Metropolitan Transportation Authority

(A Component Unit of the State of New York)

Independent Accountants' Review Report

Consolidated Financial Statements
Six Months Ended June 30, 2005

METROPOLITAN TRANSPORTATION AUTHORITY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members of the Board of
Metropolitan Transportation Authority

We have reviewed the accompanying consolidated balance sheet of Metropolitan Transportation Authority (the "Authority"), a component unit of the State of New York, as of June 30, 2005, and the related consolidated statements of revenues, expenses, and changes in net assets and its consolidated cash flows for the quarter ended June 30, 2005 and 2004. These consolidated interim financial statements are the responsibility of the Authority's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. 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 consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

The supplemental schedules listed in the table of contents on pages 66 through 68 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Authority's management. Such schedules were not audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them.

The consolidated financial statements for the year ended December 31, 2004 were audited by us, and based on our audit and the reports of other auditors, we expressed an unqualified opinion on them in our report dated March 31, 2005; we also applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation to the 2004 Management's Discussion and Analysis and other supplementary information required by the Governmental Accounting Standards Board and such report expressed no opinion on the information. We have not performed any auditing procedures since the date of such report.

Deloitte & Touche LLP

September 13, 2005

METROPOLITAN TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTHS ENDED JUNE 30, 2005
(Amounts in Millions)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Consolidated Financial Statements include:

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

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

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

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

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

Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the Authority for the six months ended June 30, 2005 and 2004 and the twelve months ended December 31, 2004. This management discussion and analysis is intended to serve as an introduction to the Authority's consolidated financial statements. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the consolidated financial statements.

2. FINANCIAL REPORTING ENTITY

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

MTA Related Groups

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

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

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

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

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

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

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

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

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

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

3. CONDENSED FINANCIAL INFORMATION

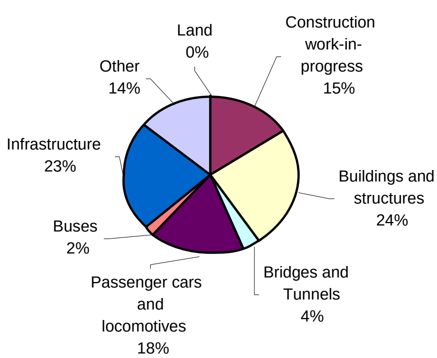
The following sections discuss the significant changes in the Authority's financial position for the six months ended June 30, 2005. An analysis of major economic factors and industry trends that have contributed to these changes is provided. It should be noted that for purposes of the MD&A, the information contained within the summaries of the consolidated financial statements and the various exhibits presented were derived from the Authorities consolidated financial statements. All dollar amounts are in millions.

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

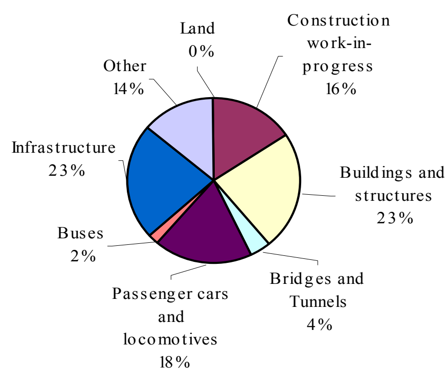
	June 2005 (Unaudited)	December 2004
Capital assets, net (see note 5)	$ 34,542	$ 33,654
Other assets	10,756	10,183
Total assets	$ 45,298	$ 43,837

Capital Assets, Net

June 30, 2005



December 31, 2004



<u>June 30, 2005 versus December 31, 2004</u>

- Net capital assets increased at June 30, 2005 by $888. The most significant portion of the increase occurred in buildings and structures, $602, followed by other, $415, infrastructure, $375 and passenger cars and locomotives, $356. These increases were partially offset by normal depreciation expenses, the decommissioning of 34 M-1 electric passenger cars from LIRR service and the demolition of the ADA overpass in Jamaica. Some of the more significant projects contributing to the increase included:

  – Rehabilitation of the East River tunnel, safety improvements and ventilation projects on LIRR line.

  – Rehabilitation of the Atlantic Terminal complex area.

- Construction of a new substation in Babylon yard of LIRR contributed to the increase in both buildings and equipment. This project work will support LIRR's future yard track re-configuration efforts while the substation supplies power through the yard tracks and the adjacent main line tracks on the Montauk Branch.

- Placing new M-7 electric cars into service on both the commuter rail systems and the incurring of additional costs for construction, testing, and quality assurance oversight.

- Continuation of the Jamaica Station rehabilitation and the construction of an inter-modal transportation center which links LIRR, JFK, AirTrain, and NYCTA subway and bus lines.

- Capitalization of the Stillwell Avenue reconstruction project in Coney Island and upgrade to the Police radio communication system.

- Various shop, yard, and depot rehabilitations, upgrade, and replacements.

- Several passenger station rehabilitations on the NYCTA subway lines.

- Rehabilitation of the tunnel walls and roadway of the Brooklyn-Battery Tunnel.

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

• Other assets had a net increase of $573.

• The major items contributing to this change include:

  - An increase of $867 in State and regional mass transit taxes receivable due primarily to the accrual of Metropolitan Mass Transit Operating Assistance after the New York State budget was approved. From the approved budget, $80 was received in June of 2005. The Approved budget amount represents an increase of $210 over the amount approved in the New York State 2004-05 budget

  - An increase of $156 in State and local operating assistance due to the accrual recorded after the New York State budget was approved in the amount of 187.

  - Station maintenance, operation and use assessments increased by $69. Station maintenance is billed annually in April with payments receipts between June and September. At December 31, 2004, the books reflected nine months of unbilled accrual. At June 30, 2005, the books reflect twelve months of billed accruals and three months of unbilled accruals.

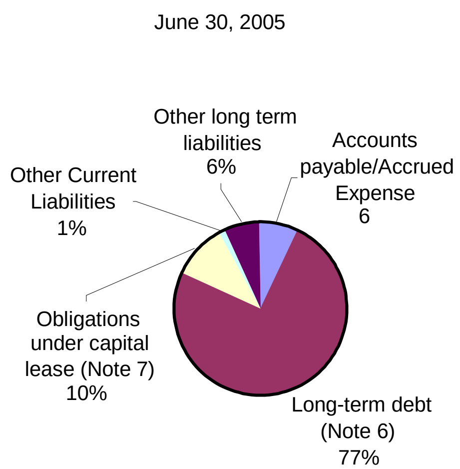
  - A net decrease in current and non-current investments of $543 due to various reasons, including use of agencies' pool funds in the amount of $516 to cover operating expenses, use of approximately $332 in bond and non-bond funds to fund capital expenditures and for debt service payments. These decreases were partially offset by MRT receipts available for investments of $136, unexpended proceeds of $25 from the $650 Transportation Revenue Bonds issued in February 2005, $136 from the issuance of $150 of TBTA General Revenue Bonds in May 2005, and $19 from cash equivalent investments by FMTAC invested in other securities.

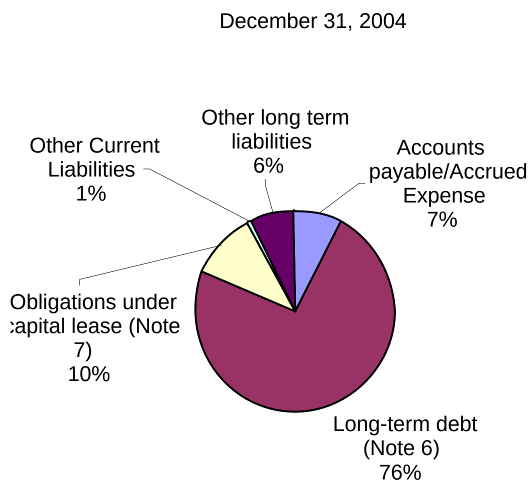
  - Cash decreased by $28 due in large part to the transfer by FMTAC of a cash equivalent investment in the amount of $19 to a less liquid security, a decrease of $9 from NYC due to timing of cash collected and counted at the stations and MetroCard Vending Machines, (approximately $4) as well as deposits in transit ($5), plus minor fluctuations at various other agencies.

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

	June 2005 (Unaudited)	December 2004
Current liabilities	$ 2,342	$ 2,487
Long-term liabilities	24,528	23,754
Total liabilities	$ 26,870	$ 26,241

Total Liabilities





Significant Changes in Liabilities Include:

June 30, 2005 versus December 31, 2004

- Current liabilities decreased by $145. This net decrease is due primarily to:

  – Accounts payable and accrued expense had a net decrease of $126. Accounts payable increased by $210 due primarily to timing differences in invoices submitted for payment. Offsetting this increase is the reduction in other accrued liabilities $265, resulting from less capital accruals due too, to a timing difference in the processing of invoices through the system. The current portion of retirement and death benefits also decreased by $95. This decrease occurred primarily at NYCTA and is due to a $94.4 pension payment.

- Long-term liabilities increased by $774. This net increase is primarily related to:

  – The increase of $793 for Long Term Debt – MTA is authorized to issue bonds to finance transit and commuter capital projects. TBTA is authorized to issue bonds to finance its own bridge and tunnel capital projects and/or transit and commuter capital projects. During the first six months of 2005, MTA and TBTA issued the following bonds to finance transit and commuter capital projects, refund certain outstanding Dedicated Tax Fund Bonds and to finance TBTA's bridge and tunnel projects:

- $350 MTA Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2005A
- $650 MTA Transportation Revenue Bonds, Series 2005A
- $150 TBTA General Revenue Variable Rate Bonds, Series 2005A

- Other long-term liabilities decreased by $58. This decrease is primarily due to the payment of insurance premiums by FMTAC, $68.

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

	June 2005 (Unaudited)	December 2004
Invested in capital assets, net of related debt	$ 13,644	$ 13,678
Restricted for debt service	974	828
Unrestricted	3,810	3,090
Total	$ 18,428	$ 17,596

<u>June 30, 2005 versus December 31, 2004</u>

At June 30, 2005, the total net assets increased by $832 from December 31, 2004. This decrease includes net non-operating revenue of $1,804, and appropriations, grants and other receipts externally restricted for capital projects of $593, partially offset by operating losses of $1,565.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	June 30 2005	June 30 2004
	(Unaudited)	
Operating Revenues		
Passenger and tolls	$ 2,364	$ 2,217
Other	184	162
Total operating revenues	2,548	2,379
Nonoperating Revenues		
Grants, appropriations, and taxes	2,187	729
Other	115	103
Total nonoperating revenues	2,302	435
Total Revenues	4,850	2,814
Operating Expenses		
Salaries and wages	1,882	1,784
Retirement and other employee abenefits	658	568
Depreciation and amortization	720	662
Other expenses	853	736
Total operating expense	4,113	3,750
Nonoperating Expense		
Interest on long-term debt	467	390
Other nonoperating expense	31	13
Total nonoperating expense	498	403
Total Expenses	4,611	4,153
Appropriations, grants, and other recepits externally restricted for capital projects	593	346
Change in net assets	832	(596)
Net assets, beginning of period	17,596	17,513
Net assets, end of period	$ 18,428	$ 16,917

Revenues and Expenses, by Major Source:

June 30, 2005 versus June 30, 2004

- Total operating revenues for the six months ended June 30, 2005 were $169 higher than in the six months ended June 30, 2004.

  – Fare revenues and vehicle toll revenues were higher than in the prior period due to the fare adjustment implemented for 30-day and 7-day Unlimited Ride MetroCards, and the express bus fare increases that went into effect on February 27, 2005; the commuter rail fares that went into effect on March 1, 2005; and the increased bridge and tunnel crossing charge schedule that went into effect on March 13, 2005. In addition, revenues of $16 from the MTA Bus Company, created in December 2004, are included for the first time. Through June 2005, ticket sales and ridership dropped on LIRR compared to the six month period ending June 2004, due to the June 2004 U.S. Open Golf tournament sales.

- Total operating expenses for the six months ended June 30, 2005 were higher than the six months ended June 30, 2004 by $363.

  – Labor costs, including retirement and other employee benefits, were higher by approximately $188. Contractual increases are the primary reason for the $98 labor cost increases in addition to increased overtime due to service disruptions on the transit system and a reduction in capital project reimbursable work at LIRR due to a delay in approval of funding the 2005 – 2009 Capital Program. Included for the first time are the labor and employee benefit costs of the MTA Bus Company which total $37. Rate increases have resulted in higher cost for health, welfare, pension and other benefit programs.

  – Non-labor operating costs were higher by approximately $175. Cost elements contributing to this increase were depreciation resulting in part from new capital assets being placed into service, $58, traction and propulsion power, and fuel expense increases of $41 are due primarily to New York Power Authority rate increases and higher fuel costs. Maintenance and other operating contracts increases, $25 are primarily from NYCTA due to higher New York Power Authority facility power rate increases, and increased heating fuel costs, and TBTA, due to an increase in bridge painting costs. Paratransit Service Contract cost increased primarily due to increased trip volume.

- Total grants, appropriations, and taxes were higher by approximately $1,458 for the six months ended June 30, 2005 compared to the six months ended June 30, 2004. The increase is due primarily to the fact that the 2004-05 New York State Budget was approved late in 2004. The 2005-06 budget was approved in April, and the appropriations are included in the June 2005 Financial Statements.

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 Authority'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 Authority must identify economic trends and continually implement strategies to adapt to changing economic conditions.

Through June 2005, authority-wide utilization posted a modest increase, with MTA ridership 2.2 percent higher (25.7 million trips) compared with ridership through June 2004. Vehicle crossings at MTA Bridges and Tunnels facilities were .56 percent lower (.828 million fewer crossings) through June 2005 when compared to the same period in 2004, the result of adverse winter weather conditions relative to conditions during 2004.

In December 2004, the MTA Board adopted a strategy to begin the process of placing MTA back on sound financial footing in the years to come. The gap closing measures approved include: implementation of agency expense reductions which maintain fundamental service levels, the implementation of fare and toll increases, and the establishment of a stabilization account to offset a potential decline in real estate related tax subsidies. Fares on New York City Transit, Staten Island Railway and Long Island Bus increased on February 27, 2005, fares on Long Island Rail Road and Metro-North Railroad increased on March 1, 2005, and tolls at Bridges and Tunnels facilities increased on March 13, 2005.

Job losses in New York City bottomed out at the start of 2004, with a modest increase of 10,000 jobs during 2004, a 0.3 percent increase. During the first half of 2005, New York City employment grew by 34,000 jobs, a 1.0 percent increase over job levels in the first half of 2004. The regional recovery is expected to gain strength, benefiting from the current economic expansion, the rebuilding of the downtown infrastructure and the economic stimulus provided through the Authority's multi-billion-dollar capital programs which create an annual average of 21,000 private sector jobs, $1,100 in wages, $100 in state and local revenues and $2,500 in economic activity.

The recoveries of the national and regional economies have resulted in a more inflationary climate. The consumer price index in the New York metropolitan area increased 3.5 percent in 2004, the largest increase since 1992. During the first half of 2005, inflation continued to increase, and was up 3.7 percent over the first half of 2004. The rising cost of energy had a tremendous impact on the consumer price index: the energy component of the index increased 10.1 percent in 2004 and 11.6 percent during the first half of 2005, while the consumer price index excluding energy increased only 3.1 percent in 2004 and 3.2 percent during the first half of 2005. The New York Harbor spot price for conventional gasoline averaged $1.18 per gallon in 2004, an increase of 33.5 percent over the 2003 average spot price. The spot price for the first half of 2005 was $1.38 per gallon, an increase of 22.7 percent over the first half of 2004.

Low mortgage rates have lifted the housing boom to a new level, increasing the forecast for real estate transaction tax revenues by $365 in 2005. For over a year, economists have been predicting – incorrectly, to date – that rates will soon increase. Breaking from historical precedent, consumer interest rates have only increased slightly over the past year, while the Federal Funds Rate has increased.

As the national economy has emerged from recession, the Federal Reserve Board has adjusted its monetary policies in an effort to keep inflation under control. Since the end of June 2004, the Federal Reserve Board has raised the Federal Funds Rate by one-quarter point on each of ten occasions. Five of the ten rate increases occurred during 2004, and five have occurred so far in 2005, with the last increase occurring on August 9. These were the first increases since May 2000, and from May 2000 through June 2004, the Federal Funds Rate declined from 6.5 percent to 1.0 percent. After the latest increase, the rate stood at 3.5 percent, its highest level since September 2001. Despite these increases, Mortgage rates remain between 4.0 percent and less than 6.0 percent, a situation Federal Reserve Chairman Alan Greenspan has called "clearly without precedent."

Results of Operations – During the six months ended June 30, 2005, paid TBTA traffic reached 147.8 million vehicles, which is 0.5 million less than 2004 volume for the same period. This decline can be attributed largely to relatively harsher weather conditions this year as well as one day less (no leap year day). The toll increase implemented on March 13, 2005 has also contributed to the reduced traffic volumes. However, as has always been the case after a toll increase, the revenue gains from the increase far exceed those lost from the subsequent decline in traffic. The E-ZPass electronic collection system continued to facilitate the management of heavy traffic volumes. On an average weekday in 2005, 74 percent of all TBTA traffic used E-ZPass.

Fare revenues in the first six months of 2005 were higher than in the first six months of 2004 by 5.2 percent. Average NYCTA weekday and weekend subway ridership increased by 3.4 percent and 4.9 percent, respectively, due to an improving City economy and higher tourism. Weekday and weekend bus ridership also increased by 1.1 percent and .01 percent respectively. Also contributing to the revenue increase were the fare adjustments implemented on February 27, 2005.

Overall, LIRR ridership declined in the first six months of 2005 when compared with the first six months of 2004, by approximately 2.0 percent. However, an increase in monthly ticket sales, coupled with the fare increase that went into effect on March 1, 2005, resulted in revenue increase of $7.3 or 3 percent when compared to the first six months of 2004. A factor contributing to the drop in ridership is the U.S. Open Golf tournament sales in June of last year.

During the first six months of 2005 MNCR's operating revenues increased by approximately 7.2 percent when compared to the first six months of 2004. A fare increase on travel that begins or ends in the State of Connecticut was effective as of January 1, 2005. A fare increase on travel in New York State took effect on March 1, 2005.

The Authority receives the equivalent of four quarters of Metropolitan Mass Transportation Operating Assistance receipts each year, with the State advancing the first quarter of each succeeding calendar year's receipts into 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. 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.

Over the last few years, the mortgage recording taxes payable to the Authority have generally exceeded expectations due primarily to the high level of home buying and refinancings caused by historically low interest rates. The Authority does not expect that its collection of mortgage recording taxes will continue at the current levels.

Capital Programs- Capital programs covering the years 2005-2009 have been approved by the MTA Board for (1) the commuter railroad operations of the Authority conducted by LIRR and MNCR (as amended to April 28, 2005, the "2005–2009 Commuter Capital Program"), (2) the transit system operated by the NYCTA and its subsidiary, MaBSTOA, and the rail system operated by SIRTOA (as amended to April 28, 2005, the "2005–2009 Transit Capital Program"), and (3) the toll bridges and tunnels operated by TBTA (as amended to April 28, 2005, the "2005–2009 TBTA Capital Program"). The 2005–2009 TBTA Capital Program was effective upon adoption by the TBTA Board. The 2005–2009 Commuter Capital Program and the 2005–2009 Transit Capital program (collectively, the "2005–2009 MTA Capital Programs") have been approved by the Metropolitan Transportation Authority Capital Program Review Board (the "CPRB").

The MTA Board approved 2005–2009 MTA Capital Programs and the TBTA 2005–2009 Capital Program through June 30, 2005 provide for $21,145 in capital expenditures, of which $11,300 relates to ongoing repairs of, and replacements to, the Transit System operated by NYCTA and MaBSTOA and the rail system operated by SIRTOA, $3,558 relates to ongoing repairs of, and replacements to, the commuter system operated by LIRR and MNCR, $4,465 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $495 relates to a multi-faceted security program, $159 relates to MTA interagency initiatives including MTA Police Department plus an MTA-wide integrated computer systems initiative, and $1,168 relates to the ongoing repairs of, and replacements to, TBTA bridge and tunnel facilities.

The combined funding sources for the approved 2005–2009 MTA Capital Programs and the TBTA 2005–2009 Capital Program include $4,217 in bonds, $6,550 in bonds via two new proposals in the 2005-2006 State Budget, $6,588 in Federal funds, and $3,790 from other sources.

Capital programs covering the years 2000–2004 have been approved by the MTA Board for (1) the commuter railroad operations of the Authority conducted by LIRR and MNCR (as amended to December 31, 2004, the "2000–2004 Commuter Capital Program"), (2) the transit system operated by the NYCTA and its subsidiary, MaBSTOA, and the rail system operated by SIRTOA (as amended to December 31, 2004, the "2000–2004 Transit Capital Program"), and (3) the toll bridges and tunnels operated by TBTA (as amended to December 31, 2004, the "2000–2004 TBTA Capital Program"). The 2000–2004 TBTA Capital Program was effective upon adoption by the TBTA Board. The 2000–2004 Commuter Capital Program and the 2000–2004 Transit Capital program (collectively, the "2000–2004 MTA Capital Programs") have been approved by the Metropolitan Transportation Authority Capital Program Review Board (the "CPRB").

The CPRB approved 2000–2004 MTA Capital Programs and the TBTA 2000–2004 Capital Program through December 31, 2004 provide for $20,619 in capital expenditures, of which $10,110 relates to ongoing repairs of, and replacements to, the Transit System operated by NYCTA and MaBSTOA and the rail system operated by SIRTOA, $3,873 relates to ongoing repairs of, and replacements to, the commuter system operated by LIRR and MNCR, $4,392 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $509 relates to planning and design and customer service projects, $249 relates to World Trade Center repair projects, $1,031 relates to the ongoing repairs of, and replacements to, TBTA bridge and tunnel facilities, and $455 relates to MTA Bus.

The combined funding sources for the approved 2000–2004 MTA Capital Programs and the TBTA 2000–2004 Capital Program include $7,919 in bonds, $6,342 in Federal funds, $4,544 from the proceeds of the MTA/TBTA debt restructuring in 2002 and $1,814 from other sources.

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Fare and Toll Changes - On December 16, 2004, the Authority's Board approved certain fare and toll increases for the MTA commuter rail, transit, and bus systems and for bridge and tunnel crossings.

Effective February 27, 2005, the cost of a 30-day Unlimited Ride MetroCard increased from 70 dollars to 76 dollars; the cost of a 7-day Unlimited Ride Metro-Card increased from 21 dollars to 24 dollars; and express bus fares increased from 4 dollars to 5 dollars per ride. The 2 dollar base fare and the 1-Day Fun Pass fare of 7 dollars did not change. Effective March 1, 2005 commuter rail fares on travel in New York State were increased on average by 7.1 percent for LIRR and 6.2 percent for MNCR. Effective March 13, 2005, an increased crossing charge schedule went into effect, and on July 1, 2005, a new monthly E-ZPass fee on private accounts went into effect.

Increase in Subsidies - Effective June 1, 2005, (1) the Authority's portion of the regional sales tax in the commuter transportation district was increased from ¼ of 1 percent to ⅜ of 1 percent and (2) the MRT-1 portion of the Authority's mortgage recording taxes was increased from 25 cents per 100 dollars of recorded mortgage to 30 cents per 100 dollars of recorded mortgage.

Creation of MTA Bus Company - MTA Bus Company ("MTA Bus") was created as a public benefit corporation subsidiary of MTA in 2004 specifically to operate certain City bus routes. At its meeting in December 2004, the MTA Board approved a letter agreement with the City of New York (the "City") with respect to MTA Bus' establishment and operation of certain bus routes (the "City Bus Routes") in areas then served by private bus operators in Manhattan, the Bronx, Queens and Brooklyn pursuant to franchises granted by the City. The letter agreement with the City provides for the following:

- A lease by the City to MTA Bus of the bus assets to operate the City Bus Routes.

- The City agrees to pay MTA Bus the difference between the actual cost of operation of the City Bus Routes (other than certain capital costs) and all revenues and subsidies received by MTA Bus and allocable to the operation of the City Bus Routes. The letter agreement permits the parties after a period of 18 months to negotiate an agreement to establish a formula-based approach for the payment of the City subsidy.

- If the City fails to timely pay any of the subsidy amounts due for a period of 30 days, MTA Bus has the right, after an additional 10 days, to curtail, suspend or eliminate service and may elect to terminate the agreement. The City can terminate the agreement on one year's notice.

MTA Bus is currently operating the routes formerly operated by the following City franchise operators:

- Liberty Lines Bus Company – operating seven express bus routes effective January 3, 2005,

- Queens Surface Bus Co. – operating 19 express and local bus routes effective February 27, 2005, and

- New York Bus Service, Inc. – operating six express routes effective July 1, 2005.

The City also expects to reach an agreement to acquire the routes operated by Transit Alliance, which operates Command Bus Co., Green Bus Lines, Jamaica Buses and Triboro Coach. It is expected that MTA Bus will begin service on those routes by the end of the fall of 2005.

Collectively, the bus lines operated and to be operated by MTA Bus serve approximately 190,000 riders per day.

Additional Bond Issues Through Second Quarter – In the first half of 2005, MTA and TBTA issued the following series of bonds:

- On February 15, 2005, the Authority issued MTA Transportation Revenue Bonds, Series 2005A in the amount of $650. These bonds were issued to finance transit and commuter projects.

- On March 24, 2005, the Authority issued MTA Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2005A in the amount of $350. These bonds were issued to refund and defease outstanding dedicated tax fund bonds.

- On May 11, 2005, TBTA issued TBTA General Revenue Variable Rate Bonds, Series 2005A in the amount of $150. These bonds were issued to finance TBTA's bridge and tunnel projects.

Additional Interest Rate Swaps – MTA and TBTA have entered into additional interest rate swaps as noted in Footnote 6 – Long Term Debt under the caption "Swap Agreements."

In the absence of the CPRB's approval of the MTA's 2005-2009 Capital Program, the MTA Board has approved interim capital programs for the first, second and third quarters of 2005 that provide for the progressing of selected capital projects totaling $309.1, $531.7 and $323.3, respectively, for an aggregate total of $1,164.1. PAL §1269b does not prohibit the MTA from progressing work included in a capital plan that has been submitted to, but not yet approved by, the CPRB as long as the projects are funded by federal funds, City of New York funds, other third party funding or cash resources.

* * * * * *

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2005 AND DECEMBER 31, 2004
(Dollars in Millions)

	June 2005 (Unaudited)	December 2004
ASSETS		
CURRENT ASSETS:		
Cash (Note 3)	$ 96	$ 124
Investments (Note 3)	1,073	1,495
Receivables:		
Station maintenance, operation, and use assessments	163	94
State and regional mass transit taxes	913	46
Mortgage Recording Tax	57	51
State and local operating assistance	164	8
Other subsidies	39	29
Connecticut Department of Transportation	20	19
Due from New York City	33	27
Other	266	256
Less allowance for doubtful accounts	(33)	(34)
Total receivables - net	1,622	496
Materials and supplies	297	274
Prepaid expenses and other current assets (Notes 2 and 4)	157	157
Total current assets	3,245	2,546
NONCURRENT ASSETS:		
Capital assets - net (Note 5)	34,542	33,654
Restricted investments held for lease obligations (Notes 3 and 7)	2,506	2,479
Investments (Note 3)	1,676	1,797
Receivable from New York State	2,317	2,342
Other noncurrent assets	1,012	1,019
Total noncurrent assets	42,053	41,291
TOTAL ASSETS	$ 45,298	$ 43,837

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2005 AND DECEMBER 31, 2004
(Dollars in Millions)

	June 2005 (Unaudited)	December 2004
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 484	$ 274
Accrued expenses:		
Interest	197	197
Salaries, wages, and payroll taxes	170	155
Vacation and sick pay benefits	591	581
Current portion - retirement and death benefits	7	102
Current portion - estimated liability from injuries to persons (Note 8)	181	182
Other	114	379
Total accrued expenses	1,260	1,596
Current portion - long-term debt (Note 6)	291	312
Current portion - obligations under capital lease (Note 7)	6	7
Deferred revenue	301	298
Total current liabilities	2,342	2,487
NONCURRENT LIABILITIES:		
Retirement and death benefits (Note 4)	59	59
Estimated liability arising from injuries to persons (Note 8)	984	945
Long-term debt (Note 6)	20,402	19,609
Obligations under capital lease (Note 7)	2,624	2,634
Contract retainage payable	216	206
Other long-term liabilities	243	301
Total noncurrent liabilities	24,528	23,754
Total liabilities	26,870	26,241
NET ASSETS:		
Invested in capital assets, net of related debt	13,644	13,678
Restricted for debt service	974	828
Unrestricted	3,810	3,090
Total net assets	18,428	17,596
TOTAL LIABILITIES AND NET ASSETS	$ 45,298	$ 43,837

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(Dollars in Millions)

	June 2005	June 2004
	(Unaudited)	
OPERATING REVENUES:		
Fare revenue	$ 1,784	$ 1,680
Vehicle toll revenue	580	537
Rents, freight and other revenue	184	162
Total operating revenues	2,548	2,379
OPERATING EXPENSES:		
Salaries and wages	1,882	1,784
Retirement and other employee benefits	658	568
Traction and propulsion power	119	98
Fuel for buses and trains	62	42
Insurance	16	10
Claims	66	69
Paratransit service contracts	76	64
Maintenance and other operating contracts	213	188
Professional service contracts	83	79
Materials and supplies	199	182
Depreciation	720	662
Other	19	4
Total operating expenses	4,113	3,750
OPERATING LOSS	(1,565)	(1,371)
NONOPERATING REVENUES (EXPENSES):		
Grants, appropriations and taxes:		
Tax supported subsidies - NYS	1,301	304
Tax supported subsidies - NYC and local	635	425
Operating subsidies - NYS	191	-
Operating subsidies - NYC and local	60	-
Total grants, appropriations, and taxes	2,187	729

(Continued)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(Dollars in Millions)

	June 2005	June 2004
	(Unaudited)	
Operating subsidies recoverable from Conneticut Department of Transportation related to New Haven Line	$ 26	$ 26
Subsidies paid to Dutchess, Orange, and Rockland Counties	(3)	(3)
Interest on long-term debt	(467)	(390)
Station maintenance, operation, and use assessments	69	66
Unrealized (loss)/gain on investment	20	11
Other nonoperating revenue	(28)	(10)
Net nonoperating revenues	1,804	429
LOSS BEFORE APPROPRIATIONS	239	(942)
APPROPRIATIONS, GRANTS, AND OTHER RECEIPTS EXTERNALLY RESTRICTED FOR CAPITAL PROJECTS	593	346
CHANGE IN NET ASSETS	832	(596)
NET ASSETS, BEGINNING OF PERIOD	17,596	17,513
NET ASSETS, END OF PERIOD	$ 18,428	$ 16,917

(Concluded)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(Dollars in Millions)

	June 2005	June 2004
	(Unaudited)	
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Passenger receipts/tolls	$ 2,437	$ 2,335
Rents and other receipts	117	119
Payroll and related fringe benefits	(2,647)	(2,267)
Other operating expenses	(866)	(631)
Net cash used in operating activities	(959)	(444)
CASH FLOWS PROVIDED BY/(USED IN) NONCAPITAL FINANCING ACTIVITIES:		
Grants, appropriations, and taxes	1,064	924
Operating subsidies from CDOT	20	25
Suburban transportation fund subsidy	-	(19)
Subsidies paid to Dutchess, Orange, and Rockland counties	(20)	(18)
Net cash provided by noncapital financing activities	1,064	912
CASH FLOWS PROVIDED BY/(USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES:		
MTA bond proceeds	1,031	1,276
TBTA bond proceeds	150	-
MTA bonds refunded	(348)	-
Capital lease payments	(9)	(14)
Grants and appropriations	767	655
CDOT capital contributions	3	3
Capital expenditures	(1,685)	(1,670)
Debt service payments	(643)	(504)
Net cash provided by capital and related financing activities	(734)	(254)
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:		
Purchase of long-term securities	(1,263)	(1,678)
Sales of maturities of securities - long-term	1,317	1,830
Purchase of short-term securities	521	(111)
Earnings on investments	26	18
Net cash used in investing activities	601	59
NET (DECREASE)/ INCREASE IN CASH	(28)	273
CASH, BEGINNING OF PERIOD	124	88
CASH, END OF PERIOD	$ 96	$ 361

See notes to consolidated financial statements.

(Continued)

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JUNE 30, 2005 AND 2004
(Dollars in Millions)

	June 2005	June 2004
	(Unaudited)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (1,564)	$ (1,371)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	720	662
Net decrease in payables, accrued expenses and other liabilities	(54)	(349)
Net (increase)/decrease in receivables	(59)	590
Net (increase)/decrease in materials and supplies and prepaid expenses	(1)	24
NET CASH USED IN OPERATING ACTIVITIES	$ (958)	$ (444)

(Concluded)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED JUNE 30, 2005
(Dollars in Millions)

1. BASIS OF PRESENTATION

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

These consolidated financial statements are of the Metropolitan Transportation Authority, including its related groups (collectively, the "Authority") 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 ("LIRR") provides passenger transportation between New York City ("NYC") and Long Island.

- Metro-North Commuter Railroad Company ("MNCR"), doing business as MNR, 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 ("SIRTOA"), doing business as SIR, provides passenger transportation on Staten Island.

- Metropolitan Suburban Bus Authority ("MSBA"), doing business as LI Bus, provides public bus service in NYC and Nassau County.

- First Mutual Transportation Assurance Company ("FMTAC") provides primary insurance coverage for property losses, which are reinsured, and assumes reinsurance coverage for station liability and force account liability.

- MTA Capital Construction Company ("MTA Capital Construction"), doing business as 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.

- MTAHQ, LIRR, MNCR, SIRTOA, MSBA, FMTAC and MTA Capital Construction collectively are referred to herein as MTA. LIRR and MNCR are referred to collectively as the Commuter Railroads.

- New York City Transit Authority ("NYCTA"), doing business as NYCT, 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 ("TBTA"), doing business as Bridges and Tunnels, operates seven toll bridges, two tunnels and the Battery Parking Garage, all within the five boroughs of New York City.

The NYCTA and TBTA are operationally and legally independent of the Authority. 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 Authority's financial statements because of the Authority's financial accountability for these entities and they are under the direction of the MTA Board. Under accounting principles generally accepted in the United States of America ("GAAP"), the Authority 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 Authority are used to support the organization as a whole. The components do not constitute a separate accounting entity (fund) since there is no legal requirement to account for the activities of the components as discrete accounting entities. Therefore, the MTA financial statements are presented on a consolidated basis with segment disclosure for each distinct operating activity.

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

2000-2004 Capital Program - The 2000-2004 Capital Program, exclusive of TBTA, initially totaling $16,462, was approved by the Authority's Board in September 1999. This plan was submitted to the CPRB for approval in October 1999 but was returned for revision in December 1999. In April 2000, the Authority's Board approved subsequent revisions to the proposed 2000 - 2004 Capital Program, with total capital expenditures of $17,062. In May 2000, CPRB approved the $17,062 Capital Program. In February 2002 the CPRB approved the bonding resolution for restructuring debt that funds the 2000-2004 Capital Program. In February 2002, the Authority's Board increased the 2000-2004 Capital Program to $17,224. The CPRB approved the increase in April 2002. In May 2002, the MTA Board increased the 2000-2004 Capital Program to $17,301. In December 2002, the Authority's Board approved changes within and an increase to the Transit, Commuter Railroads and TBTA 2000-2004 programs totaling $591.2 for infrastructure and facilities security program. In February 2003, the MTA Board approved an amended 2000-2004 Capital Program of $17,901, exclusive of TBTA. In May 2003 the $17,901 amended Capital Program was submitted to the CPRB and subsequently returned due to security funding concerns. The plan was resubmitted to the CPRB in June 2003 and approved on July 5, 2003. In December 2003, the MTA Board approved an amended 2000-2004 program of $19,104. This increase included $1,325 for new Capital Company projects mostly funded by the federal government. In January 2004, the MTA Board approved another $231 for the accelerated purchase of M-7 cars for Metro-North. This amended program was approved by the CPRB in April 2004. In December 2004, the MTA Board approved an additional $255 to the program and incorporated the capital budget for the MTA Bus Company. The current MTA Board approved 2000–2004 Capital Program through December 31, 2004 equals $20,364. This amended program was approved by the CPRB in March 2005.

In September 1999, the MTA Board approved a proposed 2000-2004 Capital Program for the TBTA that provides for approximately $1,000 in capital expenditures. This plan does not require approval of the CPRB. In March 2000, the MTA Board increased the 2000-2004 Capital Program for TBTA to $1,025. In May 2002 the MTA Board increased the TBTA program again to $1,029. In December 2004, the MTA Board amended the TBTA Capital Program to $1,031.

At June 30, 2005, $16,422 had been committed and $11,234 had been expended for the 2000-2004 Capital Program for the Authority, including TBTA.

2005-2009 Capital Program - The proposed MTA Capital Program for 2005-2009 for $27,791 was approved by the MTA Board on September 29, 2004 and submitted to the CPRB (exclusive of TBTA) on October 1, 2004. On December 1, 2004, the CPRB disapproved the proposed program to permit further deliberation on how the program will be funded in the context of other state funding needs. A revised 2005-2009 proposed program for $21,145 was submitted and approved by the MTA Board on April 28, 2005 and submitted to the CPRB on April 29, 2005. Since then, the proposed program has been withdrawn prior to the 30-day period within which the CPRB must act and resubmitted at the end of May, and vetoed at the end of June and resubmitted in the beginning of July.

In September 2004, the MTA Board approved a proposed 2005-2009 Capital Program for the TBTA that provides for approximately $1,255 in capital expenditures. This plan does not require approval of the CPRB. In April 2005, the MTA Board revised the 2005-2009 Capital Program for TBTA to $1,168.

At June 30, 2005, $428 had been committed and $97 had been expended for the 2005-2009 Capital Program for the Authority, including TBTA.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Principles of Consolidation - The consolidated financial statements consist of MTAHQ, LIRR, MNCR, SIRTOA, MSBA, FMTAC, MTA Bus, MTA Capital Construction, NYCTA, and TBTA. All significant related group transactions have been eliminated for consolidation purposes.

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

Reclassification - Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation.

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

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

All investments are recorded on the balance sheets at fair value and all investment income, including changes in the fair value of investments, is reported as revenue on the statement of revenues, expenses and changes in net assets. Fair values have been determined using quoted market values at June 30, 2005 and December 31, 2004.

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.

Self-Insurance and Risk Retention – On October 31, 2003, FMTAC, an insurance captive subsidiary of MTA, in return for the transfer of the existing assets, assumed an existing program that insured certain claims in excess of the self-insured retention limits of the agencies ("ELF") on both a retrospective and prospective basis. The self-insured retention limits are: $7 for NYCTA, MaBSTOA, MTA Bus, SIRTOA, LIRR and MNCR; $2 for MSBA; and $1.4 for MTAHQ and TBTA. 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 will issue insurance policies indemnifying the MTA, its subsidiaries, and affiliates above their specifically assigned self-insured retention with a limit of $50 per occurrence with $50 annual aggregate. FMTAC will charge appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. On December 31, 2004, the balance of the assets in this program was $82.7. Effective October 31, 2004, an All-Agency Excess Liability Insurance Policy was renewed. This coverage affords the MTA and its subsidiaries and affiliates an additional limit of $250, for a total limit of $300 ($250 excess of $50). In certain circumstances, when the assets in the program described in the preceding paragraph are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the coverage position of $50.

Property and Casualty Insurance – Effective October 31, 2004, FMTAC insures property damages or loss exposures in excess of $25 per occurrence, $75 annual aggregate, up to a limit of $1.25 billion (up from $1 billion effective October 31, 2003) for claims brought by the Authority and its related groups. With the exception of acts of terrorism (both domestic and foreign), FMTAC is reinsured in the domestic, London, and European marketplace for this coverage. With respect to acts of international terrorism covered by the Terrorism Risk Insurance Act of 2002 ("TRIA"), FMTAC is reinsured by the United States for 90 percent of losses, subject to an annual cap on all losses payable under TRIA of $100 billion. With respect to acts of terrorism not covered by TRIA, the Authority obtained an additional commercial reinsurance policy that provides coverage against all acts of terrorism in an amount of up to $125 (up from $100 effective October 31, 2003) per occurrence (subject to the $25 per occurrence self-insurance retention). In the event the occurrence is covered by TRIA, the coverage afforded by the additional policy provides for the payment of FMTAC's 10 percent retention not covered by TRIA, subject to a maximum recovery of $97.5.

On March 1, 2005 the "non-revenue fleet" automobile liability policy program was renewed. This program provides third party auto liability insurance protection for the MTA and its member agencies with the exception of NYCTA and TBTA. The policy provides $7.0 per occurrence limit with a $.5 per occurrence deductible. FMTAC renewed its deductible buy back policy, where it assumes the liability of the agencies for their deductible.

On March 1, 2005 the "Access-A-Ride" automobile liability policy program was renewed. This program provides third party auto liability insurance protection for the MTA NYCTA's Access-A-Ride program, including the contracted operators. This policy provides a $3.0 per occurrence limit with a $.5 per occurrence deductible. FMTAC renewed its deductible buy back policy, where it assumes the liability of the agencies for their deductible. FMTAC renewed its reinsurance policy whereby it reinsures the $.250 excess of $.250 on a per occurrence basis to various reinsurance companies.

FMTAC directly insures the primary $7 in losses for Station Liability and Force Account Liability for MNCR and LIRR.

Operating Revenues

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

Nonoperating Revenues

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

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

  – MRT-1 proceeds are initially used to pay MTAHQ's operating expenses. Remaining funds, if any, are allocated 55 percent to certain Transit Operations and 45 percent to the Commuter Railroads. The Commuter Railroad portion is first used to fund the NYS Suburban Highway Transportation Fund in an amount not to exceed $20 annually (subject to the moneys being returned under the conditions set forth in the governing statute if the

Commuter Railroads are operating at a deficit). As of June 30, 2005 and June 30, 2004 the amount allocated to the NYS Suburban Highway Transportation Fund was \$0 and \$0 respectively. Of the NYCTA portion, the Authority distributed \$0 and \$0 as of June 30, 2005 and June 30, 2004 respectively.

– The first \$5 of the MRT-2 proceeds is transferred to the MTA Dutchess, Orange, and Rockland Fund (\$1.5 each for Dutchess and Orange counties and \$2 for Rockland County). Additionally, the Authority 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 to the Authority increased over such payments in 1989 and (ii) the base amount received by each county as described above. Excess amounts transferable to the counties as of June 30, 2005 and June 30, 2004, were \$0 and \$0, respectively. Through June 30, 2005 the Authority has distributed \$0 from the MRT-2 funds to the Commuter Railroads and \$0 to NYCTA for their current operations. In the same period in 2004 the Authority distributed from the MRT-2 funds \$0 to the Commuter Railroads and \$0 to NYCTA for their current operations.

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

- *Dedicated Taxes* - Under NYS law, subject to annual appropriation, the Authority 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 January 1, 2006, the State is expected to increase the amount of motor vehicle fees deposited into the MTTF for the benefit of the Authority. MTTF receipts are applied first to meet certain debt service requirements or obligations and in the second instance are used to pay operating and capital costs. The MMTOA receipts are comprised of ¼ of one percent regional sales tax (which was increased effective June 1, 2005 to ⅜ of one percent), a temporary regional franchise tax surcharge, a portion of taxes on certain transportation and transmission companies, and an additional portion of the business privilege tax imposed on petroleum businesses. MMTOA receipts, to the extent that MTTF receipts are not sufficient to meet debt service requirements, will also be applied to certain debt service obligations, and secondly to operating and capital costs of the Transit System, and the Commuter Railroads.

  The State Legislature enacts in an annual budget bill for each state fiscal year an appropriation to the MTA Dedicated Tax Fund for the then current state fiscal year and an appropriation of the amounts projected by the Director of the Budget of the State to be deposited in the MTA Dedicated Tax Fund for the next succeeding state fiscal year. The assistance deposited into the MTTF is required by law to be allocated, after provision for debt service on Dedicated Tax Fund Bonds (see Note 6), 85 percent to certain Transit Operations and 15 percent to the Commuter Railroads. Revenues from this funding source are recognized based upon amounts of tax reported collected by NYS, to the extent of the appropriation.

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

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

- NYC no longer fully reimburses the Authority for costs of the free fare program for students. However, pursuant to an agreement NYS and NYC each pay $45 annually. The estimated cost of this program is approximately $151 for the 2004 - 2005 school year. NYC continued to provide for the City's $45 contribution for the 2004 - 2005 school year, of which $15 was received in December 2004. The Transit Operations approved 2005 Adopted Budget includes the remaining $30 which was received in 2005. The State's full $45 for the 2004–2005 school year was received in July 2005. The Transit Operation's 2005–2008 financial Plan assumes the continuation of the joint funding of the free fare program for students.

- As a result of the April 1995 merger of the transit police force into the NYC Police Department, policing of the transit system is being carried out by the NYC Police Department at NYC's expense. The Authority, 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 $1.8 in the six months ended June 30, 2005, and $0.9 during the first six months of 2004 from NYC for the reimbursement of transit police costs

- Federal law and regulations require a paratransit system for passengers who are not able to ride the buses and trains because of their disabilities. Pursuant to an agreement between NYC and the Authority, NYCTA, effective July 1, 1993, assumed operating responsibility for all paratransit service required in NYC by the Americans with Disabilities Act of 1990. NYC reimburses the Authority for the lesser of 33 percent of net paratransit operating expenses defined as labor, transportation, and administrative costs less fare revenues and 6 percent of gross Urban Tax Subsidies, or an amount that is 20 percent greater than the amount paid by the City for the preceding calendar year. Fare revenue and reimbursements aggregated approximately $36.1 in the six months ended June 30, 2005, and $22.1 in the six months ended June 30, 2004.

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*.

Recent Accounting Pronouncements - The Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosure* during the year ended December 31, 2003. The implementation of the standard resulted in new disclosure related to investment and credit risk.

The Authority has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. There was no impact on the Authority's financial position and results of operations for the years ended December 31, 2004 and December 31, 2003. The statement was effective for financial statements for periods beginning after June 15, 2004 and December 15, 2004, respectively.

The Authority has not completed the process of implementing GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Authority is therefore unable to prepare the statement of plan net assets, the statement of changes in net assets, notes to the financial statements, and the required supplementary information as prescribed by GASB Statement No. 43. The statement is effective in three phases based on total annual revenues. The first phase ($100 million or more of annual revenues) is effective for financial statement periods beginning after December 15, 2005, the second phase (total annual revenues of $10 million or more but less the $100 million) is effective for periods beginning after December 15, 2006, and the third phase (annual revenues of less than $10 million) is effective for periods beginning after December 15, 2007.

The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. The Authority is therefore unable to disclose the impact that adopting this statement will have on its statistical section when such statement is adopted. GASB Statement No. 44 is effective for statistical sections prepared for periods beginning after June 15, 2005.

The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Authority is therefore unable to disclose the impact that adopting this statement will have on its financial position and results of operations when such statement is adopted. GASB Statement No. 45 is effective in three phases based on total annual revenues. The first phase ($100 million or more of annual revenues) is effective for financial statement periods beginning after December 15, 2006, the second phase (total annual revenues of $10 million or more but less the $100 million) is effective for periods beginning after December 15, 2007, and the third phase (annual revenues of less than $10 million) is effective for periods beginning after December 15, 2008.

The Authority has not completed the process of implementing GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. The Authority is therefore unable to disclose the impact that adopting this statement will have on its financial position and results of operations when such statement is adopted. The statement is effective for fiscal periods beginning after June 15, 2005

3. CASH AND INVESTMENTS

Cash, including deposits in transit, consists of the following at June 30, 2005 and December 31, 2004:

	June 2005 (Unaudited)		December 2004	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
FDIC insured or collateralized deposits	$ 30	$ 25	$ 53	$ 45
Uninsured and not collateralized	66	43	71	30
	$ 96	$ 68	$ 124	$ 75

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

The Authority, on behalf of the Transit operations, Bridge and Tunnel operations and Long Island Bus operations, invests funds which are not immediately required for the Authority's operations in securities permitted by the 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 Authority's uninsured and uncollateralized deposits are primarily held by commercial banks in the metropolitan New York area and are subject to the credit risks of those institutions.

Investments, at fair value, consist of the following at June 30, 2005 and December 31, 2004:

	June 2005 (Unaudited)	December 2004
Repurchase agreements	$ 484	$ 583
U.S. Treasuries due 2005 - 2020	605	899
Irrevocable Deposit Account	11	-
Investments restricted for capital lease obligations	2,506	2,479
Commercial Paper	1,085	-
Other Agencies due 2005 - 2011	564	1,810
Total	$ 5,255	$ 5,771

Fair values include accrued interest to the extent that interest is included in the carrying amounts. Accrued interest on investments other than Treasury bills and coupons is included in other receivables on the balance sheet. The Authority'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 7, the Authority has purchased securities or entered into payment undertaking, letter of credit, or similar type agreements or instruments (guaranteed investment contracts) with financial institutions that have a credit rating of AAA by Standard and Poors, which generate sufficient proceeds to make payments under the terms of the leases. If the obligors do not perform, the Authority may have an obligation to make the related rent payments.

All investments are either insured or registered and held by the Authority or its agent in the Authority's name. Investments had weighted average yields of 3.3 percent and 2.5 percent for the three months ended June 30, 2005 and the twelve months ended December 31, 2004 respectively.

Of the above cash and investments, amounts held for restricted purposes were as follows at June 30, 2005 and December 31, 2004:

	June 2005 (Unaudited)	December 2004
Construction or acquisition of capital assets	$ 1,171	$ 1,534
Funds received from affiliated agencies for investment	265	601
Debt service	406	463
Payment of claims	308	280
Restricted for capital leases	2,478	2,479
Other	451	295
Total	$ 5,079	$ 5,652

4. EMPLOYEE BENEFITS

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

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

Defined Benefit Pension Plans

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

- The TWU-MSBA Employees' Pension Plan ("MSBA Plan") is a contributory, defined-benefit plan covering substantially all its employees who began service prior to January 23, 1983. Persons employed after that date are covered by NYS Employees' Retirement System ("NYSERS"). In 1999, the "MSBA Plan," which was administered under terms of the TWU-MSBA Employees' Pension Trust, was merged with the MTA Defined-Benefit Plan and administered by the MTA.

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

- During 2004 and 2003, NYCTA made additional contributions to the MaBSTOA Plan of $70.0 and $114.4, respectively, resulting in the recognition of a pension asset in the combined balance sheets.

- SIRTOA has a contributory defined benefit plan that is a single-employer public employee retirement system covering certain employees. Authority to amend the plan and to determine contributions rests with the MTA Board.

- *Multi-Employer Pension Plan* - The MTA Defined-Benefit Pension Plan ("MTA Plan"), a defined benefit pension plan for certain LIRR non-represented and MNCR non-represented employees hired after December 31, 1987, certain MSBA employees hired prior to January 23, 1983, MTA Police, and certain LIRR represented employees hired after December 31, 1997 and certain MNCR represented employees, is a cost-sharing multiple-employer retirement plan. LIRR, MNCR and MTA contribute to the MTA Plan, which offers distinct retirement, disability, and death benefits for covered MNCR and LIRR employees, MTA 20-year Police Retirement Plan and MSBA Employees' Pension Plan. MTA Police contribute to the MTA Plan at various rates. Annual pension costs and related information about this plan are presented in the following table for all years presented as if the plan was a single-employer plan at the MTA level. A stand-alone financial report may be obtained by writing to the MTA Comptroller, 347 Madison Avenue, New York, New York, 10017.

- LIRR, MNCR, MTA, and MSBA recognized 2004 and 2003 pension expense based upon an assessment, which on average was 12.13 percent and 18.27 percent respectively, of annual compensation. The MTA Plan may be amended by action of the MTA Board.

Annual pension costs and related information about each plan follows:

	Single-Employer Plans			
	LIRR	**SIRTOA**	**MaBSTOA**	**MTA Plan**
Date of valuation	1/1/2004	1/1/2004	1/1/2004	1/1/2004
Required contribution rates:				
Plan members	variable	3.00% (1st 10 yrs.)	variable	variable
Employer:	actuarially determined	actuarially determined	actuarially determined	actuarially determined
Employer contributions made in 2004	$ 102.8	$ 1.5	$ 142.0	$ 54.7
Three-year trend information:				
Annual Pension Cost (APC):				
2004	$ 102.9	$ 1.5	$ 140.1	$ 54.7
2003	63.8	1.6	135.2	28.2
2002	41.6	1.4	121.7	21.3
Net Pension Obligation (NPO) (assets) at end of year:				
2004	(4.7)	None	57.0	-
2003	(4.8)	None	58.9	-
2002	(4.7)	None	60.8	(3.1)
Percentage of APC contributed:				
2004	100%	100%	101%	100%
2003	100%	100%	101%	89%
2002	106%	100%	102%	112%
Components of APC				
Annual required contribution (ARC)	$ 102.8	$ 1.5	$ 142.0	$ 54.7
Interest on NPO	(0.3)	-	4.7	-
Adjustment of ARC	(0.4)	-	6.6	-
APC	102.9	1.5	140.1	54.7
Contributions made (Projected)	102.8	1.5	142.0	54.7
Change in NPO (assets)	0.1	-	(1.9)	-
NPO (assets) beginning of year	(4.8)	-	58.9	-
NPO (assets) end of year	$ (4.7)	$ -	$ 57.0	$ -

	Single-Employer Plans			
	LIRR	SIRTOA	MaBSTOA	MTA Plan
Date of valuation	1/1/2004	1/1/2004	1/1/2004	1/1/2004
Actuarial cost method	Entry age normal	Entry age normal frozen initial liability	Entry age normal frozen initial liability	Entry age normal frozen initial liability
Method to determine actuarial value of plan assets	5-year smoothing	5-year smoothing	5-year smoothing	5-year smoothing
Investment return	8.00%	8.00%	8.00%	8.00%
Projected salary increases	3.5%	4.0% - 11.0%	3.5% - 18.0%	3.5% - 36.2%
Consumer price inflation	2.50%	2.50%	2.50%	2.50%
Amortization method and period	level dollar / 29 years	level dollar / 24 years	level dollar / 16 years	level dollar / 29 years
Period closed or open	closed	closed	closed	closed

Cost-Sharing Multiple-Employer Plans

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

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

Funding Policy - NYCERS is a contributory plan, except for certain employees who entered prior to July 27, 1976 who make no contribution and for employees who entered qualifying service after July 1976, who contribute 3 percent of their salary. The State legislature passed legislation in 2000 that suspends the 3 percent contribution for employees who have 10 years or more of credited service. The NYCTA and TBTA are required to contribute at an actuarially determined rate. The contribution requirements of plan members and NYCTA and TBTA are established and amended by law. NYCTA's required contributions for NYCERS fiscal years ending June 30, 2005, 2004 and 2003 were $176.0 and $68.8, and $24.4 respectively. TBTA's contributions to NYCERS for the years ended December 31, 2004 and 2003 were $5.0, and $1.0, respectively, which were equal to or in excess of the actuary's recommendation, plus interest.

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

Plan Description and Funding Policy - MTAHQ and MSBA employees who were hired after January 23, 1983, are members of NYSLERS. NYSLERS is a cost sharing multiple- employer plan and offers a broad spectrum of benefits including retirement and disability benefits. Generally, employees contribute 3 percent of salary. In 2000, the State legislature passed legislation that suspends the 3 percent contribution of members who have 10 or more years of credited service. MTAHQ and MSBA recognize pension expense based upon annual assessments made by NYSLERS. NYSLERS pension expense was approximately $11.2, $4.9 and $1.5, for the years ended December 31, 2004, 2003 and 2002, respectively, and was equal to the annual required contributions for each year. Further information about the plan is more fully described in the publicly available statement of NYSLERS and may be obtained by writing to New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001.

Defined Contribution Plans

Single-Employer

The Long Island Rail Road Company Money Purchase Plan ("Money Purchase Plan") is a defined contribution plan that covers certain represented employees who began service with LIRR after December 31, 1987. Employees participating in the plan contribute three percent of their compensation and LIRR contributes four percent of their compensation. The Plan is administered by the LIRR Board of Managers of Pension. The MTA Board is responsible for establishing or amending the Plan's provisions and contribution requirements.

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

	December 31, 2004		December 31, 2003	
	LIRR Money Purchase Plan	MNCR Agreement Plan	LIRR Money Purchase Plan	MNCR Agreement Plan
Employer contributions	$ -	$ 11.7	$ 10.9	$ 16.2
Employee contributions	1.1	0.7	6.7	1.2

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

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

LIRR previously reported the market value of assets in the Additional Pension Plan that are held in Grantor Trust account with JP Morgan Chase & Company as an asset and corresponding liability since all rights of the employee or beneficiary are unsecured contracted rights against the LIRR. In accordance with an amendment to the Additional Plan's Trust Agreement, the assets of the trust are no longer subject to claims of general creditors and accordingly as of January 1, 2004, such assets and liabilities are no longer reflected in the consolidated financial statements.

Other Post-Employment Benefits - In addition to providing pension benefits, the Authority provides healthcare, life insurance, and survivor benefits for certain retired employees and their families. These benefits are recorded on a pay-as-you-go basis. The cost of the benefits is shared in varying proportions by the employer and employee. The number of retirees and costs of providing the benefits by the Authority follows:

	December 31, 2004		**December 31, 2003**	
	Number of Participants (Actual)	Cost of Benefits	Number of Participants (Actual)	Cost of Benefits
Authority Total	38,658	$ 211.4	38,945	$ 202.6

5. CAPITAL ASSETS

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

Capital assets are generally 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 June 30, 2005 and December 31, 2004 and 2003:

	December 31, 2003	Additions	Deletions	December 31, 2004	Additions	Deletions	June 30, 2005
Capital assets, not being depreciated							
Land	$ 124	$ 1	$ -	$ 125	$ 1	$ -	$ 126
Construction work-in-progress	5,020	2,000	1,549	5,471	676	901	5,246
Total capital assets, not being depreciated	5,144	2,001	1,549	5,596	677	901	5,372
Capital assets, being depreciated							
Buildings and structures	10,230	469	7	10,692	621	19	11,294
Bridges and tunnels	1,350	254	-	1,604	-	-	1,604
Equipment							
Passenger cars and locomotives	7,953	656	90	8,519	392	36	8,875
Buses	1,738	121	7	1,852	44	-	1,896
Infrastructure	9,743	900	8	10,635	375	-	11,010
Other	6,522	626	4	7,144	415	-	7,559
Total capital assets, being depreciated	37,536	3,026	116	40,446	1,847	55	42,238
Less accumulated depreciation							
Buildings and structures	2,556	300	-	2,856	158	5	3,009
Bridges and tunnels	324	13	-	337	9	-	346
Equipment							
Passenger cars and locomotives	2,414	271	62	2,623	148	36	2,735
Buses	1,028	107	7	1,128	57	-	1,185
Infrastructure	2,523	350	6	2,867	187	1	3,053
Other	2,279	302	4	2,577	163	-	2,740
Total accumulated depreciation	11,124	1,343	79	12,388	722	42	13,068
Total capital assets, being depreciated, net	26,412	1,683	37	28,058	1,125	13	29,170
Capital assets, net	$ 31,556	$ 3,684	$ 1,586	$ 33,654	$ 1,802	$ 914	$ 34,542

Interest capitalized in conjunction with the construction of capital assets at June 30, 2005 and December 31, 2004 is $25 and $68, respectively.

Capital assets acquired prior to April 1982 for NYCTA were funded primarily by NYC with capital grants made available to NYCTA. NYC has title to a substantial portion of such assets and, accordingly, these assets are not recorded on the books of the Authority. Subsequent acquisitions, which are part of the MTA Capital Program, are recorded at cost by NYCTA. In certain instances, title to TBTA's real property may revert to NYC in the event the Authority determines such property is unnecessary for its corporate purpose. The Authority scrapped 40 buses during the year ended December 31, 2004. Loss on disposal of capital assets of $.8 was recorded for the year ended December 31, 2004. In the first quarter of 2005, LIRR decommissioned 34 M-1 electric cars from revenue service. In addition, the ADA overpass in Jamaica was demolished and taken out of service and a loss on disposal of assets of $14.3 was recorded.

For certain construction projects, the Authority holds in a trust account marketable securities pledged by third-party contractors in lieu of cash retainages. At June 30, 2005 and December 31, 2004 these securities totaled $61.8 and $60.9, respectively, and had a market value of $65.7 and $60.7 respectively, and are not included in these financial statements.

6. LONG -TERM DEBT

	December 31, 2004	Issued	Retired	Refunded	June 30, 2005
MTA:					
Transportation Revenue Bonds 2.25% - 5.752% due through 2035	$ 6,569	$ 650	$ -	$ -	$ 7,219
Transportation Revenue Bond Anticipation Notes Commercial Paper	720	-	-	-	720
State Service Contract Bonds 3.00% - 5.50% due through 2031	2,374	-	20	-	2,354
Dedicated Tax Fund Bonds 3.00% - 6.25% due through 2031	3,305	350	-	314	3,341
Certificates of Participation 4.40% - 5.625% due through 2029	453	-	10	-	443
	13,421	1,000	30	314	14,077
Less net unamortized bond discount and premium	(457)	(5)	(37)	29	(454)
	$ 12,964	$ 995	$ (7)	$ 343	$ 13,623
TBTA:					
General Revenue Bonds 4.00% - 5.77% due though 2033	$ 4,431	$ 150	$ 6	$ -	$ 4,575
Subordinate Revenue Bonds 4.00% - 5.77% due though 2032	2,404	-	21	-	2,383
	6,835	150	27	-	6,958
Less net unamortized bond discount and premium	122	-	10	-	112
	$ 6,957	$ 150	$ 37	$ -	$ 7,070
Combined total	$ 19,921	$ 1,145	$ 30	$ 343	$ 20,693
Current portion	(312)				(291)
Long-term portion	$ 19,609				$ 20,402

MTA Transportation Revenue Bonds - As part of the Authority debt restructuring, the Authority issued in May 2002 Transportation Revenue Refunding Bonds, Series 2002A, 2002B, 2002C, and 2002D for a total amount of $3,724. In September 2002, the Authority issued Transportation Revenue Refunding Bonds Series 2002E in the amount of $397. These bonds were issued to refund Transit and Commuter Facilities Revenue Bonds as well as New York City Transit Authority Revenue Bonds. In November 2002, the Authority issued Transportation Revenue Refunding Bonds, Series 2002F and Series 2002G in the amount of $446 and $400, respectively. The purpose of these bonds was to provide for the payment of a portion of certain TBTA bond anticipation notes that were issued to finance transit and commuter projects.

In February 2005, the Authority issued Transportation Revenue Bonds, Series 2005A in the amount of $650. The Series 2005A Bonds were issued to finance transit and commuter projects. In June 2004, the Authority issued Transportation Revenue Bonds, Series 2004A, in the amount of $500. In May 2003, the Authority issued Transportation Revenue Bonds, Series 2003A in the amount of $475. The purpose of these Series 2004A and Series 2003A bonds is to finance transit and commuter projects. In August 2003, MTA issued $752 Transportation Revenue Bonds Series 2003B as long-term financing for the outstanding commercial paper program.

The Transportation Revenue Bonds are MTA's special obligations issued under the General Resolution Authorizing Transportation Revenue Obligations adopted on March 26, 2002, payable solely from transit and commuter systems revenues and certain state and local operating subsidies.

MTA Bond Anticipation Notes (commercial paper program) - In 2002, MTA Transit and Commuter Facilities Special Obligation Bond Anticipation Notes were reissued under the new MTA Transportation Bond Resolution. The interest rate payable on the notes depends on the maturity and market conditions at the time of issuance. At December 31, 2002, the average rate on the outstanding notes was 1.3 percent. Payment of principal and interest on the notes were additionally secured by a letter of credit issued by a bank. In August 2003, MTA issued $752 of Transportation Revenue Bonds, Series 2003B to pay at the respective maturity date all of MTA's Bond Anticipation Notes. The MTA Act requires MTA to periodically refund (at least each five years), its commercial paper notes with bonds. As of December 31, 2003 the Bond Anticipation Notes reissued in 2002 in the amount of $750 were all paid. In October 2003, MTA issued new Bond Anticipation Notes in the amount of $420, in accordance with the terms and provisions of the General Resolution Authorizing Transportation Revenue Obligations adopted on March 26, 2002. Payment of principal and interest is also secured by an irrevocable Letter of Credit issued by ABN AMRO bank. As of August 26, 2004, the stated amount of the letter of credit was increased to $738, thereby authorizing an additional $300 of Notes to be issued for a total of $720 authorized.

MTA State Service Contract Bonds - In June 2002, the Authority issued State Service Contract Refunding Bonds, Series 2002A, in the amount of $1,716 to refund outstanding service contract bonds issued by MTA. Also in June 2002, the Authority issued State Service Contract Bonds, Series 2002B, in the amount of $679 to finance certain transit and commuter projects. The Series 2002A and 2002B 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 - These bonds are payable solely from and secured by monies held in the Pledged Amounts Account of the MTA Dedicated Tax Fund. State law requires that the MTTF revenues and MMTOA revenues (described above in footnote 2 under "Nonoperating Revenues") be deposited, subject to appropriation by the State Legislature, into the MTA Dedicated Tax Fund.

In 2002, the Authority as part of its debt restructuring defeased all series from 1996A to 2000A by issuing Dedicated Tax Bond Series 2002A in the amount of $1,247 and Dedicated Tax Bond Series 2002B in the amount of $440.

On March 10, 2004, the Authority issued Dedicated Tax Fund Bonds Series 2004A, in the amount of $250 and Series 2004B, in the amount of $500 to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries. The 2004B bonds are issued as auction rate securities.

In December 2004, the Authority issued Dedicated Tax Fund Bonds Series 2004C, in the amount of $120 and Series 2004D, (Subseries 2004D-1, $168 and Subseries 2004D-2, $112), in the amount of $280 to finance certain transit and commuter projects operated by MTA's affiliates and subsidiaries. Series 2004D Bonds are Variable Rate Bonds.

In March 2005, the Authority issued Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2005A in the amount of $350. These Series 2005A bonds were issued to refund certain outstanding Dedicated Tax Fund Bonds.

MTA Certificates of Participation **-** In June 1999, the Authority issued fixed rate Serial and Term Certificates, Series 1999A, in the amount of $328, which represent proportionate interests in the principal and interest components of Base Rent paid severally, but not jointly, in their respective proportionate shares by NYCTA, MTA, and TBTA, pursuant to a Leasehold Improvement Sublease Agreement dated June 1, 1999. These certificates were issued to finance certain building and leasehold improvements to an office building at Two Broadway in Manhattan occupied by NYCTA and TBTA.

In June 2000, additional Certificates of Participation, Series 2000A, in the amount of $121 were executed and delivered to finance additional improvements at Two Broadway (See Note 7).

In September, 2004, the Authority executed and delivered Variable Rate Certificates of Participation, Series 2004A, (Subseries 2004A-1 through 2004-5), in the amount of $357. The Series 2004A Certificates were executed and delivered to refund certain outstanding certificates of participation.

TBTA General Revenue Bonds **-** In March 2002, TBTA issued General Purpose Revenue Bonds, Series 2002A, in the amount of $268. These bonds were issued to finance certain improvements to bridges and tunnels. In October 2002, TBTA issued General Revenue Refunding Bonds, Series 2002B, in the amount of $2,157, and General Revenue Variable Rate Refunding Bonds, Series 2002C, in the amount of $103. These bonds were issued to refund TBTA bonds issued under the old resolutions. In October 2002 TBTA substituted the TBTA General Revenue Bond Resolution (the Senior Resolution) for TBTA General Purpose Revenue Bond Resolution adopted in 1980 as the resolution securing $24 General Purpose Revenue Bonds, Series EFC1996A; $1,126 General Purpose Revenue Bonds, Series 2001A; $296 General Purpose Revenue Bonds, Series 2001B and 2001C; and $268 General Purpose Revenue Bonds, Series 2002A. In November 2002, TBTA issued $246 General Revenue Refunding Bonds, Series F. These bonds were issued to refund TBTA bonds issued under the old resolutions. These series are general obligations of TBTA, payable generally from the net revenues collected on the bridges and tunnels operated by TBTA. In 2003, TBTA issued $250 General Revenue Variable Rate Bonds, Series 2003B, to finance certain improvements on bridges and tunnels. In May 2005, TBTA issued TBTA General Revenue Variable Rate Bonds, Series 2005A in the amount of $150. These bonds were issued to finance TBTA's bridge and tunnel projects.

TBTA Subordinate Revenue Bonds **-** In August 2004 TBTA issued $250 Subordinate Revenue Variable Rate Bonds, Series 2004A. These bonds were issued to finance transit and commuter projects for the Authority, and are special obligations of TBTA, payable from the net revenues collected on the bridges and tunnels operated by TBTA. In October 2002, TBTA issued $262 Subordinate Revenue Variable Rate Refunding Bonds, Series 2002D. In November 2002, TBTA issued $756 Subordinate Revenue Refunding Bonds, Series 2002E, and $181 Subordinate Revenue Variable Rate Refunding Bonds, Series 2002G. These bonds were issued to refund TBTA bonds issued under the old resolutions. In October 2002, TBTA substituted the Subordinate Revenue Resolution for the TBTA 1991 Special Obligation Bond Resolution as the resolution securing $508 Special Obligation Variable Rate Refunding Bonds (1991 Resolution) Series 2002A-D. These series are special obligations of TBTA, payable generally from the net revenues collected on the bridges and tunnels operated by TBTA after the payment of operating expenses and debt services as required by TBTA's Senior Resolution. In March 2003, TBTA issued $500 Subordinate Revenue Bonds, Series 2003A, and in August 2004 TBTA issued $250 Subordinate Revenue Variable Rate Bonds, Series 2004A, (Subseries 2004A-1 through 2004A-3). These bonds were issued to finance transit and commuter projects and are special obligations of TBTA, payable generally from the net revenues collected on the bridges and tunnels operated by TBTA after the payment of operating expenses and senior debt services as required by TBTA's Senior Resolution.

Debt Limitation **-** The NYS Legislature has imposed limitations on the aggregate amount of debt that the Authority and TBTA can issue to fund the approved transit and commuter capital programs. For the 1992 through 2004 Capital Programs, the imposed limitation, subject to certain exclusions, is $ 16,500 compared with issuances totaling approximately $11,159 at June 30, 2005.

Bond Refundings **-** During 2002, and as part of the Debt Restructuring, the Authority retired most of the outstanding debt of the Authority with either funds available or by issuing new bonds, the proceeds of which were used to purchase US. Treasury obligations that were placed in irrevocable trusts. The principal and interest within the trusts will be used to repay the refunded debt. The trust account assets and the refunded debt are excluded from the consolidated balance sheets.

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

The debt refundings resulted in an economic loss of approximately $57 and an increase in future debt service cash flow of $4,283. The economic loss is defined as the present value of the increase in future debt service cash flows.

During 2003, the Authority completed escrow restructurings of the TBTA Subordinate Revenue Bonds Series 2002E, TBTA General Revenue Bonds Series 2002B, TBTA Subordinate Revenue Bonds Series 2002G, MTA Dedicated Tax Fund Bonds Series 2002A, MTA Transportation Revenue Bonds Series 2002E, and MTA Transportation Revenue Series 2002A. These restructurings resulted in a gross benefit of approximately $56.

At June 30, 2005, the following amounts of Authority bonds, which have been refunded, remain valid debt instruments and are secured solely by and payable solely from their respective irrevocable trusts.

MTA Transit and Commuter Facilities:	
Transit Facilities Revenue Bonds	$ 1,819
Commuter Facilities Revenue Bonds	1,679
Commuter Facilities Subordinate Revenue Bonds	79
Transit and Commuter Facilities Service Contract Bonds	1,005
Dedicated Tax Fund Bonds	1,395
Excess Loss Trust Fund	30
NYCTA:	
Transit Facilities Revenue Bonds (Livingston Plaza Project)	129
TBTA:	
General Purpose Revenue Bonds	2,376
Special Obligation Subordinate Bonds	221
Mortgage Recording Tax Bonds	253
Total	$ 8,986

Debt Service Payments **-** Principal and interest debt service payments (excluding refunded bonds) at June 30, 2005, are as follows:

	MTA		TBTA				Aggregate	
			Senior Revenue		Subordinate Revenue		Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 207	$ 325	$ 72	$ 115	$ 19	$ 64	$ 298	$ 504
2006	256	609	83	219	40	115	379	943
2007	260	599	81	216	43	113	384	928
2008	271	589	91	211	44	111	406	911
2009	284	577	95	207	48	108	427	892
2010-2014	1,628	2,677	531	959	275	500	2,434	4,136
2015-2019	2,067	2,237	704	796	407	418	3,178	3,451
2020-2024	2,635	1,693	831	602	472	314	3,938	2,609
2025-2029	3,352	1,019	1,082	364	596	189	5,030	1,572
2030-2034	2,352	228	996	80	440	43	3,788	351
2035-2039	45	2	9	1	-	-	54	3
	$ 13,357	$ 10,555	$ 4,575	$ 3,770	$ 2,384	$ 1,975	$ 20,316	$ 16,300

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

- *Dedicated Tax Fund Refunding Bonds, Series 2005A* – 3.3156% per annum taking into account the interest rate swap
- *Dedicated Tax Fund, Series 2004D* – 4.00% per annum
- *Certificates of Participation, Series 2004A* – 3.542% per annum taking into account the interest rate swaps
- *Transportation Revenue Bonds, Series 2004A* – 4.0% per annum
- *Dedicated Tax Fund, Series 2004B* – 4.00% per annum

- *Dedicated Tax Fund, Series 2002B* – 4.06% per annum until September 1, 2013 based on the interest rate swap and 4.00% per annum thereafter
- *Transportation Revenue Refunding Bonds, Series 2002B* – 4.00% per annum
- *Transportation Revenue Refunding Bonds, Series 2002C* – 4.50% per annum
- *Transportation Revenue Refunding Bonds, Series 2002D* – 4.00% per annum *and including net payments made by MTA under the swap agreements*
- *Transportation Revenue Refunding Bonds, Series 2002G* – 4.00% per annum
- *TBTA General Revenue Bonds, Series 2005A* – 4.00% per annum
- *TBTA Subordinate Revenue Bonds, Series 2004A* – 4.00% per annum
- *TBTA Subordinate Refunding Bonds, Series 2000A and 2000B* – 4.00% per annum *and including net payments made by TBTA under the swap agreements*
- *TBTA General Revenue Refunding Bonds, Series 2002C* – 4.00% per annum *and including net payments made by TBTA under the swap agreements*
- *TBTA General Revenue Refunding Bonds, Series 2002D* – 4.00% per annum
- *TBTA General Revenue Refunding Bonds, Series 2002F* – 4.00% per annum
- *TBTA General Revenue Refunding Bonds, Series 2002G* – 4.00% per annum

Tax Rebate Liability **-** Under the Internal Revenue Code of 1986, the Authority accrues a liability for an amount of rebatable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. The arbitrage liability is payable to the federal government every five years and is reported as part of other long-term liabilities. At December 31, 2004 the Authority recorded a rebate liability amounting to $2.9

Swap Agreements

Board-adopted Guidelines. The Related Entities adopted guidelines governing the use of swap contracts to manage the interest rate exposure of their debt. The Guidelines establish specific requirements that must be satisfied for a Related Entity to enter into a swap contract.

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

Activity Since January 1, 2005.

- On February 8, 2005, MTA terminated a forward hedge in the notional amount of $500 with Merrill Lynch Capital Services Inc. with MTA making a termination payment of $17 to the counterparty in connection with the issuance of $650 Transportation Revenue Bonds, Series 2005A.

- Effective March 24, 2005, MTA entered into a $350 notional amount fixed payer swap with Citigroup Financial Products Inc. in connection with the issuance on that day of $350 aggregate principal amount of Dedicated Tax Fund Variable Rate Refunding Bonds, Series 2005A. MTA is paying the counterparty the fixed rate of 3.3156 percent and the counterparty is paying the MTA 67.0 percent of one month LIBOR.

- On May 31, 2005, MTA entered into forward hedges in the aggregate notional amount of $350 with BNP Paribas North America, Inc. (60 percent) and Lehman Brothers Inc. (40 percent) with an effective date of April 27, 2006 in connection with the expected issuance of $350 of Dedicated Tax Fund Bonds.

- On June 3, 2005, MTA entered into a forward hedge in the notional amount of $350 with Lehman Brothers Inc. with an effective date of December 1, 2006 in connection with the expected issuance of $350 of Dedicated Tax Fund Bonds.

- On June 21, 2005, MTA terminated a forward hedge in the notional amount of $500 with Lehman Brothers Special Financing Inc. (60 percent) and AIG Financial Products Corp. (40 percent) with MTA making a termination payment of $22.9 million to the counterparties in connection with the issuance of $750 Transportation Revenue Bonds, Series 2005B.

- Effective July 7, 2005, TBTA entered into four swap agreements (the Initial Interest Rate Swaps) each with a notional amount of $200 and a termination date of January 1, 2032 in connection with the issuance of TBTA General Revenue Variable Rate Refunding Bonds, Series 2005B in the amount of $800. The Initial Interest Rate Swaps were entered into with Citibank, N.A., JPMorgan Chase Bank, BNP Paribas North America, Inc. and UBS AG (the Initial Counterparties). TBTA is paying the Initial Counterparties the fixed rate of 3.076 percent and the Initial Counterparties are paying TBTA 67.0 percent of one month LIBOR. TBTA also entered into a separate swap agreement (the "Basis Risk Interest Rate Swap") with UBS AG with a notional amount of $800, an effective date of July 7, 2005 and a scheduled termination date of January 1, 2012 for the purpose of mitigating the basis risk with respect to the Initial Interest Rate Swaps. Under the terms of the Basis Risk Interest Rate Swap, TBTA will pay 67.0 percent of one month LIBOR plus 43.7 basis points to the counterparty and receive a variable rate equal to the BMA Index minus 10 basis points.

Fair Value. Relevant market interest rates on the valuation date of the swaps reflected in the following charts (June 30, 2005) in some cases were higher than, and in some cases were lower than, market interest rates on the effective date of the swaps. Consequently, as of the valuation date, some of the swaps had negative fair values and some had positive fair values. In the event there is a positive fair value, MTA, TBTA and the Transit Authority would be exposed to the credit risk of the counterparties in the amount of the swaps' fair value should the swap be terminated.

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

Terms and Fair Values. The terms, fair values and counterparties of the outstanding swaps of MTA and TBTA, 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 TBTA 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 6/30/05 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 6/30/05 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2002D-1	$200.0	05/30/02	3.385%	BMA[1]	(.9)	01/01/06	Bear Stearns Capital Markets Inc.
Series 2002D-2	200.0	05/30/02	3.627	BMA	(2.3)	01/01/07	Bear Stearns Capital Markets Inc.
Series 2002D-2	200.0	01/01/07	4.45	69% of one-month LIBOR[2]	(35.6)	11/01/32	Bear Stearns Capital Markets Inc.
Proposed Series 2005C (Hedge)	500.0	09/01/05	3.584	67% of one-month LIBOR	(32.7)	11/01/35	60% – UBS AG 20% – Lehman Brothers Special Financing Inc. 20% – AIG Financial Products Corp.
Total	$1,100.0				(71.5)		

(1) The Bond Market Association Municipal Swap Index™.
(2) London Interbank Offered Rate.

MTA DEDICATED TAX FUND BONDS							
Associated Bond Issue	Notional Amounts as of 6/30/05 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 6/30/05 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2002B	$440.0	09/05/02	4.06%	Actual bond rate until 04/30/10, and thereafter, BMA	(23.0)	09/01/13	Morgan Stanley Capital Services Inc.
Series 2005A	350.0	03/24/05	3.3156	67% of one-month LIBOR	(15.0)	11/01/31	Citigroup Financial Products Inc.
Proposed Series 2006A (Hedge)	350.0	04/27/06	3.171	67% of one-month LIBOR	(3.9)	11/01/36	60% – BNP Paribas North America, Inc. 40% – Lehman Brothers Inc.
Proposed Series 2006B (Hedge)	350.0	12/01/06	3.1419	67% of one-month LIBOR	(1.8)	11/01/36	Lehman Brothers Inc.
Total	$1,490.0				(43.7)		

TBTA SENIOR LIEN REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 6/30/05 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 6/30/05 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2001B and 2001C[3]	$255.1	01/01/02	5.777%	Actual bond rate	(40.6)	01/01/19	Citigroup Financial Products Inc.
Series 2002C[4]	77.2	01/01/00	5.634	Actual bond rate	(11.2)	01/01/13	Ambac Financial Services, L.P.
Total	$332.3				(51.8)		

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[3] In accordance with a swaption entered into on February 24, 1999 with the Counterparty paying to TBTA a premium of $19.2.
[4] In accordance with a swaption entered into on February 24, 1999 with the Counterparty paying to TBTA a premium of $8.4.

TBTA SUBORDINATE REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 6/30/05 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 6/30/05 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2000A and 2000B(5)	$223.9	01/01/01	6.08%	Actual bond rate	(44.3)	01/01/19	Bear Stearns Capital Markets Inc.
Series 2000C and 2000D	223.9	01/01/01	6.07	Actual bond rate	(42.8)	01/01/19	Citigroup Financial Products Inc.
Series 2002G-1	90.5	11/26/02	3.218	Lesser of actual bond rate, or 67% of one-month LIBOR minus 45 basis points	(2.6)	01/01/18	JPMorgan Chase Bank
Series 2002G-2	90.5	11/26/02	3.218	Lesser of actual bond rate, or 67% of one-month LIBOR minus 45 basis points	(2.6)	01/01/18	JPMorgan Chase Bank
Total	$628.8				(92.3)		

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

2 Broadway Certificates of Participation Swaps

In addition to the foregoing, MTA, the Transit Authority and TBTA entered into separate ISDA Master Agreements with UBS AG relating to the $357.9 Variable Rate Certificates of Participation, Series 2004A (Auction Rate Securities) in connection with the refunding of certain certificates of participation originally executed to fund certain improvements to the office building located at 2 Broadway in Manhattan. The 2 Broadway swaps have (1) an effective date of September 22, 2004, (2) a fixed rate paid of 3.092 percent, (3) a variable rate received of the lesser of (a) the actual bond rate, or (b) 67 percent of one-month LIBOR minus 45 basis points, and (4) a termination date of January 1, 2030. The Transit Authority is responsible for $245.9 notional amount of the swaps, MTA for $75.2 aggregate notional amount, and TBTA for $36.9 aggregate notional amount. As of June 30, 2005, the aggregate unaudited fair value of the swaps was $(42.3).

Counterparty Ratings

The current ratings of the counterparties, or their credit support providers, are as follows:

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

Except as set forth below, the notional amounts of the swaps match the principal amounts of the associated bonds. The following table sets forth the notional amount and the outstanding principal amount as of June 30, 2005 for the swap where the notional amount does not match the outstanding principal amount of the associated bonds.

Associated Bond Issue	Principal Amount of Bonds (in millions)	Notional Amount (in millions)
TBTA General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C	$296.4	$255.1
TBTA General Revenue Variable Rate Refunding Bonds, Series 2002C	$103.3	$77.2

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

Risks Associated with the Swap Agreements

From MTA's, TBTA's and the Transit Authority's perspective, the following risks are generally associated with swap agreements:

- Credit Risk – The counterparty becomes insolvent or is otherwise not be able to perform its financial obligations. In the event of a deterioration in the credit ratings of the counterparty or MTA/TBTA/Transit Authority, 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, TBTA or the Transit Authority 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, TBTA or the Transit Authority 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, TBTA or the Transit Authority.

- Termination Risk – The swap agreement will be terminated and MTA, TBTA or the Transit Authority will be required to make a large termination payment to the counterparty.

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

Credit Risk. The following table shows the diversification, by percentage of notional amount, among the various counterparties that have entered into ISDA Master Agreements with MTA and/or TBTA, or in connection with the 2 Broadway Certificates of Participation refunding. The notional amount totals below include both Bear Stearns swaps relating to the Transportation Revenue Bonds, Series 2002D-2 (one of which swaps terminates on January 1, 2007, which is the date that the other swap becomes effective) and includes all five swaps (including the UBS basis risk swap) in connection with the TBTA General Revenue Variable Rate Refunding Bonds, Series 2005B. The counterparties have the ratings set forth above.

Counterparty	Notional Amount (in millions)	% of Total Notional Amount
UBS AG	$1,657.9	30.1%
Citigroup Financial Products Inc.	1,029.0	18.7
Bear Stearns Capital Markets Inc.	823.9	15.0
Lehman Brothers Special Financing Inc.	590.0	10.7
Morgan Stanley Capital Services Inc.	440.0	8.0
BNP Paribas North America, Inc.	410.0	7.4
JPMorgan Chase Bank	381.0	6.9
AIG Financial Products Corp.	100.0	1.8
Ambac Financial Services, L.P.	77.2	1.4
Total	$5,509.0	

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

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

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

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

The following tables set forth the ratings criteria and threshold amounts relating to the posting of collateral set forth for MTA, TBTA or the Transit Authority, 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-1 and Series 2002D-2	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$10.0
	Fitch – BBB and below or unrated, Moody's – Baa2 and below or unrated by S&P & Moody's, or S&P – BBB and below or unrated	$0.0
Series 2005C Hedge (September 1, 2005)	Fitch – BBB+, Moody's – Baa1, or S&P – BBB+	$10.0
	Fitch – below BBB+, Moody's – below Baa1, or S&P – below BBB+	$0.0

MTA Dedicated Tax Fund Bonds		
Associated Bond Issue	If the highest rating of the related MTA bonds or the counterparty’s long-term unsecured debt falls to	Then the downgraded party must post collateral if its estimated termination payments are in excess of
Series 2002B	Fitch – BBB+, or S&P – BBB+	$10.0
	Fitch – BBB and below or unrated, or S&P – BBB and below or unrated	$0.0
Series 2005A [Note: for this swap, MTA is not required to post collateral under any circumstances.]	Fitch – A-, or Moody’s – A3, or S&P – A-	$10.0
	Fitch – BBB+ and below, or Moody’s – Baa1 and below, or S&P – BBB+ and below	$0.0
Series 2006A Hedge (April 27, 2006) and Series 2006B Hedge (December 1, 2006)	For counterparty, Fitch – A-, or Moody’s – A3, or S&P – A-	$10.0
	For MTA, Fitch – BBB+, or Moody’s – Baa1, or S&P – BBB+	$30.0
	For MTA, Fitch – BBB, or Moody’s – Baa2, or S&P – BBB	$15.0
	For counterparty, Fitch – BBB+ and below, or Moody’s – Baa1 and below, or S&P – BBB+ and below	$0.0
	For MTA, Fitch – BBB- and below, or Moody’s – Baa3 and below, or S&P – BBB- and below	$0.0

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

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

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

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

Under each MTA and TBTA 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 TBTA have structured each of the swaps (other than the 2 Broadway swaps) in a manner that will permit MTA or TBTA to bond the termination payments under any available bond resolution.

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

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

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

MTA Transportation Revenue and Dedicated Tax Fund Bonds	
Associated Bond Issue	Additional Termination Event(s)
Transportation Revenue Bonds	
Series 2002D-1, Series 2002D-2 (both swaps) and Series 2005C Hedge	The ratings by S&P and Moody's of the Counterparty or the MTA Transportation Revenue Bonds falls below "BBB-" and "Baa3", respectively, or are withdrawn.
Dedicated Tax Fund Bonds	
Series 2002B	The ratings by S&P and Fitch of the Counterparty or the MTA Dedicated Tax Fund Bonds falls below "BBB-" or are withdrawn.
Series 2005A Bonds and Series 2006A and Series 2006B Hedges	The ratings by S&P or Moody's of the Counterparty fall below "BBB+" or "Baa1", respectively, or the ratings of S&P or Fitch with respect to the MTA Dedicated Tax Fund Bonds falls below "BBB" or, in either case the ratings are withdrawn.

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

TBTA Senior and Subordinate Revenue Bonds	
Associated Bond Issue	Additional Termination Events
Senior Lien Revenue Bonds	
Series 2001B and 2001C and Series 2002C	1. TBTA 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 TBTA demonstrates its ability to make the termination payments, or TBTA 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.
Series 2005B interest rate swap and basis risk swap	The ratings by S&P or Moody's of the Counterparty fall below "BBB+" or "Baa1", respectively, or the ratings of S&P or Moody's with respect to the TBTA Senior Lien Revenue Bonds falls below "BBB" or "Baa2", respectively, or , in either case the ratings are withdrawn.
Subordinate Revenue Bonds	
Series 2000A, 2000B, 2000C and 2000D	1. TBTA 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 TBTA demonstrates its ability to make the termination payments, or TBTA 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.
Series 2002G-1 and Series 2002G-2	1. The ratings by S&P and Moody's of the Counterparty or the TBTA Subordinate Revenue Bonds falls below "BBB-" and "Baa3", respectively, or are withdrawn. 2. TBTA may terminate the swap at no cost on or after December 29, 2010 in the case of the Series 2002G-1 swap, and on or after January 5, 2011 in the case of the Series 2002G-2 swap.

Rollover Risk. MTA and TBTA 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 TBTA 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
TBTA General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C	01/01/32	01/01/19
MTA Dedicated Tax Fund Variable Rate Bonds, Series 2002B	11/01/22	09/01/13
MTA Transportation Revenue Variable Rate Refunding Bonds, Series 2002D-1	11/01/29	01/01/06
TBTA General Revenue Variable Rate Refunding Bonds, Series 2002C	01/01/33	01/01/13
TBTA Subordinate Revenue Variable Rate Refunding Bonds, Series 2002G(1)	11/01/32	01/01/18
TBTA General Revenue Variable Rate Refunding Bonds, Series 2005B basis risk swap	01/01/32	01/01/12

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

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

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'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)				
	Variable-Rate Bonds			
Fiscal Year Ending December 31	Principal	Interest	Net Swap Payments	Total
2005	$ -	$33.6	$(1.7)	31.9
2006	-	33.6	(0.5)	33.1
2007	-	33.6	1.2	34.8
2008	-	33.6	1.2	34.8
2009	-	33.6	1.2	34.8
2010-2014	40.9	167.7	5.5	214.1
2015-2019	233.2	140.4	4.5	378.1
2020-2024	256.8	87.1	4.5	348.4
2025-2029	131.9	50.9	4.5	187.3
2030-2034	177.2	16.3	1.8	195.4

TBTA (in millions)				
	Variable-Rate Bonds			
Fiscal Year Ending December 31	Principal	Interest	Net Swap Payments	Total
2005	$20.8	$41.3	$14.4	$76.5
2006	22.1	40.3	13.5	75.9
2007	23.5	39.1	12.6	75.2
2008	31.3	38.6	11.5	81.3
2009	33.6	36.7	11.1	81.3
2010-2014	213.9	160.3	38.2	412.5
2015-2019	282.8	107.2	7.7	397.6
2020-2024	134.0	71.8	-	205.8
2025-2029	169.5	39.9	-	209.4
2030-2034	118.0	6.5	-	124.4

7. LEASE TRANSACTIONS

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

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

December 31, 2004, the Authority has recorded a long-term capital obligation and capital asset of $282 arising from the transaction.

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

Under the terms of the lease/leaseback agreement, the Authority initially received $76.6, which was utilized as follows. The Authority paid $59.8 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the Authority to make these payments to the third party. The Authority used $12.5 to purchase a Letter of Credit from an affiliate of the third-party's lender, guaranteed by the third-party lender's parent. This payment, together with the aforementioned obligation of the third-party's lender, is sufficient to settle all obligations, including the cost of purchasing the third party's remaining rights at the end of the sublease period if the purchase options are exercised. At December 31, 2004, the Authority has recorded a long-term capital obligation and capital asset of $50 arising from the transaction. The net proceeds are deferred and amortized to operations over the period of the lease.

On September 25, 2002 and December 17, 2002 the Authority entered into four sale/leaseback transactions whereby NYCTA transferred ownership of certain NYCTA subway cars to the Authority, the Authority sold those cars to third parties, and MTA leased those cars back from such third parties. The Authority subleased the cars to NYCTA. The four leases expire in 2032, 2034, 2033, and 2033, respectively. At the lease expiration, the Authority 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 Authority initially received $1,514.9, which was utilized as follows: The Authority paid $1,058.6 to affiliates of certain of the lenders to the third parties, which affiliates have the obligation to make a portion of the lease rent payment equal to the debt service on the related loans, thereby eliminating the need for MTAHQ to make these payments to the third parties. The Authority also purchased Freddie Mac, FNMA, and U.S. Treasury debt securities in amounts and with maturities which are sufficient to make the lease rent payments equal to the debt service on the loans from the other lenders to the third parties. In the case of one of the four leases, MTAHQ also purchased Freddie Mac debt securities in amounts and with maturities which are expected to be sufficient to pay the remainder of the lease rent payments under that lease and the purchase price due upon exercise by the Authority of the purchase option if exercised. In the case of the other three leases, the Authority entered into Equity Payment Agreements with Premier International Funding Co. (which are guaranteed by Financial Security Assurance, Inc.) whereby that entity has the obligation to provide to the Authority the amounts necessary to make the remainder of the basic lease rent payments under the leases and to pay the purchase price due upon exercise by the Authority of the purchase options if exercised. The amount remaining after payment of transaction expenses, $96.2, was the Authority's net benefit from these four transactions. These amounts are deferred and amortized to operations over the period of the lease.

During 1995, TBTA entered into a sale/leaseback transaction with a third party whereby the TBTA sold certain subway cars, which were contributed by the NYCTA, for net proceeds of $84.2. These cars were subsequently leased back by the TBTA under a capital lease. The deferred credit of $34.2 was netted against the carrying value of the leased assets, and the assets were recontributed to the

NYCTA. TBTA transferred $5.5 to the Authority, representing the net economic benefit of the transaction. The remaining proceeds, equal to the net present value of the lease obligation, of which $71.3 was placed in an irrevocable deposit account and $7.5 was invested in U.S. Treasury Strips. The estimated yields and maturities of the deposit account and the Treasury Strips are expected to be sufficient to meet all obligations under the lease as they become due. The capital lease obligation is included in other long-term liabilities. At the end of the lease term TBTA has the option to purchase the subway cars for approximately $106 which amount has been reflected in the net present value of the lease obligation, or to make a lease termination payment of approximately $89.

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

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

On June 3, 2003, the Authority entered into a sale/leaseback transaction whereby NYCTA transferred ownership of certain NYCTA subway cars to the Authority, the Authority sold those cars to a third party, and the Authority leased those cars back from such third party. The Authority subleased the cars to NYCTA. The lease expires in 2033. At the lease expiration, the Authority 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 Authority initially received $168.1 million, which was utilized as follows: The Authority paid $126.3 to an affiliate of one of the lenders to the third party, which affiliate has the obligation to make a portion of the lease rent payment equal to the debt service on the related loan, thereby eliminating the need for MTAHQ to make these payments to third parties. The Authority also purchased FNMA and U.S. Treasury securities in amounts and with maturities which are sufficient to make the lease rent payments equal to the debt service on the loans from the other lender to the third party and to pay the remainder of the rent under that lease and the purchase price due upon exercise by the Authority of the purchase option if exercised. The amount remaining after payment of transaction expenses, $7.4, was the Authority's benefit from the transaction.

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

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

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

On April 8, 1994, the Authority 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 Authority an option to purchase the leased property after the 25th anniversary of the amended lease. The amended lease comprises both operating (for the lease of land) and capital (for the lease of buildings and track structure) elements.

In August 1988, the Authority 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 Authority under this agreement is included in other assets. This amount is being amortized over 30 years. In addition to the 99-year lease, LIRR 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 Authority 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 $13 through June 30, 2005 and $21 through June 30, 2004.

At June 30, 2005, the future minimum lease payments under non-cancelable leases are as follows:

Year	Operating	Capital
2005	$ 97	$ 130
2006	82	183
2007	32	1,145
2008	27	99
2009	25	306
2010 - 2014	83	560
2015 - 2019	65	384
2020 - 2024	60	688
2025 - 2029	54	233
2030 - 2034	45	1,613
Thereafter	464	625
	$ 1,034	5,966
Amount representing interest		(3,336)
Present value of capital lease obligations		$ 2,630

8. 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 periods ended June 30, 2005 and December 31, 2004 is presented below:

	June 30, 2005 (Unaudited)	December 31, 2004
Balance, beginning of year	$ 1,127	$ 1,049
Activity during the year:		
Current year claims and changes in estimates	112	216
Claims paid	(74)	(138)
Balance, end of period	1,165	1,127
Less current portion	(181)	(182)
Long-term liability	$ 984	$ 945

9. COMMITMENTS AND CONTINGENCIES

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

Management has reviewed with counsel all actions and proceedings pending against or involving the Authority, 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 Authority.

10. SEGMENT INFORMATION (Presented by Operating Activity)

	MTA	Commuters	Transit	Bridges and Tunnels	Eliminations	Total
JUNE 30, 2005 (Unaudited)						
Operating revenue	$ 60	$ 453	$ 1,464	$ 589	$ (18)	2,548
Depreciation and amortization	15	212	469	24	-	720
Subsidies and grants	1,305	-	39	-	(39)	1,305
Tax revenue	577	-	421	-	(116)	882
Interagency subsidy	207	-	58	(207)	(58)	-
Operating (deficit) surplus	(175)	(596)	(1,206)	412	-	(1,565)
Net (deficit) surplus	1,226	(585)	107	82	2	832
Capital expenditures	1,680	172	341	74	(582)	1,685
JUNE 30, 2005 (Unaudited)						
Total assets	10,199	8,796	24,169	3,492	(1,358)	45,298
Net working capital	766	(35)	(339)	(165)	676	903
Long-term debt	13,623	-	-	7,116	(46)	20,693
Net assets	(7,331)	7,982	21,881	(4,106)	2	18,428
JUNE 30, 2004 (Unaudited)						
Operating revenue	$ 44	$ 431	$ 1,380	$ 543	$ (19)	2,379
Depreciation and amortization	14	188	440	20	-	662
Subsidies and grants	57	-	-	-	-	57
Tax revenue	523	-	265	-	(116)	672
Interagency subsidy	198	-	46	(198)	(46)	-
Operating (deficit) surplus	(131)	(538)	(1,097)	383	12	(1,371)
Net (deficit) surplus	(208)	(512)	61	51	12	(596)
Capital expenditures	784	48	174	47	(270)	783
DECEMBER 31, 2004						
Total assets	9,611	8,531	24,115	3,341	(1,761)	43,837
Net working capital	523	(83)	(85)	(166)	(130)	59
Long-term debt	12,964	-	-	7,003	(46)	19,921
Net assets	(7,703)	7,713	21,773	(4,187)	-	17,596

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

11. SETTLEMENT OF CLAIMS

The September 11, 2001 terrorist attack on the World Trade Center in New York resulted in the following significant items: (1) significant physical and structural damage to NYCTA's N, R, 1, and 9 lines and related facilities and stations; (2) temporary closure of some of TBTA's bridges and tunnels, and certain restrictions imposed on the number of vehicle occupants when the facilities were reopened; (3) safety and security expenditures in and around the World Trade Center; and (4) temporary closure of MNCR's Grand Central Terminal and LIRR's Pennsylvania Station.

In April 2004, the Authority settled its claims with its property insurance carriers for damage caused as a result of the September 11, 2001 terrorist attack. The global settlement in the amount of $398 represents the settlement of claims for losses related to physical damage of property, loss of revenues, increased operating expenses, and other expenses related to the clean up of its facilities caused by the attack.

12. SUBSEQUENT EVENTS

Approval of Capital Program **–** On July 13, 2005, the MTA Capital Program Review Board approved the 2005-2009 Capital Program in the total amount of $21,145, $11,300 of which is for the core transit program, $3,558 is for the core commuter program, $1,167 is for the core bridges and tunnels program, $495 is for the security program, $134 is for the interagency program and $4,490 is for the system expansion projects, including East Side Access, the Second Avenue Subway, the JFK Link and the City #7 Line Extension. Funding for the approved 2005-2009 Capital Program is expected to come from the following: Federal moneys ($6,588); City ($400); City #7 Line Funds ($1,990); Asset Sales, Carryover and Program Income ($1,400); New York State Bond Act ($1,450); MTA Bonds ($4,217); and MTA Bonds from new sources ($5,100).

Additional Bond Issues – Following June 30, 2005, MTA and TBTA issued the following series of bonds:

- On July 1, 2005, the Authority issued MTA Transportation Revenue Bonds, Series 2005B in the amount of $750. These bonds were issued to finance transit and commuter projects.

- On July 7, 2005, TBTA issued TBTA General Revenue Variable Rate Refunding Bonds, Series 2005B in the amount of $800. These bonds were issued primarily to refund certain outstanding TBTA bonds, with a small amount available to finance TBTA's bridge and tunnel projects.

Additional Interest Rate Swaps – MTA and TBTA have entered into additional interest rate swaps as noted in Footnote 6 – Long Term Debt under the caption "Swap Agreements,"

TBTA is currently the owner of the John D. Caemmerer West Side Yard (the "West Side Yard") located between 30th and 33rd Streets and 10th and 12th Avenues in Manhattan. The West Side Yard is currently used as a commuter rail car and locomotive storage yard with support facilities. On February 22, 2005, the Authority solicited interest for the sale or lease of the air space and related real property interests above the western portion of the West Side Yard for development. It is expected that the Authority will solicit interest for the sale or lease of the air space and related real property interests above the eastern portion of the West Side Yard in the future. In the event the Authority selects a developer for all or any portion of the site, it is expected that TBTA will transfer title to the West Side Yard to the Authority for nominal value. It is the Authority's expectation that substantially all of the net proceeds of any development sale or lease will be applied to the transit and commuter capital programs. On June 2, 2005, the State Supreme Court upheld the MTA Board's decision to sell for $250 a portion of the air rights over the western portion of the West Side Yard to an affiliate of the

New York Jets football team for development of the New York Sports and Convention Center. The time to appeal the Court's decision has not yet expired.

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METROPOLITAN TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION: SCHEDULE OF PENSION FUNDING PROGRESS (Dollars - In Millions)

		January 1, 2004	January 1, 2003	January 1, 2002
	LIRR			
a.	Actuarial value of plan assets	$ 689.7	$ 701.9	$ 820.8
b.	Actuarial accrued liability (AAL)	1,745.6	1,567.2	1,451.4
c.	Total unfunded AAL (UAAL) [b-a]	1,055.9	865.3	630.6
d.	Funded ratio [a/b]	39.5 %	44.8 %	56.6 %
e.	Covered payroll	$ 151.2	$ 174.9	$ 180.3
f.	UAAL as a percentage of covered payroll [c/e]	698.3 %	494.7 %	349.8 %
	SIRTOA			
a.	Actuarial value of plan assets	$ 36.8	$ 34.4	$ 33.8
b.	Actuarial accrued liability (AAL)	44.8	42.4	42.0
c.	Total unfunded AAL (UAAL) [b-a]	7.9	8.1	8.2
d.	Funded ratio [a/b]	82.3 %	81.0 %	80.5 %
e.	Covered payroll	$ 15.5	$ 15.7	$ 15.3
f.	UAAL as a percentage of covered payroll [c/e]	51.0 %	51.6 %	53.6 %
	MaBSTOA			
a.	Actuarial value of plan assets	$ 713.2	$ 629.8	$ 656.4
b.	Actuarial accrued liability (AAL)	1,663.3	1,564.6	1,614.9
c.	Total unfunded AAL (UAAL) [b-a]	950.1	934.8	958.5
d.	Funded ratio [a/b]	42.9 %	40.3 %	40.6 %
e.	Covered payroll	$ 460.9	$ 450.6	$ 432.7
f.	UAAL as a percentage of covered payroll [c/e]	206.1 %	207.5 %	221.5 %
	MTA			
a.	Actuarial value of plan assets	$ 391.6	$ 243.2	$ 255.5
b.	Actuarial accrued liability (AAL)	554.0	268.0	284.3
c.	Total unfunded AAL (UAAL) [b-a]	162.4	24.8	28.8
d.	Funded ratio [a/b]	70.7 %	90.7 %	89.9 %
e.	Covered payroll	$ 451.1	$ 154.0	$ 144.7
f.	UAAL as a percentage of covered payroll [c/e]	36.0 %	16.1 %	19.9 %

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METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL PLAN TO FINANCIAL STATEMENTS RECONCILIATION
SIX MONTHS ENDED JUNE 30, 2005
(Dollars in Millions)

	(Unaudited)
FINANCIAL PLAN ACTUAL - OPERATING LOSS	**$ (1,508.3)**
Reconciling items:	
TBTA Depreciation Expense - The Financial Plan subtracts the TBTA's depreciation in order to reflect the transfer of surplus revenues.	(23.9)
The Financial Statements include revenue and expense for the MTA Bus Company. The Financial Plan currently does not include the MTA Bus Company	(30.7)
Various agencies recorded additional accruals after the Financial Plan was published.	(2.0)
Rounding	-
FINANCIAL STATEMENT - OPERATING LOSS	**$ (1,564.9)**

METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
CONSOLIDATED RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2005
(Dollars in Millions)

Category	Financial Plan Actual (Unaudited)	Financial Statement GAAP Actual (Unaudited)	Variance
REVENUE			
Farebox Revenue	$ 1,769.5	$ 1,784.6	$ 15.1
Vehicle Toll Revenue	579.5	579.5	-
Other Operating Revenue	207.3	184.2	(23.1)
Total Revenue	**2,556.3**	**2,548.3**	**(8.0)**
EXPENSES			
Labor:			
Payroll	1,665.5	1,693.1	(27.6)
Overtime	189.1	189.1	-
Health and Welfare	380.0	385.2	(5.2)
Pensions	174.4	174.7	(0.3)
Other Fringe Benefits	187.1	190.1	(3.0)
Reimbursable Overhead	(116.4)	(91.9)	(24.5)
Rounding	-	-	-
Total Labor Expenses	**2,479.7**	**2,540.3**	**(60.6)**
Non-Labor:			
Traction and Propulsion Power	118.6	118.6	-
Fuel for Buses and Trains	61.3	62.5	(1.2)
Insurance	16.2	16.2	-
Claims	65.8	65.8	-
Paratransit Service Contracts	76.0	76.0	-
Maintenance and Other Operating Contracts	211.0	212.7	(1.7)
Professional Service Contract	83.5	82.8	0.7
Materials & Supplies	193.5	199.4	(5.9)
Other Business Expenses	93.0	18.8	74.2
Rounding	-	-	-
Total Non-Labor Expenses	**918.9**	**852.8**	**66.1**
Other Expenses Adjustments:			
Interagency Subsidy	**(28.7)**	**-**	**(28.7)**
Total Other Expense Adjustments	**(28.7)**	**-**	**(28.7)**
Total Expenses Before Depreciation	**3,369.9**	**3,393.1**	**(23.2)**
Depreciation	718.6	720.1	(1.5)
TBTA Depreciation Expense	(23.9)	-	(23.9)
Rounding	-	-	-
Total Expenses (Excluding TBTA Depreciation)	**4,064.6**	**4,113.2**	**(48.6)**
Net Operating Surplus/(Deficit) Excluding Subsidies and Debt Service	**$ (1,508.3)**	**$ (1,564.9)**	**$ (56.6)**

METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
CONSOLIDATED SUBSIDY ACCRUAL RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2005
(Dollars in Millions)

Accrued Subsidies	Financial Plan Actual (Unaudited)	Financial Statement GAAP Actual (Unaudited)	Variance	
Mass Transportation Operating Assistance	$ 982.1	$ 982.1	$ -	
Petroleum Business Tax	257.9	257.9	-	
Mortgage Recording Tax 1	207.5	207.5	-	
Mortgage Recording Tax 2	150.7	150.7	-	
Urban Tax	265.7	265.7	-	
State and Local Operating Assistance	220.1	251.0	30.9	**{1}**
Nassau County Subsidy to Long Island Bus	10.5	10.5	-	
Station Maintenance	68.6	68.6	-	
Connecticut Department of Transportation (CDOT)	25.5	25.5	-	
NYS Grant for D.S.	-	61.2	61.2	**{2}**
Adjustment for Rounding	-	-	-	
Total Accrued Subsidies	2,188.6	2,280.7	92.1	
Net Operating Surplus/(Deficit) Excluding Accrued Subsidies and Debt Service	(1,508.3)	(1,564.9)	(56.6)	
Total Net Operating Surplus/(Deficit)	**$ 680.3**	**$ 715.8**	**$ 35.5**	
Interest on Long-Term Debt		**$ 467.2**		
Debt Service	**$ 436.2**			

{1} The MTA Bus Company received operating assistance from New York City that was not in the Financial Plan.

{2} In the Financial Statement, funds received from NYS to cover debt service payments for Service Contractr Bonds are included in the subsidies line. The Financial Plan does not include either the funds received or disbursed.