Metropolitan Transportation Authority

(A Component Unit of the State of New York)

Independent Auditor’s Review Report

Consolidated Interim Financial Statements as of and for the Nine-Month Period Ended September 30, 2014

METROPOLITAN TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of the Board of
Metropolitan Transportation Authority

We have reviewed the accompanying consolidated interim statements of net position of the Metropolitan Transportation Authority (the "MTA"), a component unit of the State of New York, as of September 30, 2014, and the related consolidated interim statements of revenues, expenses and changes in net position, and cash flows for the nine-month periods ended September 30, 2014 and 2013 (the "consolidated interim financial information").

Management's Responsibility for the Consolidated Interim Financial Information

MTA management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the consolidated interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted 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 information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the consolidated interim financial information referred to above for it to be in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in the notes to the consolidated interim financial statements, the MTA is a component unit of the State of New York. The MTA requires significant subsidies from and has material transactions with the City of New York, the State of New York, and the State of Connecticut, and depends on certain tax revenues that are economically sensitive.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 19, the Schedules of Pension Funding Progress on page 100, and the Schedule of Funding Progress for the MTA Postemployment Benefit Plan on page 101 be presented to supplement the consolidated interim financial statements. Such information, although not a part of the consolidated interim financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated interim financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, applicable to reviews of interim financial information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated interim financial statements, and other knowledge we obtained during our reviews of the consolidated interim financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our review was conducted for the purpose of expressing limited assurance, as described under the Conclusion section above, on the MTA's consolidated interim financial statements. The Schedule of Financial Plan to Financial Statements Reconciliation, Schedule of Consolidated Reconciliation Between Financial Plan and Financial Statements, and Schedule of Consolidated Subsidy Accrual Reconciliation Between Financial Plan and Financial Statements are presented for the purposes of additional analysis and are not a required part of the consolidated interim financial statements.

The Schedule of Financial Plan to Financial Statements Reconciliation, Schedule of Consolidated Reconciliation Between Financial Plan and Financial Statements, and Schedule of Consolidated Subsidy Accrual Reconciliation Between Financial Plan and Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated interim financial statements. Such information has been subjected to the analytical procedures and inquiries applied in the review of the basic consolidated interim financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated interim financial statements or to the consolidated interim financial statements themselves, and other additional procedures and we are not aware of any material modifications that should be made thereto in order for such information to be in conformity with accounting principles generally accepted in the United States of America when considered in relation to the basic consolidated interim financial statements taken as a whole.

Report on Condensed Consolidated Statement of Net Position as of December 31, 2013

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statement of net position of the MTA as of December 31, 2013, and the related consolidated statement of revenues, expenses and changes in net position and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 30, 2014, which contains explanatory paragraphs regarding the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities* and that the MTA requires significant subsidies from other governmental entities. In our opinion, the accompanying condensed consolidated statement of net position of the MTA as of December 31, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

January 20, 2015

1. OVERVIEW OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

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

Management's Discussion and Analysis

This MD&A provides a narrative overview and analysis of the financial activities of the Metropolitan Transportation Authority and its consolidated subsidiaries and affiliates (the "MTA" or "MTA Group") for the periods ended September 30, 2014 and 2013. This management discussion and analysis is intended to serve as an introduction to the MTA Group's consolidated interim financial statements. It provides an assessment of how the MTA Group's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the MTA Group's overall financial position. It may contain opinions, assumptions, or conclusions by the MTA Group's management that must be read in conjunction with, and should not be considered a replacement for, the consolidated interim financial statements.

The Consolidated Interim Financial Statements

The Consolidated Interim Statements of Net Position, which provide information about the nature and amounts of resources with present service capacity that the MTA Group presently controls (assets), consumption of net assets by the MTA Group that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the MTA Group has little or no discretion to avoid (liabilities), and acquisition of net assets by the MTA Group that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflow of resources and liabilities/deferred inflow of resources being reported as net position.

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

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

Notes to the Consolidated Interim Financial Statements

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

Required Supplementary Information

The required supplementary information provides information concerning the MTA Group’s progress in funding its obligation to provide pension benefits and postemployment benefits to its employees.

Supplementary Information

The supplementary information provides a series of reconciliations between the MTA Group financial plan and the consolidated interim statements of revenues, expenses and changes in net position.

2. FINANCIAL REPORTING ENTITY

The Metropolitan Transportation Authority (“MTA” or “MTA Group”) 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

- 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.

- 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, 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.

3. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The following sections discuss the significant changes in the MTA Group's financial position as of and for the nine months ended September 30, 2014 and 2013. 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 interim financial statements and the various exhibits presented were derived from the MTA Group's consolidated financial statements. All dollar amounts (except where otherwise expressly noted) are in millions.

Total Assets and Deferred Outflows of Resources, Distinguished Between Capital Assets, Other Assets and Deferred Outflows of Resources

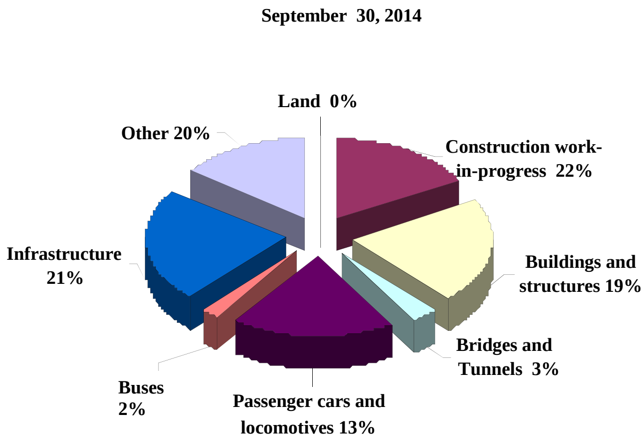
Capital assets include, but are not limited to: bridges, structures, tunnels, construction of buildings and the acquisition of buses, equipment, passenger cars, and locomotives.

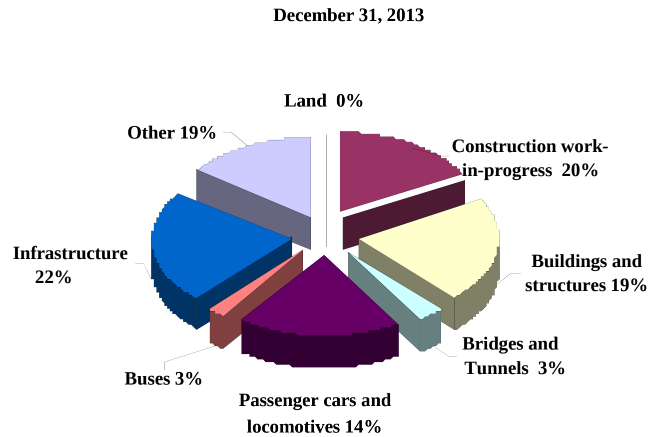
Other Assets include, but are not limited to: cash, restricted and unrestricted investments, State and regional mass transit taxes receivables, and receivables from New York State.

Deferred outflows of resources reflect: changes in fair market values of hedging derivative instruments that are determined to be effective, and unamortized loss on refunding.

(In millions)	September 2014	December 2013	December 2012	Increase/(Decrease) 2014 - 2013	Increase/(Decrease) 2013 - 2012
Capital assets — net (see Note 6)	$ 58,242	$ 56,729	$ 54,231	$ 1,513	$ 2,498
Other assets	10,118	8,215	8,233	1,903	(18)
Deferred outflows of resources	1,050	980	630	70	350
Total assets and deferred outflows of resources	$ 69,410	$ 65,924	$ 63,094	$ 3,486	$ 2,830

Capital Assets, Net





Significant Changes in Assets and Deferred Outflows of Resources Include:

September 30, 2014 versus December 31, 2013

- Net capital assets increased at September 30, 2014 by $1,513. This increase is attributable to net increases in construction work-in-progress of $1,310, other capital assets of $877, passenger cars and locomotives for $407, buildings and structures for $267, infrastructure for $255, land for $25 and buses for $22. The net increases were offset by a net increase in accumulated depreciation of $1,650. Some of the more significant projects contributing to the net increase included:

– Continued progress on the East Side Access, Second Avenue Subway and Number 7 Extension Project.

– Infrastructure work including:

  - Roadway drainage, fire lines and ceiling repairs at three facilities, namely Robert F. Kennedy Bridge, the Bronx-Whitestone Bridge, and the Verrazano-Narrows Bridge;
  - Switch replacement and power distribution equipment at the Brooklyn-Battery Tunnel, upper and lower level toll plazas; and
  - Ventilation system upgraded and installed at various facilities.

– Track rehabilitation and replacement on the East River Tunnel and construction of three Montauk bridges.

– Passenger station intermodal transfer Fulton Street Transit Center underpass finishes and installation of Automated Fare Collection equipment, platforms, roof and canopy replacement at various stations including the South Ferry Terminal.

– Various signal and communication projects incurred by the MTA New York City Transit on the Flushing Line, Church and Lexington Avenues, MTA Long Island Rail Road related Centralized Traffic Control System and Positive Train Control System.

- Other assets increased by $1,903. The major items contributing to this change include:

  - An increase in current and non-current net receivables of $954 derived mainly from:
    - An increase in due from State and regional mass transit taxes of $872 as a result of New York State approving the 2014-2015 budget in March 2014.
    - An increase in due from other State and local assistance of $42.
    - An increase in due from Federal and State Governments for capital projects of $49.
    - A decrease in other various receivables of $9.

  - An increase in investments of $828 derived from:
    - An increase in restricted investments of $1,113 resulting from higher debt service funds and bond proceeds from the issuance of Transportation Revenue Bonds and General Revenue Bond Anticipation Notes.
    - An increase in capital lease related investments of $9 due to a net increase in collateral funds related to capital leases.
    - A decrease in unrestricted investments of $294, due primarily to the usage of operating funds for agency operations of $402, offset by an increase in Mortgage Recording Tax of $108 due to an upswing in real estate activity.

  - An increase in other current and non-current assets of $121 derived from:
    - An increase in material and supplies of $51 due largely to increases in MTA New York City Transit of $39 and cumulative increase in other Agencies of $12.
    - An increase in advance to defined benefit pension trust of $133 primarily from additional pension funding by MTA Long Island Rail Road of $147 offset by a reduction in MTA Metro-North Railroad of $14.
    - A decrease in prepaid expenses and other current asset of $18 primarily from the amortization of prepaid insurance expenses.
    - A decrease in cash of $11 from net cash flow activities.
    - A decrease in derivative fuel hedge assets of $22 as a result of changes in the current fair market value.
    - A decrease in other various assets of $12.

- Deferred outflows of resources increased by $70 due to an increase in fair market value of derivative instruments of $113 (See Notes 2 and 8), offset by a decrease in the loss on refunding of debt of $43.

Total Liabilities and Deferred Inflows of Resources, Distinguishing Between Current Liabilities, Non-Current Liabilities and Deferred Inflows of Resources.

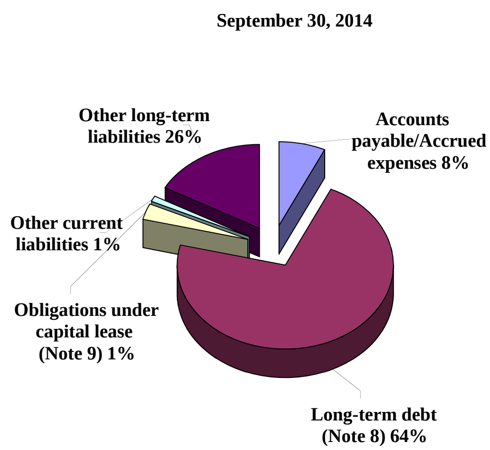
Current liabilities include: accounts payable, accrued expenses, current portions of long-term debt, capital lease obligations, pollution remediation liabilities, unredeemed fares and tolls, and other current liabilities.

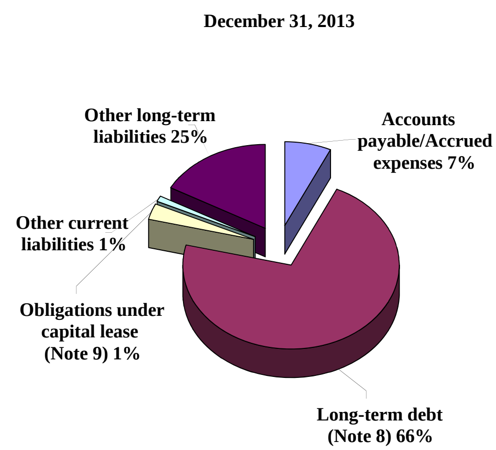
Non-current liabilities include: long-term debt, capital lease obligations, claims for injuries to persons, post-employment benefits and other non-current liabilities.

Deferred inflow of resources reflect unamortized gains on refunding.

(In millions)	September 2014	December 2013	December 2012	Increase/(Decrease) 2014 - 2013	2013 - 2012
Current liabilities	$ 5,648	$ 5,142	$ 4,304	$ 506	$ 838
Non-current liabilities	49,733	46,577	43,111	3,156	3,466
Deferred inflows of resources	36	-	-	36	-
Total liabilities and deferred inflows of resources	$55,417	$51,719	$47,415	$ 3,698	$ 4,304

Total Liabilities





Significant Changes in Liabilities Include:

<u>September 30, 2014 versus December 31, 2013</u>

Current liabilities increased by $506. The major items contributing to this change include:

- An increase in accrued expenses of $521 due to:
  - An increase in interest payable of $355 due to issuance of new bonds in the later part of 2013 and for the first nine months of 2014.
  - An increase in the current portion of retirement and death benefits of $183 primarily due to a revised actuarial calculation for the MTA New York City Transit for the New York City Employees' Retirement System ("NYCERS").
  - An increase in accrued salaries, wages, vacation and payroll taxes of $83 due largely to increases for MTA Long Island Railroad of $154 and for MTA Metro-North Railroad of $122 related to retroactive labor contract settlements in 2014, offset by a decrease in MTA New York City Transit of $185 due to payments of previously accrued retroactive wage costs for TWU union contract negotiation.
  - A decrease in other various accrued expenses of $100 primarily due to a reduction of accruals for capital expenditures.
- A decrease in the current portion of long-term debt of $65 primarily from the debt principal payments on

January 1, 2014.

- An increase in unearned revenues of $60 due largely to increases in MTA New York City Transit for: unused fare cards of $14, advertisement prepayments of $17, and unbilled paratransit reimbursements of $16.

- A decrease in other various current liabilities of $12.

Noncurrent liabilities increased by $3,156. The major items contributing to this increase include:

- An increase in long-term debt of $1,529 due to the issuance of MTA Transportation Revenue Bonds, Series 2014A, Series 2014B and Series 2014C, MTA Bridges and Tunnel General Revenue Bonds, Series 2014A and MTA Bridges and Tunnel General Revenue Bond Anticipation Notes, Series 2014A (See Note 8). This increase was offset by retirements and debt refundings as of September 30, 2014.

- An increase in derivative liabilities of $93 due to changes in fair market value.

- An increase in postemployment benefits other than pension liability ("OPEB") of $1,526 due to funding shortfalls of actuarial required contribution ("ARC") (See Note 5).

- An increase in other various non-current liabilities of $21.

- A decrease in the noncurrent portion of estimated liabilities arising from injuries to persons of $13 resulting from changes in actuarially determined liabilities.

Deferred inflow of resources increased by $36 due to a gain from MTA's exercise of its early redemption rights on certain transit and commuter facilities revenue bonds previously defeased and escrowed to maturity.

Total Net Position, Distinguishing Among Net Investment in Capital Assets, Restricted Amounts, and Unrestricted Amounts

(In millions)	September 2014	December 2013	December 2012	Increase/(Decrease) 2014 - 2013	Increase/(Decrease) 2013 - 2012
Net investment in capital assets	$ 22,327	$ 22,020	$ 21,156	$ 307	$ 864
Restricted for debt service	1,339	478	417	861	61
Restricted for claims	136	135	176	1	(41)
Restricted for other purposes	987	906	1,220	81	(314)
Unrestricted	(10,796)	(9,334)	(7,290)	(1,462)	(2,044)
Total Net Position	$ 13,993	$ 14,205	$ 15,679	$ (212)	$ (1,474)

Significant Changes in Net Position Include:

September 30, 2014 versus December 31, 2013

At September 30, 2014, total net position decreased by $212 when compared with December 31, 2013. This change is comprised of net non-operating revenues of $4,259 and appropriations, grants and other receipts externally restricted for capital projects of $1,373. This increase is offset by operating losses of $5,844.

The net investment in capital assets increased by $307. Funds restricted for debt service, claims and other purposes increased by $943 in the aggregate, while unrestricted net position decreased by $1,462.

Condensed Consolidated Interim Statements of Revenues, Expenses and Changes in Net Position

(In millions)	September 30, 2014	September 30, 2013	September 30, 2012	Increase/(Decrease) 2014 - 2013	Increase/(Decrease) 2013 - 2012
Operating revenues					
Passenger and tolls	$ 5,514	$ 5,305	$ 4,948	$ 209	$ 357
Other	433	399	347	34	52
Total operating revenues	5,947	5,704	5,295	243	409
Non-operating revenues					
Grants, appropriations and taxes	4,699	4,537	4,208	162	329
Other	596	540	308	56	232
Total non-operating revenues	5,295	5,077	4,516	218	561
Total revenues	11,242	10,781	9,811	461	970
Operating expenses					
Salaries and wages	4,043	3,564	3,525	479	39
Retirement and other employee benefits	2,067	2,071	2,053	(4)	18
Postemployment benefits other than pensions	1,892	1,662	1,662	230	-
Depreciation and amortization	1,694	1,616	1,572	78	44
Other expenses	2,097	1,999	1,820	98	179
Operating expenses	11,793	10,912	10,632	881	280
Net (recoverables) /expenses related to asset impairment	(2)	83	-	(85)	83
Total operating expenses	11,791	10,995	10,632	796	363
Non-operating Expense					
Interest on long-term debt	1,032	1,001	1,063	31	(62)
Change in fair value of derivative financial instruments (Note 8)	-	-	(1)	-	1
Other net non-operating expenses	4	4	81	-	(77)
Total non-operating expenses	1,036	1,005	1,143	31	(138)
Total expenses	12,827	12,000	11,775	827	225
Appropriations, grants and other receipts externally restricted for capital projects	1,373	1,398	1,655	(25)	(257)
Change in net position	(212)	179	(309)	(391)	488
Net position, beginning of period	14,205	15,679	16,016	(1,474)	(337)
Restatement of beginning net position	-	(552)	-	552	-
Net position, end of period	$ 13,993	$ 15,306	$ 15,707	$ (1,313)	$ (401)

Revenues and Expenses, by Major Source:

Period ended September 30, 2014 versus 2013

- Total operating revenues increased by $243.

  - Fare and toll revenue increased by $209 due to higher ridership for the period ended September 30, 2014 when compared to the same period in 2013, and due to system wide fare and toll increases that took place in March 2013.

  - Other operating revenues increased by $34. The increase was due primarily to paratransit reimbursement of expenses from New York City and from advertising revenues collected in the nine months of 2014 on behalf of all agencies.

- Total non-operating revenue increased by $218.

  - Total grants, appropriations, and taxes were higher by $162 for the period ended September 30, 2014.

    - Tax supported subsidies from New York State increased by $39, due to increases from Mass Transportation Trust Fund for $54 and Metropolitan Mass Transportation Operating Assistance for $52, offset by decreases in Payroll Mobility Tax for $65 and MTA Aid Trust Account for $2.

    - Tax supported subsidies from New York City increased by $122 from Urban Tax for $131, offset by a decrease from Mortgage Recording Tax for $9.

    - Other subsidies increased by $1 from the Build America Bond subsidy.

  - Other non-operating revenues increased by $56 due primarily to higher reimbursement from Connecticut Department of Transportation of $39, for the MTA Metro-North Railroad and from New York City of $57 for MTA Bus and MTA Staten Island Railway. Other non-operating income increased by $137, primarily from unrealized gains. The increases were offset by lower reimbursement from the Federal Transit Administration ("FTA") and the Federal Emergency Management Agency ("FEMA") relating to Tropical Storm Sandy of $177.

- Total operating expenses increased by $796.

  - Labor costs increased by $705. The major changes within this category are:

    - Salaries and wages increased by $479, due largely to increases in MTA Long Island Railroad of $133, MTA Metro-North Railroad of $120, and MTA New York City Transit of $209, all related to wage rate increases and retroactive labor contract settlements.

    - Postemployment benefits other than pensions increased by $230 from changes in actuarial estimates.

    - Retirement and employee benefits decreased by $4.

  - Non-labor operating costs increased by $91. The variance was due to:

    - Increase in electric power and fuel of $35 due to higher fuel cost.

- Increase in depreciation by $78 due to additional facilities coming on line.

- Increase in material and supplies by $33 mainly due to ongoing maintenance and repairs for transit and commuter systems.

- Increase in insurance by $20 mainly due to higher premiums for policy renewals.

- Increase in maintenance and other operating contracts by $33, mainly from MTA New York City Transit for $11, MTA Long Island Railroad for $8 and MTA Metro-North Railroad for $10, as a result of higher facility repairs and maintenance services.

- Increase in other business expenses by $12, primarily due to the subsidy provided to cover for the Verrazano-Narrows Bridge Toll Rebate Program for $10.

- Decrease in professional service contracts by $20 due largely to the timing of the Workers' Compensation Board fees for MTA New York City Transit.

- Decrease in claims expense arising from injuries to persons by $14 due to fewer claims against the MTA in the first nine months of 2014.

- Decrease in paratransit service contracts by $1.

- Decrease in net recoverables /expenses of $85 is due to impairments being recorded in prior year and no further impairments being recorded currently.

- Total net non-operating expenses increased by $31 due to the increase in interest payments on long term debt.

- Appropriations, grants and other receipts externally restricted for capital projects decreased by $25, mainly due to the availability of federal grants and MTA bonds for capital projects.

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.

Preliminary MTA system-wide utilization through the third quarter of 2014 improved over the third quarter of 2013, with an increase of 26.3 million more riders, up 1.3%. Vehicle-crossing levels at MTA Bridges and Tunnels facilities through the third quarter of 2014 improved marginally, with four hundred thousand more (0.2%) crossings than through September 2013. However, the year-to-date volume of system-wide ridership, especially on buses, and the year-to-date volume of traffic crossings, were subdued by unusually harsh weather that occurred in the first quarter of 2014. Also, utilization in every month of 2014 was impacted by higher fares and tolls, which were implemented on March 1, 2013; by contrast, January and February of 2013 were free of this impact. The increases in both traffic crossings and ridership through the third quarter, therefore, represent a recovery from the decline in first quarter utilization that was brought on by the combined effects of unfavorable weather and higher first quarter fares in 2014.

The average level of seasonally adjusted non-agricultural employment in New York City for the third quarter was higher in 2014 than in 2013 by 90.3 thousand jobs (up 2.3%). On a quarter-to-quarter basis, New York City employment has increased in each of the last fifteen quarters – the last decline occurred in the third quarter of 2010 and is higher than at any time since 1950, the period for which non-agricultural employment records for New York City are available from the Bureau of Labor Statistics.

The employment gain for New York City in the second quarter is consistent with an improving national economy; third quarter Real Gross Domestic Product ("RGDP") grew at an annualized rate of 3.5%, according to the most recent advance estimate released by the Bureau of Economic Analysis. The increase primarily reflected contributions from personal consumption expenditures, exports, state and local government spending, and non-residential fixed investments, and was partially offset by a decline in private inventory investment. Real Gross Domestic Product in the second quarter of 2014 grew at a robust 4.6%, but the vitality of the economy in both the second and third quarters contrasts with the sharp and unexpected first quarter decline in RGDP of 2.1%. The Bureau of Economic Analysis attributes the first quarter result, in part, to unusually harsh winter weather, which impacted agricultural production, construction activity and mining, among other industries. With only one other exception, the national economy has showed uninterrupted quarterly growth since the second quarter of 2009.

The New York City metropolitan area's price inflation of 1.3% was lower than the national average of 1.8% in the third quarter of 2014. A 2.2% fall in the price of energy products dampened the overall rise in consumer prices: the Consumer Price Index ("CPI") exclusive of energy products increased by 1.6% in the New York-New Jersey-Long Island area. Consistent with the fall in overall energy prices, spot prices for New York Harbor conventional gasoline fell by 4.9% from an average price of $2.885 to an average of $2.743 per gallon between the third quarters of 2013 and 2014.

In June 2014, the Federal Reserve Bank announced that its Open Market Committee would continue targeting the Federal Funds rate to the range of 0% to 0.25%, a range consistent with its statutory dual mandate to foster maximum employment within a context of price stability. The Federal Funds rate has remained in this range since late 2008, as financial and housing market crises deepened. In fact, the Federal Reserve Bank began to pursue expansionary intervention more than a year earlier as a response to the impending economic downturn: since the third quarter of 2007, the Federal Reserve Bank has sought to mitigate the consequences of recession by loosening the tight credit conditions that resulted from the national mortgage crisis. Confronting stubbornly high unemployment rates with no scope to reduce further the Federal Funds rate, in March 2009 the Federal Reserve Bank began a program of large scale purchases of government guaranteed assets. The objective of the program, which was expanded in November 2010, was to raise the price of long-term securities, thereby lowering interest rates in order to stimulate investment in the economy.

In spite of the rebound in economic activity in the second and third quarters of 2014, the Federal Open Market Committee ("FOMC") elected in September to maintain an accommodative stance by continuing to target a Federal Funds rate in the range of 0% to 0.25%, noting that inflation rates remained below the Committee's long-run objective; at the same time, in spite of evidence of economic growth, the FOMC observed that labor markets had room to improve and that labor resources remained underutilized, a factor that mitigates the risk of inflation. In addition to maintaining the Federal Funds rate, the Committee also continued its program of purchasing longer term assets to foster amenable financial conditions and to support activity in the housing sector. However, given the economy's cumulative progress towards maximum employment, the Committee continued to reduce the pace of asset purchases, and it has announced its intention to take measured steps to further taper rates of purchase, contingent upon continued economic improvement.

The influence of Federal Reserve monetary policy on the mortgage market is a matter of interest to the MTA, since variability of mortgage rates can affect the number of real estate transactions and can thereby impact receipts from the Mortgage Recording Tax ("MRT") and Urban Tax, two important sources of MTA revenue. After the steady fall in MRT revenues that resulted from the financial and real estate crisis, MTA's monthly receipts remained virtually flat for three years beginning in the first quarter of 2009; however, a discernible upward trend in MRT receipts began during the first quarter of 2012 and reached a recent high point in the fall of 2013. Mortgage Recording Tax collections through the third quarter of 2014 were lower than through the third quarter of 2013 by $1.4 dollars (0.5%). In spite of the gradual overall recovery of MRT receipts that has been occurring since 2012, average monthly receipts through the third quarter remain $29.4 (50.1%) worse than their average in 2007, just prior to the steep decline of this revenue source.

MTA's receipts of Urban Taxes – those based on commercial activity within New York City – have demonstrated a pronounced rise since 2010, increasing on a year-over-year basis in sixteen of the last seventeen quarters. Following especially strong receipts of Urban Taxes in the first half of 2014, year-to-date receipts through the third quarter reached $582.8, which was $172.0 or 41.9% better than the first nine months of 2013.

Results of Operations

MTA Bridges and Tunnels - Paid traffic for the third quarter of 2014 totaled 213.7 million vehicles, which was 0.4 million more vehicles than the third quarter of 2013. The higher volume was primarily the result of favorable weather trends, though improvements in the local economy may also be contributing to recent year-to-year growth. Toll revenue reached $1,253.3 through September 2014, which was $26.7 greater than last year at this time. The higher revenue was the result of 0.2% net growth in traffic and the toll increase implemented on March 3, 2013.

The E-ZPass electronic toll collection system continued to facilitate management of high traffic volumes and experienced significant year-to-year increases. Total average market share as of September 30, 2014 was 84.0% compared with 83.0% in 2013. The average weekday market shares were 85.7% and 84.7% for September 30, 2014 and 2013, respectively.

MTA New York City Transit - Total operating revenues during the first nine months of 2014 increased by $47.1 or 1.4% compared with the first nine months of 2013. Continued increase in bus and subway riderships is credited for the comparative increase in operating revenues.

MTA Long Island Rail Road – Total operating revenues during the first nine months of 2014 increased by $24.5 or 4.9% compared to the first nine months of 2013. Ridership continue to rise, as a steadily improving economy and popular new service to the Barclays Center continued to boost the number of railroad customers above the previous year.

MTA Metro-North Rail Road – During the first nine months of 2014, operating revenues increased by $22.0 or 4.4% compared to the first nine months of 2013. Year-to-date 2014 fare revenue increased by 4.4%, and 0.8% respectively, compared to the same period in 2013. The increases in revenues occurred on the Hudson, Harlem and New Haven Lines for monthly and weekly commutation.

The MTA receives the equivalent of four quarters of Metropolitan Mass Transportation Operating Assistance ("MMTOA") 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 March 2014, the State appropriated $1.6 billion in MMTOA funds. 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. The total MRT collected as of December 31, 2013 increased by 27.1% compared to December 2012 from $287.6 to

$365.5. However, the total MRT collected in the first nine months of 2014 decreased by 3.4% compared to September 30, 2013 from $270.7 to $261.6.

Capital Programs

At September 30, 2014, $17,452 had been committed and $8,292 had been expended for the combined 2010-2014 MTA Capital Programs and the 2010-2014 MTA Bridges and Tunnels Capital Program, and $23,618 had been committed and $22,201 had been expended for the combined 2005-2009 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program, and $21,573 had been committed and $21,220 had been expended for the combined 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program.

The MTA Group has ongoing capital programs, which except for MTA Bridges and Tunnels 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.

2010-2014 Capital Program — Capital programs covering the years 2010-2014 for (1) the commuter railroad operations of the MTA conducted by MTA Long Island Rail Road and MTA Metro-North Railroad (the "2010–2014 Commuter Capital Program"), (2) the transit system operated by MTA New York City Transit and its subsidiary, MaBSTOA, the MTA Bus Company, and the rail system operated by MTA Staten Island Railway (the "2010–2014 Transit Capital Program") were originally approved by the MTA Board in September 2009. The capital programs were subsequently submitted to the CPRB in October 2009. This plan was disapproved by the CPRB, without prejudice, in December 2009 allowing the State Legislature to review funding issues in their 2010 session. The capital program for the toll bridges and tunnels operated by MTA Bridges and Tunnels (the "2010–2014 MTA Bridges and Tunnels Capital Program") was approved by the MTA Board in September 2009 and was not subject to CPRB approval. The MTA Board approved the revised plan for the Transit and Commuter systems on April 28, 2010 and CPRB approval of the five year program of projects was obtained on June 1, 2010. The approved CPRB program fully funded only the first two years (2010 and 2011) of the plan, with a commitment to come back to CPRB with a funding proposal for the last three years for the Transit and Commuter Programs. On December 21, 2011, the MTA Board approved an amendment to the 2010-2014 Capital Program for the Transit, Commuter and Bridges and Tunnels systems that fund the last three years of the program through a combination of self-help (efficiency improvements and real estate initiatives), participation by our funding partners, and innovative and pragmatic financing arrangements. On March 27, 2012, the CPRB deemed approved the amended 2010-2014 Capital Programs for the Transit and Commuter systems as submitted.

On December 19, 2012, the MTA Board approved an amendment to the 2010-2014 Capital Programs for the Transit, Commuter and Bridges and Tunnels systems to add projects for the repair/restoration of MTA agency assets damaged as a result of Superstorm Sandy, which struck the region on October 29, 2012. On January 22, 2013, the CPRB deemed approved the amended 2010-2014 Capital Programs for the Transit and Commuter systems as submitted. On July 22, 2013, the MTA Board approved a further amendment to the 2010-2014 Capital Programs for the Transit, Commuter and Bridges and Tunnels systems to include specific revisions to planned projects and to include new resilience/mitigation initiatives in response to Superstorm Sandy. On August 27, 2013, the CPRB deemed approved those amended 2010-2014 Capital Programs for the Transit and Commuter systems as submitted. On July 28, 2014, the MTA Board approved an amendment to select elements of the Disaster Recovery (Sandy) and NYCT portions of the 2010-2014 Capital Programs, and a change in the funding plan. On September 3, 2014, the CPRB deemed approved the amended 2010-2014 Capital Programs for the Transit and Commuter systems as submitted.

As approved by the Boards in 2014, the 2010–2014 MTA Capital Programs and the 2010–2014 MTA Bridges and Tunnels Capital Program provided for $34,801 in capital expenditures. By September 30, 2014, the 2010-2014 MTA Capital Programs budget increased by $22 primarily due to additional work scope funded through additional grants. Of the new $34,823 now provided in capital expenditures, $11,643 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; $3,869 relates to ongoing repairs of, and replacements to, the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad; $5,865 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction; $335 relates to a multi-faceted security program including MTA Police Department; $214 relates to MTA Interagency; $297 relates to MTA Bus Company initiatives; $2,076 relates to the ongoing repairs of, and replacements to, MTA Bridges and Tunnels facilities; and $10,524 relates to Superstorm Sandy recovery/mitigation capital expenditures.

The combined funding sources for the CPRB-approved 2010–2014 MTA Capital Programs and 2010–2014 MTA Bridges and Tunnels Capital Program include $12,703 in MTA Bonds, $2,079 in MTA Bridges and Tunnels dedicated funds, $6,337 in Federal Funds, $132 in MTA Bus Federal and City Match, $778 from City Capital Funds, and $1,500 from other sources. Also included is $770 in State Assistance funds added to re-establish a traditional funding partnership. The funding strategy for Superstorm Sandy repair and restoration assumes the receipt of $9,431 in insurance and federal reimbursement proceeds (including interim borrowing by MTA to cover delays in the receipt of such proceeds), $160 in pay-as-you-go capital, supplemented, to the extent necessary, by external borrowing of up to $933 in additional MTA and MTA Bridges and Tunnels bonds.

At September 30, 2014, $17,452 had been committed and $8,292 had been expended for the combined 2010-2014 MTA Capital Programs and the 2010-2014 MTA Bridges and Tunnels Capital Program.

2005-2009 Capital Program — Capital programs covering the years 2005-2009 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, the MTA Bus Company, and the rail system operated by MTA Staten Island Railway (the “2005–2009 Transit Capital Program”) were originally approved by the MTA Board in April 2005 and subsequently by the CPRB in July 2005. The capital program for the toll bridges and tunnels operated by MTA Bridges and Tunnels (the “2005–2009 MTA Bridges and Tunnels Capital Program”) was approved by the MTA Board in April 2005 and was not subject to CPRB approval. The 2005–2009 amended Commuter Capital Program and the 2005–2009 Transit Capital program (collectively, the “2005–2009 MTA Capital Programs”) were last amended by the MTA Board in July 2008. This latest 2005-2009 MTA Capital Program amendment was resubmitted to the CPRB for approval in July 2008, and was approved in August 2009.

As last amended by the MTA Board, the 2005–2009 MTA Capital Programs and the 2005–2009 MTA Bridges and Tunnels Capital Program, provided for $23,717 in capital expenditures. By September 30, 2014, the 2005-2009 MTA Capital Programs budget increased by $887 primarily due to the receipt of new American Recovery and Reinvestment Act (“ARRA”) funds and additional New York City Capital funds for MTA Capital Construction work still underway. Of the $24,604 now provided in capital expenditures, $11,615 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; $3,792 relates to ongoing repairs of, and replacements to, the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad; $508 relates to a security program throughout the transit, commuter and bridge and tunnel network; $167 relates to certain interagency projects; $7,175 relates generally to the expansion of existing rail networks for both the transit and commuter systems to be managed by the MTA Capital Construction Company (including the East Side Access, Second Avenue Subway and No. 7 subway line); $1,195 relates to the ongoing repairs of, and replacements to, bridge and tunnel facilities operated by MTA Bridges and Tunnels; and $152 relates to capital projects for the MTA Bus.

The combined funding sources for the MTA Board-approved 2005–2009 MTA Capital Programs and 2005–2009 MTA Bridges and Tunnels Capital Program include $9,883 in MTA and MTA Bridges and Tunnels Bonds (including funds for LaGuardia Airport initiative), $1,450 in New York State general obligation bonds approved by the voters in the November 2005 election, $9,092 in Federal Funds, $2,826 in City Capital Funds, and $1,353 from other sources.

At September 30, 2014, $23,618 had been committed and $22,201 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 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 MTA New York City Transit and its subsidiary, MaBSTOA, the MTA Bus Company, and the rail system operated by MTA Staten Island Railway (the "2000–2004 Transit Capital Program") were originally approved by the MTA Board in April 2000 and subsequently by the CPRB in May 2000. The capital program for the toll bridges and tunnels operated by MTA Bridges and Tunnels (the "2000–2004 MTA Bridges and Tunnels Capital Program") was approved by the MTA Board in April 2000 and was not subject to CPRB approval. The 2000–2004 amended Commuter Capital Program and the 2000–2004 amended Transit Capital program (collectively, the "2000–2004 MTA Capital Programs") were last amended by the MTA Board in December 2006. This amendment was submitted to the CPRB for approval in April 2007, but was subsequently disapproved. In December 2007, the MTA Board approved a modified amendment; this amendment was submitted to the CPRB for approval, which was granted in January 2008.

As last amended by the MTA Board, the 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program, provide for $21,147 in capital expenditures. By September 30, 2014, the budget increased by $587, primarily due to the receipt of ARRA funds, transfers from the 2005-2009 Capital Programs, and MTA operating sources required to fund cost increases for work still underway. The revised budget now provides $21,734 in capital expenditures, of which $10,438relates 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; $4,033 relates to ongoing repairs of, and replacements to, the Commuter System operated by MTA Long Island Rail Road and MTA Metro-North Railroad; $5,332 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction; $203 relates to planning and design and customer service projects; $244 relates to World Trade Center repair projects; $982 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 (with revisions through the July 2008) include $7,387 in bonds, $7,418 in Federal funds, $4,561 from the proceeds of the MTA/MTA Bridges and Tunnels debt restructuring in 2002, and $2,368 from other sources.

At September 30, 2014, $21,573 had been committed and $21,220 had been expended for the combined 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program.

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The MTA's Variable Rate Debt Portfolio

During the nine months ended September 30, 2014, deteriorated credit quality of bond insurers continued to put pressure on the auction segments of the MTA's variable rate portfolio. Auctions for all of the $287,325 of auction rate bonds outstanding (the interest rate for such bonds is determined based on a multiple of the London Interbank Offered Rate) as of the end of September 30, 2014, had been failing. MTA continues to closely monitor the performance of its auction rate bonds, insured variable rate demand bonds and variable rate demand bonds for which liquidity is provided by the lower rated banks.

2014-2017 Financial Plan (The February Plan) Subsequent Developments

The 2014 Mid-Year Forecast, 2015 Preliminary Budget and July Plan 2015-2018 (collectively, the "July Plan" or "Plan") was presented to the MTA Board at its July 28, 2014 meeting. The MTA 2014 Adopted Budget and the 2014-2017 Financial Plan of February 2014 (collectively the "February Plan") was balanced through 2016 with a manageable deficit of $255 in 2017. The February Plan was based upon five key inter-related elements: (i) three years of "net zero" labor settlements with all MTA unions; (ii) annually recurring savings of $1.1 billion in 2014 increasing to $1.5 billion by 2017; (iii) projected fare/toll increases of 4% in 2015 and 2017; (iv) no further legislative erosion of Payroll Mobility Tax ("PMT") revenues; and (v) $370 of pay-as-you-go capital ("PAYGO") beginning in 2015 as a "down payment" on the 2015–2019 Capital Program.

Tropical Storm Sandy Update

The total allocation of appropriated emergency relief funding from the Federal Transit Administration ("FTA") to MTA in connection with Superstorm Sandy to date is $5.39 billion, including $1.59 billion allocated September 22, 2014 through a discretionary grant program. Of the total allocated amount, the FTA has approved and executed three grants to MTA in the amounts of $194, $886 and $684, respectively, for a total of $1.76 billion. As of September 19, 2014, MTA has drawn down $182 of the $194 for reimbursement of eligible operating and capital expenses. The grant in the amount of $886 is solely for MTA capital projects and will be used for recovery projects totaling $802 and for four resiliency projects totaling $84. As of September 19, 2014, MTA has drawn down $335 of the $886 for reimbursement of eligible capital expenses. Funds have not yet been drawn down from the third grant. The balance of funds to be drawn down from all three grants is available to MTA for reimbursement of eligible expenses as requisitions are submitted by MTA and approved by FTA. Additional requisitions are in process. MTA has not yet submitted grant requests for the remaining $3.63 billion of FTA allocated and appropriated emergency relief funding.

On December 26, 2013, the FTA issued a Notice of Fund Availability soliciting proposals for a $3 billion competitive resiliency program. MTA submitted proposals for projects totaling $3.9 billion ($2.9 billion federal share) by the March 28, 2014 deadline. On September 22, 2014, FTA announced that MTA would receive $1.60 billion through this program.

FEMA has approved approximately $17 in expenses for emergency measures, debris removal, repair and resiliency for the MTA Bridges and Tunnels' bridge facilities, of which $6 has been received to date.

On April 16, 2014, FEMA approved, under the Public Assistance Alternative Procedures Pilot Program, approximately $329 in FEMA funding for repairs and $74.5 in FEMA funding for hazard mitigation of the damaged elements of the Hugh L. Carey Tunnel and the Queens Midtown Tunnel. MTA Bridges and Tunnels has applied for an additional $4.76 from FEMA for hazard mitigation at other facilities.

Labor Update

Subsequent to the presentation of the July Plan to the MTA Board, certain of the unions representing MTA Long Island Railroad and MTA Metro-North Railroad employees reached agreement.

Long Island Rail Road Union Coalition Agreements. On July 17, 2014, MTA Long Island Rail Road entered into tentative agreements with the leaders of a coalition of eight unions representing the majority of employees at MTA Long Island Rail Road constituting the LIRR Union Coalition to settle outstanding issues arising from collective bargaining agreements that expired in 2010. A ninth union entered into a similar agreement on July 30, 2014. Subsequently, all nine agreements were ratified by their respective union's membership and presented to the MTA Board for approval at the September 2014 meeting.

Metro-North Railroad Union Agreements. On Monday, August 18, 2014, MTA Metro-North Railroad reached tentative agreements affecting nine of its bargaining units representing 42% of its represented work force. These agreements, all of which mirror the LIRR Union Coalition agreements with regard to both structure and cost, were ratified and presented to the MTA Board for approval at the September 2014 meeting.

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METROPOLITAN TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

CONSOLIDATED INTERIM STATEMENTS OF NET POSITION
SEPTEMBER 30, 2014 AND DECEMBER 31, 2013
($ In millions)
(Unaudited)

	September 30, 2014	December 31, 2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash (Note 3)	$ 347	$ 358
Unrestricted investments (Note 3)	2,684	2,995
Restricted investment (Note 3)	2,306	1,180
Restricted investments held under capital lease obligations (Notes 3 and 9)	7	90
Receivables:		
Station maintenance, operation, and use assessments	81	120
State and regional mass transit taxes	956	84
Mortgage Recording Tax receivable	30	32
State and local operating assistance	144	7
Other receivable from New York City and New York State	81	278
Due from New York City	29	-
Due from Build America Bonds	3	1
Due from New York City	143	-
Due from Nassau County for Long Island Bus	14	14
Capital project receivable from federal and state government and other	132	83
Other	264	259
Less allowance for doubtful accounts	(34)	(34)
Total receivables — net	1,843	844
Materials and supplies	511	460
Advance to defined benefit pension trust	260	127
Prepaid expenses and other current assets (Note 2)	135	153
Derivative fuel hedge assets	-	4
Total current assets	8,093	6,211
NON-CURRENT ASSETS:		
Capital assets — net (Note 6)	58,242	56,729
Unrestricted investments (Note 3)	61	44
Restricted investments (Note 3)	337	350
Restricted investment held under capital lease obligations (Notes 3 and 9)	447	355
Other noncurrent receivables	662	677
Receivable from New York State	290	320
Derivative assets (Note 8)	5	23
Other noncurrent assets	223	235
Total non-current assets	60,267	58,733
TOTAL ASSETS	68,360	64,944
DEFERRED OUTFLOWS OF RESOURCES:		
Accumulated decreases in fair value of derivative instruments	448	335
Loss on refunding debt	602	645
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,050	980
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 69,410	$ 65,924

See Independent Auditor's Review Report and notes to the consolidated interim financial statements.

(Continued)

METROPOLITAN TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

CONSOLIDATED INTERIM STATEMENTS OF NET POSITION
SEPTEMBER 30, 2014 AND DECEMBER 31, 2013
($ In millions)
(Unaudited)

	September 30, 2014	December 31, 2013
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 410	$ 409
Accrued expenses:		
Interest	560	205
Salaries, wages and payroll taxes	594	542
Vacation and sick pay benefits	832	801
Current portion — retirement and death benefits	554	371
Current portion — estimated liability from injuries to persons (Note 11)	376	372
Other	904	1,008
Total accrued expenses	3,820	3,299
Current portion — long-term debt (Note 8)	819	884
Current portion — obligations under capital lease (Note 9)	13	27
Current portion — pollution remediation projects (Note 13)	27	34
Derivative fuel hedge liability	10	-
Unearned revenues	549	489
Total current liabilities	5,648	5,142
NON-CURRENT LIABILITIES:		
Estimated liability arising from injuries to persons (Note 11)	1,927	1,940
Post employment benefits other than pensions (Note 5)	11,553	10,027
Long-term debt (Note 8)	34,633	33,104
Obligations under capital leases (Note 9)	501	500
Pollution remediation projects (Note 13)	82	75
Contract retainage payable	292	298
Derivative liabilities	344	251
Derivative liabilities- off market elements	117	116
Other long-term liabilities	284	266
Total non-current liabilities	49,733	46,577
Total liabilities	55,381	51,719
DEFERRED INFLOWS OF RESOURCES:		
Gain on debt refunding	36	-
TOTAL DEFERRED INFLOWS OF RESOURCES	36	-
NET POSITION:		
Net investment in capital assets	22,327	22,020
Restricted for debt service	1,339	478
Restricted for claims	136	135
Restricted for other purposes (Note 2)	987	906
Unrestricted	(10,796)	(9,334)
Total net position	13,993	14,205
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 69,410	$ 65,924

See Independent Auditor's Review Report and notes to the consolidated interim financial statements.

(Concluded)

METROPOLITAN TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

CONSOLIDATED INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
($ In millions)
(Unaudited)

	September 30, 2014	September 30, 2013
OPERATING REVENUES:		
Fare revenue	$ 4,261	$ 4,078
Vehicle toll revenue	1,253	1,227
Rents, freight, and other revenue	433	399
Total operating revenues	5,947	5,704
OPERATING EXPENSES:		
Salaries and wages	4,043	3,564
Retirement and other employee benefits	2,067	2,071
Postemployment benefits other than pensions (Note 5)	1,892	1,662
Electric power	404	381
Fuel	211	199
Insurance	41	21
Claims	152	166
Paratransit service contracts	271	272
Maintenance and other operating contracts	350	317
Professional service contracts	154	174
Pollution remediation projects (Note 13)	5	5
Materials and supplies	389	356
Depreciation	1,694	1,616
Other	120	108
Total operating expenses	11,793	10,912
Net (recoverables)/expenses related to asset impairment (Note 7)	(2)	83
OPERATING LOSS	(5,844)	(5,291)
NON-OPERATING REVENUES (EXPENSES):		
Grants, appropriations, and taxes:		
Tax-supported subsidies — NYS:		
Mass Transportation Trust Fund subsidies	510	456
Metropolitan Mass Transportation Operating Assistance subsidies	1,566	1,514
Payroll Mobility Tax subsidies	1,156	1,221
MTA Aid Trust Account subsidies	225	227
Tax-supported subsidies — NYC and Local:		
Mortgage Recording Tax subsidies	262	271
Urban Tax subsidies	547	416
Other subsidies:		
New York State Service Contract subsidy	9	10
Operating Assistance - 18-B program	376	376
Build America Bond subsidy	47	46
Other Aid	1	-
Total grants, appropriations, and taxes	$ 4,699	$ 4,537

See Independent Auditor's Review Report and notes to the consolidated interim financial statements.

(Continued)

METROPOLITAN TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

CONSOLIDATED INTERIM STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
($ In millions)
(Unaudited)

	September 30, 2014	September 30, 2013
NON-OPERATING REVENUES (EXPENSES):		
Connecticut Department of Transportation	$ 100	$ 61
Subsidies paid to Dutchess, Orange, and Rockland Counties	(4)	(4)
Interest on long-term debt	(1,032)	(1,001)
Station maintenance, operation and use assessments	123	122
Operating subsidies recoverable from NYC	319	262
Other net non-operating expenses	45	(91)
Federal Transit Authority/Federal Emergency Management Agency reimbursement related to tropical storm Sandy	9	186
Change in fair value of derivative financial instruments (Note 8)	-	-
Net non-operating revenues	4,259	4,072
LOSS BEFORE APPROPRIATIONS	(1,585)	(1,219)
APPROPRIATIONS, GRANTS, AND OTHER RECEIPTS EXTERNALLY RESTRICTED FOR CAPITAL PROJECTS	1,373	1,398
CHANGE IN NET POSITION	(212)	179
NET POSITION— Beginning of period	14,205	15,679
Restatement of beginning net position (Note 2)	-	(552)
NET POSITION — End of period	$ 13,993	$ 15,306

See Independent Auditor's Review Report and notes to the consolidated interim financial statements.

(Concluded)

METROPOLITAN TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
($ In millions)
(Unaudited)

	September 30, 2014	September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Passenger receipts/tolls	$ 5,721	$ 5,561
Rents and other receipts	303	265
Asset impairment related expenses and recovery	-	158
Payroll and related fringe benefits	(6,169)	(5,564)
Other operating expenses	(2,378)	(2,171)
Net cash used by operating activities	(2,523)	(1,751)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grants, appropriations, and taxes	4,108	3,773
Operating subsidies from CDOT	74	57
Subsidies paid to Dutchess, Orange, and Rockland Counties	(6)	(5)
Net cash provided by noncapital financing activities	4,176	3,825
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
MTA bond proceeds	1,953	2,410
MTA Bridges and Tunnels bond proceeds	332	1,338
MTA bonds refunded/reissued	(539)	(248)
TBTA bonds refunded/reissued	(66)	(1,107)
MTA anticipation notes proceeds	2,045	4,341
MTA anticipation notes redeemed	(1,939)	(4,691)
Capital lease payments and terminations	(2)	(106)
Grants and appropriations	1,487	1,470
Payment for capital assets	(3,255)	(3,264)
Debt service payments	(953)	(880)
Net cash used by capital and related financing activities	(937)	(737)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of long-term securities	(5,818)	(4,366)
Sales or maturities of long-term securities	4,053	2,821
Sales of short term securities	1,016	209
Earnings on investments	22	44
Net cash used by investing activities	(727)	(1,292)
NET (DECREASE)/INCREASE IN CASH	(11)	45
CASH — Beginning of period	358	233
CASH — End of period	$ 347	$ 278

See Independent Auditor's Review Report and notes to the consolidated interim financial statements.

(Continued)

METROPOLITAN TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
($ In millions)
(Unaudited)

	September 30, 2014	September 30, 2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (5,844)	$ (5,291)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	1,694	1,616
Loss on asset impairment related expenses and recovery	-	17
Net increase in payables, accrued expenses, and other liabilities	1,694	1,885
Net decrease in receivables	91	109
Net increase in materials and supplies and prepaid expenses	(158)	(87)
NET CASH USED BY OPERATING ACTIVITIES	$ (2,523)	$ (1,751)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital assets and related liabilities	$ 785	$ 603
Capital leases and related liabilities	501	523
TOTAL NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	$ 1,286	$ 1,126

See Independent Auditor's Review Report and notes to the consolidated interim financial statements.

(Concluded)

1. BASIS OF PRESENTATION

Reporting Entity — 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 interim financial statements are of the Metropolitan Transportation Authority ("MTA"), including its related groups (collectively, the "MTA Group") 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.

- 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, 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 consolidated interim financial statements because of the MTA's financial accountability for these entities and they are under the direction of the MTA Board (a reference to "MTA Board" means the board of MTAHQ and/or the boards of the other MTA Group entities that apply in the specific context, all of which are comprised of the same persons). 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 interim financial statements are presented on a consolidated basis with segment disclosure for each distinct operating activity.

Although the MTA Group collect fares for the transit and commuter service, they provide and receive revenues from other sources, such as the leasing out of real property assets, and the licensing of advertising. Such revenues, including forecast-increased revenues from fare increases, are not sufficient to cover all operating expenses associated with such services. Therefore, to maintain a balanced budget, the members of the MTA Group providing transit and commuter service rely on operating surpluses transferred from MTA Bridges and Tunnels, operating subsidies provided by NYS and certain local governmental entities in the MTA commuter district, and service reimbursements from certain local governmental entities in the MTA commuter district and from the State of Connecticut. Non-operating subsidies to the MTA Group for transit and commuter service in the current period totaled $4.7 billion.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying consolidated interim financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Authority applies Governmental Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section P80, *Proprietary Accounting and Financial Reporting*.

The MTA is in the process of evaluating the impact of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* as it affects single and multiple employer sponsor plans. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB Statement No. 67 enhances note disclosures and required supplementary information ("RSI") for both defined benefit and defined contribution pension plans. GASB Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The MTA has determined that further research on GASB Statement No. 67 is required to ascertain if the Standard will have any impact on its financial position, results of operations, and cash flows.

The MTA has not completed the process of evaluating the impact of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions– An Amendment of GASB Statement No. 27.* GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and RSI. The provisions in GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

The MTA has completed the process of evaluating the impact of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations.* GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. GASB Statement No. 69 requires the use of carrying values to measure the assets and liabilities in a government merger and requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. GASB Statement No. 69 also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. GASB Statement No. 69 provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. GASB Statement No. 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The MTA has determined that GASB Statement No. 69 had no impact on its financial position, results of operations, and cash flows.

The MTA has completed the process of evaluating the impact of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. GASB Statement No.70 also requires a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization. GASB Statement No.70 further requires an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation. This Statement also requires a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The MTA has determined that GASB Statement No. 70 had no impact on its financial position, results of operations, and cash flows.

The MTA has not completed the process of evaluating the impact of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The requirements of this Statement should be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for fiscal years beginning after June 15, 2014.

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

Principles of Consolidation — The consolidated interim financial statements consist of MTAHQ, MTA Long Island Rail Road, MTA Metro-North Railroad, MTA Staten Island Railway, FMTAC, MTA Bus, MTA Capital Construction, MTA New York City Transit (including its subsidiary MaBSTOA), and MTA Bridges and Tunnels for years presented in the financial statements. All related group transactions have been eliminated for consolidation purposes.

Net Position – Restricted for Other Purposes – This category is classified within net position and includes net assets that are restricted for capital leases and MTA Bridges and Tunnels necessary reconstruction reserve.

Investments — The MTA Group's investment policies comply with the New York State Comptroller's guidelines for such operating and capital 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. FMTAC's investment policies comply with New York State Comptroller guidelines and New York State Department of Insurance guidelines.

Investments expected to be utilized within a year of September 30 and December 31 have been classified as current assets in the consolidated interim financial statements.

Investments are recorded on the consolidated interim statement of net position at fair value and amortized cost. 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 position. Fair values have been determined using quoted market values at September 30, 2014 and December 31, 2013.

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. Capital assets and improvements include all land, buildings, equipment, and infrastructure of the MTA having a minimum useful life of two years and having a cost of more than $25 thousand. 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.

Pollution remediation projects —Pollution remediation costs are being expensed in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (See Note 13). An operating expense provision and corresponding liability measured at current value using the expected cash flow method has been recognized for certain pollution remediation obligations, which previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations occur when any one of the following obligating events takes place: the Authority is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation; the Authority voluntarily commences or legally obligates itself to commence remediation efforts; or the Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities.

Operating Revenues — *Passenger Revenue and Tolls* — Revenues from the sale of tickets, tokens, electronic toll collection system, and farecards are recognized as income when used.

Non-operating Revenues

Operating Assistance — The MTA Group receives, subject to annual appropriation, NYS operating assistance funds that are 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 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 September 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 nine 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% to certain transit operations and 45% to the commuter railroads operations. 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 monies being returned under the conditions set forth in the governing statute if the Commuter Railroads are operating at a deficit). As of September 30, 2014 and 2013, the amount allocated to NYS Suburban Highway Transportation Fund was $0 and $0, respectively. Of the MTA New York City Transit portion, the MTA distributed $0 and $0 as of September 30, 2014 and 2013, respectively.

- The first $5 of the MRT-2 proceeds is transferred to the MTA Dutchess, Orange, and Rockland ("DOR") 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 September 1, 2005 increase in MRT-1 from 25 cents per $100 of recorded mortgage to 30 cents. As of September 30, 2014, the MTA paid to Dutchess, Orange and Rockland Counties the 2013 excess amounts of MRT-1 and MRT-2 totaling $2.8.

- In addition, MTA New York City Transit receives operating assistance directly from NYC through a mortgage recording tax at the rate of 0.625 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.

Mobility tax — In June of 2009, chapter 25 of the NYS Laws of 2009 added Article 23, which establishes the Metropolitan Commuter Transportation Mobility Tax ("MCTMT"). The proceeds of this tax, administered by the New York State Tax Department, are to be distributed to the Metropolitan Transportation Authority. This tax is imposed on certain employers and self-employed individuals engaging in business within the metropolitan commuter transportation district which includes New York City, and the counties of Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess, and Westchester. This Tax is imposed on certain employers that have payroll expenses within the Metropolitan Commuter Transportation District, to pay at a rate of 0.34% of an employer's payroll expenses for all covered employees for each calendar quarter. The employer is prohibited from deducting from wages or compensation of an employee any amount that represents all or any portion of the MCTMT. The effective date of this tax was March 1, 2009 for employers other than public school district; September 1, 2009 for Public school districts and January 1, 2009 for individuals.

Supplemental Aid — Also, in 2009 several amendments to the existing tax law provided the MTA supplemental revenues to be deposited into the AID Trust Account of the Metropolitan Transportation Authority Financial Assistance Fund established pursuant to section 92 of the State Finance law. These supplemental revenues relates to: 1) supplemental learner permit/license fee in the Metropolitan Commuter Transportation District 2) supplemental registration fee 3) supplemental tax on every taxicab owner per taxicab ride on every ride that originated in the city and terminates anywhere within the territorial boundaries of the Metropolitan Commuter Transportation District and 4) supplemental tax on passenger car rental. This Supplemental Aid Tax is provided to the MTA in conjunction with the Mobility Tax.

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 second to the Transit System (defined as MTA New York City Transit and MaBSTOA), SIRTOA and the Commuter Railroads to pay operating and capital costs. The MMTOA receipts are comprised of 0.375 of one percent regional sales tax, 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 8), 85% to certain transit operations (not including MTA Bus) and 15% to the commuter railroads operations. Revenues from this funding source are recognized based upon amounts of tax reported collected by NYS, to the extent of the appropriation.

Build America Bond Subsidy — The Authority is receiving cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series of Bonds issued as "Build America Bonds" and authorized by the Recovery Act. The Internal Revenue Code of 1986 imposes requirements that MTA must meet and continue to meet after the issuance in order to receive the cash subsidy payments. The interest on these bonds is fully subject to Federal income taxation. The "Build America Bonds" program ended on December 31, 2010.

Operating Subsidies Recoverable from Connecticut Department of Transportation ("CDOT") — A 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 100.0% of the net operating deficit of MTA Metro-North Railroad's branch lines in Connecticut (New Canaan, Danbury, and Waterbury), 65.0% 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% of the cost of non-movable capital assets located in Connecticut, 100% of movable capital assets to be used primarily on the branch lines and 65% 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 extended for an additional five years beginning January 1, 2010 subject to the right of CDOT or MTA to terminate the agreement on eighteen month's written notice. 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 be subject to audit by CDOT. The audits of 2011, 2012 and 2013 billings are still open.

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 September 30, 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.

In 1995, New York City ceased reimbursing the Authority for the full costs of the free/reduced fare program for students (the Student Fare Program). Beginning in 1996, the State and The City each began paying $45 per annum to the Authority toward the cost of the Student Fare Program. In 2009, the State reduced their $45 reimbursement to $6.3.

The 2010 Adopted Budget proposed that the Student Fare Program be eliminated and student fares be phased in, with the first phase to commence September 1, 2010. In June 2010, following fare reimbursement commitments of $25.3 from New York State and $45.0 from New York City, the Authority declined to proceed with the proposal to eliminate the Student Fare Program. These fare reimbursement commitments were paid to the Authority during 2012 and 2013.

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 Authority received approximately $2.1 and $0 in the nine months ended September 30, 2014 and 2013, respectively, from New York City for the reimbursement of transit police costs. Similarly, MTAHQ bills MTA Metro-North Railroad through its consolidated services for MTA police costs in the New Haven line of which MTA Metro-North Railroad recovers approximately 65% from Connecticut Department of Transportation. The amounts billed for the periods ended September 30, 2014 and 2013 were $10.1 and $14.1. The amounts recovered for the periods ended September 30, 2014 and 2013 were approximately $6.5 and $9.1.

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% of net paratransit operating expenses defined as labor, transportation, and administrative costs less fare revenues and 6.0% of gross Urban Tax Subsidies, or an amount that is 20.0% greater than the amount paid by the NYC for the preceding calendar year. Fare revenues and New York City reimbursement aggregated approximately $145.1 and $133.6 for the periods ended September 30, 2014 and 2013, respectively.

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 nonoperating revenues in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. These amounts are reported separately after Total Nonoperating Revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

Operating and Non-operating Expenses — Operating and non-operating expenses are recognized in the accounting period in which the liability is incurred. All expenses related to operating the Authority (e.g. salaries, insurance, depreciation, etc.) are reported as operating expenses. All other expenses (e.g. interest on long-term debt, subsidies paid to counties, etc.) are reported as non-operating expenses.

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, 2006, but before November 1, 2009, the self-insured retention limits are: $8 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road, and MTA Metro-North Railroad; $2.3 for MTA Long Island Bus and MTA Staten Island Railway; and $1.6 for MTAHQ and MTA Bridges and Tunnels. For claims arising from incidents that occurred on or after November 1, 2009, but before November 1, 2012, the self-insured retention limits are: $9 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road and MTA Metro-North Railroad; $2.6 for MTA Long Island Bus and MTA Staten Island Railway; and $1.9 for MTAHQ and MTA Bridges and Tunnels. Effective November 1, 2012 the self-insured retention limits for ELF were increased to the following amounts: $10 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road and MTA Metro-North Railroad; $3 for MTA Staten Island Railway; and $2.6 for MTAHQ 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 other MTA Group entities above their specifically assigned self-insured retention with a limit of $50 per occurrence with a $50 annual aggregate. FMTAC charges appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. On September 30, 2014, the balance of the assets in this program was $61.0.

MTA also maintains an All-Agency Excess Liability Insurance Policy that affords the MTA Group additional coverage limits of $350 for a total limit of $400 ($350 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, 2014, the "nonrevenue fleet" automobile liability policy program was renewed. This program provides third-party auto liability insurance protection for the MTA Group with the exception of MTA New York City Transit and MTA Bridges and Tunnels. The policy provides $10 per occurrence limit with a $0.5 per occurrence deductible for MTA Long Island Rail Road, MTA Staten Island Rapid Transit Operating Authority, MTA Police, MTA Metro-North Railroad, MTA Inspector General and MTA Headquarters. FMTAC renewed its deductible buy back policy, where it assumes the liability of the agencies for their deductible.

On March 1, 2014, 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 December 15, 2013, FMTAC renewed the primary coverage on the Station Liability and Force Account liability policies $10 per occurrence loss for MTA Metro-North Railroad and MTA Long Island Rail Road.

Property Insurance. Effective May 1, 2014, FMTAC renewed the all-agency property insurance program. For the annual period commencing May 1, FMTAC directly insures property damage claims of the other MTA Group entities in excess of a $25 per occurrence self-insured retention (“SIR”), subject to an annual $75 aggregate as well as certain exceptions summarized below. The total program is $600 per occurrence covering property of the related entities collectively. FMTAC is reinsured in the domestic, Asian, London, European and Bermuda marketplaces for this coverage. Losses occurring after the retention aggregate is exceeded are subject to a deductible of $7.5 per occurrence. The property insurance policy provides replacement cost coverage for all risks (including Earthquake, Flood and Wind) of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverage.

In addition to the noted $25 per occurrence self-insured retention, MTA self-insures All Risk (excluding Earthquake, Flood, and Wind) above that retention for an additional $362.3 within the overall $600 property program, as follows: $32.98 (or 32.98%) of the $100 layer excess of the primary $150 layer, plus $229.33 (or 91.7%) of the $250 layer excess of $250, plus $100 (or 100%) of $100 excess of $500.

FMTAC is 100% reinsured in the domestic, Asian, London, European and Bermuda marketplaces for the perils of Earthquake, Flood, and Wind for the $600 per occurrence and in the annual aggregate property program.

Supplementing the $600 per occurrence coverage noted above, FMTAC’s property insurance program has been expanded to include a further layer of $200 of fully collateralized storm surge coverage for losses from storm surges that surpass specified trigger levels in the New York Harbor or Long Island Sound and are associated with named storms that occur at any point in the three year period from July 31, 2013 to July 30, 2016. The expanded protection is reinsured by MetroCat Re Ltd., a Bermuda special purpose insurer formed to provide FMTAC with capital markets-based property reinsurance. The MetroCat Re reinsurance policy is fully collateralized by a Regulation 114 trust invested in U.S. Treasury Money Market Funds. The additional coverage provided is available for storm surge losses only after amounts available under the $600 in general property reinsurance are exhausted.

With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 85% of “certified” losses, as covered by the Terrorism Risk Insurance Act (“TRIA”) of 2007 (originally introduced in 2002). Under the 2007 extension, terrorism acts sponsored by both foreign and domestic organizations are covered. The remaining 15% of MTA Group losses arising from an act of terrorism would be covered under the additional terrorism policy described below. Additionally, no federal compensation will be paid unless the aggregate industry insured losses exceed $100 (“trigger”).

To supplement the reinsurance to FMTAC through the 2007 Terrorism Risk Insurance Program Reauthorization Act (“TRIPRA”) program, the MTA obtained an additional commercial reinsurance policy with various reinsurance carriers in the domestic, London and European marketplaces. That policy provides coverage for (1) 15% of any “certified” act of terrorism up to a maximum recovery of $161.2 for any one occurrence and in the annual aggregate, (2) the TRIPRA FMTAC captive deductible (per occurrence and on an aggregated basis) that applies when recovering under the 15%“certified” acts of terrorism insurance or (3) 100% of any "certified" terrorism loss which exceeds $5 and less than the $100 TRIPRA trigger up to a maximum recovery of $100 for any occurrence and in the annual aggregate. This coverage expires at midnight on May 1, 2015. 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 Group's retention in any one year exceed $75 future losses in that policy year are subject to a retention of $7.5.

Pension Plans — In November 1994, GASB issued Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* which establishes standards for measurement, recognition, and display of pension expense and the related accounting for assets, liabilities, disclosures, and required supplementary information, if applicable. The Authority has adopted this standard for its pension plans. Pension cost is required to be measured and disclosed using the accrual basis of accounting. Annual pension cost should be equal to the annual required contributions ("ARC") to the pension plan, calculated in accordance with certain parameters.

Postemployment Benefits Other Than Pensions — In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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. In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of GASB Statement No. 45. The Authority has adopted these standards for its Postemployment Benefits Other Than Pensions.

3. CASH AND INVESTMENTS

The Bank balances are insured up to $250 thousand in the aggregate by the Federal Deposit Insurance Corporation ("FDIC") for each bank in which funds are deposited. Cash, including deposits in transit, consists of the following at September 30, 2014 and December 31, 2013 (in millions):

	September 30, 2014		December 31, 2013	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
FDIC insured or collateralized deposits	$ 156	$ 161	$ 147	$ 144
Uninsured and not collateralized	191	108	211	165
	$ 347	$ 269	$ 358	$ 309

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

The MTA, on behalf of itself, its affiliates and subsidiaries, 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.

MTA holds most of its investments at a custodian bank. The custodian must meet certain banking institution criteria enumerated in MTA's Investment Guidelines. The Investment Guidelines also require the Treasury Division to hold at least $100 of its portfolio with a separate emergency custodian bank.

The purpose of this deposit is in the event that the MTA's main custodian cannot execute transactions due to an emergency outside of the custodian's control, the MTA has an immediate alternate source of liquidity.

Investments, at fair value, consist of the following at September 30, 2014 and December 31, 2013 (in millions):

		September 30, 2014		December 31, 2013
Repurchase agreements		$ 249		$ 242
Commercial paper		2,121		1,536
Federal Agencies due 2013		602		808
U.S. Treasuries due 2013–2021		2,044		1,620
Investments restricted for capital lease obligations:				
U.S. Treasury Notes due 2014 -2033	$ 191		$ 163	
Short-term investment fund	77		77	
Federal Agencies due 2014 -2034	40		40	
Other Agencies due 2030	146		165	
Sub-total		454		445
Other Agencies due 2014-2030		93		72
Asset and mortgage backed securities*		23		21
Commercial mortgage backed securities*		63		71
Corporate bonds*		152		161
Foreign bonds*		22		20
Equities*		19		18
Total		$ 5,842		$ 5,014

*These securities are only included in the FMTAC portfolio.

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 statement of net position. 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.

In connection with certain lease transactions described in Note 9, 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, which generate sufficient proceeds to make basic rent and purchase option 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, other than the investments restricted for capital lease obligations, are either insured or registered and held by the MTA or its agent in the MTA's name. Investments restricted for capital lease obligations are either held by MTA or its agent in the MTA's name or held by a custodian as collateral for MTA's obligation to make rent payments under capital lease obligation. Investments had weighted average yields of 0.12% and 0.27% for the nine months ended September 30, 2014 and December 31, 2013, respectively.

Of the above cash and investments, amounts designated for internal purposes by management were as follows at September 30, 2014 and December 31, 2013 (in millions):

	September 30, 2014	December 31, 2013
Construction or acquisition of capital assets	$ 2,149	$ 2,060
Funds received from affiliated agencies for investment	735	830
Debt service	1,339	479
Payment of claims	552	551
Restricted for capital leases	455	447
Other	714	580
	5,944	4,947
Unrestricted funds	245	425
Total	$ 6,189	$ 5,372

Credit Risk — At September 30, 2014 and December 31, 2013, the following credit quality rating has been assigned to MTA investments by a nationally recognized rating organization (in millions):

Quality Rating Moody's	September 30, 2014	Percent of Portfolio	December 31, 2013	Percent of Portfolio
A-1+	$ 589	10 %	$ 808	17 %
A-1	2,122	37	1,536	32
AAA	114	2	115	2
AA+	40	1	110	2
AA	33	1	39	1
A	97	2	98	2
BBB	49	1	49	1
Not rated	256	5	264	5
Government	2,315	41	1,786	38
Total	5,615	100 %	4,805	100 %
Equities and capital leases	227		209	
Total investment	$ 5,842		$ 5,014	

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 a 100 basis point change in interest rates.

(In millions) Securities	September 30, 2014 Fair Value	Duration	December 31, 2013 Fair Value	Duration
U.S. Treasuries	$ 2,044	5.08	$ 1,620	5.11
Federal Agencies	602	0.06	808	0.20
Other Agencies	86	4.18	65	4.00
Tax benefits lease investments	258	10.76	236	11.83
Repurchase agreement	249	-	242	-
Certificate of deposits	7	-	7	-
Commercial paper	2,121	-	1,536	-
Asset-backed securities [1]	23	0.41	21	0.27
Commercial mortgage-backed securities [1]	63	1.64	71	1.87
Foreign bonds [1]	22	0.77	20	0.86
Corporates [1]	152	2.35	161	2.38
Total fair value	5,627		4,787	
Modified duration		2.49		2.51
Equities [1]	19		18	
Total	5,646		4,805	
Investments with no duration reported	196		209	
Total investments	$ 5,842		$ 5,014	

[1] These securities are only included in the FMTAC portfolio

MTA is a public benefit corporation established under the New York Public Authorities Law. MTA's Treasury Division is responsible for the investment management of the funds of the Related Entities. The investment activity covers all operating and capital funds, including bond proceeds, and the activity is governed by State statutes, bond resolutions and the Board-adopted investment guidelines (the "Investment Guidelines"). The MTA Act currently permits the Related Entities to invest in the following general types of obligations:

- obligations of the State or the United States Government;
- obligations of which the principal and interest are guaranteed by the State or the United States government;
- obligations issued or guaranteed by certain Federal agencies;
- repurchase agreements fully collateralized by the obligations of the foregoing United States Government and Federal agencies;
- certain certificates of deposit of banks or trust companies in the State;

- certain banker's acceptances with a maturity of 90 days or less;
- certain commercial paper;
- certain municipal obligations; and
- certain mutual funds up to $10 in the aggregate.

The MTA adopted NYS Statutory Requirements with respect to credit risk of its investments, which include, but are not limited to the following sections:

i) Public Authorities Law Sections 1265(4) (MTA), 1204(19) (Transit Authority) and 553(21) (TBTA);

ii) Public Authorities Law Section 2925 Investment of funds by public authorities and public benefit corporations; general provisions; and

iii) State Finance Law Article 15 – EXCELSIOR LINKED DEPOSIT ACT.

MTA Investment Guidelines limit the dollar amount invested in banker acceptances, commercial paper, and obligations issued or guaranteed by certain Federal agencies to $250 at cost. There are no dollar limits on the purchase of obligations of the United States government, the State or obligations the principal and interest of which are guaranteed by the State or the United States government. Investments in collateralized repurchase agreements are limited by dealer or bank's capital. MTA can invest no greater than $300 with a bank or dealer rated in Tier 1 (i.e. $1 billion or more of capital).

FMTAC is created as a MTA subsidiary and is licensed as a captive direct insurer and reinsurer by the New York State Department of Insurance. As such, FMTAC is responsible for the investment management of its funds. The investment activity is governed by State statutes and the FMTAC Board adopted investment guidelines. The minimum surplus to policyholders and reserve instruments are invested in the following investments:

- obligations of the United States or any agency thereof provided such agency obligations are guaranteed as to principal and interest by the United States;
- direct obligations of the State or of any county, district or municipality thereof;
- any state, territory, possession or any other governmental unit of the United States;
- certain bonds of agencies or instrumentalities of any state, territory, possession or any other governmental unit of the United States;
- the obligations of a solvent American institution which are rated investment grade or higher (or the equivalent thereto) by a securities rating agency; and
- certain mortgage backed securities in amounts no greater than five percent of FMTAC's admitted assets.

FMTAC may also invest non-reserve instruments in a broader range of investments including the following general types of obligations:

- certain equities; and
- certain mutual funds.

FMTAC is prohibited from making the following investments:

- investment in an insolvent entity;

- any investment as a general partner; and
- any investment found to be against public policy.

FMTAC investment guidelines do include other investments, but FMTAC has limited itself to the above permissible investments at this time.

4. EMPLOYEE BENEFITS

Substantially all of the MTA Related Groups pension plans have separately issued financial statements that are publicly available and contain descriptions and supplemental information regarding their respective employee benefit plans. These statements may be obtained by contacting the administrative office of the respective Related Group.

Pension Plans — The MTA Related Groups sponsor and participate in a number of pension plans for their 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

MTA Long Island Rail Road Plan for Additional Pensions

Plan Description — The Long Island Rail Road Plan for Additional Pensions ("the LIRR Plan") is a single-employer defined benefit pension plan that provides retirement, disability and death benefits to plan members and beneficiaries. Members include employees hired prior to January 1, 1988. The LIRR Plan is administered by the Board of Managers of Pensions. The LIRR Plan is a governmental plan and accordingly, is not subject to the funding and other requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). The pension plan has a separately issued financial statement that is publicly available and contains required descriptions and supplemental information regarding the employee benefit plan. The statements may be obtained by writing to, Long Island Rail Road, Controller, 93-02 Sutphin Boulevard – mail code 1421, Jamaica, New York 11435.

Funding Policy — The LIRR Plan has both non-contributory and contributory requirements. Participants who entered qualifying service before July 1, 1978 are not required to contribute. Participants who entered qualifying service on or after July 1, 1978 contribute 3% of their wages. The MTA Long Island Rail Road contributes additional amounts based on actuarially determined amounts that are designed to accumulate sufficient assets to pay benefits when due. The current rate is 361.12% of annual covered payroll.

The funded status of the LIRR Plan as of January 1, 2013, the most recent actuarial valuation date, is as follows (in millions):

	2013	2012
Annual required contribution ("ARC")	$ 119.3	$ 116.0
Interest on net pension obligation	2.6	2.9
Adjustment to ARC	(3.5)	(3.7)
Annual pension cost	118.4	115.2
Actual contributions made	(120.0)	(116.0)
Prepaid pension funding	(80.0)	-
Decrease in net pension obligation	(81.6)	(0.8)
Net pension obligation beginning of year	37.7	38.5
Net pension (asset)/obligation end of year	$ (43.9)	$ 37.7

Three-Year Trend Information
(In millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability "AAL"	Unfunded Actuarial Accrued Liability "UAAL"	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
1/1/2013	$400.8	$ 1,664.3	$ 1,263.5	24.10 %	$ 33.0	3,823.80 %
1/1/2012	437.4	1,633.3	1,195.8	26.78	40.0	2,987.10
1/1/2011	476.0	1,572.3	1,096.3	30.30	51.2	2,142.94

Year Ended	Annual Pension Cost "APC"	Annual Required Contribution "ARC"	Annual Contribution	ARC as a % of Covered Payroll	% of APC Contributed	Net Pension Obligation/ (Asset)
12/31/2013	$118.4	$ 119.3	$ 120.0	361.12 %	101.35 %	$ (43.90)
12/31/2012	115.2	116.0	116.0	289.79	100.70	37.75
12/31/2011	108.3	108.9	108.3	213.02	100.00	38.50

The schedule of pension funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress — As of January 1, 2013, the most recent actuarial valuation date, the LIRR Plan was 24.1% funded. The actuarial accrued liability for benefits was $1,664.3, and the actuarial value of assets was $400.8, resulting in an unfunded actuarial accrued liability ("UAAL") of $1,263.5. The covered payroll (annual payroll of active employees covered by the LIRR Plan) was $33, and the ratio of the UAAL to the covered payroll was 3,823.8%.

Actuarial Methods and Assumptions — Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The significant actuarial methods and assumptions used in the LIRR Defined Benefit Plans Actuarial Valuation at January 1, 2013, were as follows: the actuarial cost method and amortization method used was the entry age normal cost for all periods. The asset valuation method utilized was a 5-year smoothing method for all periods. The interest rate assumption was lowered from 7.50% per year (gross- before investment expenses) to 7.00% per year (net-after investment expenses). Investments and administrative expenses are paid from plan assets of the LIRR Defined Benefit Plans.

A noncurrent pension (asset)/obligation of $(43.9), $37.7, and $38.5 at December 31, 2013, 2012, and 2011, respectively reflects only the pension obligation position of the LIRR Additional Plan. In 2013, MTA made additional contributions that offset the pension obligation. The remaining amortization period at December 31, 2013 was 20 years.

Metro-North Cash Balance Plan

Plan Description — The Metro-North Commuter Railroad Company Cash Balance Plan (the "MNR Cash Balance Plan") is a single employer, defined benefit pension plan. The MNR Cash Balance Plan covers non-collectively bargained employees, formerly employed by Conrail, who joined MTA Metro-North Railroad as management employees between January 1 and June 30, 1983, and were still employed as of December 31, 1988. Effective January 1, 1989, these management employees were covered under the Metro-North Commuter Railroad Defined Contribution Plan for Management Employees (the "Management Plan") and the MNR Cash Balance Plan was closed to new participants. The assets of the Management Plan were merged with the Metropolitan Transportation Authority Defined Benefit Plan for Non-Represented Employees (now titled as the Metropolitan Transportation Authority Defined Benefit Pension Plan) as of the asset transfer date of July 14, 1995. The MNR Cash Balance Plan is designed to satisfy the applicable requirements for governmental plans under Section 401(a) and 501(a) of the Internal Revenue Code. Accordingly, the MNR Cash Balance Plan is tax-exempt and is not subject to the provisions of the Employee Retirement Income Security Act ("ERISA") of 1974. This plan provides retirement and death benefits to plan members and beneficiaries.

Funding Policy — Funding for the MNR Cash Balance Plan is provided by MTA Metro-North Railroad which is a public benefit corporation that receives funding for its operations and capital needs from the MTA and the Connecticut Department of Transportation ("CDOT"). Certain funding by MTA is made to MTA Metro-North Railroad on a discretionary basis. The continuance of funding for the MNR Cash Balance Plan has been, and will continue to be, dependent upon the receipt of adequate funds.

MTA Metro-North Railroad's funding policy was to contribute the full amount of the pension benefit obligation ("PBO") of approximately $2.9 to the trust fund in 1989. As participants retire, distributions from the MNR Cash Balance Plan have been made by the Trustee. MTA Metro-North Railroad anticipated that no further payments would be made to the MNR Cash Balance Plan unless there was an unfunded actuarial liability as determined by the actuary. Such additional funding has been required in the past. Since the actuarial value of assets exceeded the actuarial accrued liability as of January 1, 2011, 2012 and 2013, no payment was required in those years. The market value of net assets available for benefits in the trust fund at December 31, 2013, was $0.748 which is in excess of the current PBO of $0.740.

The funded status of the MNR Cash Balance Plan as of January 1, 2013, the most recent actuarial valuation date, is as follows (in thousands):

	2013	2012
Annual required contribution ("ARC")	$ -	$ -
Interest on net pension obligation	(2.3)	(2.7)
Adjust to ARC	11.7	11.7
Annual pension cost	9.4	9.0
Increase in net pension asset	9.4	9.0
Net pension asset beginning of year	(51.3)	(60.3)
Net pension asset end of year	$ (41.9)	$ (51.3)

Three-Year Trend Information

(In thousands) Year Ended	Annual Pension Cost "APC"	Annual Required Contribution "ARC"	Annual Contribution	ARC as a % of Covered Payroll	% of APC Contributed	Net Pension Asset
12/31/2013	$ 9.4	$ -	$ -	0.00 %	0.00 %	$ (41.9)
12/31/2012	9.0	-	-	0.00	0.00	(51.3)
12/31/2011	8.4	-	-	0.00	0.00	(60.3)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability "AAL"	Unfunded Actuarial Accrued Liability/ (Surplus) "UAAL"	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
1/1/2013	$ 878.0	$ 819.7	$ (58.3)	107.10 %	$ -	0.00 %
1/1/2012	1,006.4	991.9	(14.5)	101.50	-	0.00
1/1/2011	1,008.5	970.9	(37.5)	103.90	-	0.00

The schedule of pension funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress — As of January 1, 2013, the most recent actuarial valuation date, the MNR Cash Balance Plan was 107.1% funded. The actuarial accrued liability for benefits was $0.820, and the actuarial value of assets was $0.878, resulting in an actuarial accrued surplus of $(0.058). The covered payroll (annual payroll of active employees covered by the plan) was $0, and the ratio of the UAAL to the covered payroll was 0.00%.

Further information about the MNR Cash Balance Plan is more fully described in the separately issued financial statements which can be obtained by writing to the MTA Metro-North Railroad Controller, 347 Madison Avenue, New York, New York, 10017-3739.

Actuarial Methods and Assumptions — Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The significant actuarial methods and assumptions used in the January 1, 2013 valuation were the projected unit credit cost method and an investment rate of return of 4.5% per year. The accrued benefit for the unit credit cost method is defined by the plan and is usually used when the annual benefit accrual is a flat dollar amount or a constant percentage of the participant's current annual salary. The asset valuation method utilized was the market value per the Trustee. There was no projected salary increase assumption used in the January 1, 2013 valuation. For participants of the MNR Cash Balance Plan eligible for additional benefits, the additional benefits were not valued as the potential liability for this benefit is de minimus.

Manhattan and Bronx Surface Transit Operating Authority

Plan Description — MTA New York City Transit contributes to the Manhattan and Bronx Surface Transit Operating Authority ("MaBSTOA") Plan (the "MaBSTOA Plan"), a single employer governmental retirement plan. The MaBSTOA Plan provides retirement, disability, cost-of-living adjustments and death benefits to plan members and beneficiaries that are similar to those benefits provided by the New York City Employees' Retirement System to similarly situated MTA New York City Transit employees. The MaBSTOA Plan assigns the authority to establish and amend the benefit provisions to the MaBSTOA Board. MaBSTOA issues a publicly available financial report that includes financial statements and required supplementary information for the MaBSTOA Plan. That report may be obtained by writing to MaBSTOA Pension Plan, New York City Transit Authority, Operations Accounting, 2 Broadway, 15th Floor, New York, New York, 10004.

Funding Policy — MaBSTOA's funding policy requires periodic employer contributions which are actuarially determined amounts that are designed to accumulate sufficient assets to pay benefits when due. It is MaBSTOA's policy to fund, at a minimum, the current year's normal pension cost plus amortization of the unfunded actuarial accrued liability. For employees, the MaBSTOA Plan has both contributory and noncontributory requirements depending on the date of entry into service. Employees entering qualifying service on or before July 26, 1976 are non-contributing. Certain employees entering qualifying service on or after July 27, 1976 but before April 1, 2012 are required to contribute 3% of their salary and others are required to contribute 2%. Also, certain post–July 27, 1976 employees hired before April 1, 2012 contribute 1.85% in addition to their 3% contributions, if required. Effective October 1, 2000, certain post-July 27, 1976 employees hired before April 1, 2012 who have been members for 10 years or have 10 years of credited service are no longer required to make the 3% contributions. As a result of pension reform legislation passed in 2012 that affected MTA New York City Transit employees, similarly situated MaBSTOA employees hired on or after April 1, 2012 contribute 3% (although certain employees contribute 2%), with new rates starting April 2013, ranging from 3.5%, 4.5%, 5.75%, to 6%, depending on salary level, for their remaining years of service. MaBSTOA's contribution rate is 40.3% of annual covered payroll. MTA New York City Transit's contributions to the MaBSTOA Plan for the years ended December 31, 2013, 2012 and 2011 were $234.5, $228.9, and $186.5, respectively, equal to the annual required contributions for each year.

The funded status of the MaBSTOA Plan as of January 1, 2013, the most recent actuarial valuation date, is as follows (in millions):

	2013	2012
Annual required contribution	$ 234.5	$ 228.9
Interest on net pension asset	(2.6)	(2.9)
Adjust to annual required contribution	4.4	4.8
Annual pension cost	236.3	230.8
Actual contributions	(234.5)	(228.9)
Decrease in net pension asset	1.8	1.9
Net pension asset beginning of year	(37.4)	(39.3)
Net pension asset end of year	$ (35.6)	$ (37.4)

Three-Year Trend Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a) (In millions)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	$ 1,764.4	$ 2,702.4	$ 938.0	65.29 %	$ 582.1	161.1 %
1/1/2012	1,624.3	2,482.8	858.5	65.42	576.0	149.1
1/1/2011	1,527.1	2,213.3	686.2	69.00	579.7	118.4

(In millions)

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
12/31/2013	$ 236.3	99.2 %	$ (35.6)
12/31/2012	230.8	99.2	(37.4)
12/31/2011	188.4	99.0	(39.3)

The schedule of pension funding progress, presented as RSI following the notes to the consolidated interim financial statements, present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Funded Status and Funding Progress — As of January 1, 2013, the most recent actuarial valuation date, the MaBSTOA Plan was 65.3% funded. The actuarial accrued liability for benefits was $2,702.4 and the actuarial value of assets $1,764.4, resulting in an unfunded actuarial accrued liability ("UAAL") of $938.0. The covered payroll (annual payroll of active employees covered by the MaBSTOA Plan) was $582.1, and the ratio of the UAAL to the covered payroll was 161.1%.

Actuarial Methods and Assumptions — Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The January 1, 2013 valuation reflects the adoption by the Authority of the January 1, 2006 – December 31, 2011 Experience Study. The experience study modified demographic assumptions such as the rates of withdrawal, retirement and disability as well as economic assumptions such as the salary increase and cost-of-living assumptions to better reflect anticipated experience.

In addition, the interest rate assumption was reduced from 7.5% on a gross basis to 7.0% on a net basis. The explicit investment expense assumption was eliminated and assumed to be covered by investment income. These changes increased the unfunded actuarial accrued liability by $142.5 which is being amortized over 10 years. The employer contribution payable increased by $20.2 as at December 31, 2013.

The assumptions included a 7.0% investment rate of return, net of expenses and assumed general wage increases of 3.5% to 15.0% for operating employees and 4.0% and 7.0% for non-operating employees per year, depending on years of service. This also includes an inflation component of 2.5% per year.

Annual pension costs and related information about each of the above plans follows:

	Single-Employer Plans		
	LIRR	**MaBSTOA**	**MNR Cash Balance Plan**
Date of valuation	1/1/2013	1/1/2013	1/1/2013
Required contribution rates:	($ in millions)		($ in thousands)
Plan members			
Employer:	variable actuarially determined	variable actuarially determined	variable actuarially determined
Employer contributions made in 2013	$ 120.0	$ 234.5	$ 0.0
Three-year trend information:			
Annual Required Contribution			
2013	$ 119.3	$ 234.5	$ 0.0
2012	116.0	228.9	0.0
2011	108.9	186.5	0.0
Percentage of ARC contributed:			
2013	100.8 %	100.0 %	0.0 %
2012	100.7	100	0.0
2011	100.0	100	0.0
Annual Pension Cost (APC):			
2013	$ 118.4	$ 236.3	$ 9.4
2012	115.2	230.8	9.0
2011	108.3	188.4	8.4
Net Pension Obligation (NPO) (asset) at end of year:			
2013	$ (43.9)	$ (35.6)	$ (41.9)
2012	37.8	(37.4)	(51.3)
2011	38.5	(39.3)	(60.3)
Percentage of APC contributed:			
2013	101 %	99 %	0.0 %
2012	101	99	0.0
2011	100	99	0.0
Components of APC			
Annual required contribution (ARC)	$ 119.3	$ 234.5	$ 0.0
Interest on NPO	2.6	(2.6)	(2.3)
Adjustment of ARC	(3.5)	4.4	11.7
APC	118.4	236.3	9.4
Contributions made	(120.0)	(234.5)	0.0
Prepaid pension funding	(80.0)	0.0	0.0
Change in NPO (asset)	(81.6)	1.8	9.4
NPO (asset) beginning of year	37.7	(37.4)	(51.3)
NPO (asset) end of year	$ (43.9)	$ (35.6)	$ (41.9)

	Single-Employer Plans		
	LIRR	MaBSTOA	MNR Cash Balance Plan
Actuarial project unit cost method	Entry age normal	Entry age normal frozen initial liability	Unit credit cost
Method to determine actuarial value of plan assets	5-year smoothing	5-year smoothing	Market value
Investment return	7.00 %	7.00 %	4.50 %
Projected salary increases	3.50 %	3.5%–15.0%	N/A
Consumer price inflation	2.50 %	2.50 %	2.50 %
Amortization method and period	level dollar/ 20 years	level dollar/ 12 years	level dollar/ 5 years
Period closed or open	closed	closed	closed

Cost-Sharing Multiple-Employer Plans

MTA Defined Benefit Plan

Plan Description — The MTA Defined Benefit Pension Plan ("MTA Plan") is a cost sharing multiple-employer pension plan. The Plan includes certain MTA Long Island Rail Road non-represented employees hired after December 31, 1987, MTA Metro-North Railroad non-represented employees, certain employees of the former MTA Long Island Bus hired prior to January 23, 1983, MTA Police, MTA Long Island Rail Road represented employees hired after December 31, 1987, certain MTA Metro-North Railroad represented employees. MTA Staten Island Railway represented and non-represented employees and certain employees of the MTA Bus Company ("MTA Bus"). 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 retirement, and death benefits for their covered employees and beneficiaries. 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.

Funding policy — Employer contributions are actuarially determined on an annual basis and are recognized when due. Employee contributions to the Plan are recognized in the period in which the contributions are due. There are no contributions required for the MTA Long Island Bus Employees' Pension Plan. The current funded ratio of actuarial accrued assets over actuarial accrued liability is 77.7%.The contribution requirements of the plan members and the MTA are established and may be amended by the MTA Board. The MTA's contributions to the Plan for the years ended December 31, 2013, 2012 and 2011 were $243.0, $212.4, and $166.2, respectively, equal to the required contributions for each year.

The following summarizes the types of employee contributions made to the Plan:

Effective January 1, 1994, covered MTA Metro-North Railroad and MTA Long Island Rail Road non-represented employees are required to contribute to the Plan to the extent that their Railroad Retirement Tier II employee contribution is less than the pre-tax cost of the 3% employee contributions. Effective October 1, 2000, employee contributions, if any, were eliminated after ten years of making contributions to the Plan. MTA Metro-North Railroad employees may purchase prior service from January 1, 1983 through December 31, 1993 and MTA Long Island Rail Road employees may purchase prior service from January 1, 1988 through December 31, 1993 by paying the contributions that would have been required of that employee for the years in question, calculated as described in the first sentence, had the Plan been in effect for those years. Police Officers who become participants of the MTA Police Program prior to January 9, 2010 contribute to that program at various rates. Police Officers who become participants on or after January 9, 2010 but before April 1, 2012 contribute 3% up to the completion of 30 years of service, the maximum amount of service credit allowed. Police Officers who become participants on or after April 1, 2012 contribute 3%, with additional new rates starting April 2013, ranging from 3.5%, 4.5%, 5.75%, to 6%, depending on salary level, for their remaining years of service.

Covered MTA Metro-North Railroad represented employees and MTA Long Island Rail Road represented employees who first became eligible to be Plan participants prior to January 30, 2008 contribute 3% of salary. MTA Staten Island Railway employees contribute 3% of salary except for represented employees hired on or after June 1, 2010 who contribute 4%. MTA Long Island Rail Road represented employees who became participants after January 30, 2008 contribute 4% of salary. For the MTA Staten Island Railway employees, contributions are not required after the completion of ten years of credited service. MTA Long Island Rail Road represented employees are required to make the employee contributions for ten years. Certain Metro-North represented employees, depending on their collective bargaining agreements, are required to make the employee contributions until January 1, 2014, January 1, 2017, June 30, 2017, or completion of ten years of credited service.

Covered MTA Bus represented employees and certain non-represented employees are required to contribute a fixed dollar amount, which varies, by depot. Currently, non-represented employees at Yonkers Depot and non-represented employees hired after June 30, 2007 at Baisley Park, College Point, Eastchester, Far Rockaway, JFK, LaGuardia, and Spring Creek Depots, contribute $21.50 per week. Non-represented employees at Eastchester hired prior to 2007 contribute $25 per week. Represented employees at Baisley Park, College Point, Eastchester, Far Rockaway, JFK, LaGuardia and Yonkers Depots contribute $29.06 per week; Spring Creek represented employees contribute $32.00 per week. Certain limited number of represented employees promoted prior to the resolution of a bargaining impasse continue to participate in the plan that was in effect before their promotion. Certain MTA Bus non-represented employees who are formerly employed by the private bus companies (Jamaica, Green, Triboro, Command and Varsity) at Baisley Park, Far Rockaway, JFK, LaGuardia and Spring Creek Depots who are in the pension program covering only such employees make no contributions to the program. (Note: the dollar figures in this paragraph are in dollars, not millions of dollars).

MTA Bus is required to make significant annual contributions to the MTA Plan on a current basis. Pursuant to the January 1, 2013 actuarial valuation for the MTA Plan, which included amounts for actuarial assets and liabilities relating to both active and retired members for most portions of the former private plans (excepting, for example, members of the Transport Workers Union were working on school bus routes which did not become part of MTA Bus service), MTA Bus recorded pension expense equal to the valuation annual required contribution of $45.4 and $40.5 for the calendar years ended December 31, 2013 and 2012, respectively. Both of these employer contributions were paid to the MTA Plan in their respective years.

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

Plan Description — MTA New York City Transit and MTA Bridges and Tunnels contribute to NYCERS, a cost-sharing multiple-employer retirement system for employees of NYC and certain other governmental units. 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 NYS statutes and NYC laws and codes 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, 11201–3724.

Funding Policy — NYCERS is a contributory plan, except for certain employees who entered prior to July 27, 1976 who make no contribution. Most employees who entered qualifying service after July 26, 1976 but before April 2012 contribute 3% of their salary, with certain MTA New York City Transit employees contributing 2%. Also, certain post-July 27, 1976 employees hired before April 1, 2012 contribute 1.85% in addition to their 3% contributions, if required, and a small group of such employees contribute 3.83% in addition to the 3% contributions, if required. The State Legislature passed legislation in 2000 that suspended the 3% contribution for most employees hired before April 1, 2013 who have been members for 10 or more years. As a result of pension reform legislation passed in 2012, most employees hired on or after April 1, 2012 contribute 3% (although certain MTA New York City Transit employees contribute 2%), with new rates starting April 2013, ranging from 3.5%, 4.5%, 5.75%, to 6%, depending on salary level, for their remaining years of service. MTA New York City Transit and MTA Bridges and Tunnels are required to contribute at an actuarially determined rate. The rates are 24.7% and 25.3%, respectively, of covered payroll. 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 ended June 30, 2013, 2012 and 2011 were $696.7, $694.8, and $608.7, respectively. MTA Bridges and Tunnels' contributions to NYCERS for the years ended December 31, 2013, 2012 and 2011 were $33.5, $36.2 and $27.7 respectively. All contributions were equal to or in excess of the actuary's recommendation, plus interest.

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

Plan Description — Certain employees of MTAHQ who were hired after January 23, 1983, are members of NYSLERS. In addition, employees of the Capital Construction Company who are on its payroll are also 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. 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.

Funding Policy — Employees who became members prior to July 27, 1976 make no contributions. Employees who became members after July 27, 1976 but before April 1, 2012 contribute 3% of salary, but since 2000, the 3% contribution is suspended for those employees who have 10 years or more of membership. Employees who become members on or after January 1, 2010 are required to contribute for all their years of service. As a result of pension reform legislation passed in 2012, employees hired on or after April 1, 2012 contribute 3%, with new rates starting April 2013, ranging from 3.5%, 4.5%, 5.75%, to 6%, depending on salary level, for their remaining years of service. MTAHQ, the MTA Capital Construction and MTA Long Island Bus, are required to contribute at an actuarially determined rate. The current actuarial rate of annual covered payroll for MTAHQ and MTA Long Island Bus respectively is 20.5% and 0%. The MTAHQ NYSLERS contributions for the years ended December 31, 2013, 2012 and 2011 was approximately $16.0, $14.7, and $10.5, respectively. The MTA Long Island Bus NYSLERS contributions for the years ended December 31, 2013, 2012 and 2011 were approximately $0.0, $0.3, and $9.8, respectively.

New York State Voluntary Defined Contribution Program ("VDC")

As a result of pension reform legislation passed in 2012, certain employees may choose to participate in the multiple-employer VDC administered by the State University of New York ("SUNY"), instead of participating in NYSLERS or NYCERS. Participation in the VDC is available to non-represented employees hired on or after July 1, 2013 with annual wages of at least $75,000 who are employed by an employer participating in NYSLERS or NYCERS. For the duration of their employment, such employees would contribute from 3%, 3.5%, 4.5%, 5.75%, to 6%, depending on actual wages, and their employer would contribute 8% for all years in which they remain as active employees. For their first year of participation, such employees will receive 4% interest on the employee and employer contributions for that first year. The VDC functions in accordance with existing NYS statutes and may be amended by action of the State Legislature. Further information about the VDC is more fully described in the publicly available statements of SUNY and may be obtained by writing to NYS Voluntary Defined Contribution Program, State University of New York, Office of University-wide Benefits, State University Plaza, Albany, New York, 12246.

Deferred Compensation Program

Description - The Deferred Compensation Program is comprised of the Deferred Compensation Plan For Employees of the Metropolitan Transportation Authority ("MTA"), its Subsidiaries and Affiliates ("457 Plan") and the Thrift Plan For Employees of the Metropolitan Transportation Authority, its Subsidiaries and Affiliates ("401(k) Plan"). The Program consists of two defined contribution plans that provide benefits based solely on the amount contributed to each participant's account(s), plus or minus any income, expenses and gains/losses. Certain MTA Related Groups employees are eligible to participate in both deferred compensation plans. Both Plans are designed to have zero cost to the MTA, that is, participant charges, including investment and other fees, pay for the entire cost of running the Deferred Compensation Program.

In 1984, the MTA established the 457 Plan to provide benefits competitive with private industry. Originally, only managerial employees were permitted to participate in the Plan and investment options were limited to five funds: a Guaranteed Interest Fund, a Common Stock Fund, a Money Market Fund, a Managed Fund and a Stock Index Fund. 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. Participation in the 457 Plan is now available to non-represented and, after collective bargaining, most represented employees. Plan assets and liabilities are not reflected on the MTA's combined statements of net position.

In 1985, the MTA Board adopted the 401(k) Plan, a tax-qualified plan under section 401(k) of the Internal Revenue Code ("Code"). The 401(k) Plan remained dormant until 1988 when an IRS ruling "grand-fathered" the plan under the Tax Reform Act of 1986. Participation in the 401(k) Plan is now available to non-represented and, after collective bargaining, most represented employees. All amounts of compensation deferred under the 401(k) Plan, and all income attributable to such compensation, are in trust for the exclusive use of the participants and their beneficiaries. Accordingly, the 401(k) Plan is not reflected in the accompanying combined statements of net position.

As the Deferred Compensation Program's asset base and contribution flow increased, participants' investment options were expanded by the Deferred Compensation Committee with the advice of the MTA Financial Advisor to provide the participants better service, including greater transparency, diversification and flexibility. In 1988, after receiving an IRS determination letter for the 401(k) Plan, the MTA offered its managers the choice of either participating in the 457 Plan or the 401(k) Plan. By 1993, the MTA offered eight investment funds: a Guaranteed Interest Account Fund, a Money Market Fund, a Common Stock Fund, a Managed Fund, a Stock Index Fund, a Government Income Fund, an International Fund and a Growth Fund.

In 1998, the Deferred Compensation Committee approved the unbundling of the Plans. In 2008, the Plans' investment choices were re-structured to set up a 4 Tier strategy:

- Tier 1 – The MTA Target-Year Lifecycle Funds, which are comprised of a mix of several funds, most of which are available separately in the Deferred Compensation Program. The particular mix of investments for each Fund is determined by the "target" date, which is the date the money is intended to be needed for retirement income.

- Tier 2 - The MTA Index Funds offer a complete tier of index funds, which invest in the securities of companies that are included in a selected index, such as the Standard & Poor's 500 (large cap) Index or Russell Mid Cap Index.

- Tier 3 – The MTA Actively Managed Portfolios, which are comprised of actively managed portfolios that are directed by one or a team of professional managers who buy and sell a variety of holdings in an effort to outperform a selected index. These institutional strategies provide participants with a diversified array of distinct asset classes, with a single fund option in each class to simplify the decision making process.

- Tier 4 – Self-Directed Mutual Fund Option is designed for the more experienced investors. Offers access to an expanded universe of mutual funds from hundreds of well-known mutual fund families.

In 2011, the Deferred Compensation Program started to offer Roth contributions. Employees can elect after-tax Roth Contributions and before-tax contributions in both the 401(k) Plan and the 457 Plan. The total combination of Roth after-tax contributions and regular before-tax contributions cannot exceed the IRS maximum of $17,000 or $22,000 for those over age 50.

The two Plans offer the same array of investment options to participants. Eligible participants for the Deferred Compensation Program include employees (and in the case of Metropolitan Suburban Bus Authority, former employees) of:

- Headquarters ("MTAHQ")
- The Long Island Rail Road Company ("MTA Long Island Rail Road")
- Triborough Bridge and Tunnel Authority ("MTA Bridges and Tunnels")
- Metropolitan Suburban Bus Authority ("MTA Long Island Bus")
- Metro-North Commuter Railroad Company ("MTA Metro-North Railroad")
- New York City Transit Authority ("MTA New York City Transit")
- Staten Island Rapid Transit Operating Authority ("MTA Staten Island Rapid Transit")
- MTA Capital Construction Company ("MTA Capital Construction")
- MTA Bus Company ("MTA Bus")

Matching Contributions - MTA Bus on behalf of certain MTA Bus employees, MTA Metro-North Railroad on behalf of certain MNR employees who opted-out of participation in the MTA Defined Benefit Pension Plan and MTA on behalf of certain represented MTA Business Service Center employees and on behalf of certain MTA Police Officers, make contributions to the 401(k) Plan. The rate for the employer contribution varies.

MTA Bus - Certain members who were employed by Queens Surface Corporation on February 26, 2005, and who became employees of MTA Bus on February 27, 2005, receive a matching contribution equal to 50% of member's before-tax contributions provided that the maximum matching contribution shall not exceed 3% of the member's base pay. MTA Bus also makes a basic contribution equal to 2% of the member's compensation. These members shall vest in the amount in the member's account attributable to the matching contributions and basic contributions as follows:

Years of Service	Vested Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

MTA Metro-North Railroad – Certain members who are MNR employees represented by certain unions and who elected to opt-out of participation in the MTA Defined Benefit Pension Plan receive an annual employer contributions equal to 4% of the member's compensation. Effective on the first full pay period following the nineteenth anniversary date of an eligible MNR member's continuous employment, MTA Metro-North Railroad shall contribute an amount equal to 7% of the member's compensation. Eligible MNR members vest in these employer contributions as set forth below:

Years of Service	Vested Percentage
Less than 5	0%
5 or more	100%

MTA Headquarters - Police - For each plan year, the MTA shall make contributions to the Account of each eligible MTA Police Benevolent Association member in the amounts required by the Collective Bargaining Agreement ("CBA") and subject to the contribution limits set forth in the CBA. These contributions shall be made monthly and shall be considered MTA Police Contribution. Members are immediately 100% vested in these employer contributions.

MTA Headquarters – Business Services - Effective January 1, 2011, all newly hired MTA Business Services Center employees represented by the Transportation Communications Union are eligible to receive a matching contribution up to a maximum of 3% of the participant's compensation. A participant's right to the balance in his or her matching contributions shall vest upon the first of the following to occur:

1. Completing 5 years of service
2. Attaining the Normal Retirement Age of 62 while in continuous employment or
3. Death while in continuous employment

Additional Deposits (Incoming Rollover or Transfers) - Participants in the Deferred Compensation Program are eligible to roll over both their before-tax and after-tax assets from other eligible retirement plans into the 401(k) and 457 Plans. Both Plans accepts rollover from all eligible retirement plans (as defined by the Code), including 401(a), 457, 401(k), 403(b) and rollover IRAs.

Status - As of December 31, 2012 and 2011, 37.63% and 33.78% of the eligible employees were enrolled in the 457 Plan and 48.06% and 42.89% of the eligible employees were enrolled in the 401(k) Plan, respectively. There are 26,193 and 25,313 active participants in the 457 Plan and 32,384 and 32,174 active participants in the 401(k) Plan, with over $3.65 billion and $3.23 billion dollars in total net position in 2012 and 2011, respectively. The average account balance in the 457 Plan is $46,088 and $39,069 and in the 401(k) Plan is $51,353 and $44,315 in 2012 and 2011, respectively.

(In thousands)	2012		2011	
	457	401K	457	401K
Contributions:				
Employee contributions, net	$ 125,606	$ 154,974	$ 123,835	$ 151,750
Participant rollovers	3,397	9,006	4,393	6,763
Employer contributions	-	3,915	-	3,990
Total contributions	$ 129,003	$ 167,895	$ 128,228	$ 162,503

The Trustee for the MTA Deferred Compensation Program is Prudential Bank & Trust FSB. Recordkeeper and/or Administrative Services are provided by Prudential Retirement Insurance & Annuity Company ("PRIAC"). Investment management services are provided by Prudential Retirement Insurance & Annuity Company, Galliard Capital Management and Turner Investment Partners. Financial Advisor Mercer reviews the investment policies as stipulated by the Investment Committee, the Plans' portfolio and the Investment Managers' performance.

5. OTHER POSTEMPLOYMENT 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 provides information about actuarial accrued liabilities associated with the OPEB and to what extent progress is being made in funding the plan.

Plan Description — The benefits provided by the MTA Group include medical, pharmacy, dental, vision, and life insurance, plus monthly supplements for Medicare Part B or Medicare supplemental plan reimbursements and welfare fund contributions. The different types of benefits provided vary by agency and employee type (represented employees versus management). All benefits are provided upon retirement as stated in the applicable pension plan, although some agencies provide benefits to some members if terminated within 5 years of attaining retirement eligibility. Employees of the MTA Group are members of the following pension plans: the MTA Plan, the LIRR Plan, the MNR Plan, the MaBSTOA Plan, NYCERS and NYSLERS.

The MTA Group participates in the New York State Health Insurance Program ("NYSHIP") to provide medical and prescription drug benefits, including Medicare Part B reimbursements to many of its members. NYSHIP provides a PPO plan and several HMO plans. Represented MTA New York City Transit, other MTA New York City Transit employees who retired prior to January 1, 1996 or January 1, 2001, and MTA Bus retirees do not participate in NYSHIP. These benefits are provided either through a self-insured health plan, a fully insured or an HMO.

The MTA is a participating employer in NYSHIP. The NYSHIP financial report can be obtained by writing to NYS Department of Civil Service, Employee Benefits Division, Alfred E. Smith Office Building, 805 Swan Street, Albany, NY 12239.

GASB 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. The valuation must be performed at least biennially. The most recent biennial valuation was performed for the year ended December 31, 2013 and was performed with a valuation date of January 1, 2012. The total number of plan participants as of December 31, 2013 receiving retirement benefits was 47 thousand.

During 2012, MTA funded $250 into a Trust allocated between Headquarters and New York City Transit. In addition, $50 was funded during 2013 allocated between Long Island Railroad and Metro-North Railroad. Under GASB 45, the discount rate is based on the assets in a trust, the assets of the employer or a blend of the two based on the anticipated funding levels of the employer. For this valuation, the discount rate reflects a blend of Trust assets and employer assets. The assumed return on Trust assets is 6.5% whereas the assumed return on employer assets is 3.5% resulting in a discount rate under GASB 45 of 3.75%, which is slightly lower than the discount rate of 4% used in the prior valuation. This decrease is primarily due to the decrease in Treasury yields and thus, returns on employer assets since the prior valuation.

Annual OPEB Cost ("AOC") and Net OPEB Obligation — The MTA's annual OPEB cost (expense) represents the accrued cost for postemployment benefits under GASB 45. Currently, the MTA expenses the actual benefits paid during a year. The cumulative difference between the annual OPEB cost (new method) and the benefits paid during a year (old method) will result in a net OPEB obligation (the "Net OPEB Obligation"), included on the statements of net position. The annual OPEB cost is equal to the annual required contribution (the "ARC") less adjustments if a Net OPEB Obligation exists and plus the interest on Net OPEB Obligations. The ARC is equal to the normal cost plus an amortization of the unfunded liability.

Actuarial Cost, Amortization Methods and Assumptions - For determining the ARC, the MTA has chosen to use Frozen Initial Liability (the "FIL Cost Method") cost method, one of the cost methods in accordance with the parameters of GASB 45. The initial liability is amortized over a 22-year period. The remaining amortization period at December 31, 2013 is 16 years.

In order to recognize the liability over an employee's career, an actuarial cost method divides the present value into 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 the FIL Cost Method, 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.

The Frozen Unfunded Accrued Liability is determined each year as the Frozen Unfunded Accrued Liability for the prior year, increased with interest, reduced by the end-of-year amortization payment and increased or decreased by any new bases established for the current year.

The difference between the Actuarial Present Value of Benefits and the Frozen Unfunded 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.

The Annual Required Contribution ("ARC") is equal to the sum of the Normal Cost and the amortization for the Frozen Unfunded Accrued Liability with appropriate interest adjustments. Any difference between the ARC and actual plan contributions from the prior year are considered an actuarial gain/loss and thus, are included in the development of the Normal Cost. This methodology differs from the approach used for the pension plan where the difference between the ARC and actual plan contributions from the prior year, if any, will increase or decrease the Frozen Unfunded Accrued Liability and will be reflected in future amortization payments. A different approach was applied to the OPEB benefits because these benefits are not actuarially funded.

Valuation Date - The valuation date is the date that all participant and other pertinent information is collected and liabilities are measured. This date may not be more than 24 months prior to the beginning of the fiscal year. The valuation date for this valuation is January 1, 2012, which is 12 months prior to the beginning of the 2013 fiscal year. The valuation date is consistent with the prior valuation completed as of January 1, 2010 for the 2011 and 2012 fiscal years. The results of this valuation will be used for the 2013 fiscal year and will be the basis for the 2014 fiscal year. Census data for the next full valuation will be based on a valuation date of January 1, 2014.

Inflation Rate - 2.5% per annum compounded annually.

Discount Rate – GASB 45 provides guidance to employers in selecting the discount rate. The discount rate should be based on the estimated long-term investment yield on the investments that are expected to be used to finance the benefits. If there are no plan assets, assets of the employer should be used to derive the discount rate. This would most likely result in a lower discount rate and thus, liabilities significantly higher than if the benefits are prefunded. In recognition of the decrease in short-term investment yields partially offset by the establishment of a trust, the discount rate for this valuation has been lowered from 4.0% to 3.75%.

Healthcare Reform - The results of this valuation reflect our understanding of the impact in future health costs due to the Affordable Care Act ("ACA") passed into law in March 2010. An excise tax for high cost health coverage or "Cadillac" health plans was included in ACA. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. If, between 2010 and 2018, the cost of health care insurance rises more than 55%, the threshold for the excise tax will be adjusted. Also included in ACA are various fees (including, but not limited to, the Patient-Centered Outcomes Research Institute fee, Transitional Reinsurance Program fee, and the Health Insurer fee) associated with the initiation of health exchanges in 2014.

The OPEB-specific actuarial assumptions used in the most recent biennial valuation are as follows:

Valuation date	January 1, 2012
Actuarial cost method	Frozen Initial Liability
Discount rate	3.75%
Price inflation	2.5% per annum, compounded annually
Per-Capita retiree contributions	*
Amortization method	Frozen Initial Liability
Amortization period	16 years
Period closed or open	Closed

* In general, all coverages are paid for by the MTA. However, for MTAHQ members retired prior to 1997, pay a portion of the premium, depending on the year they retired.

Actuarial valuation involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Per Capita Claim Costs — Use of a blended premium rate for active employees and retirees under age 65 is a common practice. Health costs generally increase with age, so the blended premium rate is higher than the true underlying cost for actives and the blended premium is lower than the true underlying cost for retirees. For retirees, this difference is called the implicit rate subsidy. Since GASB 45 only requires an actuarial valuation for retirees, it requires the plan sponsor to determine the costs of these benefits by removing the subsidy. However, a plan sponsor may use the premiums without adjustment for age if the employer participates in a community-rated plan, in which the premium rates reflect projected health claims experience of all participating employers, or if the insurer would offer the same premium rate if only non-Medicare-eligible retirees were covered.

A 2006 report from the Department of Civil Service of the State of New York regarding recommended actuarial assumptions used for New York State/SUNY's GASB 45 Valuation sent to all participating employers stated that the Empire Plan of NYSHIP is community-rated for all participating employers. Each MTA Agency participating in NYSHIP is no more than approximately 1%, and in total, the MTA is approximately 3% of the total NYSHIP population. Thus, we believe that the actual experience of the MTA will have little or no impact on the actual premium and, that it is reasonable to use the premium rates without age adjustments as the per capita claims cost.

The medical and pharmacy benefits provided to TWU Local 100, ATU 1056 and ATU 726 represented Transit members and represented MTA Bus Company members are self-insured as well as some Pre-NYSHIP Transit members. For these benefits we developed per capita claims cost assumptions that vary by age, gender and benefit type. The per capita costs assumptions reflect medical and pharmacy claims information for 2012.

Medicare Part D Premiums — GASB has issued a Technical Bulletin stating that the value of expected Retiree Drug Subsidy ("RDS") payments to be received by an entity cannot be used to reduce the Actuarial Accrued Liability of OPEB benefits nor the Annual Required Contribution ("ARC"). Furthermore, actual contributions made (equal to the amount of claims paid in a year if the plan is not funded) will not be reduced by the amount of any subsidy payments received. Accordingly, the 2012 valuation excludes any RDS payments expected to be received by the MTA and its agencies.

Health Care Cost Trend - The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 12.2 utilizing the baseline assumptions included in the model, except real GDP of 1.8% for medical and pharmacy benefits. Additional adjustments apply based on percentage of costs associated with administrative expenses, aging factors potential excise taxes due to healthcare reform, and other healthcare reform provisions, separately for NYSHIP and non-NYSHIP benefits. These assumptions are combined with long-term assumptions for dental and vision benefits (4%) plus Medicare Part B reimbursements (5%). The NYSHIP trend reflects actual increases in premiums through 2014. The NYSHIP trend is used for six agencies plus the non-represented employees of MTA Bus. This trend also reflects dental and vision benefits plus Medicare Part B reimbursements. For NYC Transit, this trend is weighted by liability with the non-NYSHIP trend assumption. The non-NYSHIP trend is applied directly for represented employees of MTA Bus. Note, due to the Excise Tax, the non-NYSHIP trends for MTA Bus and NYC Transit differ. The following lists the NYSHIP and non-NYSHIP trend assumptions along with the resulting trends assumed for Transit.

Health Care Cost Trend Rates

Fiscal Year	NYSHIP		Non-NYSHIP		Transit	
			< 65	>=65	< 65	>=65
2012	0.0	*	7.6	7.3	4.8	4.6
2013	1.7		7.4	6.6	5.4	4.8
2014	5.0		6.2	6.2	5.8	5.8
2015	5.5		5.8	5.8	5.7	5.7
2016	5.8		5.5	5.5	5.6	5.6
2017	5.9		14.6	5.5	12.5	5.6
2022	5.9		6.4	5.5	6.2	5.6
2027	6.8		6.2	5.4	6.4	5.6
2032	6.5		6.0	5.6	6.2	5.9
2037	6.1		5.7	5.3	5.8	5.7
2042	5.7		5.4	5.9	5.5	5.8
2047	5.5		5.3	5.7	5.4	5.6
2052	5.4		5.2	5.5	5.3	5.5

* Trend not applicable as actual 2013 premiums were valued

Participation — The table below summarizes the census data provided by each Agency utilized in the preparation of the actuarial valuation. The table shows the number of active and retired employees by Agency and provides a breakdown of the coverage elected and benefits offered to current retirees.

OPEB Participation By Agency as at January 1, 2012

	MTA New York City Transit	MTA Long Island Rail Road	MTA Metro-North Rail Road	MTA Bridges & Tunnels	MTAHQ	MTA Long Island Bus *	MTA Staten Island Railway	MTA Bus Company	Total
Active Members									
Number	46,333	6,406	5,987	1,589	1,715	-	255	3,445	65,730
Average Age	49.3	44.1	46.2	45.6	45.2	-	46.1	46.5	48.2
Average Service	14.9	11.7	15.3	12.6	11.8	-	15	11.7	14.3
Retirees									
Single Medical Coverage	11,519	841	432	464	165	138	22	553	14,134
Employee/Spouse Coverage	16,042	2,630	830	633	324	246	40	818	21,563
Employee/Child Coverage	710	102	32	16	12	19	1	31	923
No medical Coverage	5,809	2,255	1,302	60	3	436	19	182	10,066
Total Number	34,080	5,828	2,596	1,173	504	839	82	1,584	46,686
Average Age	70.9	67.3	70.8	66.8	64.3	67.5	64.2	69.1	70.1
Total Number with Dental	5,534	652	313	337	319	54	23	65	7,297
Total Number with Vision	24,606	652	313	337	319	54	23	1,352	27,656
Total No. with Supplement	24,501	1,805	-	827	-	379	27	1,518	29,057
Average Monthly Supplement Amount (Excluding Part B Premium)	$30	$190	$ -	$195	$ -	$ -	$383	$25	$45
Total No. with life Insurance	5,129	5,418	1,703	334	399	792	82	66	13,923
Average Life Insurance Amount	$2,825	$18,801	$2,782	$5,000	$5,000	$8,561	$2,543	$5,000	$9,486

* No active members as of January 1, 2012. In addition, there are 276 vestees not included in these counts.

Coverage Election Rates — 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 Metro-North represented members, 15% are assumed to elect ConnectiCare. For groups that do not participate in NYSHIP, notably NYC Transit and MTA Bus Company members are assumed to elect Empire BCBS or Aetna/ United Healthcare with percentages varying by agency.

Dependent Coverage - Spouses are assumed to be the same age as the employee/retiree. 85% of male and 60% of female eligible members are assumed to elect family coverage upon retirement. No children are assumed. Actual family coverage elections for current retirees are used. If a current retiree's only dependent is a child, eligibility is assumed for an additional 7 years of dependent coverage if the member participates in NYSHIP (otherwise, 5 years) from the valuation date was assumed.

Demographic Assumptions:

Mortality — Preretirement and postretirement health 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 MTAHQ.

Postretirement Healthy Lives — 95% of the rates from the RP-2000 Healthy Annuitant mortality table for males with Blue Collar adjustments and 116% of the rates from the RP-2000 Healthy Annuitant mortality table for females. No blue-collar or percentage adjustments were used for management members of MTAHQ.

Postretirement Disabled Lives — 75% of the rates from the RP-2000 Disabled Annuitant mortality table for males and females.

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 based on age at valuation date.

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 the MTA's annual OPEB cost for the period/year, the amount actually paid, and changes in the MTA's net OPEB obligation to the plan for the period ended September 30, 2014 and December 31, 2013. The portion of this actuarial present value allocated to a valuation year is called the Normal Cost. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. Calculations reflect a long-term perspective.

(In millions)	September 30, 2014	December 31, 2013
Annual required contribution ("ARC")	$ 2,319.7	$ 2,842.9
Interest on net OPEB obligation	281.9	305.8
Adjustment to ARC	(709.6)	(770.2)
OPEB cost	1,892.0	2,378.5
Payments made	(366.2)	(455.5)
Increase in net OPEB obligation	1,525.8	1,923.0
Contribution to OPEB Trust	-	(50.0)
Net OPEB obligation — beginning of period/year	10,027.1	8,154.1
Net OPEB obligation — end of period/year	$ 11,552.9	$ 10,027.1

The MTA's annual OPEB cost, the percentage of annual OPEB cost contributed to, and the net OPEB obligation for the year ended December 31, 2013, 2012 and 2011 is as follows (in millions):

Year Ended (In Millions)	Annual OPEB Cost	% of Annual Cost Contributed	Net OPEB Obligation
December 31, 2013	$ 2,378.4	21.2 %	$ 10,027.3
December 31, 2012	2,216.2	30.3	8,154.1
December 31, 2011	2,103.2	18.9	6,608.5

The Authorities funded status of the Plan is as follows (in millions):

Year Ended (In millions)	Valuation Date	Actuarial Value of Assets * {a}	Actuarial Accrued Liability (AAL) {b}	Unfunded Actuarial Accrued Liability (UAAL) {c}={b}-{a}	Funded Ratio {a}/{c}	Covered Payroll {d}	Ratio of UAAL to Covered Payroll {c}/{d}
December 31, 2013	January 1, 2012	$ 246.0	$ 20,187.8	$ 19,941.8	1.2 %	$ 4,360.6	457.3 %

* Based on Entry Age Normal

The required schedule of funding progress for the MTA Postemployment Benefit Plan immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 and having a cost of more than $25 thousand.

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 December 31, 2012, December 31, 2013 and September 30, 2014 (in millions):

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013	Additions	Deletions	Balance September 30, 2014
Capital assets — not being depreciated:							
Land	$ 171	$ 3	$ -	$ 174	$ 25	$ -	$ 199
Construction work-in-progress	9,907	4,692	3,109	11,490	3,174	1,864	12,800
Total capital assets — not being depreciated	10,078	4,695	3,109	11,664	3,199	1,864	12,999
Capital assets, being depreciated:							
Buildings and structures	15,264	916	38	16,142	267	-	16,409
Bridges and tunnels	2,266	71	12	2,325	-	-	2,325
Equipment:							
Passenger cars and locomotives	13,341	99	75	13,365	445	38	13,772
Buses	2,566	117	-	2,683	22	-	2,705
Infrastructure	18,845	680	113	19,412	266	11	19,667
Other	15,060	1,366	25	16,401	878	1	17,278
Total capital assets — being depreciated	67,342	3,249	263	70,328	1,878	50	72,156
Less accumulated depreciation:							
Buildings and structures	4,936	433	7	5,362	329	-	5,691
Bridges and tunnels	453	22	2	473	17	-	490
Equipment:							
Passenger cars and locomotives	5,334	408	70	5,672	333	38	5,967
Buses	1,186	187	-	1,373	140	-	1,513
Infrastructure	6,301	601	9	6,893	469	4	7,358
Other	4,979	530	19	5,490	406	2	5,894
Total accumulated depreciation	23,189	2,181	107	25,263	1,694	44	26,913
Total capital assets — being depreciated — net	44,153	1,068	156	45,065	184	6	45,243
Capital assets — net	$54,231	$5,763	$ 3,265	$ 56,729	$3,383	$ 1,870	$ 58,242

Interest capitalized in conjunction with the construction of capital assets at September 30, 2014 and December 31, 2013, was $33.9 and $52.7, 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. With respect to MTA Metro-North Railroad, capital assets completely funded by CDOT are not reflected in MTA's financial statements, as ownership is retained by CDOT.

For certain construction projects, the MTA holds in a trust account marketable securities pledged by third-party contractors in lieu of cash retainages. At September 30, 2014 and December 31, 2013, these securities totaled $103.1 and $126.7, respectively, had a market value of $98.5 and $106.3, respectively, and are not included in these financial statements.

7. ASSET IMPAIRMENT RELATED EXPENSES AND RECOVERABLES

On October 29, 2012, Tropical Storm Sandy made landfall just south of Atlantic City, New Jersey, as a post-tropical cyclone. The accompanying storm surge and high winds caused widespread damage to the physical transportation assets operated by MTA and its related groups. MTA expects to recoup most of the costs associated with repair or replacement of assets damaged by the storm over the next several years from a combination of insurance and federal government assistance programs.

Asset impairment related expenses and recoverables includes the storm related impairment losses to the MTA's assets, and storm related repairs and clean-up costs. Since the storm made landfall in 2012, the total cumulative expenses associated with this catastrophe as of September 30, 2014 and September 30, 2013 are $722 and $716, respectively, of which ($2) and $79 were incurred during the nine-month periods ended September 30, 2014 and September 30, 2013, respectively. Offsetting these total storm related expenses are estimated insurance recoveries of $775 under the property insurance policy, with a receivable of $631 as of September 30, 2014. Additional recoveries under the MTA property insurance policy for Sandy-related damages and losses above that estimated sum are possible. Any additional insurance proceeds for Sandy-related losses in excess of the noted probable recoveries will be recognized for income purposes in future periods when such proceeds are estimable and all related contingencies are removed. For the nine months period ended September 30, 2014, MTA received $355 from FTA and FEMA for storm related repairs.

As noted, federal governmental assistance programs are anticipated to cover many of the Sandy-related costs associated with repair and replacement of assets damaged in the storm. The Disaster Relief Appropriations Act ("Sandy Relief Act") passed in late January, 2013, appropriated a total of $10.9 billion in Public Transportation Emergency Relief Program funding to the Federal Transit Administration ("FTA") to assist affected public transportation facilities in connection with infrastructure repairs, debris removal, emergency protection measures, costs to restore service and hardening costs. The Sandy Relief Act also provided substantial funding for existing disaster relief programs of the Federal Emergency Management Agency ("FEMA").

Of the $10.9 billion amount, under the Sandy Relief Act, an initial tranche of $2 billion has been allocated by the FTA to affected state and local public transportation entities by the end of March 2013. On March 6, 2013, the Secretary of Transportation announced that $193 had been allocated to MTA, representing principally reimbursements for costs associated with preparing MTA's system for the storm and for restoring service post-storm; the FTA subsequently entered into a grant agreement with the MTA obligating these funds. On March 29, 2013, the FTA published its allocations for the remainder of the initial $2 billion. MTA was allocated an additional $1.0 billion of these monies, bringing MTA's total allocation from the first $2 billion tranche of FTA Emergency Relief funds the FTA to $1.193 billion. On May 23, 2013, the FTA allocated an additional $3.7 billion to regional transportation providers. The MTA will receive $2.6 billion of this additional allocation bringing MTA's total allocation to $3.8 billion. The funds made available through this additional allocation includes $898 set aside to help the MTA with resiliency projects to help ensure transit assets are better able to withstand future disasters. FTA approval of specific grants will need to be obtained prior to MTA's actual receipt or expenditure of any of these allocated funds.

The remaining $5.2 billion in FTA Emergency Relief funds appropriated under the Sandy Relief Act has not yet been allocated, and the amount available for Sandy relief projects is expected to be reduced by $545 as a result of Federal Sequestration. No specific portion of these $5.2 billion in remaining funds appropriated to the FTA Emergency Relief program (less Federal Sequestration reductions) is currently allocated to MTA. MTA expects to submit requests to the FTA for funding of both repair/restoration costs and hardening costs from these remaining FTA Emergency Relief funds.

Monies granted by FTA and FEMA to MTA for restoration of specific assets damaged in connection with Tropical Storm Sandy related are anticipated to be reduced in amount (or subject to reimbursement) to the extent MTA also receives insurance proceeds covering damage to such specific assets.

Additional asset impairments unrelated to Tropical Storm Sandy are $0 and $5.8 for the period/year ended September 30, 2014 and December 31, 2013, respectively. In 2013, MTA Metro North Railroad train derailments on May 17, 2013, in Bridgeport, Connecticut and on December 1, 2013, north of the Spuyten Duyvil station in the Bronx resulted in $5.8 of asset impairment expenses.

8. LONG-TERM DEBT

(In millions)	Original Issuance	December 31, 2013	Issued	Retired	Refunded	September 30, 2014
MTA:						
Transportation Revenue Bonds						
2.00%–5.50% due through 2046	$25,710	$ 18,278	$ 1,400	$ 147	$ -	$ 19,531
Bond Anticipation Notes						
2.0% due through 2015	-	300	-	-	-	300
Transportation Revenue Bond Anticipation Notes						
Commercial Paper due through 2015	900	550	-	-	-	550
State Service Contract Bonds						
4.125%–5.70% due through 2031	2,395	346	-	60	-	286
Dedicated Tax Fund Bonds						
3.00%–7.34% due through 2041	8,459	5,128	-	-	-	5,128
Certificates of Participation						
4.40%–5.75% due through 2030	807	96	-	-	-	96
	$38,271	24,698	1,400	207	-	25,891
Net unamortized bond discount and premium		446	163	190	-	419
		25,144	1,563	397	-	26,310
TBTA:						
General Revenue Bonds						
4.00%–5.77% due through 2038	$11,427	6,602	316	34	66	6,818
Subordinate Revenue Bonds						
4.00%–5.77% due through 2032	3,810	1,690	148	31	148	1,659
General RevenueRevenue Anticipation Notes						
5.0% due through 2015	100	-	100	-	-	100
	$15,337	8,292	564	65	214	8,577
Net unamortized bond discount and premium		552	23	10	-	565
		8,844	587	75	214	9,142
Total		$ 33,988	$ 2,150	$ 472	$ 214	$ 35,452
Current portion		(884)				(819)
Long-term portion		$ 33,104				$ 34,633

MTA Transportation Revenue Bonds — Prior to 2014, MTA issued forty eight Series of Transportation Revenue Bonds secured under its General Resolution Authorizing Transportation Revenue Obligations adopted on March 26, 2002 in the aggregate principal amount of $25,288.93. The

Transportation Revenue Bonds are MTA's special obligations payable solely from transit and commuter systems revenues and certain state and local operating subsidies.

On February 18, 2014, Standard & Poor's Rating Services raised its long-term rating on MTA's Transportation Revenue Bonds outstanding to "A+" from "A".

On February 21, 2014, MTA issued $400 of MTA Transportation Revenue Bonds, Series 2014A, to finance existing approved transit and commuter projects, and to refund certain outstanding Transportation Revenue Bonds.

On April 17, 2014, MTA issued $500 of MTA Transportation Revenue Bonds, Series 2014B, to finance existing approved transit and commuter projects.

On May 15, 2014, MTA effected a mandatory tender and remarketed $50 of MTA Transportation Revenue Bonds, Subseries 2012A-2, because its current Interest Rate Period was set to expire by its terms. The Subseries 2012A-2 bonds will continue in term rate mode as floating rate notes, with an interest rate of SIFMA plus a market determined spread. The final maturity of these notes will be November 15, 2041.

On May 27, 2014, MTA effected a mandatory tender and remarketed $200 of MTA Transportation Revenue Variable Rate Refunding Bonds, Subseries 2002D-2, because its current Interest Rate Period was set to expire by its terms. The Subseries 2002D-2 bonds will continue in term rate mode as floating rate notes, with an interest rate of 69% of one-month Libor plus a market determined spread. The final maturity of these notes will be November 1, 2032.

On June 17, 2014, Standard & Poor's Rating Services raised its issuer credit rating on MTA to "AA-" and its long-term rating on MTA's Transportation Revenue Bonds outstanding to "AA-" from "A+".

On June 26, 2014, MTA issued $500 of MTA Transportation Revenue Bonds, Series 2014C, to finance existing approved transit and commuter projects. The Series 2014C bonds were issued as tax-exempt fixed-rate bonds with a final maturity of November 15, 2036.

On September 10, 2014, MTA effected an optional mandatory tender and remarketed $42.575 of MTA Transportation Revenue Variable Rate Refunding Bonds, Subseries 2002G-1f. The Subseries 2002G-1f bonds will continue in term rate mode as floating rate notes, with an interest rate of 67% of 1-month LIBOR plus 0.48%. The Purchase Date of the Series 2002G-1f bonds is November 1, 2018, with a final maturity of November 1, 2026.

On September 10, 2014, MTA effected an optional mandatory tender and remarketed $84.450 of MTA Transportation Revenue Variable Rate Refunding Bonds, Subseries 2012G-1. The Subseries 2012G-1 bonds will continue in term rate mode as floating rate notes, with an interest rate of 67% of 1-month LIBOR plus 0.30%. The Purchase Date of the Series 2012G-1 bonds is November 1, 2019, with a final maturity of November 1, 2032.

On September 10, 2014, MTA effected a mandatory tender and remarketed $99.560 of MTA Transportation Revenue Variable Rate Bonds, Series 2011B as the irrevocable direct–pay letter of credit issued by Bank of America, N.A. was set to expire by its terms on September 12, 2014. The Series 2011B bonds were converted from a weekly mode to a term rate mode as floating rate notes with an interest rate of 67% of 1-month LIBOR plus 0.35%. The Purchase Date of the Series 2011B bonds is November 1, 2017, with a final maturity of November 1, 2041.

On September 17, 2014, MTA effected a Notice of Extension stating that the direct pay letter of credit with Landesbank Hessen-Thürringen Girozentrale, New York Branch (Helaba) that was set to expire on November 10, 2014, will be renewed. The renewal extends the existing letter of credit for three years to November 10, 2017.

MTA Bond Anticipation Notes — From time to time, MTA issues Transportation Revenue Bond Anticipation Notes in accordance with the terms and provisions of the General Resolution described above 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 letters of credit issued by TD Bank, N.A., Barclays Bank, and Citibank, N.A. As of September 30, 2014, MTA had $550 of commercial paper notes outstanding.

In addition to the Bond Anticipation Notes issued in the commercial paper form as described above, as of September 30, 2014, MTA had $200 of Bond Anticipation Notes issued pursuant to the Note Purchase Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated and $100 of Bond Anticipation Notes issued pursuant a Revolving Credit Agreement with KeyBank, N.A.

The MTA Act requires MTAHQ to periodically (at least each five years) refund its bond anticipationnotes with bonds.

MTA Revenue Anticipation Notes - On January 9, 2014 MTA closed a $350 revolving working capital liquidity facility with the Royal Bank of Canada which is expected to remain in place until July 7, 2017. Draws on the facility will be taxable, as such this facility is intended to be used only for operating needs of MTA and the related entities. No draws have been made on the facility to date.

MTA State Service Contract Bonds — Prior to 2014, 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. Currently, the outstanding bonds are $286.56. 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 2014, MTA issued nineteen 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 $8,733.66. 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 Note 2 under "Nonoperating Revenues") be deposited, subject to appropriation by the State Legislature, into the MTA Dedicated Tax Fund.

On June 18, 2014, MTA effected a mandatory tender and remarketed $170.805 of MTA Dedicated Tax Fund Bonds, Subseries 2008A-1, because the irrevocable direct-pay credit facility issued by Morgan Stanley Bank, N.A was set to expire by its terms and thus was substituted with an irrevocable direct-pay credit facility issued by Royal Bank of Canada.

In June 20, 2014, MTA effected a mandatory tender and remarketed $170.795 of MTA Dedicated Tax Fund Bonds, Subseries 2008A-2, because the irrevocable direct-pay credit facility issued by The Bank of Tokyo-Mitsubishi UFJ, Ltd. was set to expire by its terms. The Subseries 2008A-2 bonds continued in term rate mode as floating rate notes.

MTA Certificates of Participation — Prior to 2014, MTA (solely on behalf of MTA Long Island Rail Road and MTA Metro-North Railroad), MTA New York City Transit and MTA Bridges and Tunnels executed and delivered three Series of Certificates of Participation in the aggregate principal amount of $807.3 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 aggregate principal amount of $807.3 includes approximately $357.9 of refunding bonds. The Certificates of Participation 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. The Certificates of Participation are currently outstanding in the amount $95.65.

MTA Bridges and Tunnels General Revenue Bonds — Prior to 2014, MTA Bridges and Tunnels issued twenty-two 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 $11,311. 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.

On January 2, 2014 MTA effected a mandatory tender and remarketed $66.3 of MTA Triborough Bridge and Tunnel Authority General Revenue Bonds, Subseries 2005B-4a and 2005B-4b, because the Interest Rate Period expired according to the terms of the bonds. The Subseries 2005B-4a & b bonds will bear interest as Floating Rate Notes.

On January 29, 2014, MTA issued $100 of Triborough Bridge and Tunnel Authority General Revenue Bond Anticipation Notes ("BANS"), Series 2014A, to finance approved capital projects for MTA Bridges and Tunnels' own facilities. The Series 2014A BANS were issued as tax-exempt fixed-rate notes with a final maturity of May 15, 2015.

On January 30, 2014, MTA issued $250 of Triborough Bridge and Tunnel Authority General Revenue Bonds, Series 2014A, to finance approved capital projects for MTA Bridges and Tunnels' own facilities. The Series 2014A bonds were issued as tax-exempt fixed-rate bonds with a final maturity of November 15, 2044.

MTA Bridges and Tunnels Subordinate Revenue Bonds — Prior to 2014, MTA Bridges and Tunnels issued ten 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 $3,620.1. 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.

On September 30, 2014, MTA effected a mandatory tender and remarketed $95.300 of TBTA Subordinate Revenue Variable Rate Bonds, Series 2000AB and $52.550 of TBTA Subordinate Revenue Variable Rate Bonds, Series 2000CD, as $147.850 TBTA Subordinate Revenue Variable Rate Refunding Bonds, Series 2000ABCD because the standby bond purchase agreements issued by JPMorgan Chase Bank, N.A. and Lloyds TSB Bank were set to expire by their terms. The Series 2000AB and Series 2000CD bonds were converted from weekly rate mode to a term rate mode as floating rate notes and were redesignated as five subseries of 2000ABCD bonds: 2000ABCD-1; 2000ABCD-2; 2000ABCD-3; 2000ABCD-4; and 2000ABCD-5.

Debt Limitation — The New York State 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 $41,877 compared with issuances totaling approximately $29,530. The MTA expects that the current statutory ceiling will allow it to fulfill the bonding requirements of the approved Capital Programs.

Bond Refundings — From time to time, the MTA and MTA Bridges and Tunnels issue 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 are 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 interim statements of net position.

There was no known cash investing or financing activity that affected the net asset at the end of the period ended September 30, 2014.

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. Additionally, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies and recognizes certain items currently reported as assets and liabilities as one of four financial statement elements: deferred outflow of resources, outflow of resources, deferred inflow of resources, and inflow of resources. As a result of adopting GASB Statement No. 65, losses on refunding debt are no longer part of long-term debt, but were reclassified separately under the section “Deferred Outflow of Resources.”

At September 30, 2014 and December 31, 2013, 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.

(In Millions)	**September 30, 2014**	**December 31, 2013**
MTA Transit and Commuter Facilities:		
Transit Facilities Revenue Bonds	$ 229	$ 262
Commuter Facilities Revenue Bonds	246	258
Transit and Commuter Facilities Service Contract Bonds	198	279
Dedicated Tax Fund Bonds	596	635
MTA New York City Transit — Transit Facilities Revenue Bonds (Livingston Plaza Project)	35	46
MTA Bridges and Tunnels:		
General Purpose Revenue Bonds	1,064	1,154
Special Obligation Subordinate Bonds	128	162
Mortgage Recording Tax Bonds	69	94
Total	$ 2,565	$ 2,890

Debt Service Payments — Principal and interest debt service payments at September 30, 2014 are as follows (in millions):

	MTA		MTA BRIDGES AND TUNNELS Senior Revenue		MTA BRIDGES AND TUNNELS Subordinate Revenue		Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 639	$ 1,318	$ 153	$ 146	$ 27	$ 41	$ 819	$ 1,505
2015	611	1,266	288	305	47	72	946	1,643
2016	649	1,167	208	292	64	69	921	1,528
2017	714	1,119	216	283	68	66	998	1,468
2018	760	1,089	226	274	92	63	1,078	1,426
2019-2023	3,917	4,948	1,261	1,205	450	251	5,628	6,404
2024-2028	4,961	4,009	1,474	903	546	138	6,981	5,050
2029-2033	6,004	2,735	1,729	639	364	134	8,097	3,508
2034-2038	4,151	1,433	1,132	235	-	-	5,283	1,668
Thereafter	2,635	357	231	27	-	-	2,866	384
	$25,041	$19,441	$6,918	$4,309	$1,658	$ 834	$33,617	$24,584

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

- *Transportation Revenue Refunding Bonds, Series 2002B* — 4.00% per annum
- *Transportation Revenue Refunding Bonds, Series 2002D* — 4.45% per annum on SubSeries 2002D-2 taking into account the interest rate swap
- *Transportation Revenue Refunding Bonds, Series 2002G* — 3.542% per annum on SubSeries 2002G-1 taking into account the interest rate swap and 4.00% per annum on the unhedged portion
- *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 and 4.00% per annum on the unhedged portion
- *Transportation Revenue Bonds, Series 2005G* — 4.00% per annum
- *Transportation Revenue Bonds, Series 2008B* — 4.00% per annum, after the mandatory tender date
- *Transportation Revenue Bonds, Series 2011B* — 3.542% per annum taking into account the interest rate swaps and 4.00% per annum on the unhedged portion
- *Transportation Revenue Bonds, Series 2012A* — 4.00% per annum
- *Transportation Revenue Bonds, Series 2012G* — 3.563% per annum taking into account the interest rate swaps
- *Dedicated Tax Fund Bonds, Series 2002B* — 4.00% per annum

- *Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2008A* — 3.316% per annum on the hedged portion related to the interest rate swaps, and 4.00% per annum on the unhedged portion

- *Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2008B* — 4.00% per annum

- *MTA Bridges and Tunnels Subordinate Refunding Bonds, Series 2000ABCD* — 6.08% per annum on the hedged portion related to the interest rate swaps, and 4.00% per annum on the unhedged portion

- *MTA Bridges and Tunnels General Revenue Refunding Bonds, Series 2001B and Series 2001C* — 4.00% per annum

- *MTA Bridges and Tunnels General Revenue Refunding Bonds*, *Series 2002F* — 5.404% and 3.076% per annum taking into account the interest rate swaps and 4% per annum on portions not covered by the interest rate swaps

- *MTA Bridges and Tunnels General Revenue Bonds, Series 2003B* —4.00% per annum

- *MTA Bridges and Tunnels General Revenue Bonds, Series 2005A* — 4.00% per annum except from November 1, 2027 through November 1, 2030, 3.076% per annum taking into account the interest rate swap

- *MTA Bridges and Tunnels General Revenue Refunding Bonds*, *Series 2005B* — 3.076% per annum based on the Initial Interest Rate Swaps thereafter

- *MTA Bridges and Tunnels General Revenue Bonds, Series 2008B* — 4.00% per annum, after the mandatory tender date

- *Certificates of Participation, Series 2004A* — 3.542% per annum taking into account the interest rate swaps

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. No payments were made during the period/year ended September 30, 2014 and December 31, 2013.

Liquidity Facility - MTA and MTA Bridges and Tunnels have entered into several Standby Bond Purchase Agreements ("SBPA") and Letter of Credit Agreements ("LOC") as listed on the table below.

Resolution	Series	Swap	Provider (Insurer)	Type of Type of Facility	Exp. Date
Transportation Revenue	2005D-1	Y	Helaba	LOC	11/7/2015
Transportation Revenue	2005D-2	Y	Helaba	LOC	11/10/2017
Transportation Revenue	2005E-1	Y	BofA Merrill Lynch	LOC	10/2/2015
Transportation Revenue	2005E-2	Y	JP Morgan Chase Bank, N.A.	LOC	12/31/2014
Transportation Revenue	2005E-3	Y	PNC Bank	LOC	10/2/2015
Transportation Revenue	CP-2 (A)	N	TD Bank, N.A.	LOC	9/16/2015
Transportation Revenue	CP-2 (B)	N	Barclays Bank	LOC	9/16/2015
Transportation Revenue	CP-2 (D)	N	Citibank, N.A.	LOC	9/16/2015
Dedicated Tax Fund	2002B-1	Y	State Street Bank	SBPA	3/28/2016
Dedicated Tax Fund	2008A-1	Y	Royal Bank of Canada	LOC	6/16/2017
MTA Bridges and Tunnels General Revenue	2001B	N	State Street	LOC	9/28/2018
MTA Bridges and Tunnels General Revenue	2001C	N	JP Morgan Chase Bank, N.A.	SBPA	9/29/2015
MTA Bridges and Tunnels General Revenue	2002F	Y	Helaba	SBPA	11/1/2015
MTA Bridges and Tunnels General Revenue	2003B-1	N	CALPERs	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2003B-2	N	CALSTRs	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2003B-3	N	US Bank	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2005A-1	Y	CALPERs	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2005A-2	Y	CALSTRs	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2005A-3	Y	US Bank	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2005B-2a	Y	CALPERs	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2005B-2b	Y	CALSTRs	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2005B-2c	Y	US Bank	LOC	1/31/2015
MTA Bridges and Tunnels General Revenue	2005B-3	Y	Bank of America	LOC	7/3/2015
MTA Bridges and Tunnels General Revenue	2005B-3	Y	Bank of America	LOC	7/3/2015

Derivative Instruments

GASB Statement No. 53- Accounting and Financial Reporting for Derivative Instruments

Summary Information at September 30, 2014

($ In Millions)	Bond Resolution	Series	Type of Derivative	Cash Flow or Fair Value Hedge	Effective Methodology	Trade/Hedge Association Date	Notional Amount as of 9/30/2014 (in millions)	FairValue as of 9/30/2014 (in millions)
Investment Swaps	2 Broadway Certificate of Participation	2004A	Pay-Fixed Swap	N/a	N/a	8/10/2004	$95.650	($8.261)
Hedging Swaps	MTA Transportation Revenue Bonds	2002D-2	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	7/11/2002	200.000	(68.867)
	MTA Transportation Revenue Bonds	2012G	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	12/12/2007	358.475	(81.288)
	MTA Bridges & Tunnels Senior Revenue Bonds	2002F (Citi 2005B)	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	6/2/2005	194.000	(29.121)
	MTA Bridges & Tunnels Senior Revenue Bonds	2005B	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	6/2/2005	582.000	(87.362)
	MTA Transportation Revenue Bonds	2005D & 2005E	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	9/10/2004	400.000	(77.085)
	MTA Dedicated Tax Fund Bonds	2008A	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	3/8/2005	334.905	(53.167)
	MTA Transportation Revenue Bonds	2002G-1 (COPS 2004A)	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	1/1/2011	181.830	(21.599)
	MTA Transportation Revenue Bonds	2011B (COPS 2004A)	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	1/1/2011	27.935	(12.799)
	MTA Bridges & Tunnels Senior Revenue Bonds	2005A (COPS 2004A)	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	1/1/2011	24.060	(3.949)
	MTA Bridges & Tunnels Subordinate Revenue Bonds	2000AB	Pay-Fixed Swap	Cash Flow	Consistent Critical Terms	8/12/1998	95.300	(12.313)

The fair value balances and notional amounts of derivative instruments outstanding at September 30, 2014, classified by type, and the changes in fair value of such derivative instruments from the year ended December 31, 2013 are as follows:

	Changes In Fair Value		Fair Value at September 30, 2014		
	Classification	**Amount (in millions)**	**Classification**	**Amount (in millions)**	**Notional (in millions)**
Government activities					
Cash Flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	($112.643)	Debt	($447.550)	$2,398.505
Investment hedges:	Unrealized				
Pay-fixed interest rate swaps	investment gain	1.325	Debt	(8.261)	95.650

For the nine month period ended September 30, 2014, the MTA recorded $1.325 as an unrealized gain related to the change in fair market value of certain investment swaps that are not accounted for as hedging derivatives.

For the nine-month period ended September 30, 2014, there were no derivative instruments reclassified from a hedging derivative instrument to an investment derivative instrument.

The summary above reflects a total number of thirteen (13) swaps and fourteen (14) hedging relationships that were reviewed for GASB Statement No. 53 Hedge Accounting treatment. Of that total, thirteen (13) hedging relationships were deemed effective using one of the GASB Statement No. 53 quantitative methods.

For twelve (12) hedging relationships, the Synthetic Instrument Method was utilized to determine effectiveness. Under the Synthetic Instrument Method, if the rate determined by dividing the historical Swap and Bond payments (Fixed Swap payments + Floating Bond payments - Floating Swap payments) by the hedge notional amount produces an “Actual Synthetic Rate” that is within 90% to 111% of the corresponding fixed swap rates then the hedging derivative instrument is deemed to be effective.

For one (1) hedging relationship, the Consistent Critical Terms method was utilized to determine effectiveness. Under the Consistent Critical Terms method, if the critical terms of the potential hedging derivative instrument and the terms of the item it is hedging are essentially same, then the hedging derivative instrument is deemed to be effective. Under such circumstances, any changes in the cash flows or fair value of the item being hedged is offset by changes in the cash flows or fair value of the potential hedging derivative.

In accordance with GASB Statement No. 53, one of the hedging swaps was classified as a swaption for which a premium was received by MTA Bridges and Tunnels at contract inception as shown in the following Table. MTA Bridges and Tunnels have followed the relevant accounting required treatment and are amortizing the premium over the life of the swap agreement.

Bond Resolution	Series	Premium	Date of the Swaption Contract	Premium Payment Date
MTA Bridges & Tunnels-Subordinate	2000AB	$22,740,000	8/12/1998	8/25/1998

Swap Agreements Relating to Synthetic Fixed Rate Debt

Board-adopted Guidelines. The Related Entities adopted guidelines governing the use of swap contracts on March 26, 2002. The guidelines were amended and approved by the Board on March 13, 2013. The guidelines establish limits on the amount of interest rate derivatives that may be outstanding and specific requirements that must be satisfied for a Related Entity to enter into a swap contract, such as suggested swap terms and objectives, retention of a swap advisor, credit ratings of the counterparties, collateralization requirements and reporting requirements.

Objectives of synthetic fixed rate debt. To achieve cash flow 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, and in some case where Federal tax law prohibits an advance refunding to synthetically refund debt on a forward basis.

Fair Value. Relevant market interest rates on the valuation date (September 30, 2014) of the swaps are reflected in the following charts. As of the valuation date, all of the swaps had negative 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 a swap with a positive fair value 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. 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 9/30/14 (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 9/30/14 (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2002D-2	$200.000	01/01/07	4.450 %	69% of one-month LIBOR[1]	$(68.867)	11/01/32	JPMorgan Chase, NA
Series 2002G-1[2]	181.830	09/22/04	3.092	Lesser of Actual Bond or 67% of one-month LIBOR – 45bp	(21.599)	01/01/30	UBS AG
Series 2005D-1,2 and Series 2005E-1,2,3	300.000	11/02/05	3.561	67% of one-month LIBOR[1]	(57.818)	11/01/35	UBS AG
Series 2005E-1,2,3	100.000	11/02/05	3.561	67% of one-month LIBOR[1]	(19.267)	11/01/35	AIG Financial Products Corp.
Series 2011B[2][10][11]	27.935	09/22/04	3.092	Lesser of Actual Bond or 67% of one-month LIBOR -45bp	(12.799)	01/01/30	UBS AG
Series 2012G[3]	358.475	11/15/12	3.563	67% of one-month LIBOR[1]	(81.288)	11/01/32	JPMorgan Chase Bank, NA
Total	$1,168.240				$ (261.638)		

[1] London Interbank Offered Rate.

[2] On November 28, 2011, MTA Variable Rate Certificates of Participation, Series 2004A associated with the swap in connection with Series 2004A Bonds, were redeemed. Notional amounts from the Series 2004A swap were reassigned to MTA Transportation Revenue Variable Rate Bonds, Series 2002G-1 and Series 2011B; and MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A.

[3] November 15, 2012, the Series 2012G swap became effective and the Related Bonds associated with the swap were issued on November 13, 2012. Under the terms of the swap JPMorgan Chase Bank, NA had an option to terminate the swap prior to the Effective Date. As of June 15, 2012, such option expired unexercised. There are no remaining options associated with the swap.

MTA BRIDGES AND TUNNELS SENIOR LIEN REVENUE BONDS							
Associated Bond Issue	**Notional Amounts as of 9/30/14 (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 9/30/14 (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2002F[7]	$194.000	07/07/05	3.076%	67% of one-month LIBOR[1]	$ (29.120)	01/01/32	Citibank, N.A.
Series 2005A[2][10][11]	24.060	09/24/04	3.092	Lesser of Actual Bond or 67% of one-month LIBOR - 45 basis points	(3.949)	01/01/30	UBS AG
Series 2005B-2a,b,c, 2005B-3 and 2005B-4a,b,c,d,e[7]	582.000	07/07/05	3.076	67% of one-month LIBOR[1]	(87.362)	01/01/32	33% each – JPMorgan Chase Bank, NA, BNP Paribas North America, Inc. and UBS AG
Total	$800.060				$ (120.431)		

[7] On February 19, 2009, MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2005B-1 were refunded. Notional amounts from the Series 2005B-1 swap were reassigned to MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F, MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2003B-1,2,3 and from November 1, 2027 through November 1, 2030, to MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-2,3.

[10] On December 18, 2012, MTA Variable Rate Certificates of Participation, Series 2004A associated with the swap in connection with Series 2004A Bonds, were redeemed. Notional amounts from the Series 2004A swap were reassigned to MTA Transportation Revenue Variable Rate Bonds, Series 2011B; and MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-1.

[11] On November 19, 2013, MTA Variable Rate Certificates of Participation, Series 2004A associated with the swap in connection with Series 2004A Bonds, were redeemed. Notional amounts from the Series 2004A swap were reassigned to MTA Transportation Revenue Variable Rate Bonds, Series 2011B; and MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-1

MTA DEDICATED TAX FUND BONDS							
Associated Bond Issue	**Notional Amounts as of 9/30/14 (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 9/30/14 (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2008A[(4)(5)]	$334.905	03/24/05	3.316%	67% of one-month LIBOR[(1)]	$ (53.167)	11/01/31	Bank of New York Mellon [(6)]
Total	$334.905				$ (53.167)		

[(4)] On June 25, 2008, the Confirmation dated as of March 8, 2005, between the Counterparty and MTA was amended to define Related Bonds as MTA Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2008A. On June 26, 2008, MTA Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2005A associated with the swap prior to the amendment described above, were refunded.

[(5)] On June 18, 2014, the DTF 2008A bonds were remarketed and converted to new modes in conjunction with the expiration of the supporting liquidity facilities. A portion of the swap notional ($955,000) was not re-associated with the DTF bonds for tax purposes upon the remarketing; however, for accounting purposes this excess swap has been assumed to continue hedging additional amounts of the 2008A bonds. The swap notional and hedged bond principal schedules will resume matching on 11/1/14.

[(6)] On October 27, 2011, the outstanding swap associated with DTF 2008A bonds was novated from counterparty Citigroup Financial Products, Inc. to The Bank of New York Mellon. All other terms of the swap remain unchanged.

MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS							
Associated Bond Issue	**Notional Amounts as of 9/30/2014 (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 9/30/2014 (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2000ABCD(8)(9)	$95.300	01/01/01	6.080%	SIFMA – 15 bp	$ (12.313)	01/01/19	JPMorgan Chase Bank, NA
Total	$95.300				$ (12.313)		

(8) In accordance with a swaption entered into on August 12, 1998, with each Counterparty paying to MTA Bridges and Tunnels a premium of $22.740.

(9) On September 30, 2014, the TBTA Subordinate Revenue Variable Rate Refunding Bonds, Series 2000AB, together with the TBTA Subordinate Revenue Variable Rate Refunding Bonds Series 2000CD, were redesignated as the Series 2000ABCD Bonds and converted from a Weekly Mode to a Term Mode. The swap now hedges the portion of the Series 2000ABCD bonds that originally related to the Series 2000AB bonds.

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 $357.925 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.

On November 28, 2011, certain portions of these swaps were re-associated with other floating rate bonds, including the MTA Bridges and Tunnels General Revenue Bonds, Series 2005A and the Transportation Revenue Bonds Series 2002G-1 and Series 2011B.

On December 18, 2012, and November 19, 2013, certain portions of these swaps were re-associated with other floating rate bonds, including the MTA Bridges and Tunnels General Revenue Bonds, Series 2005A and the Transportation Revenue Bonds Series 2011B.

The portion remaining that is still associated with the 2004A Certificates of Participation is $95.650 in notional amount as of September 30, 2014, of which MTA New York City Transit is responsible for $65.712, MTA for $20.086, and MTA Bridges and Tunnels for $9.852. As of September 30, 2014, the aggregate fair value of the remaining portion associated with the 2004A COPs was ($8.261).

Counterparty Ratings

The current ratings of the counterparties are as follows as of September 30, 2014.

Counterparty	**Ratings of the Counterparty or its Credit Support Provider**		
	S&P	**Moody's**	**Fitch**
AIG Financial Products Corp.	A-	Baa1	BBB+
Bank of New York Mellon	AA-	Aa2	AA-
BNP Paribas North America, Inc.	A+	A1	A+
Citibank, N.A.	A	A2	A
JPMorgan Chase Bank, NA	A+	Aa3	A+
UBS AG	A	A2	A

Swap Notional Summary

The following table sets forth the notional amount of Synthetic Fixed Rate debt and the outstanding principal amount of the underlying floating rate series as of September 30, 2014.

Series	Outstanding Principal	Notional Amount
TRB 2012G-4	$74.025	$74.025
TRB 2012G-3	75.000	75.000
TRB 2012G-2	125.000	125.000
TRB 2012G-1	84.450	84.450
TRB 2011B	99.560	27.935
TRB 2005E-3	75.000	45.000
TRB 2005E-2	75.000	45.000
TRB 2005E-1	100.000	60.000
TRB 2005D-2	100.000	100.000
TRB 2005D-1	150.000	150.000
TRB 2002G-1	194.100	181.830
TRB 2002D-2	200.000	200.000
TBTA SUB 2000ABCD	147.850	95.300
TBTA 2005B-4 (a,b,c,d,e)	194.000	194.000
TBTA 2005B-3	194.000	194.000
TBTA 2005B-2 (a,b,c)	194.000	194.000
TBTA 2005A-1	57.800	24.060
TBTA 2005A (2,3)	68.225	*(a)*
TBTA 2003B (1,2,3)	192.915	*(a)*
TBTA 2002F	202.610	194.000
DTF 2008A-2	169.710	167.453
DTF 2008A-1	170.805	167.453
COPs 2004A	95.650	95.650
Total	$3,039.700	$2,494.155

[a] Swaps assigned to future maturities of Bonds on a forward basis.

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 able to perform its financial obligations. In the event of 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 and, in the case of a swap agreement which was entered into for the purpose of creating a synthetic fixed rate for an advance refunding transaction may also be required to take action to protect the tax exempt status of the related refunding bonds.

- 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 September 30, 2014, 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 swaps. The counterparties have the ratings set forth above.

Counterparty	Notional Amount (in thousands)	% of Total Notional Amount
JPMorgan Chase Bank, NA	$847,775	33.99%
UBS AG	823,475	33.02
The Bank of New York Mellon	334,905	13.43
Citibank, N.A.	194,000	7.78
BNP Paribas North America, Inc.	194,000	7.78
AIG Financial Products Corp.	100,000	4.00
Total	**$2,494,155**	**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:

- JPMorgan Chase Bank, NA with respect to the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000ABCD.
- JPMorgan Chase Bank, NA with respect to the MTA Transportation Revenue Variable Rate Refunding Bonds, Series 2002D-2 and Series 2012G.

Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting 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 non-defaulting party.

The fair market value of MTA's interest rate swaps changes daily primarily as a result of capital markets changes. Factors that influence LIBOR are interest rates, banks expectations of future rate movements, liquidity in the capital markets or changes in the value of the dollar. The relative financial health of MTA's counterparties do not directly impact the fair market value of the transaction.

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 valuation 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.

MTA Transportation Revenue 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 2002D-2	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+ 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	$10,000,000
Series 2002G-1	See 2 Broadway Certificates of Participation	
Series 2005D-1,2 and Series 2005E-1,2,3	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+ Fitch – below BBB+, Moody's – below Baa1, or S&P – below BBB+	$10,000,000
Series 2011B	See 2 Broadway Certificates of Participation	
Series 2012G	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+ 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	$10,000,000

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 2008A [Note: for this swap, MTA is not required to post collateral under any circumstances.]	Fitch – AA-, or, Moody's Aa3, or S&P AA- Fitch, A+, or Moody's – A1, or S&P A+ Fitch A, or Moody's A2 or S&P – A Fitch A-, or Moody's A3 or S&P – A- Fitch – BBB+ and below, or Moody's – Baa1 and below, or S&P – BBB+ and below	$10,000,000 $5,000,000 $2,000,000 $1,000,000 $ -

2 Broadway Certificates of Participation		
Associated Bond Issue	**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**
Series 2004A	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+ 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	$25,000,000
	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**
Series 2004A	Moody's – Baa1 or lower, or S&P – BBB+ or lower	$ -

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 2005-A1	See 2 Broadway Certificates of Participation	
Series 2002F (swap with Citibank, N.A.), Series 2005B-2a,b,c, 2005B-3 and 2005B-4a,b,c,d,e(swap with JPM,BNP,UBS)	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 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	$10,000,000 $30,000,000 $15,000,000 $ - $ -

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 2000ABCD	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but JP Morgan Chase Bank is required to post collateral if its estimated termination payments are in excess of $1,000,000.	

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.

Termination Risk. 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 govern 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 apply to the guarantor and not to the counterparty.

MTA Transportation Revenue	
Associated Bond Issue	**Additional Termination Event(s)**
Series 2002D-2, Series 2005D-1,2 and Series 2005E-1,2,3	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.
Series 2002G-1	See 2 Broadway Certificates of Participation
Series 2012G-1,2,3,4	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.
Series 2011B	See 2 Broadway Certificates of Participation

MTA Dedicated Tax Fund	
Associated Bond Issue	**Additional Termination Event(s)**
Series 2008A -1,2	The ratings by S&P or Moody's of the Counterparty fall below "A-" or "A3," respectively, or the ratings of S&P or Fitch with respect to the MTA Dedicated Tax Fund Bonds falls below "BBB" or "Baa2", in either case the ratings are withdrawn.

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

MTA Bridges and Tunnels Senior and Subordinate Revenue	
Associated Bond Issue	**Additional Termination Events**
Senior Lien Revenue Bonds	
Series 2005A	See 2 Broadway Certificates of Participation
Series 2002F (swap with Citibank, N.A.), Series 2005B-2a,b,c, 2005B-3 and 2005B-4a,b,c,d,e (swap with JPM,BNP,UBS)	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 2000AB CD	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, MBIA. 3. MTA Fails to have at least one of such issues with a rating of "BBB-" or higher as determined by S&P or "Baa3" or higher as determined by Moody's

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 Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F (swap with Citibank, N.A.)	November 1, 2032	January 1, 2032
MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2003B (swap with Citibank, N.A.)	January 1, 2033	January 1, 2032

Swap payments and Associated Debt. The following tables contain the aggregate amount of estimated variable-rate bond debt service and net swap payments during certain years that such swaps were entered into in order to: protect against the potential of rising interest rates; achieve a lower net cost of borrowing; reduce exposure to changing interest rates on a related bond issue; or, in some cases where Federal tax law prohibits an advance refunding, achieve debt service savings through a synthetic fixed rate. As rates vary, variable-rate bond interest payments and net swap payments will vary. Using the following assumptions, debt service requirements of MTA's and MTA Bridges and Tunnel's outstanding variable-rate debt and net swap payments are estimated to be as follows:

- It is assumed that the variable-rate bonds would bear interest at a rate of 4.0% per annum.
- The net swap payments were calculated using the actual fixed interest rate on the swap agreements.

MTA (in millions)				
Period Ending September 30	Variable-Rate Bonds		Net Swap Payments	Total
	Principal	Interest		
2014	$ 14.7	$ 53.6	$ (6.7)	$ 61.7
2015	15.3	53.1	(6.5)	61.9
2016-2020	186.4	249.2	(29.9)	405.7
2021-2025	326.3	199.8	(22.2)	503.9
2026-2030	431.3	212.4	(12.6)	631.1
2031-2035	620.1	323.7	(3.4)	940.4

MTA Bridges and Tunnels (in millions)				
Period Ending September 30	Variable-Rate Bonds		Net Swap Payments	Total
	Principal	Interest		
2014	$ 10.9	$ 46.0	$ (5.2)	$ 51.8
2015	33.2	44.7	(5.6)	72.4
2016-2019	168.8	161.8	(25.5)	305.2
2020-2024	165.4	173.2	(34.1)	304.5
2025-2029	289.2	133.1	(36.4)	385.9
2030-2034	484.9	23.1	(5.1)	502.9

9. LEASE TRANSACTIONS

Leveraged Lease Transactions: Subway Cars — During 1995, MTA Bridges and Tunnels entered into a sale/leaseback transaction with a third party whereby MTA Bridges and Tunnels sold certain subway cars, which were contributed by 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 advanced 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 at ABN AMRO Bank N.V. 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 of the regularly scheduled obligations under the lease as they become due, including the 2016 purchase option, if exercised. 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.

Leveraged Lease Transactions: Subway and Rail Cars — On December 12, 1997, the MTA entered into two 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. MTA exercised the purchase option on the first tranche of the lease related to MTA Metro-North Railroad assets. The final installment of the purchase price was paid in December 2009. The purchase options for the second and third tranches were closed in January 2013 and the final installment of the purchase prices was paid in December 2013. The remaining two lease tranches related to MTA Metro-North Railroad assets expired in 2014 and the notice of MTA's exercise of the purchase option has been delivered. The final installment of the purchase prices for the two remaining tranches will be paid in December 2014.

MTA pledged additional collateral in the amount of $0.4 to cover a contingent liability associated with the Lease related to MTA Metro-North Railroad assets. Upon payment of the final installment of the purchase price in December 2014, the collateral will be returned in full to MTA.

Leveraged Lease Transactions: Qualified Technological Equipment — 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. Three of those four leases were terminated early and are no longer outstanding. The fourth lease expires in 2022, at which point 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 outstanding sale/leaseback agreement the MTA initially received $74.9, which was utilized as follows: The MTA paid $52.1 to an affiliate of the lender to the third party, which affiliate has the obligation to pay to MTA an amount equal to the rent obligations under the lease attributable to the debt service on the loan from the third party's lender. 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 regularly scheduled lease rent payments under the lease and the purchase price due upon exercise by the MTA of the related purchase option if exercised.

Leveraged Lease Transaction: Subway Cars — On September 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, 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 pay to the MTA an amount equal to the rent obligations under the lease attributable to the debt service on such loan from such third party's lender. The obligations of the affiliate of the third party's lender are guaranteed by American International Group, Inc. 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 regularly scheduled rent due under that lease and the purchase price due upon exercise by the MTA of the fixed price purchase option if exercised. The amount remaining after payment of transaction expenses, $7.4, was the MTA's benefit from the transaction.

Leveraged Lease Transactions: Subway Cars — On September 25, 2003, and September 29, 2003, the 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 the MTA, the MTA sold those cars to third parties, and the MTA leased those cars back from such third parties. The 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, the MTA initially received $294, which was utilized as follows: In the case of one of the leases, the MTA paid $97 to an affiliate of one of the lenders to the third party, which affiliate has the obligation to pay to the MTA an amount equal to the rent obligations under the lease attributable to the debt service on the loan from such third party's lender. The obligations of the affiliate of such third party's lender are guaranteed by American International Group, Inc. In the case of the other lease, the MTA purchased U.S. Treasury debt securities in amounts and with maturities, which are sufficient for the MTA to make the lease rent payments equal to the debt service on the loan from the lender to that third party. In the case of both of the leases, the MTA also purchased Resolution Funding Corporation ("REFCO") debt securities that mature in 2030. Under an agreement with AIG Matched Funding Corp. (guaranteed by American International Group, Inc.), AIG Matched Funding Corp. receives the proceeds from the REFCO debt securities at maturity and is obligated to pay to the MTA amounts sufficient for the MTA to pay the remainder of the regularly scheduled lease rent payments under those leases and the purchase price due upon exercise by the MTA of the purchase options if exercised. The amount remaining after payment of transaction expenses, $24, was the MTA's net benefit from these two transactions.

On September 16, 2008, the MTA learned that American International Group, Inc. was downgraded to a level that under the terms of the transaction documents for the sale/leaseback transaction that closed on September 29, 2003, the MTA is required to replace or restructure the applicable Equity Payment Undertaking Agreement provided by AIG Financial Products Corp. and guaranteed by American International Group, Inc. On December 17, 2008, MTA terminated the Equity Payment Undertaking Agreement provided by AIG Financial Products Corp. and guaranteed by American International Group, Inc. and provided replacement collateral in the form of U.S. Treasury strips. The Resolution Funding Corporation ("REFCO") debt security that was being held in pledge was released to MTA. On November 6, 2008, the MTA learned that Ambac Assurance Corp., the provider of the credit enhancement that insures the MTA's contingent obligation to pay a portion of the termination values upon an early termination in both the September 25, 2003 and September 29, 2003 transactions, was downgraded to a level that required the provision of new credit enhancement facilities for each lease by December 21, 2008.

On December 17, 2008, MTA terminated the Ambac Assurance Corp. surety bond for the lease transaction that closed on September 25, 2003 and provided a short-term U.S. Treasury debt obligation as replacement collateral. The cost of the replacement collateral was $32. As a result of a mark-to-market of the securities provided as collateral as of January 31, 2009, $8 of such $32 in collateral value was released back to MTA in February 2009. As a result of a mark-to-market of the securities provided as collateral as of January 2012, $10 of such $34 in collateral value was released back to MTA in February 2012. As of September 30, 2014, the market value of total collateral funds was $36.4.

On January 12, 2009, MTA provided a short-term U.S. Treasury debt obligation as additional collateral in addition to the Ambac Assurance Corp. surety bond for the lease transaction that closed on September 29, 2003. From time to time, additional collateral has been required to be added such that the total market value of the securities being held as additional collateral are expected to be sufficient to pay the remainder of the regularly scheduled lease rent payments under the lease. As of September 30, 2014, the market value of total collateral funds was $51.3.

Other Lease Transactions — On July 29, 1998, the MTA, (solely on behalf of MTA Long Island Rail Road and MTA Metro-North Railroad, MTA New York City Transit, and MTA Bridges and Tunnels) entered into a lease and related agreements whereby each agency, as subleasee, 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 2013, the MTA made rent payments of $23. In connection with the renovation of the building and for tenant improvements, the MTA issued $121 and $328 in 2000 and 1999, respectively, of certificates of participation. In 2004, it issued approximately $358 of certificates of participation that partially refunded the two previously issued certificates. As of September 30, 2014, there was $95.650 in certificates of participation outstanding. (See Note 8). 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, subject to the owner's right to postpone such purchase option exercise date for up to an additional 15 years if the owner has not yet closed the sale, transfer or conveyance of an aggregate amount of 1,000,000 square feet or more of development rights appurtenant to Grand Central Terminal and the associated zoning lots . 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.

Total rent expense under operating leases approximated $41.4 and $38.2 for the periods ended September 30, 2014 and 2013 respectively.

At September 30, 2014, the future minimum lease payments under non-cancelable leases are as follows (in millions):

	Operating	Capital
2014	$ 19	$ 31
2015	54	31
2016	55	36
2017	57	123
2018	56	25
2019–2023	217	186
2024–2028	281	116
2029–2033	301	559
2034–2038	282	152
2039–2043	252	164
Thereafter	544	339
Future minimum lease payments	$ 2,118	1,762
Amount representing interest		(1,248)
Total present value of capital lease obligations		514
Less current present value of capital lease obligations		13
Noncurrent present value of capital lease obligations		$ 501

Capital Leases Debt Schedule
For the Year Ended December 31, 2013 and Period Ended September 30, 2014
(in millions)

Description	December 31, 2013	Increase	Decrease	September 30, 2014
Hawaii	$ 19	$ -	$ 14	$ 5
Wachovia/Textron	-	-	-	-
Sumitomo	15	-	-	15
Met Life	5	-	-	5
Met Life Equity	19	-	-	19
Bank of New York	1	-	1	-
Bank of New York	22	-	-	22
Bank of America	28	-	-	28
Bank of America Equity	16	-	-	16
Sumitomo	42	1	-	43
Met Life Equity	43	-	-	43
Grand Central Terminal & Harlem Hudson Railroad Lines	15	-	-	15
2 Broadway Lease Improvement	161	-	-	161
2 Broadway	38	-	-	38
Subway Cars	103	3	2	104
Total MTA Capital Lease Debt	$ 527	$ 4	$ 17	$ 514
Current Portion Obligations under Capital Lease	27			13
Long Term Portion Obligations under Capital Lease	$ 500			$ 501

10. FUTURE OPTION

In 2009, MTA and LIRR entered into an Air Space Parcel Purchase and Sale Agreement (“Agreement”) with Atlantic Yards Development Company, LLC (“AADC”) pursuant to which AADC has agreed to purchase fee title to six parcels of air space above the LIRR’s Atlantic Yard in Brooklyn, New York. Initial annual payments of $2 (covering all six parcels) commenced on June 1, 2012 and are due on the following three anniversaries of that date. Starting on June 1, 2016, and continuing on each anniversary thereof through and including June 1, 2031, an annual option payment in the amount of $11.03 is due. The Agreement provides that all such payments are (i) fully earned by MTA as of the date due in consideration of the continuing grant to Developer of the rights to purchase the air space parcels, (ii) are non-refundable and (iii) shall be deemed to be payments on account of successive annual options granted to AADC.

After AADC and its affiliates have completed the new yard and transit improvements to be constructed by them at and in the vicinity of the site, AADC has the right from time to time until June 1, 2031, to close on the purchase of any or all of the six air rights parcels. The purchase price for the six parcels is an amount, when discounted at 6.5% per annum from the date of payment that equals a present value of $80 as of January 1, 2010. The purchase price of any particular air space parcel is equal to a net present value as of January 1, 2010 of the product of that parcel’s percentage of the total gross square footage of permissible development on all six air space parcels multiplied by $80.

11. 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 period ended September 30, 2014 and year ended December 31, 2013 is presented below (in millions):

	September 30, 2014	December 31, 2013
Balance — beginning of year	$ 2,312	$ 2,059
Activity during the year:		
Current year claims and changes in estimates	310	720
Claims paid	(319)	(467)
Balance — end of period/year	2,303	2,312
Less current portion	(376)	(372)
Long-term liability	$ 1,927	$ 1,940

See Note 2 for additional information on MTA's liability and property disclosures.

12. COMMITMENTS AND CONTINGENCIES

The MTA Group 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 Group, 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.

13. POLLUTION REMEDIATION COST

Effective 2008, pollution remediation costs are being charged in accordance with the provision of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* The Statement establishes standards for determining when expected pollution remediation outlays should be accrued as a liability or, if appropriate, capitalized. An operating expense and corresponding liability, measured at its current value using the expected cash flow method, have been recognized for certain pollution remediation obligations that are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations, which are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations, occur when any one of the following obligating events takes place:

- An imminent threat to public health due to pollution exists;
- MTA is in violation of a pollution prevention-related permit or license;
- MTA is named by a regulator as a responsible or potentially responsible party to participate in remediation;
- MTA is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities; or
- MTA voluntarily commences or legally obligates itself to commence remediation efforts.

Operating expense provision and corresponding liability measured at its current value using the expected cash flow method have been recognized for certain pollution remediation obligation that previously may not have been required to be recognized, or are no longer able to be capitalized as a component of a capital project. As of September 30, 2014, the MTA has recognized a total cost of $5 and a pollution remediation liability of $109.

14. FUEL HEDGE

MTA partially hedges its fuel cost exposure using financial hedges. All MTA fuel hedges provide for up to 24 monthly settlements. The table below summarizes twenty-two (22) active ultra-low sulfur diesel ("ULSD") hedges:

Counterparty	J. Aron & Company	JPM - Ventures Energy Corp	JPM - Ventures Energy Corp	JPM - Ventures Energy Corp	JPM - Ventures Energy Corp	J. Aron & Company	J. Aron & Company	JPM - Ventures Energy Corp	J. Aron & Company	JPM - Ventures Energy Corp	JPM - Ventures Energy Corp
Trade Date	10/26/2012	11/19/2012	12/19/2012	2/21/2013	4/23/2013	4/23/2013	6/6/2013	8/9/2013	9/10/2013	10/11/2013	11/19/2013
Effective Date	12/1/2012	6/1/2013	12/1/2013	1/1/2014	5/1/2013	5/1/2013	5/1/2014	6/1/2014	8/1/2014	9/1/2014	11/1/2014
Termination Date	10/31/2014	11/30/2014	12/31/2014	1/31/2015	3/31/2015	3/31/2015	4/30/2015	7/31/2015	8/31/2015	9/30/2015	10/31/2015
Price/Gal	$2.8900	$2.9420	$2.8705	$2.9425	$2.7700	$2.7700	$2.8142	$2.8260	$2.8240	$2.8215	$2.7867
Original Notional Qnty ($)	24,444,880	28,804,560	15,981,638	11,027,445	4,494,141	4,494,141	7,702,834	18,420,266	8,439,456	15,441,167	7,636,954

Counterparty	Bank of America Merrill Lynch	JPM - Ventures Energy Corp	JPM - Ventures Energy Corp	JPM - Ventures Energy Corp	Bank of America Merrill Lynch	Bank of America Merrill Lynch	J. Aron & Company	J. Aron & Company	Bank of America Merrill Lynch	J. Aron & Company	J. Aron & Company
Trade Date	1/29/2014	2/26/2014	3/31/2014	4/30/2014	5/15/2014	6/25/2014	7/2/2014	7/2/2014	7/29/2014	8/27/2014	9/24/2014
Effective Date	12/1/2014	2/1/2015	3/1/2015	4/1/2015	7/1/2014	6/1/2015	7/1/2014	7/1/2014	7/1/2015	8/1/2015	4/1/2015
Termination Date	12/31/2015	1/31/2016	2/29/2016	3/31/2016	4/30/2016	5/31/2016	1/31/2015	2/28/2015	6/30/2016	7/31/2016	8/31/2016
Price/Gal	$2.7690	$2.8360	$2.8065	$2.8210	$2.8630	$2.9265	$2.8985	$2.8825	$2.8645	$2.8175	$2.7360
Original Notional Qnty ($)	15,299,678	7,892,588	7,810,490	7,850,843	12,865,827	8,644,395	5,852,793	4,074,192	8,461,232	8,322,340	8,050,125

The monthly settlements are based on the daily prices of the respective commodities whereby MTA will either receive a payment, or make a payment to the various counterparties depending on the average monthly price of the commodities in relation to the contract prices. As September 30, 2014, the total outstanding notional value of the ULSD contracts was 54,486,012 gallons with a decrease in fair market value of $9.5.

15. OPERATING ACTIVITY INFORMATION

(In millions)	MTA	Commuters	Transit	Bridges and Tunnels	Eliminations	Consolidated Total
September 30, 2014						
Operating revenue	$ 187	$ 1,048	$ 3,443	$ 1,269	$ -	$ 5,947
Depreciation and amortization	63	419	1,135	77	-	1,694
Subsidies and grants	3,216	-	1,651	6	(1,493)	3,380
Tax revenue	772	-	709	-	(162)	1,319
Interagency subsidy	505	-	173	-	(678)	-
Operating (deficit) surplus	(760)	(1,517)	(4,419)	842	10	(5,844)
Net surplus (deficit)	436	(171)	(586)	75	34	(212)
Payment for capital assets	3,356	217	704	236	(1,258)	3,255
September 30, 2014						
Total assets and deferred outflows of resources	15,791	10,404	37,734	6,021	(540)	69,410
Net working capital	3,940	(120)	(1,506)	448	(317)	2,445
Long-term debt — (including current portion)	26,310	-	-	9,152	(10)	35,452
Net position	(15,525)	8,668	25,500	(4,536)	(114)	13,993
September 30, 2014						
Net cash (used in)/provided by operating activities	(557)	(865)	(2,102)	1,010	(9)	(2,523)
Net cash provided by/(used in) noncapital financing activities	3,681	898	2,553	(478)	(2,478)	4,176
Net cash (used in)/provided by capital and related financing activities	(2,604)	(59)	(682)	(144)	2,552	(937)
Net cash (used in)/provided by investing activities	(549)	22	230	(365)	(65)	(727)
Cash at beginning of period	268	25	47	18	-	358
Cash at end of period	239	21	46	41	-	347

NOTE: Only MTA and MTA Bridges and Tunnels agencies issue debt.

(Continued)

(In Millions)	MTA	Commuters	Transit	Bridges and Tunnels	Eliminations	Consolidated Total
September 30, 2013						
Operating revenue	$ 182	$ 1,001	$ 3,281	$ 1,240	$ -	$ 5,704
Depreciation and amortization	76	414	1,058	68	-	1,616
Subsidies and grants	3,229	-	1,236	6	(1,077)	3,394
Tax revenue	752	-	521	-	(130)	1,143
Interagency subsidy	491	-	162	(491)	(162)	-
Operating (deficit) surplus	(740)	(1,247)	(4,128)	824	-	(5,291)
Net (deficit) surplus	1,716	(1,157)	(498)	71	47	179
Capital expenditures	3,348	168	617	239	(1,108)	3,264
September 30, 2013						
Total assets and deferred outflows of resources	24,344	10,122	36,481	5,598	(10,134)	66,411
Net working capital	3,953	69	(1,832)	(514)	772	2,448
Long-term debt — (including current portion)	25,088	-	-	9,033	(10)	34,111
Net position	(5,337)	8,772	25,595	(4,713)	(9,011)	15,306
September 30, 2013						
Net cash (used in)/provided by operating activities	(343)	(746)	(1,621)	971	(12)	(1,751)
Net cash provided by/(used in) noncapital financing activities	3,424	784	2,120	(454)	(2,049)	3,825
Net cash (used in)/provided by capital and related financing activities	(1,666)	(24)	(650)	(251)	1,854	(737)
Net cash provided by/(used in) investing activities	(1,386)	(11)	151	(253)	207	(1,292)
Cash at beginning of period	161	19	41	12	-	233
Cash at end of period	190	22	41	25	-	278

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

16. SUBSEQUENT EVENTS

The MTA 2014 November Forecast, 2015 Final Proposed Budget and November Financial Plan 2015-2018 were presented to the MTA Board at its November 19, 2014 meeting, and adopted by the MTA Board on December 17, 2014.

On October 27, 2014, MTA announced David L. Mayer as its new Chief Safety Officer. Mr. Mayer began work in this new position on December 1, 2014. Prior to the appointment, Mr. Mayer had served since 2009 as the managing director at the National Transportation Safety Board ("NTSB"), the highest career-level position at the agency.

At the MTA Board Safety Committee meeting held on October 27, 2014, MTA Metro-North Railroad President Giulietti made a presentation to Committee members on the significant steps MTA Metro-North Railroad is progressing to enhance the safety of its rail operations, including actions to implement

NTSB, Federal Railroad Administration, MTA Blue Ribbon Panel and Transportation Technology Center, Inc. recommendations.

On October 28, 2014, the NTSB released reports setting forth its findings regarding the probable causes of five accidents involving MTA Metro-North Railroad which it has investigated. On November 19, 2014, NTSB held a further meeting at which it presented findings of the special investigation of the MTA Metro-North Railroad which it initiated as a result of the series of accidents. During the November 19, 2014, NTSB meeting, investigators discussed common elements that were found in these accidents, and highlighted lessons learned and the steps that have already been taken to make rail transit safer for MTA Metro-North Railroad passengers. At the meeting, the NTSB also discussed safety recommendations it has issued to the FRA, MTA Metro-North Railroad, the MTA and several other entities arising out of the investigation, addressing, among other things, MTA Metro-North safety policy and safety programs, safety protocols, rules on screening for obstructive sleep apnea and other sleep disorders, and track inspection plans. MTA Metro-North Railroad has actions underway to address these recommendations.

On October 29, 2014, MTA executed an 2,935,211 gallon ultra-low sulfur diesel fuel hedge with Merrill Lynch Commodities Inc. at an all-in price of $2.551/gallon. Three of MTA's existing approved commodity counterparties participated in bidding on the transaction: Goldman, Sachs & Co./ J Aron, J.P. Morgan Ventures Energy Corporation and Merrill Lynch Commodities Inc.. The hedge covers the period from October 2015 through September 2016.

On October 30, 2014, MTA effected a mandatory tender and remarketed through competitive bidding $111.220 of Transportation Revenue Bonds, Subseries 2008B-4. The Subseries 2008B-4 bonds will continue in term rate mode as a 5-year put bond with a reset date of November 15, 2019, an all-in TIC of 3.51% and an average coupon of 5.00%. The bonds are rated A2, AA-, and A by Moody's, S&P, and Fitch, respectively. The winning bid for this Series of bonds was submitted by Morgan Stanley. This transaction will close on November 17, 2014. Hawkins Delafield and Wood served as bond counsel and Public Financial Management, Inc. served as financial advisor.

On November 3, 2014, MTA effected a mandatory tender and remarketed $35 of Dedicated Tax Fund Refunding Bonds, Subseries 2008B-3a and $44.740 of Dedicated Tax Fund Refunding Bonds, Subseries 2008B-3c. The Subseries 2008B-3a and 2008B-3c bonds will both continue in term rate mode as floating rate notes. The final maturity of the Series 2008B-3a and 2008B-3c bonds are November 1, 2028 and November 1, 2034, respectively. Both Series of bonds are rated AA and AA- by S&P, and Fitch, respectively. The transaction was led by book-running remarketing agent Goldman Sachs, together with co-remarketing agent Stern Brothers. Nixon Peabody served as bond counsel and Public Financial Management, Inc. served as financial advisor.

On November 4, 2014, MTA issued $500 of MTA Transportation Revenue Bonds, Series 2014D to finance existing approved transit and commuter projects. The Series 2014D-1 bonds were issued as tax-exempt fixed rate bonds. The Series 2014D-2 bonds were issued in term rate mode as floating rate notes, with an interest rate of SIFMA plus 0.36%. Both series of bonds have a final maturity of November 15, 2044. The transaction was led by book-running senior manager RBC Capital Markets together with the joint venture WBE team of Duncan-Williams Inc. and Oppenheimer & Co. Inc. as co-senior managers. Hawkins Delafield and Wood served as bond counsel and Public Financial Management, Inc. served as financial advisor.

On November 5, 2014, MTA effected a mandatory tender and remarketed $63.650 of TBTA General Revenue Bonds, Subseries 2008B-2. The Subseries 2008B-2 bonds will continue in term rate mode as floating rate notes, with an interest rate of 67% of 1-month LIBOR plus 0.50%. The Purchase Date of the

Series 2008B-2 bonds is November 15, 2021, with a final maturity of November 15, 2027. The bonds are rated Aa3, AA-, AA-, and AA by Moody's, S&P, Fitch, and Kroll, respectively. This transaction will close on November 17, 2014. The transaction was led by joint book-running remarketing agents Morgan Stanley and Siebert Brandford Shank & Co., L.L.C. Nixon Peabody served as bond counsel and Public Financial Management, Inc. served as financial advisor.

On November 25, 2014, MTA executed a 2,935,184 gallon ultra-low sulfur diesel fuel hedge with Merrill Lynch Commodities Inc. at an all-in price of $2.3950/gallon. Three of MTA's existing approved commodity counterparties participated in bidding on the transaction: Goldman, Sachs & Co./ J Aron, J.P. Morgan Ventures Energy Corporation and Merrill Lynch Commodities Inc. The hedge covers the period from November 2015 through October 2016.

On December 11, 2014, MTA effected a mandatory tender and remarketed $38.7 of TBTA General Revenue Bonds, Subseries 2005B-4c. The Subseries 2005B-4c bonds will continue in the term rate mode as floating rate notes. The final maturity of the Subseries 2005B-4c is January 1, 2030. In addition, the Subseries 2005B-4c bonds are rated Aa3, AA-, AA-, and AA by Moodys, S&P, Fitch, and Kroll, respectively. The MBE joint venture team of Morgan Stanley and Siebert Brandford Shank & Co. will lead this transaction as joint remarketing agents. Nixon Peabody will serve as bond counsel and Public Financial Management, Inc. will serve as financial advisor.

On December 18, 2014, MTA effected a mandatory tender and remarketed $75.7 of Transportation Revenue Bonds, Subseries 2005E-2. The transaction will be led by book-running remarketing agent RBC Capital Markets. Hawkins Delafield and Wood will serve as bond counsel and Public Financial Management, Inc. will serve as financial advisor.

On December 23, 2014, MTA executed a 2,935,217 gallon ultra-low sulfur diesel fuel hedge with J.P. Morgan Ventures Energy Corporation at an all-in price of $2.034/gallon. Three of MTA's existing approved commodity counterparties participated in bidding on the transaction: Goldman, Sachs & Co./ J Aron, J.P. Morgan Ventures Energy Corporation and Merrill Lynch Commodities Inc. The hedge covers the period from December 2015 through November 2016.

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METROPOLITAN TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION FUNDING PROGRESS
($ in millions)
(Unaudited)

		January 1, 2013	January 1, 2012	January 1, 2011
	LIRR [1]:			
a.	Actuarial value of plan assets	$ 400.8	$ 437.4	$ 476.0
b.	Actuarial accrued liability (AAL)	1,664.3	1,633.3	1,572.3
c.	Total unfunded AAL (UAAL) [b-a]	1,263.5	1,195.8	1,096.3
d.	Funded ratio [a/b]	24.1 %	26.8 %	30.3 %
e.	Covered payroll	$ 33.0	$ 40.0	$ 51.2
f.	UAAL as a percentage of covered payroll [c/e]	3823.8 %	2987.1 %	2142.9 %
	MaBSTOA [2]:			
a.	Actuarial value of plan assets	$ 1,764.4	$ 1,624.3	$ 1,527.1
b.	Actuarial accrued liability (AAL)	2,702.4	2,482.8	2,213.3
c.	Total unfunded AAL (UAAL) [b-a]	938.0	858.5	686.2
d.	Funded ratio [a/b]	65.3 %	65.4 %	69.0 %
e.	Covered payroll	$ 582.1	$ 576.0	$ 579.7
f.	UAAL as a percentage of covered payroll [c/e]	161.1 %	149.1 %	118.4 %
	MNR Cash Balance Plan [3]:			
a.	Actuarial value of plan assets	$ 0.878	$ 1.006	$ 1.008
b.	Actuarial accrued liability (AAL)	0.819	0.992	0.971
c.	Total unfunded AAL (UAAL) [b-a]	(0.058)	(0.015)	(0.038)
d.	Funded ratio [a/b]	107.1 %	101.5 %	103.9 %
e.	Covered payroll	$ 0.0	$ 0.0	$ 0.0
f.	UAAL as a percentage of covered payroll [c/e]	0.00 %	0.00 %	0.00 %

[1] The LIRR pension plan has a separately issued financial statement that is publicly available and contains required descriptions and supplemental information regarding the employee benefit plan. The statements may be obtained by writing to Metropolitan Transportation Authority, Comptroller, 345 Madison Avenue, New York, New York 10017-3739.

[2] MaBSTOA issues a publicly available financial report that includes financial statements and required supplementary information for the MaBSTOA Plan. That report may be obtained by writing to MaBSTOA Pension Plan, New York City Transit Authority, Operations Accounting, 2 Broadway, 15th Floor, New York, New York 10004.

[3] Further information about the MNR Plan is more fully described in the separately issued financial statements which can be obtained by writing to the MTA Metro-North Railroad, Chief Financial Officer, 347 Madison Avenue, New York, New York 10017-3739.

METROPOLITAN TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE MTA POSTEMPLOYMENT BENEFIT PLAN
($ in millions)
(Unaudited)

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrual Liability (AAL) {b}	Unfunded Actuarial Accrual Liability (UAAL) {c} = {b} - {a}	Funded Ratio {a} / {c}	Covered Payroll {d}	Ratio of UAAL to Covered Payroll {c} / {d}
December 31, 2013	January 1, 2012	$ 246	$ 20,188	$ 19,942	1.20 %	$ 4,360.6	457.3 %
December 31, 2012	January 1, 2010	-	17,764	17,764	-	4,600.0	386.1
December 31, 2011	January 1, 2010	-	17,764	17,764	-	4,600.0	386.1

METROPOLITAN TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL PLAN TO FINANCIAL STATEMENTS RECONCILIATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
($ in millions)
(Unaudited)

FINANCIAL PLAN ACTUAL — Operating loss	$	(5,853.4)
Reconciling items:		
The Financial Plan does not include amortization of the pension plan and changes due to revised actuarial calculations		(20.7)
The Financial Plan does not include postemployment benefit changes due to actuarial calculations		(14.0)
The Financial Plan does not include cash versus accrual adjustments reflected in the Financial Statements		43.6
FINANCIAL STATEMENT — Operating loss	$	(5,844.5)

The reconciliation relates to the variance items shown in the Schedule of Consolidated Reconciliation Between Financial Plan and Financial Statements.

METROPOLITAN TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

SUPPLEMENTARY INFORMATION
SCHEDULE OF CONSOLIDATED RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
($ in millions)
(Unaudited)

Category	Financial Plan Actual	Statement GAAP Actual	Variance
REVENUE:			
Farebox revenue	$ 4,261.3	$ 4,261.4	$ 0.1
Vehicle toll revenue	1,253.3	1,253.3	-
Other operating revenue	446.8	432.6	(14.2)
Total revenue	5,961.4	5,947.3	(14.1)
EXPENSES:			
Labor:			
Payroll	3,474.6	3,480.9	6.3
Overtime	554.3	561.5	7.2
Health and welfare	712.4	716.5	4.1
Pensions	1,104.8	1,125.5	20.7
Other fringe benefits	464.8	466.0	1.2
Postemployment benefits	1,878.4	1,892.0	13.6
Reimbursable overhead	(254.2)	(240.3)	13.9
Total labor expenses	7,935.1	8,002.1	67.0
Non-labor:			
Traction and propulsion	404.2	404.2	-
Electricity, fuel and power	210.8	210.9	0.1
Insurance	39.6	40.9	1.3
Claims	151.6	151.7	0.1
Paratransit service contracts	271.4	271.4	-
Maintenance and other	390.1	349.7	(40.4)
Professional service contract	194.5	154.4	(40.1)
Pollution remediation project costs	5.6	5.5	(0.1)
Materials and supplies	389.5	389.1	(0.4)
Other business expenses	128.5	120.1	(8.4)
	2,185.8	2,097.9	(87.9)
Total expenses before depreciation	10,120.9	10,100.0	(20.9)
Depreciation	1,693.9	1,693.9	0.0
Net (recoverables) /expenses related to asset impairment	-	(2.1)	(2.1)
Total expenses	11,814.8	11,791.8	(23.0)
NET OPERATING LOSS	$ (5,853.4)	$ (5,844.5)	$ 8.9

METROPOLITAN TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

SUPPLEMENTARY INFORMATION
SCHEDULE OF CONSOLIDATED SUBSIDY ACCRUAL RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2014
($ in millions)
(Unaudited)

Accrued Subsidies	Financial Plan Actual	Financial Statement GAAP Actual	Variance	
Mass transportation operating assistance	$ 1,563.9	$ 1,565.5	$ 1.6	{1}
Petroleum business tax	444.8	510.4	65.6	{1}
Mortgage recording tax 1 and 2	261.3	262.0	0.7	{1}
MRT transfer	(2.0)	(4.0)	(2.0)	{1}
Urban tax	547.0	547.0	-	
State and local operating assistance	340.8	376.0	35.2	{1}
Additional Mass Transportation Assistance Program	-	0.5	0.5	{1}
Station maintenance	123.2	123.2	-	
Connecticut Department of Transportation (CDOT)	99.1	100.0	0.9	{1}
Subsidy from New York City for MTA Bus	292.4	319.0	26.6	{1}
NYS Grant for debt service	-	8.9	8.9	{3}
Build American Bonds Subsidy	44.6	47.0	2.4	{1}
Mobility tax	1,381.2	1,381.2	-	
FTA/FEMA reimbursement related to tropical storm Sandy	-	9.5	9.5	{1}
Other nonoperating income	-	45.5	45.5	{2}
Total accrued subsidies	5,096.3	5,291.7	195.4	
Net operating deficit excluding accrued subsidies and debt service	(5,853.4)	(5,844.5)	8.9	
Total net operating deficit	$ (757.1)	$ (552.8)	$ 204.3	
Interest on long-term debt		$ (1,032.0)	$ (1,032.0)	
LOSS BEFORE APPROPRIATIONS		$ (1,584.8)		
Debt service	$ (1,749.0)	$ -	$ 1,749.0	

{1} The Financial Plan records on a cash basis while the Financial Statement records on an accrual basis.
{2} The Financial Plan records does not include other nonoperating income.
{3} The Financial Plan records does not include other nonoperating subsidy nor expense