that lease and the purchase price due upon exercise by the MTA of the purchase option if exercised. The amount remaining after payment of transaction expenses, $7.4, was the MTA's benefit from the transaction.

On September 25, 2003 and September 29, 2003, MTA entered into two sale/leaseback transactions whereby MTA New York City Transit transferred ownership of certain MTA New York City Transit subway cars to MTA, MTA sold those cars to third parties, and MTA leased those cars back from such third parties. MTA subleased the cars to MTA New York City Transit. Both leases expire in 2033. At the lease expiration, MTAHQ has the option of either exercising a fixed price purchase option for the cars or returning the cars to the third party owner.

Under the terms of the sale/leaseback agreements, MTA initially received $294, which was utilized as follows: In the case of one of the leases MTA paid $97 to an affiliate of one of the lenders to the third party, which affiliate has the obligation to make a portion of the lease rent payment equal to the debt service on the related loan, thereby eliminating the need for MTA to make these payments to the third party. In the case of the other lease MTA purchased U.S. Treasury debt securities in amounts and with maturities which are sufficient to make the lease rent payments equal to the debt service on the loan from the other lender to the third party. In the case of both of the leases MTA also purchased REFCO debt securities that mature in 2030 under an agreement with AIG Matched Funding Corp. (guaranteed by American International Group, Inc.) whereby AIG Matched Funding Corp. receives the proceeds from the REFCO debt securities at maturity and is obligated to pay the remainder of the lease rent payments under those leases and the purchase price due upon exercise by MTA of the purchase options if exercised. The amount remaining after payment of transaction expenses, $24, was MTA's net benefit from these two transactions. These amounts are deferred and amortized to operations over the period of the respective leases.

Other Lease Transactions - On July 29, 1998, the MTAHQ, MTA New York City Transit, and MTA Bridges & Tunnels entered into a lease and related agreements whereby each agency, as sublessees, will rent, for an initial stated term of approximately 50 years, an office building at Two Broadway in lower Manhattan. The lease term expires on July 30, 2048, and, pursuant to certain provisions, is renewable for two additional 15-year terms. The lease comprises both operating (for the lease of land) and capital (for the lease of the building) elements. The total annual rental payments over the initial lease term are $1,602 with rent being abated from the commencement date through June 30, 1999. During 2002 and 2001 the MTA made rent payments of $21. In connection with the renovation of the building and for tenant improvements, the MTA issued $121 and $328 in 2000 and 1999, respectively, of long-term obligations (see Note 6). The office building is principally occupied by MTA New York City Transit and MTA Bridges & Tunnels.

On April 8, 1994, the MTA amended its lease for the Harlem/Hudson line properties, including Grand Central Terminal. This amendment initially extends the lease term, previously expiring in 2031, an additional 110 years and, pursuant to several other provisions, an additional 133 years. In addition, the amendment grants the MTA an option to purchase the leased property after the 25th anniversary of the amended lease. The amended lease comprises both operating (for the lease of land) and capital (for the lease of buildings and track structure) elements.

In August 1988, the MTA entered into a 99-year lease agreement with Amtrak for Pennsylvania Station. This agreement, with an option to renew, is for rights to the lower concourse level and certain platforms. The $45 paid to Amtrak by the MTA under this agreement is included in other assets. This amount is being amortized over 30 years. In addition to the 99-year lease, MTA Long Island Rail Road entered into an agreement with Amtrak to share equally the cost of the design and construction of certain facilities at Pennsylvania Station. Under this agreement, the MTA may be required to contribute up to $60 for its share of the cost. As of December 31, 2000 the project was closed and $50 was included in property and equipment.

On May 17, 2006, President Bush signed into law an act entitled the “Tax Increase Prevention and Reconciliation Act of 2005” (P.L. 109-222). Among other provisions, P.L. 109-222 imposes an excise tax on the net income or proceeds of certain types of leasing transactions entered into by tax-exempt entities, including states and their political subdivisions, such as MTA and its affiliates and subsidiaries. Some of the MTA leasing transactions that could be subject to the tax are described in footnote 7. The United States Department of the Treasury and the Internal Revenue Service are in the process of drafting regulations that will further clarify which transactions are subject to the excise tax and the calculations of the excise tax. MTA is evaluating P.L. 109-222 and awaiting these regulations. At this time, the magnitude of MTA’s excise tax liability with respect to the lease transactions that are subject to P.L. 109-222 is unclear.

Total rent expense under operating leases approximated $6.5 through March 31, 2007 and $6.6 through March 31, 2006.

At March 31, 2007, the future minimum lease payments under non-cancelable leases are as follows:

Year	Operating	Capital
	(Amounts in Millions) (Unaudited)	
2007	$ 35	$ 1,135
2008	46	98
2009	46	305
2010	44	174
2011	43	70
2012 - 2016	204	445
2017 - 2021	200	530
2022 - 2026	210	571
2027 - 2031	219	171
2032 - 2033	241	1,623
Thereafter	959	584
	$ 2,247	5,706
Amount representing interest		(3,100)
Present value of capital lease obligations		$ 2,606

9. ESTIMATED LIABILITY ARISING FROM INJURIES TO PERSONS

A summary of activity in estimated liability as computed by actuaries arising from injuries to persons, including employees, and damage to third-party property, for the three months ended March 31, 2007 and the year ended December 31, 2006:

	March 31, 2007 (Unaudited)	December 31, 2006
	(Amounts in Millions)	
Balance, beginning of year	$ 1,160	$ 1,174
Activity during the year:		
Current year claims and changes in estimates	53	146
Claims paid	(59)	(160)
Balance, end of period	1,154	1,160
Less current portion	(170)	(176)
Long-term liability	$ 984	$ 984

10. COMMITMENTS AND CONTINGENCIES

The MTA actively monitors its properties for the presence of pollutants and/or hazardous wastes and evaluates its exposure with respect to such matters. When the expense, if any, to clean up pollutants and/or hazardous wastes is estimable it is accrued by the MTA.

Management has reviewed with counsel all actions and proceedings pending against or involving the MTA, including personal injury claims. Although the ultimate outcome of such actions and proceedings cannot be predicted with certainty at this time, management believes that losses, if any, in excess of amounts accrued resulting from those actions will not be material to the financial position, results of operations, or cash flows of the MTA.

11. OPERATING ACTIVITY INFORMATION

	MTA	Commuters	Transit	Bridges and Tunnels	Eliminations	Consolidated Total
March 31, 2007 (Unaudited)						
Operating revenue	$ 59	$ 240	$ 766	$ 294	$ (9)	$ 1,350
Depreciation and amortization	16	120	259	16	-	411
Subsidies and grants	56	-	(108)	-	108	56
Tax revenue	313	-	342	-	(39)	616
Interagency subsidy	95	-	21	(95)	(21)	-
Operating (deficit) surplus	(469)	(355)	(698)	197	-	(1,325)
Net (deficit) surplus	(250)	(342)	(7)	36	-	(563)
Capital expenditures	1,016	48	183	72	(309)	1,010
March 31, 2007 (Unaudited)						
Total assets	11,640	9,656	27,231	3,797	(2,230)	50,094
Net working capital	2,440	(78)	144	(213)	(1,117)	1,176
Long-term debt - (including current portion)	17,029	-	-	7,131	(43)	24,117
Net assets	(10,760)	8,736	24,660	(3,836)	-	18,800
March 31, 2007 (Unaudited)						
Net cash (used in)/provided by operating activities	(150)	(252)	(469)	176	22	(673)
Net cash provided by/(used in) noncapital financing activities	556	258	387	(111)	(424)	666
Net cash (used in)/provided by capital and related financing activities	(728)	(6)	(56)	(166)	494	(462)
Net cash provided by/(used in) Investing activities	271	-	133	102	(92)	414
Cash at beginning of year	79	25	38	13	-	155
Cash at end of period	28	25	33	14	-	100

	MTA	Commuters	Transit	Bridges and Tunnels	Eliminations	Consolidated Total
March 31, 2006 (Unaudited)						
Operating revenue	$ 49	$ 227	$ 733	$ 294	$ (9)	$ 1,294
Depreciation and amortization	11	117	250	13	-	391
Subsidies and grants	-	-	-	-	-	-
Tax revenue	524	-	377	-	(182)	719
Interagency subsidy	108	-	24	(108)	(24)	-
Operating (deficit) surplus	(123)	(330)	(672)	209	-	(916)
Net (deficit) surplus	175	(317)	50	33	-	(59)
Capital expenditures	806	55	166	36	(248)	815
December 31, 2006						
Total assets	11,735	9,610	27,288	3,833	(2,381)	50,085
Net working capital	2,578	(95)	290	(178)	(1,307)	1,288
Long-term debt - (including current portion)	16,757	-	-	7,169	(44)	23,882
Net assets	(10,123)	8,691	24,667	(3,872)	-	19,363
March 31, 2006 (Unaudited)						
Net cash (used in)/provided by operating activities	(125)	(272)	(475)	203	-	(669)
Net cash provided by (used in) noncapital financing activities	590	253	380	(122)	(419)	682
Net cash provided by / (used in) capital and related financing activities	(478)	(5)	(96)	(127)	541	(165)
Net cash provided by/(used in) Investing activities	(5)	11	167	45	(122)	96
Cash at beginning of year	34	29	63	12	-	138
Cash at end of period	16	16	39	11	-	82

NOTE: Only MTA and MTA Bridges and Tunnels agencies are issuing debt. (Concluded)

12. SETTLEMENT OF CLAIMS

The case of Cruz V. MTA Long Island Rail Road settled on January 20, 2006 for the total sum of $12.1 with FMTAC being responsible for the amount in excess of the MTA Long Island Rail Road's retention of $6.0 at the time of the event. FMTAC paid its portion of such settlement from the ELF.

13. SUBSEQUENT EVENTS

On or about June 20, 2007, the MTA expects to issue MTA Bridges and Tunnels General Revenue Bonds, Series 2007A in the amount of $225, to finance bridge and tunnel projects.

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METROPOLITAN TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF PENSION FUNDING PROGRESS (See Independent Accountants' Review Report) (Dollars - In Millions)

		January 1, 2006	January 1, 2005	January 1, 2004
	LIRR			
a.	Actuarial value of plan assets	$ 625.0	$ 659.6	$ 689.7
b.	Actuarial accrued liability (AAL)	1,898.6	1,786.7	1,745.6
c.	Total unfunded AAL (UAAL) [b-a]	1,273.6	1,127.1	1,055.9
d.	Funded ratio [a/b]	32.9 %	36.9 %	39.5 %
e.	Covered payroll	$ 117.3	$ 137.1	$ 151.2
f.	UAAL as a percentage of covered payroll [c/e]	1085.8 %	822.1 %	698.3 %
	MaBSTOA			
a.	Actuarial value of plan assets	$ 841.0	$ 762.1	$ 713.2
b.	Actuarial accrued liability (AAL)	1,725.2	1,680.5	1,663.3
c.	Total unfunded AAL (UAAL) [b-a]	884.2	918.4	950.1
d.	Funded ratio [a/b]	48.7 %	45.3 %	42.9 %
e.	Covered payroll	$ 498.0	$ 479.5	$ 460.9
f.	UAAL as a percentage of covered payroll [c/e]	177.5 %	191.5 %	206.1 %
	MTA			
a.	Actuarial value of plan assets	$ 613.6	$ 463.6	$ 391.6
b.	Actuarial accrued liability (AAL)	793.3	625.5	554.0
c.	Total unfunded AAL (UAAL) [b-a]	179.7	161.9	162.4
d.	Funded ratio [a/b]	77.4 %	74.1 %	70.7 %
e.	Covered payroll	N/A*	$ 480.8	$ 451.1
f.	UAAL as a percentage of covered payroll [c/e]	N/A*	33.7 %	36.0 %

*Not applicable since the benefits for former employees of New York Bus, Queens Surface and Liberty Lines are not related to Pay.

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METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL PLAN TO FINANCIAL STATEMENTS RECONCILIATION
THREE MONTHS ENDED MARCH 31, 2007
(See Independent Accountants" Review Report)
(Dollars in Millions)

	UNAUDITED
FINANCIAL PLAN ACTUAL - OPERATING LOSS	**$ (979.4)**
Reconciling items:	
FMTAC revenues are recorded as operating on the Financial Plan and recorded as non-operating on the Financial Statements.	(5.0)
Various agencies recorded adjustments to the Financial Statements after the Financial Plan was completed.	(20.1)
The Financial Plan excluded Capital Construction and East Side Access	(4.2)
Headquarters recorded Other Postemployment Benefits after the Financial Plan was completed	(320.5)
The Financial Plan includes TBTA capital transfer to agencies	3.6
FINANCIAL STATEMENT - OPERATING LOSS	**$ (1,325.6)**

METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
CONSOLIDATED RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(See Independent Accountants' Review Report)
(Dollars in Millions)

Category	Financial Plan Actual (Unaudited)	Financial Statement GAAP Actual (Unaudited)	Variance
REVENUE			
Farebox Revenue	$ 942.1	$ 942.1	$ -
Vehicle Toll Revenue	290.5	290.5	-
Other Operating Revenue	133.4	117.3	(16.1)
Total Revenue	**1,366.0**	**1,349.9**	**(16.1)**
EXPENSES			
Labor:			
Payroll	926.8	954.9	(28.1)
Overtime	111.6	102.2	9.4
Health and Welfare	224.0	225.7	(1.7)
Pensions	92.6	93.2	(0.6)
Other Fringe Benefits	105.6	106.1	(0.5)
Other Postemployment Benefits	-	320.5	(320.5)
Reimbursable Overhead	(59.7)	(54.1)	(5.6)
Total Labor Expenses	**1,400.9**	**1,748.5**	**(347.6)**
Non-Labor:			
Traction and Propulsion Power	79.1	79.1	-
Fuel for Buses and Trains	38.4	38.7	(0.3)
Insurance	9.4	11.2	(1.8)
Claims	36.0	36.0	-
Paratransit Service Contracts	54.0	54.0	-
Maintenance and Other Operating Contracts	122.6	126.5	(3.9)
Professional Service Contract	35.6	35.1	0.5
Materials & Supplies	127.7	124.4	3.3
Other Business Expenses	52.8	11.4	41.4
Total Non-Labor Expenses	**555.6**	**516.4**	**39.2**
Other Expenses Adjustments:			
TBTA Transfer	3.6	-	3.6
Interagency Subsidy	(25.3)	-	(25.3)
Other	-	-	-
Total Other Expense Adjustments	(21.7)	-	**(21.7)**
Total Expenses Before Depreciation	**1,934.8**	**2,264.9**	**(330.1)**
Depreciation	410.6	410.6	-
Total Expenses	**2,345.4**	**2,675.5**	**(330.1)**
Net Operating Deficit Excluding Subsidies and Debt Service	**$ (979.4)**	**$ (1,325.6)**	**$ (346.2)**

METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
CONSOLIDATED SUBSIDY ACCRUAL RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(See Independent Accountants' Review Report)
(Dollars in Millions)

Accrued Subsidies	Financial Plan Actual (Unaudited)	Financial Statement GAAP Actual (Unaudited)	Variance	
Mass Transportation Operating Assistance	$ -	$ -	$ -	
Petroleum Business Tax	142.7	142.7	-	
Mortgage Recording Tax 1 and 2	192.9	192.9	-	
MRT transfer	-	(1.3)	(1.3)	{1}
Urban Tax	269.6	269.6	-	
Operating subsidies from NYC	-	56.4	56.4	{2}
Nassau County Subsidy to Long Island Bus	10.5	10.5	-	
Station Maintenance	33.6	33.6	-	
Connecticut Department of Transportation (CDOT)	13.0	13.0	-	
Investment income	0.6	8.3	7.7	{3}
Total Accrued Subsidies	662.9	725.7	62.8	
Net Operating Surplus/(Deficit) Excluding Accrued Subsidies and Debt Service	(979.4)	(1,325.6)	(346.2)	
Total Net Operating Surplus/(Deficit)	**$ (316.5)**	**$ (599.9)**	**$ (283.4)**	
Interest on Long-Term Debt		**$ 258.9**		
Debt Service	**$ 360.1**			

{1} The Financial Plan will record in April 2007.

{2} Adjustment made to the MTA Bus Company Financial statements after the close of the Financial Plan.

{3} The Financial Plan excludes certain pool and capital income.