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Report of Independent Accountants

To Members of the Board of the
Metropolitan Transportation Authority:

IIn our opinion, based on our audits and the reports of other auditors, the accompanying combined balance sheet and the related combined statements of operations and changes in equity and cash flows (“general-purpose financial statements”) present fairly, in all material respects, the financial position of the Metropolitan Transportation Authority (“MTA”) and its subsidiaries and component units, a component unit of the State of New York, at December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These general-purpose financial statements are the responsibility of the MTA’s management; our responsibility is to express an opinion on these general-purpose financial statements based on our audits. We did not audit the financial statements of the New York City Transit Authority (“NYCTA”) and the Triborough Bridge and Tunnel Authority (“TBTA”), component units of the MTA, or the Staten Island Rapid Transit Operating Authority (“SIRTOA”) and the Metropolitan Suburban Bus Authority (“MSBA”), wholly-owned subsidiary units of the MTA, which statements reflect total assets and total revenues constituting $23.4 billion and $4.4 billion, respectively, of the related combined totals for 2001, and $20.0 billion and $4.6 billion, respectively, of the combined totals for 2000. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for NYCTA, TBTA, SIRTOA and MSBA, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

As described in the notes to the general-purpose financial statements, MTA and its component units are public benefit corporations that receive a significant portion of their operating and capital financing requirements from New York State, federal and regional governmental units and from the sale of bonds to the public.

As described in Note 2 to the general-purpose financial statements, the MTA adopted Governmental Accounting Standards Board (“GASB”) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues.

Our audits were made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole, in which we indicated the extent of our reliance on the reports of other independent accountants. The combining financial statements are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of MTA. Such information has been subjected to the auditing procedures applied in the audits of the general-purpose financial statements and, in our opinion, based upon our audits and the reports of the other auditors, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

The required supplementary information on page 44 is required by the Governmental Accounting Standards Board and is not a required part of the general-purpose financial statements. The required supplementary information has not been subjected to the auditing procedures applied in our audits of the general-purpose financial statements taken as a whole and, accordingly, we express no opinion on such information.

PricewaterhouseCoopers LLP

April 8, 2002

Combined Balance Sheets

December 31, 2001 and 2000
($ millions)

	2001	2000
Assets		
Cash (note 3)	$ 78	$ 66
Investments (note 3)	1,887	2,001
Receivables:		
Station maintenance, operation, and use assessments	89	85
State and regional mass transit taxes	5	4
Interest	24	45
Due from New York City	340	–
Other	706	1,121
Less allowance for doubtful accounts	(30)	(30)
Total receivables	1,134	1,225
Materials and supplies	241	213
Prepaid expenses and other current assets (notes 2 and 4)	133	224
Total current assets	3,473	3,729
Properties and equipment, net (note 5)	26,186	24,376
Assets held under capital leases, net (note 7)	460	459
Noncurrent investments (note 3)	4,219	3,236
Recoverable from NYS to service long-term debt	1,393	1,536
Due from NYC	18	385
Deferred expenses related to issuance of debt	259	231
Other noncurrent assets	1,407	779
Total assets	**$37,415**	**$34,731**

The accompanying notes are an integral part of these combined financial statements.

Continued

Combined Balance Sheets

December 31, 2001 and 2000
($ millions)

	2001	2000
Liabilities and Equity		
Accounts payable	$ 521	$ 438
Accrued expenses:		
Interest	409	441
Salaries, wages, and payroll taxes	189	189
Vacation and sick pay benefits (note 4)	485	433
Current portion–retirement and death benefits	19	12
Current portion–estimated liability from injuries to persons (note 8)	148	146
Other	78	48
Total accrued expenses	1,328	1,269
Current portion–long-term debt (note 6)	409	358
Short-term note	300	–
Current portion–obligations under capital leases (note 7)	7	6
Deferred subsidy revenue	33	29
Other deferred revenue	202	188
Total current liabilities	2,800	2,288
Retirement and death benefits (note 4)	64	65
Estimated liability arising from injuries to persons (note 8)	742	740
Long-term debt (note 6)	15,293	13,995
Obligations under capital leases (note 7)	605	583
Other long-term liabilities	1,409	948
Total liabilities	20,913	18,619
Contributed capital	12,053	12,053
Accumulated surplus	4,449	4,059
Total equity	16,502	16,112
Total liabilities and equity	**$37,415**	**$34,731**

The accompanying notes are an integral part of these combined financial statements.

Combined Statements of Operations and Changes in Equity

For the Years Ended December 31, 2001 and 2000
($ millions)

	2001	2000
Operating Revenues		
Passenger and tolls	$ 3,902	$ 3,883
Rents, freight, and sundry	150	150
Total operating revenues	4,052	4,033
Operating Expenses		
Salaries and wages	3,294	3,091
Retirement and other employee benefits	992	915
Materials and supplies	445	403
Fuel and power	279	281
Computer, engineering, and other consulting services	388	340
Public liability and claims	106	140
Depreciation and amortization	1,067	982
Other expenses	147	98
Total operating expenses	6,718	6,250
Operating (deficit)	(2,666)	(2,217)

Continued

Combined Statements of Operations and Changes in Equity

For the Years Ended December 31, 2001 and 2000
($ millions)

	2001	2000
Nonoperating Revenues (Expenses)		
Grants, appropriations, and taxes:		
Tax supported subsidies–NYS	1,151	1,108
Tax supported subsidies–NYC and Local	479	354
Operating subsidies–NYS	217	216
Operating subsidies–NYC and Local	204	197
Total grants, appropriations, and taxes	2,051	1,875
Operating subsidies recoverable from CDOT related to MNCR's New Haven Line	39	32
Suburban Highway Transportation Fund subsidy	–	(7)
Subsidies to Dutchess, Orange, and Rockland counties	(10)	(5)
Gain from sale of New York Coliseum	–	340
Transfer of proceeds of New York Coliseum sale to City of New York	–	(340)
Interest on long-term debt	(509)	(434)
Elimination of NYCERS long-term pension liability	–	237
Station maintenance, operation, and use assessments	120	110
Impairment/loss of capital assets at World Trade Center	(173)	–
Loss on disposal of subway cars	(58)	–
Special expense reimbursement subsidies	1	4
Appropriations, grants, and other receipts externally restricted for capital projects	1,510	–
Other nonoperating income	85	73
Net nonoperating revenues	3,056	1,885
Net surplus (deficit)	390	(332)
Cumulative effect of change in accounting principle	–	263
Appropriations, grants and other receipts externally restricted for capital projects	–	1,675
Equity at the beginning of the year	16,112	14,506
Equity at end of year	**$16,502**	**$16,112**

The accompanying notes are an integral part of these combined financial statements.

Combined Statements of Cash Flows

For the Years Ended December 31, 2001 and 2000
($ millions)

	2001	2000
Cash Flows from Operating Activities		
Passenger receipts/tolls	$ 3,906	$ 3,863
Rents and other receipts	234	257
Payroll and related fringe benefits	(4,320)	(4,074)
Other operating expenses	(1,210)	(1,265)
Net cash used in operating activities	(1,390)	(1,219)
Cash Flows from Noncapital Financing Activities		
Grants, appropriations, and taxes	2,092	1,966
Operating subsidies from CDOT	39	34
Suburban Transportation Fund subsidy	–	(6)
Subsidies to Dutchess, Orange, and Rockland counties	(7)	(8)
Net cash provided by noncapital and financing activities	2,124	1,986
Cash Flows from Capital and Related Financing Activities		
Dedicated tax fund bonds proceeds	563	342
Certificates of Participation	–	120
Commuter facilities revenue bonds proceeds	–	17
General purpose revenue bond anticipation notes	1,020	853
TBTA general purpose revenue bond proceeds	1,119	–
TBTA general purpose revenue bonds refunded	(1,050)	–
TBTA general purpose variable rate revenue bond proceeds	296	–
TBTA general purpose variable rate revenue bonds refunded	(295)	–
TBTA mortgage recording tax bond proceeds	–	525
TBTA mortgage recording tax bonds refunded	–	(545)
Proceeds from JP Morgan Chase Loan	300	–
Grants and appropriations	2,010	1,546
Proceeds from sale of New York Coliseum	–	361
Transfer of proceeds of New York Coliseum sale to New York City	–	(344)
CDOT capital contributions	2	1
Capital expenditures	(3,240)	(2,777)
Debt service payments	(1,123)	(1,003)
Subsidies designated for debt service payments	6	12
Net cash used in capital and related financing activities	(392)	(892)

The accompanying notes are an integral part of these combined financial statements.

Continued

Combined Statements of Cash Flows

For the Years Ended December 31, 2001 and 2000
($ millions)

	2001	2000
Cash Flows from Investment Activities		
Purchases of securities–long-term	(4,567)	(3,596)
Sales or maturities of securities–long-term	5,443	3,465
Net short-term (purchases) sales of securities	(1,393)	91
Earnings on investments	187	174
Net cash (used in) provided by investment activities	(330)	134
Net increase in cash	12	9
Cash at beginning of year	66	57
Cash at end of year	**$ 78**	**$ 66**

Reconciliation of operating deficit to net cash used in operating activities

	2001	2000
Operating (deficit)	$(2,666)	$(2,217)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	1,067	982
Elimination of NYCERS long-term pension liability	–	237
Net decrease (increase) in payables, accrued expenses and other liabilities	705	(179)
Net (increase) in receivables	(646)	(14)
Net decrease (increase) in materials and supplies and prepaid expenses	150	(28)
Net cash used in operating activities	**$(1,390)**	**$(1,219)**

The accompanying notes are an integral part of these combined financial statements.

Notes to Combined Financial Statements

December 31, 2001 and 2000
($ millions)

Note 1—Organization and Basis of Presentation

The Metropolitan Transportation Authority 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 combined financial statements are of the Metropolitan Transportation Authority, including its subsidiary units and its legally separate component units (collectively, the "Authority"), as follows:

Metropolitan Transportation Authority and Wholly Owned Subsidiary Units

- 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 subsidiary and component units 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") 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") provides passenger transportation on Staten Island.
- Metropolitan Suburban Bus Authority ("MSBA") provides public bus service in NYC and Nassau County.
- MTA Excess Loss Trust Fund ("ELF") provides coverage against losses from events such as, but not limited to, personal injury, libel, false arrest, damage to real or personal property or environmental damage and provides budget stability in the event annual aggregate losses impact negatively upon the operating budgets of its participants.
- 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.

MTAHQ, LIRR, MNCR, SIRTOA, MSBA, ELF, and FMTAC collectively are referred to herein as "MTA"; LIRR and MNCR are referred to collectively as the "Commuter Railroads."

Component Units

- New York City Transit Authority ("NYCTA") and its blended component unit, 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, all within the five boroughs of New York City.

The above component units are operationally and legally independent of MTAHQ. These component units 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 MTAHQ's financial accountability for these entities. Under Generally Accepted Accounting Principles ("GAAP"), the Authority is required to include these component units in its financial statements.

Because the Board members of each of the component units are also the Board members of MTAHQ and its subsidiary units, the financial statements of the component units have been blended with those of MTAHQ and its subsidiary units for the combined financial statements. Under generally accepted accounting principles for enterprise funds, all significant inter-unit transactions, including receivables, payables, revenues, expenses, and capital transactions have been eliminated. Except for MTAHQ, financial statements of the individual subsidiary and component units can be obtained from their respective administrative offices.

Operating Deficits

Substantial operating deficits (the difference between operating revenues and expenses) result from the essential services provided by certain subsidiary and component units of the Authority, and such operating deficits are expected to continue in the foreseeable future. To fund these operating deficits, the Authority receives subsidies, as described in Note 2.

Capital Program

The Authority, excluding TBTA, has ongoing capital programs, subject to the approval of the NYS Metropolitan Transportation Authority Capital Program Review Board ("CPRB"), designed to improve public transportation in the New York Metropolitan area.

1992–1999 Capital Program

In November 1995, the MTA Board approved a proposed 1995-1999 Capital Program exclusive of TBTA totaling $11,929, which was increased in July 1997 to $12,169, when it was first approved by the CPRB. This plan includes the last two years of the 1992-1996 Capital Program and provides funding for three additional years. In September 1996, the Governor signed legislation to increase the current bonding authority for capital projects and approved additional changes to the provisions governing capital programs. In February 1999, the MTA Board approved certain changes to the 1995-1999 Capital Program, raising the amount to $12,553. The March 1999 amendments have been approved by the CPRB. The total approved plan amount for 1992-1999 is $16,943, excluding TBTA.

In November 1995, the MTA Board approved a proposed 1995-1999 Capital Program for TBTA totaling $665, which was increased in December 1997 to $669. This plan includes the last two years of the 1992-1996 Capital Program and provides funding for three additional years. In February 1999, this amount was increased to $670. The plan does not require the approval of the CPRB. The total approved plan for TBTA, 1992-1999 is, $1,142.

At December 31, 2001, $17,851 had been committed and $15,012 had been expended for the 1992-1999 Capital Programs for the Authority, including TBTA.

2000–2004 Capital Program

The 2000-2004 Capital Program, exclusive of TBTA, initially totaling $16,462 was approved by the MTA 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 MTA Board approved subsequent revisions to the proposed 2000-2004 Capital Program, which now totals $17,062. In May 2000 CPRB approved the $17,062 Capital Program. In February 2002 the CPRB approved the bond resolutions for restructured debt that helps fund the 2000-2004 Capital Program. (See Note 6.) In February 2002, the MTA Board increased the 2000-2004 Capital Projects to $17,224. The CPRB approved the increase in April 2002.

In September 1999, the MTA Board approved a proposed 2000-2004 Capital Program for 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.

At December 31, 2001, $6,115 had been committed and $1,663 had been expended for the 2000-2004 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 has a right to its share of the sale proceeds.

The Authority is not liable for real estate taxes, franchise taxes, other excise taxes on its properties and sales taxes on substantially all of its purchases.

Note 2—Accounting Policies

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the Authority applies all applicable GASB pronouncements as well as all 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.

Basis of Accounting

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

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 and 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.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," all investments are recorded on the balance sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue on the statement of operations. Fair values have been determined using quoted market values at December 31, 2001 and 2000.

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

In December 2000, NYCTA deposited funds totaling $100 with the New York Power Authority ("NYPA") to be used for NYCTA's year 2001 energy costs. Each month during the billing period January 1, 2001 through December 31, 2001 (billing is on a one-month lag), NYPA applied an amount equal to the sum of one-twelfth of the aggregate amount plus interest earned on that portion to amounts due from NYCTA for power purchased for the prior month. As of December 31, 2000, the aggregate amount of $100 was reduced by a total credit of $8.5 for the cost of power purchased from NYPA for the month of December 2000. No similar prepayment was made during 2001 for year 2002 energy costs.

Properties and Equipment

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

LIRR and MNCR are self-insured for liabilities arising from injuries to passengers, employees and others with the exception of injuries to non-employees and off-duty employees arising from occurrences at stations in New York State ("Station Liability"), and employees and non-employees, arising from reimbursable project work

("Force Account"). LIRR and MNCR accrue the estimated total cost for the self-insured liability arising out of these claims. Claims arising from Station Liability and Force Account occurring after November 1, 2001 are fully insured up to $7 per occurrence, claims arising November 1, 1996 to October 31, 2001 are insured up to $6, and claims arising December 15, 1986 to October 31, 1996 are insured up to $5. NYCTA and TBTA are self-insured up to certain per-occurrence limits for liability claims arising from injuries to persons, excluding employees. For claims arising after November 1, 2001, the limits are $7 and $1.4, respectively. For claims arising between November 1, 1996 and October 31, 2001, the limits are $6 and $1.2, respectively, and for claims arising between December 15, 1986 and October 31, 1996, the limits are $5 and $1, respectively. NYCTA and TBTA are self-insured for workers' compensation relating to work-related injuries to employees.

ELF insures certain claims in excess of the self-insured retention limits for LIRR, MNCR, NYCTA, and TBTA noted above, and in excess of $1.2 for MTAHQ. It receives payments, as required by the ELF self-insurance agreement, from the participating agencies to cover the actuarially computed amount required to pay claims. At December 31, 2001 and 2000, ELF had $121 and $120, respectively, of assets available to insure current and future claims. The maximum amount of claims arising out of any one occurrence that can be paid by ELF is the lesser of the assets available for claims of the ELF or $50.

Effective October 31, 1997, a three-year All-Agency Excess Liability Insurance Policy was purchased. This policy was renewed in 2000 for two additional years. This coverage affords the ELF an additional limit of $150, for a total limit of $200 ($150 excess of $50). In the event the ELF's assets are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the ELF's coverage position of $50.

Up until October 31, 2001 FMTAC insured property damage or loss exposures in excess of $15 per occurrence and $30 annually in the aggregate for claims brought by the MTA, LIRR, MNCR, NYCTA, and TBTA. Effective November 1, 2001 FMTAC insures property damage or loss exposures in excess of $30 per occurrence, with no annual aggregate, brought by the MTA, LIRR, MNCR and TBTA. FMTAC reinsures $7 per occurrence for Station Liability and Force Account Liability of LIRR and MNCR from a third-party reinsurer. FMTAC established a $10 aggregate Stop Loss Protection agreement with third-party reinsurers whereby if losses and allocated expenses assumed by FMTAC exceed $45, and $24, for the years ended December 31, 2001 and 2000, respectively. The third-party reinsureres will reinsure FMTAC up to $10. If the stop-loss protection is exhausted, any additional losses and allocated expenses are retained by FMTAC. At December 31, 2001 and 2000, FMTAC had $863 and $189, respectively, of assets available to insure current and future claims.

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, farecards and E-Z pass balances.

Nonoperating Revenues

Operating assistance, appropriations and grants

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.

NYS and Regional Mass Transit Taxes

MTA, NYCTA, and SIRTOA receive, subject to annual appropriation, revenues from taxes enacted by the NYS Legislature. These taxes are recognized as revenue when all applicable eligibility requirements are met. Tax proceeds are distributed to the Authority, as they are needed.

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. 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 the NYCTA and SIRTOA 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. Any funds remaining after this payment are used to pay the commuter portion of debt service on the Mortgage Recording Tax Bonds (the "MRT Bonds"). Any funds remaining after meeting debt-service requirements may be used for operating and capital needs of the Commuter Railroads at the discretion of the Authority's Board. The NYCTA portion is used to pay the transit portion of debt service on the MRT Bonds. Any excess funds subsequent to meeting debt-service requirements may be used for operating and capital needs of NYCTA at the discretion of the Authority's Board.

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 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 were $5.2 and $1.9 for 2001 and 2000, respectively. Remaining funds, if any, are used to pay debt service on the MRT Bonds. Unexpended funds from MRT-2 of $115.9 and $89.6 at December 31, 2001 and 2000, respectively, are available to meet capital and operating needs, including debt service, of the Commuter Railroads and NYCTA, as determined by the Authority's Board. In the years ended December 31, 2001 and 2000, the Commuter Railroads used $6.0 and $5.3, and the NYCTA used $34.6 and $30.9, respectively, of MRT-2 funds to satisfy debt service requirements of the MRT bonds.

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 certain properties assessed value (collectively referred to as "Urban Tax Subsidies").

Petroleum Business Tax ("PBT")/Dedicated Trust Fund Taxes

Under NYS law, subject to annual appropriation, the Authority receives operating assistance through a portion of the following taxes collected by NYS: certain business privilege taxes imposed on petroleum businesses ("PBT"), the motor fuel tax on gasoline and diesel fuel, and certain motor vehicle fees, including both registration and non-registration fees. 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, with respect to PBT only, an appropriation of the amount projected by the Director of the Budget to be deposited in the MTA Dedicated Tax Fund for the next succeeding State Fiscal Year. The PBT portion of such assistance is required by law to be allocated, after provision for debt service on Dedicated Tax Fund Bonds (see Note 6), 85 percent to NYCTA and SIRTOA 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 and is recorded as a credit to operations. 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 beginning in 1999 for the cost of operating GCT's North End Access. 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 1995 remain subject to final audit.

Interagency subsidy-Triborough Bridge and Tunnel Authority

NYS Law requires TBTA to transfer its annual operating surplus, as defined, to NYCTA and MTA. The initial $24 of the operating surplus is provided to NYCTA and the balance, as adjusted to reflect debt service requirements of TBTA bonds issued for their respective benefit, was divided between NYCTA and MTA in their respective amounts of $137.9 and $173.3 recognized in 2001. In 2000, the amounts related to NYCTA and MTA were $167.7 and $189.7, respectively.

Certain TBTA investment income is transferred to MTA and is Board-designated for use in acquiring or constructing capital assets for the Commuter Railroads and NYCTA. MTA recognized $23.8 and $33.2 in 2001 and 2000, respectively, related to the TBTA investment income transfer.

Sale of the New York Coliseum

On July 31, 2000, the Authority closed on the sale of the New York Coliseum. The sale contract price was approximately $345, resulting in a gain on the sale of approximately $340. Proceeds from the sale were remitted to NYC. At December 31, 2001, MTA has recorded an accounts receivable due from New York City of $340. MTA expects to receive these funds in 2002 and 2003.

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 in the regional Consumer Price Index.

NYC no longer fully reimburses NYCTA for costs of a free-fare program for students. Pursuant to an agreement with NYS and NYC, MTA continued the student program for the 1999-2000 school year, with NYS and NYC each agreeing to pay $45 of the approximate $135 cost. NYC's current financial plan provides for the continuation of NYC's $45 contribution for the 2001-2002 school year, of which $15 was received in December 2001. NYCTA's approved 2002 Operating Budget assumes that the remaining $30 from NYC and NYS's full $45 for the 2001-2002 school year will be received in 2002. The NYCTA's 2000-2004 financial plan assumes the continuation of the joint funding of a free-fare program for students.

On April 2, 1995, NYCTA's transit police were merged into the NYC's Police Department. Accordingly, NYC no longer reimburses NYCTA for the costs of policing the transit system on an ongoing basis. Pursuant to the merger agreement, the costs of some transit police officers and certain other transit police costs are still paid by NYCTA and reimbursed by NYC. NYCTA received approximately $4.7 in 2001 and $7.2 in 2000 from NYC for the reimbursement of transit police costs. An additional reimbursement of approximately $.8 was received in March 2002.

Notes to Combined Financial Statements

December 31, 2001 and 2000
($ millions)

Federal law and regulations require a paratransit system for passengers who are not able to ride the buses and trains because of their disabilities. Pursuant to an agreement between NYC and the MTA, 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 NYCTA for the lesser of (a) 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, (b) an amount that is 20 percent greater than the amount paid by the City for the preceding calendar year. Revenues from NYC reimbursement and paratransit fares aggregated approximately $30.3 in 2001 and $25.4 in 2000.

Contributed Capital
For fiscal year 2001, with the implementation of Governmental Accounting Standards Board ("GASB") Statements No. 33, externally restricted grants and appropriations for the purchase of capital assets are recorded as capital contributions on the statements of operations. In fiscal year 2000 and prior, such items were recorded as additions to contributed capital in the consolidated balance sheet.

Statements of Cash Flows
Transactions involving instruments with maturity dates, when acquired, of 90 days or less, are reported on a net basis.

Reclassifications
Certain amounts in the 2000 combined financial statements have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements
The Authority adopted GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," during the year ended December 31, 2001. GASB Statement No. 33 establishes accounting and financial reporting standards for the recognition of non-exchange transactions involving financial or capital resources. In accordance with the requirements of GASB Statement No. 33, the Authority recorded current-year transactions involving externally restricted capital grants as nonoperating revenues in the statements of operations. It did not restate corresponding amounts that had been recorded in prior years as Contributed Capital in the equity section of the Balance Sheet. The Authority will restate prior-year Contributed Capital amounts to nonoperating revenue when it adopts GASB Statement No. 34, as discussed below. The provisions of GASB Statement No. 33, other than those related to the reporting of capital contributions, have been adopted effective January 1, 2000, and fiscal year 2000 amounts have accordingly been restated. The effect of the implementation of Statement GASB No. 33 on beginning cumulative surplus for fiscal years 2001 and 2000 is an increase of $243 and $263, respectively. Provisions related to the reporting of capital contributions are effective January 1, 2001, and as such, no restatement of fiscal year 2000 amounts related to capital contributions is permitted.

GASB issued Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis–State and Local Governments: Omnibus–an amendment of GASB Statements No. 21 and No. 34" and Statement No. 38, "Certain Financial Statement Note Disclosures" regarding the basic financial statement model for state and local government units. The Authority will adopt the provisions in these statements for the year ended December 31, 2002. Management has not fully assessed the impact of these pronouncements on the combined financial statements.

($ millions)

Note 3—Cash and Investments

Cash, including deposits in transit, consists of the following at December 31, 2001 and 2000:

	2001		2000	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured (FDIC) or collateralized deposits	$42	$27	$39	$22
Uninsured and uncollateralized deposits	36	24	27	5
Total	**$78**	**$51**	**$66**	**$27**

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

The MTA, on behalf of the NYCTA, TBTA and MSBA, 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.

Investments, at fair value, consist of the following at December 31, 2001 and 2000:

	2001	2000
Repurchase Agreements	$1,186	$1,121
U.S. Treasuries due 2002-2018	4,365	2,877
Government National Mortgage Association due 2014-2024	153	865
Investments restricted for lease obligations	114	83
Other agencies due 2005-2008	288	291
Total	**$6,106**	**$5,237**

Fair values include accrued interest to the extent it 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.

All investments are either insured or registered and held by the Authority or its agent in the Authority's name. Accordingly, all investments are category-one credit risk (the lowest risk category). Investments had weighted average yields of 2.4 percent and 6.3 percent for the years ended December 31, 2001 and 2000, respectively.

Of the above cash and investments, amounts held for restricted purposes were as follows at December 31, 2001 and 2000:

	2001	2000
Construction or acquisition of capital assets	$3,347	$2,702
Funds received from affiliated agencies for investment	291	348
Debt service	1,714	1,700
Payment of claims	281	118
Other	72	83
Total	**$5,705**	**$4,951**

Note 4—Employee Benefits

Substantially all Authority subsidiaries, component units 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 subsidiary or component unit.

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 Public Employee Retirement Systems

The Long Island Rail Road Company Pension Plan ("LIRR Plan") and the Long Island Rail Road Company Plan for Additional Pensions ("LIRR 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 ("MaBSTOA 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.

In 2001 and 2000, NYCTA made additional contributions to the MaBSTOA Plan of $83.5 and $113.8, respectively, resulting in the recognition of a pension asset in the combined balance sheet.

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.

The Metropolitan Transportation Authority Defined-Benefit Pension Plan ("MTA Plan") is a defined-benefit pension plan for certain LIRR and MNCR management employees hired after December 31, 1987, certain MSBA employees hired prior to January 23, 1983 and MTA Police. The MTA Plan offers distinct retirement, disability and death benefits for MNCR and LIRR management employees, MTA 20-year Police Retirement Plan and MSBA Employees' Pension Plan. Annual pension costs and related information about this plan are presented in the table below 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 2001 and 2000 pension expense based upon an assessment, which on average, was 12.22 percent and 11.32 percent, respectively, of annual compensation. The MTA Plan may be amended by the action of the MTA Board.

($ millions)

Annual pension costs and related information about each plan follows:

	Single-Employer Plans			
	LIRR	SIRTOA	MaBSTOA	MTA Plan
Required contribution rates:				
Plan members	variable	3.00%	variable	variable
Employer	actuarially determined	actuarially determined	actuarially determined	actuarially determined
Employer contributions made in 2001	$32.3	$1.4	$116.1	$14.4
Three year trend information:				
Annual Pension Cost (APC):				
2001	34.6	1.4	114.2	16.5
2000	32.1	0.8	99.5	13.8
1999	34.1	1.0	91.5	12.9
Net Pension Obligation (NPO) (assets) at end of year:				
2001	(2.2)	None	62.6	2.1
2000	(4.5)	None	64.5	–
1999	1.5	None	67.9	5.8
Percentage of APC contributed:				
2001	93%	100%	102%	87%
2000	119%	100%	103%	142%
1999	117%	100%	103%	53%
Components of APC:				
Annual required contribution (ARC)	34.7	1.4	116.1	16.5
Interest on NPO	(0.3)	–	5.3	–
Adjustment of ARC	0.2	–	(7.2)	–
APC	34.6	1.4	114.2	16.5
Contributions made	32.3	1.4	116.1	14.4
Change in NPO (assets)	2.3	–	(1.9)	2.1
NPO (assets) beginning of year	(4.5)	–	64.5	–
NPO (assets) end of year	(2.2)	–	62.6	2.1
Date of valuation	01/01/01	01/01/01	01/01/01	01/01/01
Actuarial cost method	entry age	entry age frozen initial liability	frozen initial liability	entry age normal frozen initial liability
Method to determine actuarial value	normal cost	5 yr moving average of market value	5 yr moving average of market value	phasing to a 5 yr moving average of market value
Investment return	8.50%	8.25%	8.25%	8.25%
Projected salary increases	4.0%	5.0%-12.0%	3.5%-18.0%	3.0%-36.2%
Consumer price inflation	3.75%	3.00%	2.50%	2.50%
Amortization method and period	level % of payroll/ 40 yrs	level dollar/ 30 yrs	level dollar/ 30 yrs	level % of payroll/ 30 yrs
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 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, accident 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 noncontributory plan, except 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 of NYCTA and TBTA are established and amended by law. NYCTA's contributions to NYCERS for the years ended December 31, 2001, 2000 and 1999 were $19.5, $29.5, and $17.4, respectively, and were equal to the annual required contributions for each year. TBTA's contributions to NYCERS for the years ended December 31, 2001, 2000 and 1999 were $1.0, $0.9 and $0.5, respectively. In December 2000, NYCTA prepaid its fiscal year 2000-2001 NYCERS contribution resulting in the recognition of a $2.3 million net pension asset on the combined balance sheet.

Prior to 1981, NYCTA and TBTA were required to pay NYCERS its share of the pension liability on a two-year lag basis. Due to a change in New York State law, the NYCTA and TBTA, in 1981, were required to make pension liability payments on a current-year basis. The amount representing the "catch-up" liability remaining was included in the consolidated balance sheet in accrued retirement and death benefits. However, in accordance with Chapter 85 of the New York State laws of 2000, enacted as part of a number of changes to actuarial assumptions and methods, this liability is no longer being funded separately as part of actuarially determined pension contributions and a liability on the part of the NYCTA and TBTA separate from its actuarially determined pension contributions no longer exists. Accordingly, the amount of the recorded catch-up liability and related receivable from the NYC for the portion of the catch-up liability applicable to capital project engineers was reduced to zero as of December 31, 2000, with the net effect of such elimination of $236.8 recorded as a nonoperating transaction in the consolidated statements of operations and surplus.

New York State Employees' Retirement System ("NYSERS")

Plan Description and Funding Policy

MTAHQ and MSBA employees who were hired after January 23, 1983 are members of NYSERS. NYSERS 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 NYSERS. NYSERS pension expense was approximately $1.2, $0.7, and $0.7, for the years ended December 31, 2001, 2000, and 1999, respectively, and equaled the annual required contributions for each year. Further information about the plan is more fully described in the publicly available statement of NYSERS and may be obtained by writing to New York State and Local Retirement System, Office of the State Comptroller, A. E. Smith State Office Building, Albany, New York, 12244.

($ millions)

Defined Contribution Plans

The MTA also provides retirement benefits to certain of its employees under the following defined-contribution plans:

Single-Employer Public Employee Retirement Systems

1) The Long Island Rail Road Company Money Purchase Plan ("Money Purchase Plan") is a defined-contribution plan that covers all 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 of Directors is responsible for establishing or amending the Plan's provisions and contribution requirements.
2) The Metro-North Commuter Railroad Company Defined Contribution Pension Plan for Agreement Employees ("Agreement Plan"), established January 1, 1988, covers union-represented employees in accordance with applicable collective-bargaining agreements. Under this plan, MNCR will contribute to the plan an amount equal to 4 percent of each eligible employee's gross compensation 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.

	2001		2000	
	LIRR Money Purchase Plan	MNCR Agreement Plan	LIRR Money Purchase Plan	MNCR Agreement Plan
Employer contributions	$8.3	$14.8	$6.3	$14.6
Employee contributions	5.2	1.2	4.2	1.1

Deferred Compensation Plans

As required 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 sheet. Certain Authority employees are participants in a second deferred-compensation plan established in accordance with Internal Revenue Code Section 401(k). Participation in the plan is available to all nonunion and certain other employees. All amounts of compensation deferred under the plan, and all income attributable to such compensation, are solely the property of the participants; accordingly, this plan is not reflected in the accompanying combined balance sheet.

Notes to Combined Financial Statements

December 31, 2001 and 2000
($ millions)

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 Authority is statutorily required to provide such benefits. 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 follow:

	2001		2000	
	Number of participants	**Cost of benefits**	**Number of participants**	**Cost of benefits**
MTAHQ	181	$ 1.1	156	$ 0.8
MNCR	1,262	1.8	1,310	1.7
LIRR:				
Management	641	4.5	593	3.8
Represented	3,858	10.4	3,759	7.6
NYCTA	31,500	121.0	32,100	109.5
TBTA	1,281	4.1	878	5.0
SIRTOA	43	.2	37	0.1

Note 5—Properties and Equipment

Properties and equipment consist of the following at December 31, 2001 and 2000:

	Useful life (years)	2001	2000
Land		$ 122	$ 122
Road and track	25-60	7,800	7,451
Bridges and tunnels	100	1,169	1,040
Buildings and structures	25-50	8,313	8,155
Equipment:			
Passenger cars	25-35	5,444	4,417
Buses	12	1,531	1,494
Other	2-40	6,288	5,771
Construction in progress		4,365	3,820
		35,032	32,270
Less accumulated depreciation		(8,846)	(7,894)
		$26,186	**$24,376**

Interest capitalized in conjunction with the construction of capital assets for the years ended December 31, 2001 and 2000 was $57 and $64, 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 NYCTA. 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 TBTA determines such property is unnecessary for its corporate purpose. During 2001, the NYCTA began replacement of certain subway car fleets. The NYCTA scrapped 229 cars and recorded a loss on disposal of capital assets of approximately $58.

($ millions)

As a result of the terrorist attacks on September 11, 2001, which destroyed the World Trade Center ("WTC"), the #1 and #9 subway tunnel was heavily damaged, including damage to line equipment, signals, communications, tunnel lighting, power facilities, and fan plants. Approximately 1,800 feet of tunnel was destroyed. There was also damage to subway stations located at Cortlandt Street, Rector Street, Chambers Street, and Wall Street. Although damage assessment is still ongoing, the current estimate of the Authority's capital loss exposure recorded in fiscal year 2001 for impaired capital assets is approximately $172.6.

Effective January 1, 2000, MNCR revised the depreciation rates utilized for revaluation of property and equipment, based on the results of engineering estimates and industry practices, to more appropriately reflect the useful lives of the assets. The effect of the new rates was an increase of approximately $11 in depreciation in 2000 when compared to 1999.

For certain construction projects, the Authority holds in a trust account marketable securities pledged by third-party contractors in lieu of cash retainages. At December 31, 2001 and 2000, these securities totaled $65.0 and $70.0, respectively, and had a market value of $66.5 and $71.9 respectively, and are not included in these financial statements.

Note 6—Long-Term Debt

All of the net proceeds of long-term debt were used for the acquisition or construction of capital assets or to refund outstanding capital related debt. Long-term debt consists of the following:

	December 31, 2000	Issued	Retired	Refunded	December 31, 2001
MTA:					
Transit Facilities Revenue Bonds: 3.90%-8.00% due through 2029	$ 2,369	$ –	$ 72	$ –	$ 2,297
Commuter Facilities Revenue Bonds: 4.00%-8.00% due through 2029	1,828	–	40	–	1,788
Commuter Facilities Subordinate Revenue Bonds (GCT): 4.40%-5.70% due through 2024	104	–	2	–	102
Commuter Facilities Special Obligation Bond Anticipation Notes 1.30%-1.60% due through 2002	250	–	–	–	250
Transit Facilities Special Obligation Bond Anticipation Notes 1.35%-1.91% due through 2002	500	–	–	–	500
Transit and Commuter Facilities Service Contract Bonds: 4.10%-9.25% due through 2021	1,904	–	60	–	1,844
Excess Loss Trust Fund Bonds: 4.00%-6.70% due through 2010	49	–	4	–	45
Dedicated Tax Fund Bonds: 4.00%-6.25% due through 2029	1,533	554	23	–	2,064
Certificates of Participation: 4.40%-5.625% due through 2029	447	–	8	–	439
Unamortized discount and deferred amortization	(481)	9	(22)	–	(450)
Total MTA	8,503	563	187	–	8,879

Notes to Combined Financial Statements

December 31, 2001 and 2000
($ millions)

	December 31, 2000	Issued	Retired	Refunded	December 31, 2001
NYCTA:					
Transit Facilities Revenue Bonds:					
4.70%-7.50% due through 2021	187	–	9	–	178
Unamortized premium	19	4	–	–	23
Total NYCTA	206	4	9	–	201
TBTA:					
General Purpose Revenue Bonds:					
3.20%-7.00% due through 2030	3,669	1,424(1)	116	293	4,684
Mortgage Recording Tax Bonds:					
4.75%-7.10% due through 2019	932	–	19	–	913
Beneficial Interest Certificates:					
4.95%-5.20% due through 2005	43	–	8	–	35
Bond Anticipation Notes 2000A	807	–	–	–	807
Bond Anticipation Notes 2001A	–	1,000	1,000	–	–
Special Obligation Subordinated Bonds:					
3.55%-5.13% due through 2024	253	–	6	–	247
Unamortized discount	(60)	(30)(1)	(26)(2)	–	(64)
Total TBTA	5,644	2,394	1,123	293	6,622
Combined total	14,353	2,961	1,319	293	15,702
Current portion	(358)				(409)
	$13,995				$15,293

(1)*Includes current year accretion on zero coupon bonds.*
(2)*Includes current year amortization of discount.*

MTA Transit and Commuter Facilities Revenue Bonds
These bonds are obligations payable solely from, and secured by a pledge of, the gross operating revenues, certain NYS and local operating subsidies and other monies, and the physical assets of LIRR and MNCR for Commuter Facilities Revenue Bonds, and a pledge of the gross revenues of the NYCTA and certain state and local operating subsidies and other monies, for the Transit Facilities Revenue Bonds. In accordance with the bond resolutions, sufficient funds to meet the maximum annual debt service requirements are held in reserve accounts maintained by the trustee as security for payment of the bonds. The remaining revenues after debt service on senior-lien and subordinated bonds are available to meet the operating needs of the agencies.

MTA Commuter Facilities Subordinated Revenue Bonds (GCT Redevelopment Project)
These bonds are obligations payable solely from, and secured by a pledge of, the gross operating revenues, certain NYS and local operating subsidies and other monies, of LIRR and MNCR. These bonds are subordinate to MTA Commuter Facilities Revenue Bonds.

MTA Transit and Commuter Facilities Special Obligation Bond Anticipation Notes
The interest rate payable on the notes depends on the maturity and market conditions at the time of issuance. At December 31, 2001, the average rate on the outstanding notes was 1.53 percent. Principal and interest on the notes is additionally secured by a letter of credit issued by a bank. It is the Authority's intention to reissue the notes as they become due or to issue other securities, such as bonds, to refund the notes. If the notes are not reissued (or other securities issued), the amounts due to the letter of credit bank are converted to bank

parity-obligation bonds with a term of three years. The notes are therefore recognized as a long-term liability on the balance sheet.

MTA Transit and Commuter Facilities Service Contract Bonds

These bonds are obligations payable solely from, and secured by, semi-annual payments from NYS provided for under service contracts entered into with the Authority and from certain funds established under the bond resolutions. The obligation of NYS to make payments of principal and interest under the service contracts is dependent upon annual appropriations by the NYS Legislature and the availability of monies to fund such payments. Net interest cost associated with the Service Contract Bonds of $97.3 and $100.5 in 2001 and 2000, respectively, is funded by NYS. Amounts received from NYS to fund interest and principal costs was $150.4 and $147.2 in 2001 and 2000 respectively.

Excess Loss Trust Fund Bonds

These bonds are obligations of MTA, the proceeds of which reside with ELF. Debt service on these bonds is payable from investment earnings and, if required, from assessments on participating agencies.

MTA Dedicated Tax Fund Bonds

These bonds are payable solely from and secured by funds held in the Pledged Amounts Account of the MTA Dedicated Tax Fund consisting generally of the taxes described in Note 2–Nonoperating Revenues–*Dedicated Trust Fund Taxes* and *NYS and Regional Mass Transit Taxes,* subject to appropriation by the State Legislature.

In December 2001, the Authority issued Dedicated Tax Fund Bonds, Series 2001A, in the amount of $544. These bonds were issued to finance certain capital expenditures of the transit and commuter systems.

MTA Certificates of Participation

These fixed-rate Serial and Term Certificates of Participation represent proportionate interests in the principal and interest components of Base Rent paid severally, but not jointly, in their respective proportionate shares by 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 in Manhattan at Two Broadway, occupied by NYCTA and TBTA (See Note 7).

Short Term Note

On November 8, 2001, the Authority entered into a revolving credit agreement with J.P. Morgan Chase for $600 to provide working capital assistance in connection with expenses incurred after the WTC attack. The Authority has drawn $300, as of December 31, 2001, due November of 2002.

NYCTA Transit Facilities Revenue Bonds

These bonds are obligations of NYCTA payable solely from and secured by a pledge of the same revenues that secure MTA Transit Facilities Revenue Bonds. These bonds are subordinate to MTA Transit Facilities Revenue Bonds.

TBTA General Purpose Revenue Bonds and Bond Anticipation Notes

These bonds are obligations of TBTA and are secured by a pledge of the net TBTA revenues and the funds and accounts established under TBTA General Purpose Revenue Bonds 1980 Resolution.

In January 2001, TBTA issued General Purpose Revenue Bond Anticipation Notes, Series 2001A, in the amount of $1,000 with an interest rate of 5.0 percent. These notes were issued to finance certain transit and commuter capital projects, as well as TBTA's own capital projects. In November 2001, TBTA issued Series 2001A General Purpose Revenue Bonds in the amount of $1,126. These Bonds were issued to refund TBTA General Purpose Revenue Bonds Anticipation Notes, Series 2001A.

In December 2001, TBTA issued General Purpose Revenue Bonds Series 2001B and Series 2001C in the amount of $296. These series were issued to refund certain outstanding TBTA General Purpose Revenue Bonds. Subsequent to year-end, TBTA issued $268.3 General Purpose Revenue Bond, Series 2002A at 5.0 percent. The proceeds of the bonds will be applied to fund certain improvements to the present facilities of TBTA and to finance certain costs of issuance.

TBTA Mortgage Recording Tax Bonds

These bonds are obligations payable from MRT levied by NYS and allocated between MTA and NYCTA as described in Note 2. If available MRT receipts are not sufficient to fund debt service, TBTA is required to fund the required amount from its net operating revenue after satisfying the requirements of the 1980 resolution. Total debt service for these bonds for 2001 and 2000 was $59 and $87, respectively. The portion not covered by MRT receipts and funded by TBTA net operating revenue was zero in both 2001 and 2000.

These bonds are on parity, as to claims on available TBTA net revenue, with TBTA Beneficial Interest Certificates and with TBTA Special Obligation Subordinated Bonds.

TBTA Beneficial Interest Certificates

The Beneficial Interest Certificates are obligations of TBTA payable from net revenues and other amounts derived from TBTA facilities. These certificates are subordinate to the TBTA General Purpose Revenue Bonds and are on parity as to claims on available TBTA net revenues with the TBTA Mortgage Recording Tax Bonds and TBTA Special Obligation Subordinated Bonds.

TBTA Special Obligation Subordinated Bonds

These bonds are special obligations of the TBTA payable from operating revenues, after satisfying the requirements of the 1980 Revenue Bond Resolution, on a parity with the TBTA Beneficial Interest Certificates and TBTA Mortgage Recording Tax Bonds.

Debt Limitation

The NYS Legislature has imposed limitations on the aggregate amount of debt that the Authority 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 $5,461 at December 31, 2001.

Bond Refundings

Historically, the Authority has issued several series of refunding bonds, the proceeds of which were used to purchase U.S. Treasury obligations that were placed in irrevocable trusts, the principal and interest of which will be used to repay the refunded debt. Accordingly, the trust account assets and the refunded debt, including related deferred bond issuance costs, are excluded from the combined balance sheets.

In accordance with the provisions of GASB Statement 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," gains or losses resulting from debt refundings have been deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt.

During 2000, debt refundings on the TBTA Mortgage Recording Tax Bonds resulted in an economic gain of approximately $2 and a decrease in future debt service cash flow of $4. Economic gain is defined as the present value of the decrease in future debt service cash flows.

($ millions)

At December 31, 2001, the following amounts of Authority bonds, which have been refunded, remain valid debt instruments and are secured solely by and payable solely from respective irrevocable trusts.

MTA Transit and Commuter Facilities:	
Transit Revenue Bonds	$ 604
Commuter Revenue Bonds	369
TBTA General Purpose Revenue Bonds	337
TBTA 1991 Special Obligation Resolution Bonds	292
Total	**$1,602**

Interest Rate Swap Options

In August 1998, TBTA entered into a forward interest rate swap agreement with an option, for certain obligations of TBTA under separate International Swap and Derivatives Association master agreements with TBTA and Salomon Brothers Holding Co., Inc. and Bear Stearns Capital Markets Inc. (the "counterparties"). The options were exercised by the counterparties, resulting in the issuance by TBTA of its Special Obligation Variable Rate Refunding Bonds (1991 Resolution), Series 2000A through Series 2000D in October 2000. TBTA will pay a fixed rate on a notional amount and in return receive a variable rate on the same notional amount from the counterparties. TBTA received $45.3 in September 1998 for the option. The net proceeds were used by the Authority to fund the transit and commuter capital programs. Amounts received in connection with the swap option have been deferred and will be recognized as a yield adjustment over the life of the debt that will be issued in connection with the swap option.

In March 1999, TBTA entered into two forward-interest-rate swap agreements with options for certain obligations of TBTA under the International Swap and Derivatives Association master agreement, one between TBTA and AMBAC Financial Services, L.P. and the other between TBTA and Salomon Smith Barney (the "counterparties"). The option with AMBAC was exercised with TBTA issuing $109.1 of its variable rate bonds (General Purpose Revenue Bonds, Series 1999 C) during the fourth quarter of 1999 for the purpose of refunding certain TBTA 1991 Resolution Bonds, Series Q. The option with Salomon Smith Barney was exercised with TBTA issuing $296.4 million of its variable rate bonds, (General Purpose Revenue Bonds, Series 2001B and C) during the year ended December 31, 2001 for the purpose of refunding certain TBTA 1991 Resolution Bonds, Series X. TBTA received $27.6 in March 1999 for the option. The net proceeds were used by the Authority to fund the transit and commuter capital programs. Amounts received in connection with the swap option have been deferred and will be recognized as a yield adjustment over the life of the debt that will be issued in connection with the swap option.

Notes to Combined Financial Statements

December 31, 2001 and 2000
($ millions)

Debt Service Payments

Principal and interest debt-service payments (excluding refunded bonds) at December 31, 2001, will be as follows for the 12 months ended December 31:

	2002	2003	2004	2005	2006	Thereafter	Total
MTA:							
Transit Facilities Revenue Bonds	$ 194	$ 194	$ 194	$ 194	$ 194	$ 2,796	$ 3,766
Commuter Facilities Revenue Bonds	137	138	137	138	138	2,523	3,211
Commuter Facilities Subordinate Revenue Bonds (GCT)	10	10	10	10	9	219	268
Transit and Commuter Facilities Service Contract Bonds	166	166	165	166	165	1,985	2,813
Dedicated Tax Fund Bonds	107	143	142	143	143	3,299	3,977
Excess Loss Trust Fund Special Obligation Bonds	7	7	7	7	6	21	55
Certificates of Participation	32	32	32	32	32	690	850
Total MTA	653	690	687	690	687	11,533	14,940
NYCTA:							
Transit Facilities Revenue Bonds	17	17	17	17	17	253	338
TBTA:							
General Purpose Revenue Bonds	377	370	369	370	370	6,249	8,105
Mortgage Recording Tax Bonds	87	87	87	86	87	1,014	1,448
Beneficial Interest Certificates	10	10	10	–	–	–	30
Variable Rate Demand Bonds	18	18	18	18	18	309	399
Total TBTA	492	485	484	474	475	7,572	9,982
Combined Total	**$1,162**	**$1,192**	**$1,188**	**$1,181**	**$1,179**	**$19,358**	**$25,260**

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, 2001 and 2000, the Authority recorded a rebate liability amounting to $13.3 and $12.9, respectively.

Debt Restructuring

As part of the 2000-2004 MTA Capital Programs, the MTA, NYCTA and TBTA are proposing to refund, defease and consolidate substantially all of their outstanding debt. The aggregate principal amount of debt, not including commercial paper of $750 million, proposed to be refunded and defeased is approximately $13,900. The MTA and TBTA do not currently expect to refund and defease the Two Broadway Certificates of Participation, the MTA Excess Loss Fund Special Obligation Bonds or the TBTA Convention Center Project Bonds as part of the debt restructuring. MTA's bonding resolutions were approved by the CPRB in February 2002.

Through the debt restructuring, the MTA and TBTA propose to modernize their bond resolutions by updating the financial and operating covenants, including the elimination or reduction of debt service reserve requirements, and provide for the use of other financial products.

Note 7—Lease Transactions

Lease/Leaseback Transactions

On March 31, 1997, MTAHQ entered into a lease/leaseback transaction with a third party whereby MTAHQ 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 MTAHQ as a capital lease, and sub-subleased by MTAHQ to LIRR.

Under the terms of the lease/leaseback agreement, MTAHQ initially received $313.5, which was utilized as follows: MTAHQ paid $266.4 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 MTAHQ to make these payments to the third party. MTAHQ used $20.7 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 $0.6 was used to pay for legal and other costs of the transaction, and $3.2 was used to pay the first rental payment under the sublease. A further $22.5 was MTAHQ'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, 2001, the Authority has recorded a long-term capital obligation and capital asset of $281 arising from the transaction.

Subway and Rail Cars

On December 12, 1997, MTA entered into lease/leaseback transactions whereby MTAHQ 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 MTAHQ as a capital lease, and sub-subleased by MTAHQ to MNCR and NYCTA, respectively.

Under the terms of the lease/leaseback agreement, MTAHQ initially received $76.6, which was utilized as follows. MTAHQ 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 MTAHQ to make these payments to the third party. MTAHQ 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, was 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. A further $4.4, before legal costs, was MTA's net benefit from the transaction, representing consideration for the tax benefits. At December 31, 2001, the Authority has recorded a long-term capital obligation and capital asset of $57 arising from the transaction.

Sale/Leaseback Transactions

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 MTA, representing the net economic benefit of the transaction. The remaining proceeds, equal to the net present value of the lease obligation, of which $71.3 was placed in an irrevocable deposit account and $7.5 was invested in U.S. Treasury Strips. The estimated yields and maturities of the deposit account and the Treasury Strips are expected to be sufficient to meet all obligations under the lease as they become due. The capital lease obligation is included in other long-term liabilities. At the end of the lease term, 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.

In 1995, MTA and CDOT completed a cross-border sale/leaseback of new rail cars with a third party. The value of the leased equipment was $120. The transaction has a lease term of 16.5 years with lease rental payments legally defeased. This transaction resulted in $4.1 of benefits shared by MTA and CDOT.

Other Lease Transactions

On July 29, 1998, the MTA, 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 2001 and 2000, the Authority made rent payments of $20.8 and $15.1, respectively. In connection with the renovation of the building and for tenant improvements, the MTA issued $121.2 and $328.2 in 2000 and 1999, respectively, of long-term obligations. The office building is principally occupied by NYCTA and TBTA.

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

In August 1988, the MTA entered into a 99-year lease agreement with Amtrak for Penn Station. This agreement, with an option to renew, is for rights to the lower-concourse level and certain platforms. The $44.6 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 Penn Station. Under this agreement, the MTA may be required to contribute up to $60 for its share of the cost. As of December 31, 2000 the project was closed and $50 was included in property and equipment.

Total rent expense under operating leases approximated $16 in 2001 and $13 in 2000.

($ millions)

At December 31, 2001, the future minimum lease payments under noncancellable leases are as follows:

Year	Operating	Capital
2002	$ 15	$ 47
2003	17	49
2004	17	55
2005	17	52
2006	17	59
Thereafter	766	2,152
	$849	$ 2,414
Amount representing interest		(1,802)
Present value of capital lease obligations		**$ 612**

Note 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 years ended December 31, 2001 and 2000 is presented below:

	2001	2000
Balance at beginning of year	$ 887	$ 852
Activity during the year:		
Current year claims and changes in estimates	129	172
Claims paid	(126)	(137)
Balance at end of year	890	887
Less current portion	(148)	(146)
Long-term liability	**$ 742**	**$ 741**

Note 9—Commitments and Contingencies

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 TBTA's bridges and tunnels, not all facilities, 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. The Authority has submitted claims to its re-insurance providers for reimbursement for expenditures incurred, for physical and structural damages and for loss of revenues due to business interruption. Additional claims are expected to be submitted in 2002, including claims applicable to the year ended December 31, 2001. The Authority has not recognized any insurance recovery in the accompanying financial statements as the Authority is pursuing the resolution of various contingencies with the insurance providers.

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.

NYCTA was cited by the New York State Department of Environmental Conservation ("NYSDEC") for failing to comply with state requirements for tightness testing of underground storage tanks and for failure to notify NYSDEC of leaking tanks. NYCTA is obligated to remediate contaminated soil and groundwater. In 2001 and

2000, the NYCTA expended $2.5 and $3.1, respectively, on such cleanup efforts. Such expenditures exclude the cost of capital improvements. In 2001 and 2000, an additional $2.0 in groundwater remediation reserves and $6.3 in soil-remediation reserves, respectively, were accrued. At December 31, 2001, the NYCTA believes that its remaining accrued liability of $27.9 is sufficient to cover future costs associated with this cleanup. Also, in 2001, in settlement of allegations of non-compliance with various provisions of the Environmental Conservation law and related regulations concerning petroleum and chemical bulk handling and storage, underground storage tanks, tidal wetlands, and air emission requirements, the NYCTA and NYSDEC entered into a global consent order resolving the outstanding environmental issues. The financial terms of the global consent required the payment of a $.4 penalty and the commitment of $2.0 toward implementation of an environmental benefits program.

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.

A Federal appellate court has upheld a District Court opinion that the MTAHQ is a common carrier under the Federal Employers' Liability Act ("FELA") and therefore, a MTA police officer involved in a car accident while on duty may seek recovery for damages based upon his alleged personal injuries pursuant to FELA. The court limited its holding to MTAHQ's employees and expressly excluded employees who provide local transportation services and those who operate bridges and tunnels. The Authority has filed a petition for a Rehearing In Banc, and the petition is pending. The Authority cannot determine the probable outcome of the litigation, but if the police officer's position prevails, and the holding is extended to those similarly situated, The Authority's liability could be significant.

On December 30, 1996, MTAHQ, LIRR and MSBA entered into a Funding Agreement ("Agreement") with the County of Nassau (the "County"). Pursuant to the Agreement, MTAHQ agreed to make a grant transfer of $51 to the County, after certain conditions were met by the County. In exchange, the County would make project contributions to MTAHQ equal to two times the amount of the grant transfer, provided that the aggregate amount of project contributions does not exceed $102. At December 31, 1997, $51 had been paid to the County as a grant and was recorded by MTA as a receivable against future project contributions. At December 31, 2001, MTA had requisitioned $84.8 and has received $81.0 from the County for reimbursement of project costs incurred. A second Funding Agreement ("Second Agreement") with the County was entered into by MTAHQ and LIRR on May 1, 1999. Pursuant to the Second Agreement, MTAHQ agreed to make a grant transfer of $70 to the County. In exchange, the County will make project contributions to MTAHQ equal to two times the amount of the grant transfer, provided that the aggregate amount of project contributions does not exceed $140. At December 31, 2001, MTA had requisitioned and received $140.

Pursuant to a Memorandum of Understanding ("MOU") dated May 20, 1996, by and among the MTA, NYCTA and NYC, NYCTA was authorized, and made grant transfers to NYC totaling $250 through 1997. In exchange, NYC agreed to pay $500 from its capital budget to fund NYCTA's capital program. The intent of the MOU was to provide additional capital funding to the NYCTA, which did not require the issuance of bonds supported by NYCTA revenues including fare receipts. As of December 31, 2001, NYC has made capital payments totaling $232.4 to reduce the receivable due from NYC for the first $250 in the consolidated balance sheets to $17.6. The second $250 is recognized as contributed capital when NYC reimburses NYCTA for the costs of certain capital projects. As of December 31, 2001, NYC has reimbursed NYCTA $163.5 million for capital projects included in the second $250 million amount.

On March 31, 1995, the MTA Board agreed to a merger of the transit police with the New York City Police Department, in accordance with a memorandum of understanding between NYCTA and NYC. Pursuant to the terms of the merger, NYCTA's operation of the transit police and NYC's obligation to reimburse the cost of operating the transit police terminated effective April 2, 1995. NYC has assumed the liability for substantially all past and future costs associated with operating the transit police, including all future pension costs. NYCTA has asserted a claim of approximately $92 against NYC relating to reimbursement of costs incurred in the operation of the transit police. NYCTA claims that NYC underpaid these amounts in the period from 1988 through December 1994. In January 1995, NYCTA filed a demand for arbitration pursuant to the lease governing the overall relationship between NYCTA and NYC to pursue, among other matters, payment of these arrearages. The arbitration matter has been held in abeyance while NYC, NYCTA, and the Authority explore the possibility of an amicable resolution.

In 1990, a fire occurred in a subway tunnel operated by NYCTA resulting in passenger injuries on a subway train passing through that tunnel. In 1991, a subway train operated by NYCTA derailed at Union Square resulting in injuries to passengers who were aboard the train. The ultimate loss from each of these events exceeds the NYCTA's retention limit and has resulted in a liability to the ELF. Management believes that the coverage provided by the ELF will be sufficient to satisfy all claims and that payments of such claims by the ELF will not result in a significant increase in premiums payable to the ELF by the participants.

MTA entered into a Coordination and Monitoring Agreement with the lessor, Two Broadway LLC. As part of this agreement, $68.3 was advanced to the lessor, as of December 31, 1999, to finance contracted base building improvements from proceeds of the 1999 Certificates of Participation. Under the agreement, the lessor is to reimburse the advance with 1.25 percent interest, primarily through rent credits during the lease term. This advance was discounted utilizing an effective interest rate of 8.5 percent resulting in a discount of $25.9. The obligation to pay these rent credits is currently being disputed by lessor. The MTA intends to vigorously defend its rights to these rent credits. However, given the uncertainty of the collectability of the advance through rent credits, the net advance at December 31, 2000 of $42.4 was reclassified to base building improvements during fiscal year 2000. Amounts expended in fiscal year 2000, which, under the agreement, would be reimbursable by the lessor, have also been recorded as base building improvements.

Notes to Combined Financial Statements

December 31, 2001 and 2000
($ millions)

Note 10—Segment Information

	MNCR	LIRR	MTA*	NYCTA	TBTA	Eliminations	Total
2001							
Operating revenue	$ 366	$ 384	$ 86	$ 2,326	$ 923	$ (33)	$ 4,052
Depreciation and amortization	128	158	23	727	31	–	1,067
Subsidies and grants	–	–	103	318	–	–	421
Tax revenue	–	–	680	950	–	–	1,630
Interagency subsidy	–	–	202	133	(335)	–	–
Operating (deficit) surplus	(360)	(539)	(241)	(2,161)	635	–	(2,666)
Net (deficit) surplus	(320)	(539)	1,244	801	(796)	–	390
Capital expenditures	77	169	3,002	685	1,106	(1,799)	3,240
Total assets	2,904	4,395	13,638	19,519	3,927	(6,968)	37,415
Net working capital	(14)	(41)	1,124	(38)	(128)	(230)	673
Long-term debt	–	–	9,179	201	6,667	(45)	16,002
Current contributed capital	–	–	–	–	–	–	–
Total equity	2,693	3,483	667	12,971	(3,312)	–	16,502
2000							
Operating revenue	$ 360	$ 380	$ 71	$ 2,301	$ 950	$ (29)	$ 4,033
Depreciation and amortization	129	152	18	655	28	–	982
Subsidies and grants	–	–	114	317	–	(18)	413
Tax revenue	–	–	596	867	–	(1)	1,462
Interagency subsidy	–	–	227	163	(390)	–	–
Operating (deficit) surplus	(332)	(503)	(211)	(1,874)	681	22	(2,217)
Net (deficit) surplus	(300)	(503)	670	(368)	169	–	(332)
Capital expenditures	74	139	2,592	618	907	(1,553)	2,777
Total assets	2,780	4,248	12,571	18,525	3,807	(7,200)	34,731
Net working capital	(30)	(25)	714	228	571	(17)	1,441
Long-term debt	–	–	8,505	206	5,688	(46)	14,353
Current contributed capital	165	316	572	1,399	(777)	–	1,675
Total equity	2,585	3,281	592	12,170	(2,516)	–	16,112

*Includes the amounts for MTAHQ, MSBA, SIRTOA, FMTAC and ELF.

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Required Supplementary Information: Schedule of Pension Funding Progress

(Unaudited)
($ millions)

Single-Employer Plans

	LIRR			SIRTOA		
Valuation Date	**1/1/01**	**1/1/00**	**1/1/99**	**1/1/01**	**1/1/00**	**1/1/99**
a. Actuarial value of plan assets	$ 813.8	$ 796.7	$ 779.2	$31.0	$26.8	$22.6
b. Actuarial accrued liability (AAL)	1,361.1	1,160.1	1,169.6	39.2	33.3	29.2
c. Total unfunded AAL (UAAL) [b-a]	547.3	363.4	390.4	8.2	6.5	6.6
d. Funded ratio [a/b]	59.8%	68.7%	66.6%	79.1%	80.5%	77.4%
e. Covered payroll	$ 192.5	$ 285.0	$ 289.5	$13.7	$11.9	$12.0
f. UAAL as a percentage of covered payroll [c/e]	284.2%	127.5%	134.9%	59.9%	54.6%	55.0%

**The MTA Plan for the year 1/1/99 is presented as if the plan was a single-employer plan at the MTA level.*

(Unaudited)
($ millions)

					Single-Employer Plans
		MaBSTOA			MTA Plan
1/1/01	1/1/00	1/1/99	1/1/01	1/1/00	1/1/99*
$ 611.5	$ 540.1	$ 467.6	$240.4	$216.0	$231.1
1,592.5	1,471.8	1,342.0	270.2	253.1	265.7
981.0	931.7	874.4	29.8	37.1	34.6
38.4%	36.7%	34.8%	89.0%	85.3%	87.0%
$ 400.5	$ 378.9	$ 362.0	$135.1	$121.5	$108.3
244.9%	245.9%	241.5%	22.1%	30.5%	32.0%

Combining Balance Sheets

December 31, 2001
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Assets					
Cash	$ 39	$ 31	$ 8	$ –	$ 78
Investments	1,539	14	334	–	1,887
Receivables:					
Station maintenance, operation, and use assessments	89	–	–	–	89
State and regional mass transit taxes	5	–	–	–	5
Interest	19	–	5	–	24
Due from affiliated agencies	254	334	113	(701)	–
Due from New York City	340	–	–	–	340
Other	325	362	26	(7)	706
Less allowance for doubtful accounts	(4)	(26)	–	–	(30)
Total receivables	1,028	670	144	(708)	1,134
Materials and supplies	94	147	–	–	241
Prepaid expenses and other current assets	22	106	5	–	133
Total current assets	2,722	968	491	(708)	3,473
Properties and equipment, net	6,888	17,406	1,892	–	26,186
Assets held under capital leases, net	338	122	–	–	460
Noncurrent investments	3,588	18	613	–	4,219
Recoverable from NYS to service long-term debt	1,393	–	–	–	1,393
Due from NYC	–	18	–	–	18
Due from affiliated agencies	4,517	840	903	(6,260)	–
Deferred expenses related to issuance of debt	85	146	28	–	259
Other noncurrent assets	1,406	1	–	–	1,407
Total assets	**$20,937**	**$19,519**	**$3,927**	**$(6,968)**	**$37,415**

Continued

Combining Balance Sheets

December 31, 2001
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Liabilities and Equity					
Accounts payable	$ 342	$ 116	$ 64	$ (1)	$ 521
Accrued expenses:					
Interest	212	5	192	–	409
Salaries, wages, and payroll taxes	48	135	6	–	189
Vacation and sick pay benefits	101	372	12	–	485
Current portion–retirement and death benefits	9	10	–	–	19
Current portion–estimated liability from injuries to persons	34	103	11	–	148
Other	25	53	–	–	78
Total accrued expenses	429	678	221	–	1,328
Current portion–long-term debt	227	9	174	(1)	409
Short term note	300	–	–	–	300
Obligations under capital lease, current portion	–	–	7	–	7
Deferred subsidy revenue	26	7	–	–	33
Other deferred revenue	8	112	82	–	202
Due to affiliated agencies	321	84	71	(476)	–
Total current liabilities	1,653	1,006	619	(478)	2,800
Retirement and death benefits	1	63	–	–	64
Estimated liability arising from injuries to persons	149	588	5	–	742
Long-term debt	8,652	192	6,493	(44)	15,293
Obligations under capital lease, long term portion	354	131	120	–	605
Due to affiliated agencies	1,914	4,532	–	(6,446)	–
Other long-term liabilities	1,371	36	2	–	1,409
Total liabilities	14,094	6,548	7,239	(6,968)	20,913
Contributed capital	7,874	13,872	–	(9,693)	12,053
Accumulated (deficit) surplus	(1,031)	(901)	(3,312)	9,693	4,449
Total equity	6,843	12,971	(3,312)	–	16,502
Total liabilities and equity	**$20,937**	**$19,519**	**$ 3,927**	**$(6,968)**	**$37,415**

Combining Statements of Operations and Changes in Equity

For the Year Ended December 31, 2001
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Operating Revenues					
Passenger and tolls	$ 732	$ 2,255	$915	$ –	$ 3,902
Rents, freight, and sundry	104	71	8	(33)	150
Total operating revenues	836	2,326	923	(33)	4,052
Operating Expenses					
Salaries and wages	858	2,338	98	–	3,294
Retirement and other employee benefits	343	624	25	–	992
Materials and supplies	116	278	51	–	445
Fuel and power	91	183	5	–	279
Computer, engineering, and other consulting services	121	205	62	–	388
Public liability and claims	53	50	3	–	106
Depreciation and amortization	309	727	31	–	1,067
Other expenses	85	82	13	(33)	147
Total operating expenses	1,976	4,487	288	(33)	6,718
Operating (deficit) surplus	(1,140)	(2,161)	635	–	(2,666)

Continued

Combining Statements of Operations and Changes in Equity

For the Year Ended December 31, 2001
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Nonoperating Revenues (Expenses)					
Grants, appropriations, and taxes:					
Tax supported subsidies–NYS	411	740	–	–	1,151
Tax supported subsidies–NYC and Local	269	210	–	–	479
Operating subsidies–NYS	58	159	–	–	217
Operating subsidies–NYC and Local	45	159	–	–	204
Total grants, appropriations, and taxes	783	1,268	–	–	2,051
Interagency subsidy	202	133	(335)	–	–
Funds restricted for capital projects and debt service	(23)	–	23	–	–
Operating subsidies recoverable from CDOT related to MNCR's New Haven Line	39	–	–	–	39
Suburban Highway Transportation Fund subsidy	–	–	–	–	–
Subsidies to Dutchess, Orange, and Rockland counties	(10)	–	–	–	(10)
Interest on long-term debt	(213)	(153)	(143)	–	(509)
Station maintenance, operation, and use assessments	120	–	–	–	120
Impairment/loss of capital assets at World Trade Center	–	(173)	–	–	(173)
Loss on disposal of subway cars	–	(58)	–	–	(58)
Special expense reimbursement subsidies	–	1	–	–	1
Appropriations, grants and other receipts externally restricted for capital projects	555	1,935	(980)	–	1,510
Other nonoperating income	72	9	4	–	85
Net nonoperating revenues (expenses)	1,525	2,962	(1,431)	–	3,056
Net surplus (deficit)	385	801	(796)	–	390
Equity at beginning of year	6,458	12,170	(2,516)	–	16,112
Equity at end of year	**$6,843**	**$12,971**	**$(3,312)**	**$ –**	**$16,502**

Combining Statements of Cash Flows

For the Year Ended December 31, 2001
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows from Operating Activities					
Passenger receipts/tolls	$ 732	$ 2,250	$ 924	$ –	$ 3,906
Rents and other receipts	115	102	7	10	234
Payroll and related fringe benefits	(1,200)	(2,994)	(126)	–	(4,320)
Other operating expenses	(501)	(619)	(145)	55	(1,210)
Net cash (used in) provided by operating activities	(854)	(1,261)	660	65	(1,390)
Cash Flows from Noncapital Financing Activities					
Grants, appropriations, and taxes	858	1,286	–	(52)	2,092
Operating subsidies from CDOT	39	–	–	–	39
Subsidies to Dutchess, Orange, and Rockland counties	(7)	–	–	–	(7)
Subsidies received from affiliated agencies	210	134	(344)	–	–
Net cash provided by (used in) noncapital financing activities	1,100	1,420	(344)	(52)	2,124
Cash Flows from Capital and Related Financing Activities					
Dedicated tax fund bond proceeds	563	–	–	–	563
General purpose revenue bond anticipation notes	–	–	1,020	–	1,020
TBTA general purpose revenue bond proceeds	–	–	1,119	–	1,119
TBTA general purpose revenue bonds refunded	–	–	(1,050)	–	(1,050)
TBTA general purpose variable rate revenue bond proceeds	–	–	296	–	296
TBTA general purpose variable rate revenue bonds refunded	–	–	(295)	–	(295)
Proceeds from JP Morgan Chase loan	300	–	–	–	300
Grants and appropriations	2,010	–	–	–	2,010
CDOT capital contributions	2	–	–	–	2
Advance from WTC disaster	–	–	13	(13)	–
Capital expenditures	(3,248)	(685)	(1,106)	1,799	(3,240)
Debt service payments	(666)	(344)	(451)	338	(1,123)
Subsidies designated for debt service payments	–	344	–	(338)	6
Reimbursement of capital project costs to/from MTA	1,361	438	–	(1,799)	–
Payment (to) from affiliated agencies for debt service	(41)	–	41	–	–
Net cash (used in) provided by capital and related financing activities	281	(247)	(413)	(13)	(392)

Continued

Combining Statements of Cash Flows

For the Year Ended December 31, 2001
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows from Investment Activities					
Purchases of securities–long-term	(3,410)	(41)	(1,116)	–	(4,567)
Sales or maturities of securities–long-term	4,310	51	1,082	–	5,443
Net short-term sales (purchases) of securities	(1,492)	–	99	–	(1,393)
Net increase (decrease) in funds received from affiliated agencies for centralized temporary investment	(77)	68	9	–	–
Earnings on investments	163	–	24	–	187
Net cash (used in) provided by investment activities	(506)	78	98	–	(330)
Net increase in cash	21	(10)	1	–	12
Cash at the beginning of the year	18	41	7	–	66
Cash at end of the year	**$ 39**	**$ 31**	**$ 8**	**$ –**	**$ 78**

Reconciliation of operating deficit to net cash used in operating activities

	MTA	NYCTA	TBTA	Eliminations	Total
Operating (deficit) surplus	$ (1,168)	$ (2,161)	$ 635	$ 28	$ (2,666)
Adjustments to reconcile to net cash used in operating activities:					
Depreciation and amortization	309	727	31	–	1,067
Net decrease (increase) in payables, accrued expenses and other liabilities	609	90	6	–	705
Net (increase) decrease in receivables	(671)	22	3	–	(646)
Net (decrease) increase in materials and supplies and prepaid expenses	67	61	(15)	37	150
Net cash (used in) provided by operating activities	**$ (854)**	**$(1,261)**	**$660**	**$65**	**$(1,390)**

Combining Balance Sheets

December 31, 2000
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Assets					
Cash	$ 18	$ 41	$ 7	$ –	$ 66
Investments	949	23	1,029	–	2,001
Receivables:					
Station maintenance, operation, and use assessments	85	–	–	–	85
State and regional mass transit taxes	4	–	–	–	4
Interest	41	–	5	(1)	45
Due from affiliated agencies	204	407	119	(730)	–
Other	717	380	29	(5)	1,121
Less allowance for doubtful accounts	(5)	(25)	–	–	(30)
Total receivables	1,046	762	153	(736)	1,225
Materials and supplies	86	127	–	–	213
Prepaid expenses and other current assets	11	211	2	–	224
Total current assets	2,110	1,164	1,191	(736)	3,729
Properties and equipment, net	6,483	16,186	1,707	–	24,376
Assets held under capital leases, net	334	125	–	–	459
Noncurrent investments	3,218	18	–	–	3,236
Recoverable from NYS to service long-term debt	1,536	–	–	–	1,536
Due from NYC	340	45	–	–	385
Due from affiliated agencies	4,710	860	894	(6,464)	–
Deferred expenses related to issuance of debt	90	126	15	–	231
Other noncurrent assets	778	1	–	–	779
Total assets	**$19,599**	**$18,525**	**$3,807**	**$(7,200)**	**$34,731**

Continued

Combining Balance Sheets

December 31, 2000
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Liabilities and Equity					
Accounts payable	$ 243	$ 127	$ 66	$ 2	$ 438
Accrued expenses:					
Interest	199	8	234	–	441
Salaries, wages, and payroll taxes	59	123	7	–	189
Vacation and sick pay benefits	94	328	11	–	433
Current portion–retirement and death benefits	8	4	–	–	12
Current portion–estimated liability from injuries to persons	32	108	6	–	146
Other	12	36	–	–	48
Total accrued expenses	404	607	258	–	1,269
Current portion–long-term debt	200	9	150	(1)	358
Obligations under capital lease, current portion	–	–	6	–	6
Deferred subsidy revenue	23	6	–	–	29
Other deferred revenue	9	108	71	–	188
Due to affiliated agencies	572	79	69	(720)	–
Total current liabilities	1,451	936	620	(719)	2,288
Retirement and death benefits	1	64	–	–	65
Estimated liability arising from injuries to persons	139	587	14	–	740
Long-term debt	8,305	197	5,538	(45)	13,995
Obligations under capital leases	335	128	120	–	583
Due to affiliated agencies	2,028	4,408	–	(6,436)	–
Other long-term liabilities	882	35	31	–	948
Total liabilities	13,141	6,355	6,323	(7,200)	18,619
Contributed capital	7,869	12,898	–	(8,714)	12,053
Accumulated surplus (deficit)	(1,411)	(728)	(2,516)	8,714	4,059
Total equity	6,458	12,170	(2,516)	–	16,112
Total liabilities and equity	**$19,599**	**$18,525**	**$ 3,807**	**$(7,200)**	**$34,731**

Combining Statements of Operations and Changes in Equity

For the Year Ended December 31, 2000
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Operating Revenues					
Passenger and tolls	$ 721	$ 2,222	$940	$ –	$ 3,883
Rents, freight, and sundry	90	79	10	(29)	150
Total operating revenues	811	2,301	950	(29)	4,033
Operating Expenses					
Salaries and wages	801	2,204	86	–	3,091
Retirement and other employee benefits	312	577	26	–	915
Materials and supplies	113	242	48	–	403
Fuel and power	93	183	5	–	281
Computer, engineering, and other consulting services	115	166	59	–	340
Public liability and claims	55	82	3	–	140
Depreciation and amortization	299	655	28	–	982
Other expenses	69	66	14	(51)	98
Total operating expenses	1,857	4,175	269	(51)	6,250
Operating (deficit) surplus	(1,046)	(1,874)	681	22	(2,217)

Continued

Combining Statements of Operations and Changes in Equity

For the Year Ended December 31, 2000
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Nonoperating Revenues (Expenses)					
Grants, appropriations, and taxes:					
Tax supported subsidies–NYS	417	692	–	(1)	1,108
Tax supported subsidies–NYC and Local	179	175	–	–	354
Operating subsidies–NYS	58	159	–	(1)	216
Operating subsidies–NYC and Local	56	158	–	(17)	197
Total grants, appropriations, and taxes	710	1,184	–	(19)	1,875
Interagency subsidy	227	163	(390)	–	–
Funds restricted for capital projects and debt service	(33)	–	33	–	–
Operating subsidies recoverable from CDOT related to MNCR's New Haven Line	32	–	–	–	32
Suburban Highway Transportation Fund subsidy	(7)	–	–	–	(7)
Subsidies to Dutchess, Orange, and Rockland counties	(5)	–	–	–	(5)
Gain from sale of Coliseum	–	–	340	–	340
Transfer of proceeds of Coliseum sale to City of New York	–	–	(340)	–	(340)
Interest on long-term debt	(178)	(97)	(159)	–	(434)
Elimination of NYCERS long-term pension liability	–	237	–	–	237
Station maintenance, operation, and use assessments	110	–	–	–	110
Special expense reimbursement subsidies	–	4	–	–	4
Other nonoperating income	57	15	4	(3)	73
Net nonoperating revenues (expenses)	913	1,506	(512)	(22)	1,885
Net (deficit) surplus	(133)	(368)	169	–	(332)
Cumulative effect of change in accounting principle	84	179	–	–	263
Appropriations, grants and other receipts externally restricted for capital projects	1,053	1,399	(777)	–	1,675
Equity at beginning of year	5,454	10,960	(1,908)	–	14,506
Total equity at end of year	**$6,458**	**$12,170**	**$(2,516)**	**$ –**	**$16,112**

Combining Statements of Cash Flows

For the Year Ended December 31, 2000
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows From Operating Activities					
Passenger receipts/tolls	$ 722	$ 2,207	$ 934	$ –	$ 3,863
Rents and other receipts	93	94	10	(33)	164
Payroll and related fringe benefits	(1,104)	(2,856)	(114)	–	(4,074)
Other operating expenses	(512)	(665)	(143)	55	(1,265)
Net cash (used in) provided by operating activities	(801)	(1,220)	687	22	(1,312)
Cash Flows From Noncapital Financing Activities					
Grants, appropriations and taxes	763	1,225	–	(22)	1,966
Operating subsidies from CDOT	34	–	–	–	34
Suburban Transportation Fund subsidy	(6)	–	–	–	(6)
Subsidies to Dutchess, Orange and Rockland counties	(8)	–	–	–	(8)
Subsidies received from affiliated agencies	217	167	(384)	–	–
Other	70	23	–	–	93
Net cash provided (used in) noncapital financing activities	1,070	1,415	(384)	(22)	2,079
Cash Flows From Capital and Related Financing Activities					
Dedicated tax fund bonds proceeds	342	–	–	–	342
Certificates of Participation S2000A	120	–	12	(12)	120
Commuter facilities revenue bonds proceeds	17	–	–	–	17
TBTA Bond Anticipation Notes S2000A	–	–	853	–	853
TBTA mortgage recording tax bonds proceeds	–	–	525	–	525
TBTA mortgage recording tax bonds refunded	–	–	(545)	–	(545)
Grants and appropriations	1,546	–	–	–	1,546
Proceeds from sale of Coliseum	–	–	361	–	361
Transfer of proceeds of Coliseum sale to City of New York	–	–	(344)	–	(344)
CDOT capital contributions	1	–	–	–	1
Capital expenditures	(2,805)	(618)	(907)	1,553	(2,777)
Debt service payments	(574)	(327)	(417)	315	(1,003)
Subsidies designated for debt service payments	–	327	–	(315)	12
Reimbursement of capital project costs to/from MTA	1,136	405	–	(1,541)	–
Payment (to) from affiliated agencies for debt service	(42)	–	42	–	–
Net cash used in capital and related financing activities	(259)	(213)	(420)	–	(892)

Continued

Combining Statements of Cash Flows

For the Year Ended December 31, 2000
($ millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows from Investment Activities					
Purchases of securities–long-term	(3,005)	(44)	(547)	–	(3,596)
Sales or maturities of securities–long-term	2,660	48	757	–	3,465
Net short-term sales (purchases) of securities	199	–	(108)	–	91
Net (decrease) increase in funds received from affiliated agencies for centralized temporary investment	–	22	(22)	–	–
Earnings on investments	137	–	37	–	174
Net cash (used in) provided by investment activities	(9)	26	117	–	134
Net increase in cash	1	8	–	–	9
Cash at beginning of year	17	33	7	–	57
Cash at end of the year	**$ 18**	**$ 41**	**$ 7**	**–**	**$ 66**
Reconciliation of operating deficit to net cash used in operating activities					
Operating (deficit) surplus	$ (1,046)	$ (1,874)	$ 681	$ 22	$ (2,217)
Adjustments to reconcile to net cash used in operating activities:					
Depreciation and amortization	299	655	28	–	982
Elimination of NYCERS long-term pension liability	–	237	–	–	237
Net decrease (increase) in payables, accrued expenses, and other liabilities	17	(176)	(20)	–	(179)
Net increase in receivables	(8)	(3)	(3)	–	(14)
Net (increase) decrease in materials and supplies and prepaid expenses	(63)	(59)	1	–	(121)
Net cash (used in) provided by operating activities	**$ (801)**	**$(1,220)**	**$ 687**	**$22**	**$(1,312)**