

***Triborough Bridge and
Tunnel Authority***

Independent Auditors' Report

Financial Statements

Years Ended December 31, 2001 and 2000

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of
Metropolitan Transportation Authority

We have audited the accompanying balance sheets of Triborough Bridge and Tunnel Authority (the "Authority"), a component unit of Metropolitan Transportation Authority, as of December 31, 2001 and 2000, and the related statements of operations, excess of liabilities over assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



March 15, 2002

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

BALANCE SHEETS DECEMBER 31, 2001 AND 2000 (In Thousands)

ASSETS	2001	2000
CURRENT ASSETS:		
Cash, unrestricted (Note 3)	\$ 8,049	\$ 6,834
Investments (Notes 4, 5 and 8)	446,875	460,979
Accrued interest receivable	5,592	4,847
Accounts receivable	25,632	28,979
Prepaid expenses and deferred charges	<u>4,725</u>	<u>2,823</u>
Total current assets	490,873	504,462
INVESTMENTS (Notes 4, 5 and 8)	613,697	686,514
DUE FROM MTA-MRT (Note 12)	902,819	894,215
CAPITAL ASSETS - Less accumulated depreciation of \$445,768 and \$414,288 in 2001 and 2000, respectively (Notes 6 and 14)	1,891,925	1,707,204
BOND ISSUANCE COSTS	<u>27,639</u>	<u>15,142</u>
TOTAL ASSETS	<u>\$3,926,953</u>	<u>\$3,807,537</u>

(Continued)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

(In Thousands)

LIABILITIES AND EXCESS OF LIABILITIES OVER ASSETS	2001	2000
CURRENT LIABILITIES:		
Bond principal due January 1, 2002 and 2001	\$ 173,606	\$ 149,469
Interest payable due January 1, 2002 and 2001	192,456	234,437
Accounts payable	63,772	66,347
Payable to MTA - Capital expense - operating	18,327	4,985
Payable to TA - Operating expense	196	1,144
Accrued salaries	6,124	7,418
Accrued vacation and sick pay benefits	11,986	10,573
Current portion of estimated liability arising from injuries to persons (Note 15)	10,482	5,786
Due to New York City Transit Authority (Note 1)	13,661	13,096
Current portion of capital lease obligation (Note 14)	6,866	6,191
Due to Metropolitan Transportation Authority (Note 1)	39,353	49,492
Unredeemed toll revenues (includes \$14,149 and \$12,327 in 2001 and 2000, respectively, due to other toll agencies)	<u>81,771</u>	<u>71,435</u>
Total current liabilities	618,600	620,373
DEFERRED CREDIT (Note 21)	304	27,895
LONG-TERM PORTION OF ESTIMATED LIABILITY ARISING FROM INJURIES TO PERSONS (Note 15)	5,515	14,329
LONG-TERM DEBT - General Purpose Revenue Bonds (Note 9)	4,473,589	3,449,378
LONG-TERM DEBT - Beneficial Interest Certificates (BIC) (Note 10)	27,075	35,228
LONG-TERM DEBT - 1994 Special Obligation Bonds (Note 11)	240,347	246,655
LONG-TERM DEBT - Mortgage Recording Tax Bonds (Note 12)	882,605	918,347
LONG-TERM DEBT - Certificates of Participation (Note 13)	43,632	44,523
LONG-TERM DEBT - Bond Anticipation Notes (Note 23)	825,487	843,785
CAPITAL LEASE OBLIGATIONS - (Note 14)	120,069	120,124
OTHER LIABILITIES	<u>2,411</u>	<u>2,894</u>
TOTAL LIABILITIES	7,239,634	6,323,531
EXCESS OF LIABILITIES OVER ASSETS AND TRANSFERS	<u>(3,312,681)</u>	<u>(2,515,994)</u>
TOTAL LIABILITIES AND EXCESS OF LIABILITIES OVER ASSETS	<u>\$ 3,926,953</u>	<u>\$ 3,807,537</u>

See notes to financial statements.

(Concluded)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2001 AND 2000 (In Thousands)

	2001	2000
REVENUES:		
Bridges and tunnels	\$ 914,856	\$ 940,607
Building rentals	7,213	10,327
Other income	<u>620</u>	<u>805</u>
Total revenues	<u>922,689</u>	<u>951,739</u>
OPERATING EXPENSES:		
Salaries and wages	98,283	86,178
Employees' fringe benefits (Note 7)	25,033	26,078
Maintenance and supplies	50,459	48,113
Outside services	62,439	59,256
Insurance	3,041	2,756
Power	4,491	5,228
Leases and rentals	7,888	8,677
Depreciation expense	31,480	27,386
Other expenses - net	<u>4,880</u>	<u>4,972</u>
Total expenses	<u>287,994</u>	<u>268,644</u>
INCOME FROM OPERATIONS	634,695	683,095
GAIN FROM SALE OF N.Y. COLISEUM (Note 21)	-	340,422
INTEREST EXPENSE (Notes 9, 10, 11 and 13)	(143,913)	(159,471)
INVESTMENT INCOME (Note 1)	23,772	33,219
NET INCREASE IN FAIR VALUE OF INVESTMENTS (Note 4)	4,098	3,745
TRANSFER OF PROCEEDS OF N.Y. COLISEUM SALES TO CITY OF NEW YORK (Note 21)	<u>-</u>	<u>(340,422)</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE OPERATING TRANSFERS	<u>518,652</u>	<u>560,588</u>
OPERATING TRANSFER AND INVESTMENT INCOME PROVIDED TO (Note 1):		
New York City Transit Authority	(137,949)	(167,742)
Metropolitan Transportation Authority	<u>(197,026)</u>	<u>(222,902)</u>
	<u>(334,975)</u>	<u>(390,644)</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ 183,677</u>	<u>\$ 169,944</u>

See notes to financial statements.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

STATEMENTS OF EXCESS OF LIABILITIES OVER ASSETS YEARS ENDED DECEMBER 31, 2001 AND 2000 (In Thousands)

BALANCE, JANUARY 1, 2000	\$ (1,908,623)
Excess of revenues over expenses and transfers	169,944
Investment income restricted for necessary reconstruction reserve	5,995
Transfer of purchased Transportation Project assets and capitalized interest applicable to the Transportation Project expenditures to MTA and constituent agencies	<u>(783,310)</u>
BALANCE, DECEMBER 31, 2000	(2,515,994)
Excess of revenues over expenses and transfers	183,677
Investment income restricted for necessary reconstruction reserve	4,030
Transfer of purchased Transportation Project assets and capitalized interest applicable to the Transportation Project expenditures to MTA and constituent agencies	<u>(984,394)</u>
BALANCE, DECEMBER 31, 2001	<u>\$ (3,312,681)</u>

See notes to financial statements.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2001 AND 2000 (In Thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tolls collected	\$ 924,160	\$ 934,228
Building rentals received	7,213	10,110
Payments to employees and related costs	(126,385)	(113,945)
Other operating costs	<u>(144,740)</u>	<u>(143,869)</u>
Net cash provided by operating activities	<u>660,248</u>	<u>686,524</u>
CASH FLOWS FOR NONCAPITAL FINANCING ACTIVITIES -		
Subsidies paid to affiliated agencies	<u>(344,550)</u>	<u>(383,668)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES FOR THE AUTHORITY AND AFFILIATES:		
Advance received for WTC disaster	12,945	-
Cost of issuance for General Purpose Reserve Bonds	(10,305)	-
Principal payments on Mortgage Recording Tax Bonds	(19,070)	(29,260)
Payment from MTA for Mortgage Recording Tax Bonds debt service	43,346	86,891
Interest paid on Mortgage Recording Tax Bonds	(40,267)	(57,631)
Interest paid on General Purpose Revenue Bonds, BICs and 1994A Resolution Bonds	(260,761)	(213,878)
Principal payments on General Purpose Revenue Bonds, BICs and 1994A Resolution Bonds	(131,375)	(116,155)
Purchase of capital assets	(139,970)	(186,083)
Proceeds from issuance of General Purpose Revenue Bonds for Capital Projects	56,517	-
Proceeds from issuance of Certificates of Participation	-	2,873
MRT Investment Fund to Pay Debt Service	(17,811)	-
Amount paid from MRT DSRF for defeasing 1991A and B MRT Bonds	-	(25,166)
Proceeds from MRT 2000 A, B, C and D Bonds	-	558
Proceeds from sale of Coliseum	-	360,781
Transfer of proceeds to New York City and realty fee	-	(344,478)
Proceeds from Bond Anticipation Notes	1,020,215	851,874
Payment for Transportation Capital Projects	<u>(941,860)</u>	<u>(704,644)</u>
Net cash used in capital and related financing activities	<u>(428,396)</u>	<u>(374,318)</u>

(Continued)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2001 AND 2000 (In Thousands)

	2001	2000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales (purchases) of short-term securities	\$ 114,293	\$ (153,312)
Net (purchases) maturities of long-term securities	(34,707)	209,858
Increase in MTA investment pool	5,847	(27,838)
Unrestricted income from investments	23,772	33,219
Investment income restricted for Mortgage Recording Tax purposes	1,128	3,990
Investment income restricted for capital purposes	<u>4,030</u>	<u>5,995</u>
Net cash provided by investing activities	<u>114,363</u>	<u>71,912</u>
NET INCREASE IN CASH	1,665	450
CASH, BEGINNING OF YEAR	<u>6,384</u>	<u>6,384</u>
CASH, END OF YEAR	<u>\$ 8,049</u>	<u>\$ 6,834</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES -		
Income from operations	\$ 634,695	\$ 683,095
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Interest income - subway car lease	(620)	(805)
Depreciation	31,480	27,386
Advance received for WTC disaster	(12,945)	-
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Decrease (increase) in receivables	3,347	(2,872)
Increase (decrease) in operating payables	1,469	(12,867)
Increase in prepaid expenses and deferred charges	(1,902)	(755)
Increase in accrued salary costs, vacation and insurance	(5,412)	(239)
Increase (decrease) in unredeemed toll revenue	10,336	(5,058)
Decrease in other liabilities	<u>(200)</u>	<u>(1,361)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 660,248</u>	<u>\$ 686,524</u>

(Concluded)

See notes to financial statements.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2001 AND 2000

1. BASIS OF FINANCIAL STATEMENTS

The Triborough Bridge and Tunnel Authority (the "Authority" or "TBTA") is a public benefit corporation created pursuant to the Public Authorities Laws (the "Act") of the State of New York (the "State"). The Authority is a component unit of the Metropolitan Transportation Authority (the "MTA") and is included in the combined financial statements of the MTA in accordance with Governmental Accounting Standards Board ("GASB") Statement No.14, "The Financial Reporting Entity." The MTA is a component unit of the State and is included in the State of New York Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation.

The Authority operates seven toll bridges, two toll tunnels, and the Battery Parking Garage. All Authority toll facilities operate E-Z Pass in conjunction with a regional electronic toll collection system, E-Z Pass. The Authority's annual net earnings before depreciation and other adjustments ("operating transfer") are transferred to the New York City Transit Authority (the "TA") and the MTA pursuant to provisions of the Act. In addition, the Authority annually transfers its unrestricted investment income to the MTA. The operating transfer and the investment income transfer can be used to fund operating expenses or capital projects. The TA receives \$24,000,000 plus 50% of the Authority's remaining annual operating transfer, as adjusted, to reflect certain debt service transactions and the MTA receives the balance of the operating transfer, as adjusted, to reflect certain debt service transactions, plus the annual unrestricted investment income. Transfers are made during the year on an estimated basis. The remaining amount due at December 31, 2001 and 2000 of \$53,014,000 and \$62,588,000, respectively, is recorded as a liability in the Authority's financial statements.

The Authority certified to the City of New York (the "City") and the MTA that its operating transfer and its unrestricted investment income were as follows:

	Year Ended December 31,	
	2001	2000
Operating transfer	\$ 311,203	\$ 357,425
Investment income	<u>23,772</u>	<u>33,219</u>
	<u>\$ 334,975</u>	<u>\$ 390,644</u>

2. ACCOUNTING POLICIES

Investments - Investments included in the debt service reserve funds pursuant to the Authority's various bond resolutions are classified as long-term assets. It is the Authority's intent to hold its investments to maturity. Investments are recorded on the balance sheet at fair value which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including changes in the fair value of investments, is reported as revenue (either as investment income or net increase (decrease) in fair value of investments) on the statement of operations.

Operations - Bridges and Tunnel revenue is recorded as earned (i.e., as tokens are used and tolls are paid in cash or when vehicles pass through the Electronic Toll Collection System).

Capital Assets - Capital assets are carried at cost. Depreciation is recorded on the straight-line method over the assets' estimated useful lives. Title to substantially all real property is vested in the City, and the Authority has the use and occupancy thereof as long as its corporate existence continues. Major reconstruction and improvements to such facilities are capitalized.

Accounting Policies - Under GASB Statement No. 20, "Proprietary Activity Accounting and Financial Reporting," the Authority has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

Subsidies - Subsidies provided by the Authority represent its operating transfer and investment income computed on an accrual basis.

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

3. CASH

The Bank balances are insured up to \$100,000 in the aggregate by the Federal Deposit Insurance Corporation (the "FDIC") for each bank in which funds are deposited.

Cash at December 31 consists of the following:

	2001		2000	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
	(In Thousands)			
Insured deposits	\$ 200	\$ 200	\$ 200	\$ 200
Collateralized deposits	<u>7,849</u>	<u>17,907</u>	<u>6,634</u>	<u>13,737</u>
	<u>\$ 8,049</u>	<u>\$ 18,107</u>	<u>\$ 6,834</u>	<u>\$ 13,937</u>

The Bank balances that were not insured were maintained in major financial institutions considered by management to be secure. The difference between the carrying amount and the bank balance is due to outstanding checks.

4. INVESTMENTS

The Authority's investment policies comply with the New York State Comptroller's guidelines for investment policies. MTA's All-Agency Investment Guidelines generally restrict the Authority's investments to obligations of the U.S. Treasury, its agencies and instrumentalities and repurchase agreements backed by U.S. Treasury securities. At December 31, 2001, all investments were managed by the MTA, as the Authority's agent, in custody accounts kept in the name of the Authority for restricted investments and in the name of the MTA for unrestricted investments. MTA's All-Agency

Investment Guidelines state that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment.

Investments at fair value are as set forth below:

	December 31,	
	2001	2000
	(In Thousands)	
Investments maturing in 2002 to 2003 under terms of repurchase agreements	\$ 387,515	\$ 491,183
U.S. Treasuries due 2002 to 2016	433,968	409,639
GNMA	42,876	40,533
MTA Investment Pool	112,910	118,592
Other government agencies	6,803	11,665
Irrevocable deposit account	<u>76,500</u>	<u>75,881</u>
	<u>\$ 1,060,572</u>	<u>\$ 1,147,493</u>

The fair value of the above investments consists of \$188,457 and \$208,974 in 2001 and 2000 in unrestricted investments, respectively, and \$872,115 and \$938,519 in 2001 and 2000 in restricted investments, respectively. Investments had weighted average monthly yields ranging from 2.77% to 5.56% and 5.58% to 5.93% during the years ended December 31, 2001 and 2000, respectively.

Unrestricted cash and investments are available to pay operating and maintenance expenses, debt service and operating surplus transfers.

The restricted investments are held in the following funds established in the bond resolutions:

	December 31,	
	2001	2000
	(In Thousands)	
CURRENT:		
Restricted:		
General Purpose Revenue Bonds 1980 Resolution:		
Debt Service Fund	\$ 339,758	\$ 277,186
Bond Proceed Fund	-	24,202
Operating Funds	13,922	11,088
General Fund - General Reserve	2,856	2,652
Beneficial Interest Certificates:		
Lease Payment Fund	-	8,755
Debt Service Reserve Fund	5,005	5,165
1994 Special Obligation:		
VRDB '98 Debt Service Fund	12,063	11,213
VRDB '98 Debt Service Reserve Fund	18,295	19,028
Debt Service Funds Post '86 Funds	-	663
Transportation Project DSF-TTP Post '86 (97 SR/MS DSF/TTP)	455	24,762
Transportation Project BPF-TTP '80	593	1
Mortgage Recording Tax Obligation Bonds:		
Transit Project	351	1
Revenue Fund	-	91
Debt Service Fund	493	15,991
Debt Service Reserve Fund	7,975	10,056
COPS 2 Bdway	<u>2,201</u>	<u>2,072</u>
Total current - restricted	403,967	412,926
Current - unrestricted	<u>42,908</u>	<u>48,053</u>
Total - current	<u>446,875</u>	<u>460,979</u>
LONG-TERM:		
Restricted:		
Debt Service Reserve Fund:		
General Purpose Revenue Bonds	174,804	162,611
General Purpose Debt Service Fund	98,400	100,064
General Purpose Bond Proceeds Fund	3,186	3,613
Mortgage Recording Tax Obligation Bonds		
Transit Project	-	1,018
Debt Service Reserve Fund	11,651	11,189
Beneficial Interest Certificates:		
Lease Payment Fund	9,102	-
1998 Special Obligation-Variable Rate Demand Bond	186	
VRDB '98 Proc	-	206
Capital Lease Obligation:		
US Treasury Strips	6,658	6,658
Irrevocable Deposit Account	76,500	75,881
Transportation Project BPF-TTP '80	2,585	55,829
Transportation Project DSF TTP Post '86 (97 SR/MS DSF/TTP)	65,944	80,335
Issuing cost-FBPR-MRT	-	289
Cross Bay Bridge Deferred Toll	-	239
COPS 2 Bdway	-	57
Investments in projects TTP-Swap Option Proceeds	<u>19,204</u>	<u>27,604</u>
Total long-term - restricted	468,220	525,593
Total long-term - unrestricted	<u>145,477</u>	<u>160,921</u>
Total - long-term	<u>\$ 613,697</u>	<u>\$ 686,514</u>

The unexpended bond proceeds of the General Purpose Revenue Bonds 1980 Resolution, not including proceeds held for the Transportation Project, are restricted for payment of capital improvements of the Authority's present facilities.

The Debt Service Funds are restricted for the payment of debt service as provided by the bond resolutions.

The Authority's accrual of the liability to the federal government for rebate of arbitrage income from tax-exempt borrowings was \$4,570,000 and \$8,036,000 at December 31, 2001 and 2000, respectively. In 2001, the Authority's transfer of its unrestricted investment income to the MTA was increased by \$3,504,886 and in 2000 the unrestricted investment income was decreased by \$6,433,430 for such arbitrage rebate accruals.

5. MTA INVESTMENT POOL

The MTA, on behalf of the Authority, invests funds which are not immediately required for the Authority's operations in securities permitted by the MTA's All-Agency Investment Guidelines in accordance with 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.

6. CAPITAL ASSETS

Capital assets, at cost, at December 31 consists of the following:

	2001	2000	Lives
	(In Thousands)		
Land	\$ 27,940	\$ 27,940	
Buildings	78,870	76,525	49 years
Bridges and tunnels:			
Primary structures	1,168,983	1,040,333	100 years
Toll plazas	205,774	204,665	40 years
Toll equipment	97,991	96,085	40 years
Buildings	202,499	184,530	40 years
Roadway	76,098	55,128	30 years
Other	43,646	34,295	3-40 years
Construction in progress	<u>435,893</u>	<u>401,991</u>	
	2,337,694	2,121,492	
Less accumulated depreciation	<u>(445,769)</u>	<u>(414,288)</u>	
	<u>\$ 1,891,925</u>	<u>\$ 1,707,204</u>	

In 2001 and 2000, capital asset additions include approximately \$8,300,000 and \$7,500,000, respectively, of costs incurred by capital engineers working on capital projects.

The Authority's 1992-1999 Capital Program, which was developed to rehabilitate the Authority's bridges and tunnels, totals \$1.1 billion. Over the 1992 to 1999 period, the Authority committed \$1.08 billion under the Capital Program for such activities.

The Authority's 2000-2004 Capital Program totals \$1 billion. Total committed through December 31, 2001 is \$444 million.

7. EMPLOYEE BENEFITS

Most employees of the Authority are members of the New York City Employees' Retirement System ("NYCERS"), which is a cost sharing, multi-employer retirement system. Of the Authority's total payroll costs, including the cost of capital engineers charged to capital projects, approximately \$93,146,130 or 88.7% (2001) and \$77,365,640 or 84.8% (2000) of such costs relate to employees who participate in NYCERS.

NYCERS provides retirement, as well as death, accident and disability retirement benefits. Benefits vest after 5 years of credited service depending on date of employment. Certain retirees also receive supplemental benefits from the Authority.

Benefit and contribution provisions, which are contingent upon the point in time at which the employee last entered qualified service and length of credited service, are established by State law and may be amended only by the State legislature. NYCERS has both contributory and noncontributory requirements, with retirement age varying from 55 to 70 depending upon when an employee last entered qualifying service. Employees entering qualifying service on or before June 30, 1976 are enrolled in a noncontributory plan. Employees entering qualifying service after June 30, 1976 are enrolled in a plan which requires a 3% contribution of their salary. The State legislature passed legislation in 2000 that suspends the 3% contribution for employees who have 10 years or more of credited service. In addition, members who meet certain eligibility requirements will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit.

NYCERS established a "special program" for employees hired on or after July 26, 1976. A plan for employees who have worked 20 years, and reached age 50, is provided to Bridge and Tunnel Officers' Sergeants and Lieutenants and Maintainers. Also, an age 57 retirement plan is available for all other such TBTA employees. Both these plans required increased employee contributions.

Certain participants are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such participants' contribution accounts. Upon termination of employment before retirement, certain participants are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding.

Employee contributions amounted to \$7,036,928 (7.55% of covered payroll) and \$6,614,410 (7.20% of covered payroll) in 2001 and 2000, respectively. For 2001 and 2000, employer contributions of approximately \$998,929 and \$887,913, respectively, were equal to or in excess of the actuary's recommendation, plus interest.

Additional information about the plan is presented in the component unit financial report prepared by NYCERS.

Postretirement Benefits - In addition to providing pension benefits, the Authority provides certain health care and life insurance benefits for retired employees. Substantially all of the Authority's employees who are members of NYCERS may become eligible for those benefits if they reach normal retirement age while working for the Authority. The insurance premiums for these benefits are recorded on a pay-as-you-go basis and totaled \$4,127,052 and \$5,024,492 in 2001 and 2000, respectively. No contribution is made by participants. As of December 31, 2001 and 2000, 1,281 and 1,240 retirees, respectively, including spouses and dependents, met those eligibility requirements.

8. THE TRANSPORTATION PROJECT

Capital programs covering the years 2000-2004 have been approved for: (1) the commuter railroad operations of the MTA conducted by The Long Island Rail Road Company (“LIRR”) and the Metro-North Commuter Railroad Company (“MNCRC”) (the “2000-2004 Commuter Capital Program”), (2) the transit system operated by the New York City Transit Authority (the “Transit Authority”) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (“MaBSTOA”), and the rail system operated by the Staten Island Rapid Transit Operating Authority (“SIRTOA”) (the “2000-2004 Transit Capital Program”) and (3) the toll bridges and tunnels operated by the Triborough Bridge and Tunnel Authority (“TBTA”) (the “2000-2004 TBTA Capital Program”). The 2000-2004 TBTA Capital Program, which provides for approximately \$1 billion in capital expenditures, is effective. The 2000-2004 Commuter Capital Program and the 2000-2004 Transit Capital Program (collectively, the “2000-2004 MTA Capital Programs”) have been approved by the Metropolitan Transportation Authority Capital Program Review Board (the “Review Board”) and are also effective. The Review Board consists of one member each appointed by the Governor of the State, the Majority Leader of the State Senate and the Majority Leader of the State Assembly and, in the case of transit programs only, the Mayor of the City of New York.

The 2000-2004 MTA Capital Programs and the TBTA 2000-2004 Capital Plan provide for \$18.1 billion in capital expenditures, of which \$10.2 billion relates to ongoing repairs of, and replacements to, the Transit System operated by the Transit Authority and MaBSTOA and the rail system operated by SIRTOA, \$3.5 billion relates to ongoing repairs of, and replacements to, the commuter system operated by LIRR and MNCRC, \$3.4 billion relates to the expansion of existing rail networks for both the transit and commuter systems, and \$1.0 billion relates to the ongoing repairs of and replacements of bridge and tunnel facilities operated by the TBTA. At its meeting on February 26, 2002, the MTA Board approved the submission to the Review Board of certain amendments to the 2000-2004 Transit Capital Program that includes the first phase of the reconstruction of the 1 and 9 subway line at the World Trade Center that was damaged in the terrorist attack at a cost of \$162 million. The amendment has been submitted to the Review Board.

The combined funding sources for the 2000-2004 MTA Capital Programs and the TBTA 2000-2004 Capital Program include \$7.3 billion in bonds, \$5.0 billion in Federal funds, \$3.0 billion from the proceeds of debt restructuring and \$1.2 billion from other sources. Additionally, the 2000-2004 MTA Capital Programs assume the issuance of \$1.6 billion of bonds by the State; however, the bond referendum authorizing the issuance of such bonds was not approved by the voters at the election held in November 2000. At its meeting on February 26, 2002, the MTA Board approved the submission to the Review Board of certain amendments to the 2000-2004 MTA Capital Program that includes \$162 million in insurance proceeds to pay for the first phase of the reconstruction of the 1 and 9 subway lines mentioned above and revises the sources of funds to replace the \$1.6 billion State Bond Act funding. One new source is added (\$116 million from tax-advantaged leasing transactions) and one source is revised (the money generated by the debt restructuring is increased from \$3.011 billion to \$4.495 billion). Only the portion of the amendment relating to insurance proceeds for the 1 and 9 subway lines has been submitted to the Review Board.

As part of the 2000-2004 MTA Capital Programs, the MTA, the Transit Authority and TBTA are proposing to refund and debase substantially all of their outstanding debt and consolidate most of their existing credits. The aggregate principal amount of debt, not including commercial paper of \$750 million, proposed to be refunded and defeased is currently \$13.9 billion. The MTA and TBTA do not currently expect to refund and defease the 2 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, though they retain the right to do so.

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. On February 27, 2002, the Review Board approved the new bond resolutions.

9. LONG-TERM DEBT - GENERAL PURPOSE REVENUE BONDS

1980 General Purpose Revenue Bonds consist of the following:

	December 31, 2000	Issued	Refunded	Principal Repayments (Due January 1, 2001)	December 31, 2001
(In Thousands)					
Series Q, 5.00%-6.75%, due through 2017	\$ 130,300	\$ -	\$ -	\$ -	\$ 130,300
Series V, 5.90%-7.00%, due through 2007	24,425	-	-	3,440	20,985
Series W, 5.30%-6.00%, due through 2002	510	-	-	510	-
Series X, 5.30%-6.625%, due through 2019	478,950	-	293,095	15,880	169,975
Series Y, 4.70%-6.125%, due through 2021	647,445	-	-	13,915	633,530
Series 1993A, 3.20%-5.00%, due through 2022	517,370	-	-	38,865	478,505
Series 1993B, 3.80%-6.00%, due through 2022	162,734	2,557 (a)	-	8,000	157,291
Series 1994A, 3.25%-6.50%, due through 2024	576,037	-	-	14,115	561,922
Series EFC 1996A, 3.60%-5.90%, due through 2018	24,500	-	-	970	23,530
Series 1996B, 3.95%-6.00%, due through 2027	188,735	-	-	3,635	185,100
Series 1997SR, 5%-5.50%, due through 2012	173,055	-	-	2,825	170,230
Series 1997A, 4.25%-5.50%, due through 2028	216,045	-	-	10,800	205,245
Series 1999A, 3.00%-5.25%, due through 2019	86,270	-	-	95	86,175
Series 1999B, 4.50%-5.74%, due through 2030	217,625	-	-	3,275	214,350
Series 1999C, 5.634%, due through 2013	108,800	-	-	7,200	101,600
Series 2001A, 5.77%, due through 2032	-	1,125,720	-	-	1,125,720
Series 2001B&C, 4.10%-5.25%, due through 2019	-	296,400	-	-	296,400
	3,552,801	1,424,677	293,095	123,525	4,560,858
Less net unamortized bond discount and premium	<u>(103,423)</u>	<u>10,079</u>	<u>-</u>	<u>(6,075)</u>	<u>(87,269)</u>
	<u>\$ 3,449,378</u>	<u>\$ 1,434,756</u>	<u>\$ 293,095</u>	<u>\$ 117,450</u>	<u>\$ 4,473,589</u>

(a) Current year accretion on zero coupon bonds.

Debt Service Requirements:

Twelve Months Ended December 31	Aggregate Debt Service (In Thousands)
2002	\$ 376,809
2003	369,670
2004	369,816
2005	369,751
2006	369,850
2007-2011	1,850,595
2012-2016	1,646,537
2017-2021	1,034,789
2022-2026	858,450
2027-2030	<u>858,450</u>
	<u>\$8,104,717</u>

The 1980 Resolution General Purpose Revenue Bonds are secured by a pledge of: (a) the net revenues from the present facilities (after the payment of the Authority's operating expenses) and the revenues from additional projects, (b) the proceeds of the sale of the bonds and (c) the funds and accounts established under the 1980 Resolution.

Interest expense is net of approximately \$26,322,887 in 2001 and \$15,674,371 in 2000 of interest earned on the unexpended bond proceeds of the General Purpose Revenue Bonds and interest earned on the Debt Service Fund. In addition, interest expense is net of capitalized interest of \$66,600,526 in 2001 and \$39,593,200 in 2000, of which \$28,654,000 and \$13,138,000, respectively, relate to the Authority's capital assets and the remainder relates to Transportation Project assets. Capitalized interest costs relating to Transportation Project assets are transferred to the MTA and the TA in a noncash transfer.

10. LONG-TERM DEBT - BENEFICIAL INTEREST CERTIFICATES

In 1993, the Authority issued \$88,290,000 of Beneficial Interest Certificates to finance the acquisition of buses to be used by the TA. The Beneficial Interest Certificates are special obligations of the Authority payable from its net operating revenue after satisfying the requirements of the 1980 Revenue Bond Resolution, on a parity with the 1994 Special Obligation Bonds and Mortgage Recording Tax Bonds. The Authority has entered into a lease purchase agreement, whereby the Authority is required to make periodic payments of rent in amounts and at times scheduled to be sufficient to pay, when due, the principal and interest with respect to the Beneficial Interest Certificates.

As of December 31, the Beneficial Interest Certificates consist of the following:

	2001 (In Thousands)	2000
Beneficial Interest Certificates, 4.90% - 5.20% due 2002-2005	27,175	35,375
Less unamortized discount	<u>(100)</u>	<u>(147)</u>
	<u>\$ 27,075</u>	<u>\$ 35,228</u>

Debt Service Requirements:

Twelve Months Ended December 31	Aggregate Debt Service (In Thousands)
2002	\$ 10,006
2003	10,006
2004	<u>10,010</u>
	<u>\$ 30,022</u>

11. LONG-TERM DEBT - 1994 SPECIAL OBLIGATION BONDS

In 1994, the Authority issued \$280,100,000 of Variable Rate Demand Bonds, Series 1994 to finance a portion of the capital needs of the Authority's own facilities. The bonds were issued under the 1994 Subordinated Bond Resolution. In October 1999, the Authority issued \$266,515,000 of bonds, Series 1999A under the 1994 Subordinated Bond Resolution. The proceeds were applied to refund, on a current basis, all of the outstanding bonds from the Variable Rate Demand Bonds, Series 1994. There was no economic gain or loss. All bonds issued under the 1994 Subordinated Bond Resolution are special obligations of the Authority payable from operating revenue after satisfying the requirements of the 1980 Revenue Bond Resolution, on a parity with the Beneficial Interest Certificates and Mortgage Recording Tax Bonds.

As of December 31, the Special Obligation Bonds consist of the following:

	2001	2000
	(In Thousands)	
Serial Bonds, 3.55% - 5.13%, due 2002-2018	\$ 147,890	\$ 154,020
Term Bonds, 4.75% due 2024	93,355	93,355
Unamortized premium	2,668	2,957
Unamortized discount	<u>(3,566)</u>	<u>(3,677)</u>
	<u>\$ 240,347</u>	<u>\$ 246,655</u>

Debt Service Requirements:

Twelve Months Ended December 31	Aggregate Debt Service (In Thousands)
2002	\$ 18,003
2003	18,010
2004	18,015
2005	18,039
2006	18,039
2007-2011	90,509
2012-2016	90,830
2017-2021	91,127
2022-2025	<u>36,571</u>
	<u><u>\$399,143</u></u>

12. LONG-TERM DEBT - MORTGAGE RECORDING TAX BONDS

Mortgage Recording Tax (“MRT”) Bonds are special obligations of the Authority payable from certain payments required to be made by the MTA under a Pledge and Assignment Agreement. The proceeds of the bonds are used for the Transportation Project only and not for the Authority’s activities. The source of funds from which the MTA is to make such required payments is from a portion of the revenues received by the MTA from certain mortgage recording taxes levied by the State of New York in the counties comprising the Metropolitan Transportation District. In the event mortgage recording tax receipts are not adequate to cover debt service, the Authority will fund the required amount from its net operating revenue, after satisfying the requirements of its 1980 Revenue Bond Resolution, and on a parity with the Beneficial Interest Certificates and the 1994 Subordinated Resolution Bonds. All of the funding requirements of the MRT debt service were met and TBTA did not have to contribute towards the debt service. During 2000, the Authority issued \$526,000,000 of MRT Bonds, Series 2000 A, B, C, D, under the 1991 Special Obligation Bond Resolution. The proceeds were applied to refund a portion of the outstanding MRT Bonds, Series 1991 A and 1991 B. For the years ended December 31, 2001 and 2000, total debt service requirements were \$62,206,500 and \$86,891,000.

The following is a summary of the accounts related to the Mortgage Recording Tax Bonds as included in the balance sheets:

	December 31,	
	2001	2000
	(In Thousands)	
Assets:		
Investment - restricted	\$ 20,469	\$ 38,334
Due from MTA to the extent of MRT revenues only	902,818	894,215
Accrued interest receivable	<u>282</u>	<u>285</u>
	<u>\$ 923,569</u>	<u>\$ 932,834</u>
Liabilities:		
Current bond principal and interest payable	\$ 60,157	\$ 33,770
Long-term debt	882,605	918,347
Fund Balance (Deficit)	<u>(19,193)</u>	<u>(19,283)</u>
	<u>\$ 923,569</u>	<u>\$ 932,834</u>
Long-Term Debt:		
Series 1992, 4.75% - 6.25%, due 2002-2017	\$ 74,140	\$ 89,630
Series 1991A, 5.60% - 6.70%, due 2002-2019	296,905	297,870
Series 1998A, 4.80% - 5.50%, due 2002-2017	507,600	526,000
Less unamortized premium (discount)	<u>3,960</u>	<u>4,847</u>
	<u>\$ 882,605</u>	<u>\$ 918,347</u>

Debt Service Requirements:

Twelve Months Ended December 31	Aggregate Debt Service (In Thousands)
2002	\$ 86,885
2003	86,749
2004	86,703
2005	86,701
2006	86,741
2007-2011	434,530
2012-2016	437,121
2017-2018	<u>142,961</u>
	<u>\$ 1,448,391</u>

13. CERTIFICATES OF PARTICIPATION

In 2000, the Trust (Note 14) issued \$123,000,000 of Certificates of Participation, Series 2000A. In 1999, the Trust issued \$328,205,000 of fixed rate Serial and Term Certificates, Series 1999A. The proceeds of the Certificates were used to finance certain building and tenant improvements to the 2 Broadway office building in New York City, occupied by the Transit Authority, MTA, on behalf of its subsidiaries, The Long Island Rail Road Company (LIRR) and Metro-North Commuter-Railroad Company (MNCRC), and TBTA (Notes 14 and 22). The Transit Authority is obligated to pay 68.7% of the debt service, the MTA 21.0% and TBTA 10.3%. To the extent any one component occupies more than its stated percentage of the building, it will reimburse another component for that percentage of debt service paid by that component.

TBTA's share of the debt service requirements (in thousands):

Certificates of Participation	2001	2000
Serial Bonds, 4.40%-5.625% due 2002-2015	\$ 14,086	\$ 14,982
Term Bonds, 5.40% due 2019	4,823	4,823
Term Bonds, 5.75% due 2020	1,953	1,953
Term Bonds, 5.25% due 2029	17,471	17,471
Term Bonds, 5.86% due 2030	6,035	6,035
Unamortized discount	(882)	(901)
Unamortized premium	<u>146</u>	<u>160</u>
	<u>\$ 43,632</u>	<u>\$ 44,523</u>

TBTA's share of the debt service requirements (in thousands):

Certificates of Participation	Aggregate Debt Service (In Thousands)
Twelve Months Ended December 31	
2002	\$ 3,307
2003	3,300
2004	3,293
2005	3,285
2006	3,105
2007-2011	15,526
2012-2015	15,526
2016-2020	15,526
2021-2025	15,526
2026-2029	<u>7,026</u>
	<u>\$ 85,420</u>

14. CAPITAL LEASE OBLIGATIONS

2 Broadway

During 1998, the MTA, TA, and TBTA entered into an agreement with the United States Trust Company of New York (collectively, the "Trust") to provide for the lease of an office building located at 2 Broadway in New York City. Subsequently, the same parties provided for the delivery of certain certificates of participation to finance building and tenant improvements at 2 Broadway (Note 13). The lease is comprised of both an operating lease (for the lease of land) (Note 21) and capital lease (for the lease of the building) elements.

The lease term expires June 30, 2048 with the right to extend the term of the lease for two successive periods of fifteen years each. Rental payments will be allocated to the MTA, TA, and TBTA based upon usage. TBTA occupies approximately 13.5% of the building.

TBTA has recorded capital lease assets using the net present value, and using a borrowing rate of 9.11 percent, has reflected a capital lease obligation of \$43,776,000.

Subway Cars

During 1995, the Authority entered into a sale-leaseback transaction with a third party whereby the Authority sold certain subway cars, which were contributed by the TA, for net proceeds of \$84,229,000. These cars were subsequently leased back by the Authority under a capital lease. The gain on the sale of \$34,231,000 was deferred and netted against the carrying value of the leased assets, and the assets were recontributed to the TA. The Authority transferred \$5,488,000 to the MTA, representing the net economic benefit of the transaction. The remaining proceeds equal the net present value of the lease obligation, of which \$71,258,000 was placed in an irrevocable deposit account and \$7,483,000 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.

During 2001, the Authority made capital lease obligation payments of \$5,361,810 which were funded by the aforementioned investments. At December 31, 2001, the balance in the irrevocable deposit account was \$76,500,000 and the investments in U.S. Treasury Strips had a market value of \$6,659,000.

At the end of the lease term, the Authority has the option to purchase the subway cars for approximately \$106,000,000, which amount has been reflected in the net present value of the lease obligation, or to make a lease termination payment of approximately \$89,000,000, which is expected to be covered by the irrevocable deposit.

Total obligations under all capital leases as of December 31 are as follows (in thousands):

	2001	2000
2 Broadway	\$ 43,776	\$ 43,776
Subway cars	<u>83,159</u>	<u>82,539</u>
	126,935	126,315
Less current portion	<u>(6,866)</u>	<u>(6,191)</u>
	<u>\$ 120,069</u>	<u>\$ 120,124</u>

Minimum lease payments are as follows:

Twelve Months Ended December 31	Aggregate Lease Payments (In Thousands)
2002	\$ 10,791
2003	10,904
2004	11,051
2005	11,119
2006	11,194
Thereafter	<u>407,262</u>
Minimum future lease payments	462,321
Less amount representing interest	<u>335,386</u>
	<u>\$ 126,935</u>

Total depreciation expense under capital leases was approximately \$6,776 and \$3,650 in 2001 and 2000, respectively.

15. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of its assets; injuries to persons, including employees; and natural disasters.

The Authority is self-insured up to \$1.2 million (\$1.4 million effective November 1, 2001) per occurrence for liability arising from injuries to persons, excluding employees. The Authority is self-insured for work-related injuries to employees and for damage to property. The Authority provides reserves to cover the self-insured portion of these claims, including a reserve for claims incurred but not reported. The annual cost arising from injuries to employees and damage to third-party property is included in "Employees' fringe benefits" and "Insurance" in the accompanying statements of operations.

A summary of activity in estimated liability arising from injuries to persons, including employees, and damage to third-party property, is as follows:

	December 31,	
	2001	2000
	(In Thousands)	
Balance, beginning of year	\$ 20,115	\$ 22,753
Activity during the year:		
Current year claims and changes in estimates	(4,054)	(2,062)
Claims paid	<u>(64)</u>	<u>(576)</u>
Balance, end of year	15,997	20,115
Less current portion	<u>(10,482)</u>	<u>(5,786)</u>
Long-term liability	<u>\$ 5,515</u>	<u>\$ 14,329</u>

Claims over \$1.2 million (\$1.4 million effective November 1, 2001) per occurrence up to a limit of the lesser of the assets available for claims or \$50 million are insured by the Excess Loss Fund (“ELF”). The ELF covers the Authority and other MTA subsidiaries and affiliated agencies. At December 31, 2001, the ELF had assets of \$127,658,000 for any current or future claims.

Effective October 31, 1997, the MTA purchased, on behalf of its subsidiaries and affiliates, catastrophic liability insurance providing limits of \$150 million over a three-year period. This policy was renewed in 2000 for two additional years. This policy covers liability above the ELF (excess of \$50 million) and is designed to drop down to replace the ELF if the assets of the Fund are exhausted.

First Mutual Transportation Assurance Company (“FMTAC”), a wholly-owned subsidiary of the MTA, was incorporated under the laws of the State of New York as a pure captive insurance company on December 5, 1997. FMTAC insures property exposures in excess of \$15 million per occurrence for claims brought against MTA and its subsidiaries, which includes the TBTA, retroactive to October 31, 1997. FMTAC reinsures all of its property risks.

16. CONVENTION CENTER PROJECT

Convention Center Project Bonds are secured solely by lease payments from New York State under a sublease and the funds and accounts established under the bond resolution. These special obligation bonds are not secured by or payable from any revenues or assets of the Authority. In view of the foregoing and since the State is obligated to make rental payments equal to the debt service on these bonds pursuant to its sublease and the Authority has no obligation for the operation and maintenance of the Convention Center, the Authority does not include the Convention Center bond liability and other related accounts in its financial statements. The Authority continues to collect rental payments from the State and deposits such sums with paying agents for the bonds.

The following is a summary of the Convention Center accounts which are excluded from the financial statements:

	2001	2000
	(In Thousands)	
Assets:		
Debt Service Fund	\$ 33,009	\$ 33,009
Future sublease receivables due from New York State	<u>291,088</u>	<u>311,300</u>
	<u>\$ 324,097</u>	<u>\$ 344,309</u>
Liabilities:		
Convention Center Bonds	\$ 291,088	\$ 311,300
Bond principal due 2001 and 2000	24,180	24,180
Interest payable due January 1, 2001 and 2000	<u>8,829</u>	<u>8,829</u>
	<u>\$ 324,097</u>	<u>\$ 344,309</u>

All interest income earned on investments related to the Convention Center reduces the amounts due from New York State to repay the outstanding bonds.

17. LEASE-LEASEBACK TRANSACTION

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

Under the terms of the lease-leaseback agreement, the MTA initially received \$313,466,000, which was utilized as follows: MTA paid \$266,446,000 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the MTA to make these payments to the third party. The MTA used \$20,696,000 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. \$600,000 was used to pay for legal and other costs of the transaction, and \$3,233,000 was used to pay the first rental payment under the sublease. A further \$22,491,000 is MTA's net benefit from the transaction, representing consideration for the tax benefits.

The Authority has entered into a guarantee agreement with the third party that guarantees the payments under the sublease will be made. It is expected that the amounts described above will be sufficient to make such payments.

18. BOND RESOLUTION BASIS - CONDENSED FINANCIAL STATEMENTS

The Authority's bond resolutions require that its operating expenses shall not include any provision for depreciation, amortization or similar charges. Financial statements prepared under such bond resolution basis would be identical to the financial statements prepared herein on the basis of generally accepted accounting principles except that the statements of operations and cash flows would not reflect a charge

for depreciation of \$31,480,000 in 2001 and \$27,386,000 in 2000 and the balance sheets and excess of liabilities over assets would not reflect a change of the carrying amounts of facilities equal to the accumulated depreciation of \$445,768,000 in 2001 and \$414,288,000 in 2000 or capitalized interest of \$20,517,640 in 2001 and \$9,348,560 in 2000. The following is a summary of the statements of operations and excess of liabilities over assets and the balance sheets prepared on such bond resolution basis:

Statements of Operations and Excess of Liabilities over Assets

	Year Ended December 31,	
	2001	2000
	(In Thousands)	
Revenues	\$ 946,814	\$ 988,703
Operating expenses	<u>255,893</u>	<u>241,258</u>
Income from operations	690,921	747,445
Less:		
Interest expense	143,913	159,471
Operating subsidies	<u>334,975</u>	<u>390,644</u>
Excess of revenues over expenses	212,033	197,330
Unrestricted excess of liabilities over assets, beginning of year (excluding accumulated depreciation)	(2,105,357)	(1,479,846)
Accumulated depreciation of assets written off during the year		(45,526)
Income on necessary reconstruction reserve	4,030	5,995
Transfer of purchased Transportation Project assets and capitalized interest applicable to the Transportation Project expenditures	<u>(984,394)</u>	<u>(783,310)</u>
Excess of liabilities over assets, end of year	<u>\$2,873,688</u>	<u>\$2,105,357</u>

Balance Sheets

	Year Ended December 31,	
	2001	2000
	(In Thousands)	
Assets:		
Cash and investments	\$ 901,555	\$ 876,054
MTA Investment Pool	112,218	118,065
Due from MTA-MRT Facilities	902,819	894,215
Deferred financing costs	2,258,823	2,044,967
Two Broadway Capital Lease - less accumulated depreciation of \$6,776 and \$3,650 in 2001 and 2000, respectively	27,639	15,142
Other assets	72,094	72,874
The Transportation Project	35,949	36,649
	<u>68,607</u>	<u>160,208</u>
	<u>\$4,379,704</u>	<u>\$4,218,174</u>
Liabilities and excess of liabilities over assets:		
Bond principal and interest due January 1, 2002 and 2001	\$ 366,062	\$ 383,906
Accounts payable and accrued expenses	182,176	161,902
Due to MTA and TA	53,014	62,588
Long-term debt	6,492,735	5,537,916
Deferred revenue	14,062	27,895
Other liabilities	145,343	149,324
Restricted and unrestricted excess of liabilities over assets	<u>(2,873,688)</u>	<u>(2,105,357)</u>
	<u>\$4,379,704</u>	<u>\$4,218,174</u>

19. COMMITMENTS AND CONTINGENCIES

At December 31, 2001, the Authority had unused standby letters of credit, relative to insurance, amounting to \$2,711,700.

The Authority is involved in various litigation and claims involving personal liability claims and certain other matters. Although the ultimate outcome of these claims and suits cannot be predicted at this time, management does not believe that the ultimate outcome of these matters will have a material effect on the financial position, results of operations and cash flows of the Authority.

20. INTEREST RATE SWAP OPTION

Effective August 11, 1998, the Authority entered into a forward interest rate swap agreement with an option, for certain obligations of TBTA under separate International Swap and Derivatives Association (ISDA) Master agreements between TBTA and Salomon Smith Barney and Bear, Stearns & Co., Inc. (the "counterparties"). The options were exercised by the counterparties, resulting in the issuance by the Authority of its Special Obligation Variable Rate Refunding Bonds (1991 Resolution), Series 2000 through 2000D in October 2000. The Authority received \$45,280,000 in September 1998 for the option. The net proceeds were used by the MTA to fund the transit and commuter programs.

Effective March 10, 1999, the Authority entered into two forward interest rate swap agreements with an option, for certain obligations of TBTA under the International Swap and Derivatives Association

(ISDA) Master agreements between TBTA and AMBAC Financial Services and Salomon Smith Barney (the “counterparties”). The option with AMBAC was exercised with the Authority issuing \$109.1 million of its variable rate bonds (General Purpose Revenue Bonds, Series 1999C) 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 the Authority issuing \$298.4 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. The Authority received \$27,604,000 in March 1999 for the option. The net proceeds were used by the MTA to fund the transit and commuter programs.

21. SALE OF N.Y. COLISEUM

On July 31, 2000, the Authority closed on the sale of the N.Y. Coliseum. The sales contract price was approximately \$345 million, resulting in a gain on the sale of approximately \$340 million.

Proceeds from the sale were remitted to the City of New York to provide funds for the issuance of bonds in connection with the MTA Transportation Capital Program.

22. OPERATING LEASES

During 1998, the MTA, TA and TBTA entered into a lease and related agreements whereby each, as sublessees, will rent for at least an initial stated term of approximately 50 years, space at 2 Broadway in lower Manhattan (Note 14).

The total annual rental payments over the initial lease term are \$1.6 billion. Of this amount, approximately \$488 million represents land accounted for under an operating lease agreement. Rental payments will be allocated to the MTA, TA, and TBTA based upon usage. TBTA’s occupancy rate is approximately 24.4% of the building.

Minimum lease payments representing TBTA’s share of the operating lease are as follows:

Twelve Months Ended December 31	Aggregate Lease Payments (In Thousands)
2002	\$ 2,405
2003	2,405
2004	2,405
2005	2,405
2006	2,405
Thereafter	<u>101,015</u>
Minimum future lease payments	<u>\$ 113,040</u>

23. GENERAL PURPOSE REVENUE BOND ANTICIPATION NOTES

In 2000, the Authority issued \$843,785,000 General Purpose Revenue Bond Anticipation Notes, Series 2000A at 7%. The proceeds of the notes were used to fund a portion of the cost of the Transportation Project (Note 8), to fund capitalized interest on the Current Notes through July 1, 2002 and to finance certain issuance costs.

24. NEW ACCOUNTING PRONOUNCEMENT

The Government Accounting Standards Board has adopted Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This statement establishes specific standards for the basic financial statements, management's discussion and analysis (MD&A), and certain required supplementary information (RSI) other than MD&A. The statement will be effective for the Authority for periods beginning after June 15, 2001. The effect of implementation of GASB Statement No. 34 on the financial statements of the Authority is not expected to be material.

25. SUBSEQUENT EVENTS

On March 14, 2002, the Authority issued \$268,300,000 General Purpose Revenue Bond, Series 2002A. The proceeds of the bonds will be applied to fund certain improvements to the present facilities of the Triborough Bridge and Tunnel Authority and to finance certain costs of issuance.

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