Metropolitan Transportation Authority

(A Component Unit of the State of New York)

Independent Accountants' Review Report

Consolidated Financial Statements
Nine Months Ended September 30, 2006

METROPOLITAN TRANSPORTATION AUTHORITY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members of the Board of
Metropolitan Transportation Authority

We have reviewed the accompanying consolidated balance sheet of Metropolitan Transportation Authority (the "Authority"), a component unit of the State of New York, as of September 30, 2006, and the related consolidated statements of revenues, expenses, and changes in net assets and its consolidated cash flows for the six months ended September 30, 2006 and 2005. These consolidated interim financial statements are the responsibility of the Authority's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

The supplemental schedules listed in the table of contents on pages 2 through 12 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Authority's management. Such schedules were not audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them.

The consolidated financial statements for the year ended December 31, 2005 were audited by us, and based on our audit and the reports of other auditors, we expressed an unqualified opinion on them in our report dated April 14, 2006, we also applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation to the 2005 Management's Discussion and Analysis and other supplementary information required by the Governmental Accounting Standards Board and such report expressed no opinion on the information. We have not performed any auditing procedures since the date of such report.

Deloitte & Touche LLP

December 5, 2006

METROPOLITAN TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2006
(Amounts in Millions)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Consolidated Financial Statements include:

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

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

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

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

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

Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the MTA for the nine months ended September 30, 2006 and 2005 and the twelve months ended December 31, 2005. This management discussion and analysis is intended to serve as an introduction to the MTA's consolidated financial statements. It provides an assessment of how the MTA's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the MTA's overall financial position. It may contain opinions, assumptions, or conclusions by the MTA's management that should not be considered a replacement for, and must be read in conjunction with, the consolidated financial statements.

2. FINANCIAL REPORTING ENTITY

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

MTA Related Groups

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

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

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

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

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

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

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

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

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

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

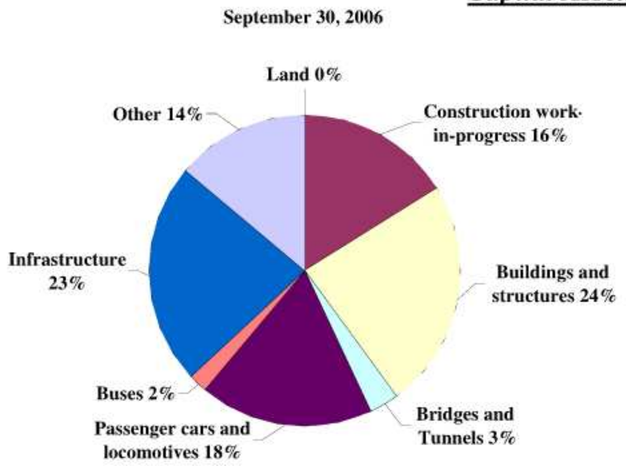
3. CONDENSED FINANCIAL INFORMATION

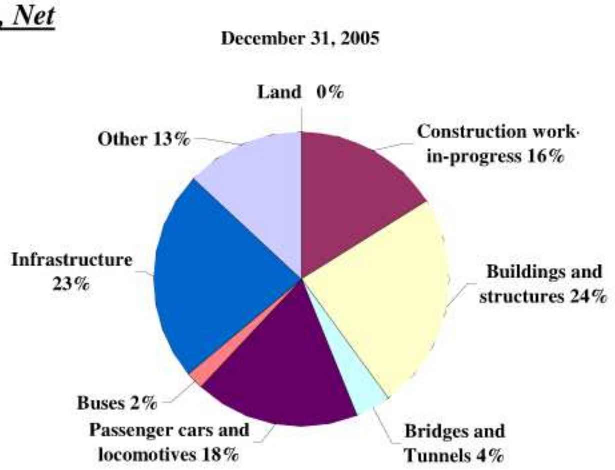
The following sections discuss the significant changes in the MTA's financial position for the nine months ended September 30, 2006. An analysis of major economic factors and industry trends that have contributed to these changes is provided. It should be noted that for purposes of the MD&A, the information contained within the summaries of the consolidated financial statements and the various exhibits presented were derived from the MTA's consolidated financial statements. All dollar amounts are in millions.

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

	September 30, 2006 (Unaudited)	December 31, 2005
Capital assets, net (see Note 5)	$ 37,406	$ 35,900
Other assets	11,922	10,726
Total assets	$ 49,328	$ 46,626

Capital Assets, Net





September 30, 2006 versus December 31, 2005

- Net capital assets increased at September 30, 2006 by $1,506. The most significant portion of the increase occurred in infrastructure $677, followed by other (which includes work trains, service vehicles and other equipment, excluding passenger cars and locomotives and buses), $515, passenger cars and locomotives, $461, and buildings and structures $439. These increases were partially offset by normal depreciation expenses, the decommissioning of 138 M-1 electric passenger cars and a locomotive from MTA Long Island Rail Road service and 80 M-1 and 9 ACMU (1100 series) cars from MTA Metro-North Railroad service. Some of the more significant projects contributing to the increase included:

  – East River tunnel rehabilitation, safety improvements and ventilation projects.

  – Projects upgrading shops and yards and a new automated materials handling system in the Hillside Complex.

  – The 2006 MTA Long Island Railroad Track Program and various other line structure projects in addition to purchase of new track equipment.

  – Passenger station rehabilitation including Atlantic Terminal.

  – Maintain mainline track replacement on MTA New York City Transit subway lines.

- MTA New York City Transit switch replacements, tunnel lighting rehabilitation, ventilation facilities at various location and rehabilitation of a fan plant at Staton and Chrystie Streets.

- New Corona maintenance shop and car washer for subway cars.

- Subway station reconstruction at Time Square complex – Phase II.

- Additional milestone costs for construction, testing and quality assurance oversight associated with the continued purchase of new M-7 electric cars.

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

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

• Other assets had a net increase of $1,196. The items contributing to this change include but are not limited to:

  - A net increase in current and non-current investments and investments held under capital leases of $4 due in part to the issuance of new bonds offset by use of funds for capital expenditures, debt service payments on bonds and lease obligations and operating expense.

  - Station maintenance, operation and use assessments decreased by $25. Station maintenance is billed annually in April with payments received between June and September. At December 31, 2005, the books reflected nine months of unbilled accrual. At September 30, 2006, the books reflect six months of unbilled accruals (April 2006 through September 2006).

  - An increase of $719 in State and regional mass transit taxes due to recording the accrual of Metropolitan Mass Transit Operating assistance after the New York State budget was approved. The approved budget amount was increased by $322.5 in 2006 over 2005. In addition, the 2005 appropriation had been received at December 31, 2005.

  - An increase of $127 in State and local operating assistance due to recording the accrual after the New York State Budget was approved.

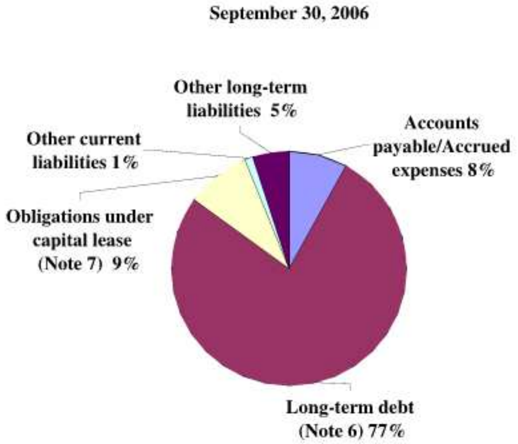
  - Prepaid expenses and other current assets had a net increase of $465 due primarily to prepayment of pension expense by MTA New York City Transit and MTA Long Island Rail Road and the MTA Defined Benefit Plan.

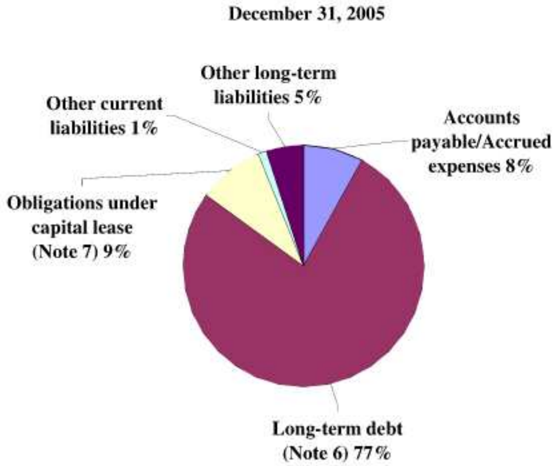
  - Material and supplies increased by $21 primarily at MTA New York City Transit, MTA Long Island Rail Road and MTA Metro-North Railroad to insure availability for emergency needs.

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

	September 30, 2006 (Unaudited)	December 31, 2005
Current liabilities	$ 2,992	$ 2,834
Long-term liabilities	27,365	25,799
Total liabilities	$ 30,357	$ 28,633

Total Liabilities





Significant Changes in Liabilities Include:

September 30, 2006 versus December 31, 2005

- Current liabilities increased by $158. This net increase is due primarily to:

  – Accounts payable and accrued expense having a net increase of $209. Accounts payable decreased by $156 due primarily to timing differences in invoices submitted for payment. Accrued expenses increased by a net of $365 due primarily to increases in the current portion of retirement and death benefits due to a NYCERS pension revaluation based on recently enacted legislation, $159; an increase in salaries, wages and payroll taxes of $104 due in large part to accrued estimated wage rate increases in anticipation of wage contract settlements at MTA New York City Transit; interest of $109 due to an increase in long term debt and $19 in vacation and sick pay benefits offset by decreases in the current portion of estimated liability from injuries to persons of $3 and other accrued expense of $23.

  – Other current liabilities had a net decrease of $51. This was due to a reduction of $103 in the current portion of long term debt reflecting the principal payments on MTA Service Contract Bonds, 2 Broadway Certificates of Participation and MTA Bridges and Tunnels General and Subordinate Revenue Bonds, and an increase of $52 in deferred revenue due primarily to an increase in the value of unused fare media and paratransit reimbursement received from New York City.

- Non-current liabilities increased by $1,566. This net increase is primarily related to:

– The net increase of $1,509 in Long Term Debt due primarily to the issuance of $450 of Transportation Revenue Bond Anticipation Notes Commercial Paper, $350 MTA Dedicated Tax Fund Bonds, $475 of Transportation Revenue Bonds, and $200 of MTA Bridges and Tunnels General Revenue Bonds; an increase of $73 in contract retainage payable, $39 in estimated liability arising from injuries to persons, and $32 in miscellaneous other long-term liabilities. These increases are offset by reductions in obligations under capital lease, $33, and reductions in retirement and death benefits, $54.

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

	September 30, 2006 (Unaudited)	December 31, 2005
Invested in capital assets, net of related debt	$ 14,090	$ 14,044
Restricted for debt service	1,440	1,069
Unrestricted	3,441	2,880
Total	$ 18,971	$ 17,993

September 30, 2006 versus December 31, 2005

At September 30, 2006, the total net assets increased by $978 from December 31, 2005. This increase includes net non-operating revenues of $3,090, and appropriations, grants and other receipts externally restricted for capital projects of $877, offset by operating losses of $2,989.

Capital assets, net of related debt increased by $46 due to the fact that new capital expenditures net of depreciation and retirements were greater than the amount of new debt issued less debt retirement.

Funds restricted for debt service increased by $371 due to the issuance of new bonds.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	September 30, 2006	September 30, 2005
	(Unaudited)	
Operating Revenues		
Passenger and tolls	$ 3,769	$ 3,629
Other	296	264
Total operating revenues	4,065	3,893
Nonoperating Revenues		
Grants, appropriations and taxes	3,393	2,906
Other	447	318
Total nonoperating revenues	3,840	3,224
Total Revenues	7,905	7,117
Operating Expenses		
Salaries and wages	3,058	2,835
Retirement and other employee benefits	1,317	1,282
Depreciation and amortization	1,179	1,089
Other expenses	1,500	1,294
Total operating expense	7,054	6,500
Nonoperating Expense		
Interest on long-term debt	740	743
Other nonoperating expense	10	6
Total nonoperating expense	750	749
Total Expenses	7,804	7,249
Appropriations, grants and other receipts externally restricted for capital projects	877	662
Change in net assets	978	530
Net assets, beginning of period	17,993	17,596
Net assets, end of period	$ 18,971	$ 18,126

Revenues and Expenses, by Major Source:

<u>September 30, 2006 versus September 30, 2005</u>

- Total operating revenues for the nine months ended September 30, 2006 were $172 higher than in the nine months ended September 30, 2005.

  – Fare revenues and vehicle toll revenues were higher due to the full nine months in 2006 of the fare adjustment implemented for 30-day and 7-day Unlimited Ride MetroCards, and the express bus fare increases that went into effect on February 27, 2005; the commuter rail fares that went into effect on March 1, 2005; and the increased bridge and tunnel crossing charge schedule that went into effect on March 13, 2005 along with the one dollar per month E-ZPass account maintenance fee that went into effect on July 1, 2005 (which fee was terminated effective June 1, 2006). MTA Long Island Rail Road attributed a slight increase in ridership to the higher gasoline prices.

  – Total operating expenses for the nine months ended September 30, 2006 were higher than the nine months ended September 30, 2005 by $554.

  – Labor costs, including retirement and other employee benefits, were higher by approximately $258. Wage rate increases, including accrued estimated rate increases in anticipation of wage contract settlements, additional sick and vacation reserve requirements and the impact of operation of additional bus routes acquired after the first nine months of 2005 are the primary reasons for the $212 labor cost increases, health and welfare costs increased by approximately $68 due in large part to premium rate increases, in addition to the cost associated with the acquisition of the additional bus routes. Pension expense decreased by $55 due primarily to a NYCERS pension revaluation adjustment based on recently-enacted legislation partially offset by increases at other agencies. The other fringe benefits increase of $42 is due in large part to the fringe benefit cost associated with MTA Bus operations including workers compensation insurance and other cost directly associated with wages at the other agencies.

  – Non-labor operating costs were higher by approximately $296. Cost elements contributing to this increase were depreciation resulting in part from new capital assets being placed into beneficial service, $90, traction and propulsion power and fuel expense increases of $55 are due primarily to fuel price increases and a change in Long Island Power Authority billing methodology resulting in higher rates. Maintenance and other operating contracts increased by $64 due to increases in operating and facility repair and maintenance requirements, facility heating fuel and power costs, bus tire and tube rental requirements and higher refuse and recycling costs, concrete tie replacement and cost associated with Penn Station tunnel resurfacing. Materials and supplies cost increased by $36 primarily at MTA New York City Transit and MTA Bus for parts for fleet maintenance, including bus body structure parts, bus electrical systems, bus engines/cooling systems bus suspensions and springs, subway propulsion motors, and subway trucks, wheels and undercarriages. Professional service contracts increased by $17 due to annual renewal increases and cost associated with the MTA security initiative. Paratransit Service Contract cost increased $16 primarily due to increased trip volume.

- Total grants, appropriations and taxes were higher by approximately $487 for the nine months ended September 30, 2006 compared to the six months ended September 30, 2005. The major components of the increase are Tax supported subsidies-NYS, $377, Operating Subsidies – NYC and local, $82 and Tax supported subsidies-NYC and local, $47. The increase in tax supported subsidies from New York State is due primarily to the advanced receipt of $200 in Metropolitan

Mass Transportation Operating Assistance in the first half of 2006 and an increase in the annual appropriation, and an increase of $49 in Petroleum Business Tax. The increase in operating subsidies – NYC and Local is due to an increase in the local share of 18B operating Assistance. The increase in tax supported subsidies, NYC and local is primarily due to an increase in the urban tax of $37 and an increase in the Mortgage Recording Taxes of $9. In addition Mortgage Recording Tax 1 was increased from 25 cents per 100 dollars of mortgage recorded to 30 cents per 100 dollars of mortgage recorded effective June 1, 2005.

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

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

Through September 2006, preliminary system-wide utilization increased modestly, with MTA ridership 1.05 percent higher (18.7 million more trips) compared with ridership through September 2005. Preliminary vehicle crossing levels at MTA Bridges and Tunnels facilities were 0.49 percent lower (1.1 million fewer crossings) through September 2006 when compared to the same period in 2005.

Beginning with Thanksgiving 2005, the MTA Board approved a Holiday Fare Program that provided a range of discounts and free trips on MTA services. Based on analyses conducted under the auspices of the MTA Policy Division, the Holiday Fare Program is estimated to have resulted in 4.6 million additional passengers starting in the last quarter of 2005 and into the first quarter of 2006.

By the end of the third quarter of 2006 New York City had added more than 60,000 new jobs compared to the number of jobs existing during the third quarter of 2005. The regional economy continued to grow during the quarter, albeit at a slowing rate, stimulated in part by the rebuilding of the downtown infrastructure and the MTA's multi-billion-dollar capital programs.

In spite of rather modest quarterly national economic growth, the consumer price index in the New York metropolitan area increased by 4.33 percent in the third quarter of 2006 relative to the third quarter of 2005. The energy component of the consumer price index increased 9.8 percent in the third quarter of 2006 compared to the third quarter of 2005, so that the consumer price index excluding energy increased only 3.9 percent in the same period. The New York Harbor spot price for conventional gasoline averaged $2.08 per gallon in the third quarter, an increase of 3.5 percent over the average spot price in the third quarter of 2005. However the average spot price in September 2006 was $1.58 per gallon, a decrease of 25.8 percent from September 2005. Though energy prices increased for the quarter as a whole, recent trends towards lower energy prices reflect an improving supply situation coupled with lower demand associated with the end of the summer heavy driving season.

As the national economy has emerged from the recession of 2001-2003, the Federal Reserve Board has adjusted its monetary policies in an effort to keep inflation under control. Since the end of June 2004 - when the Federal Funds Rate was at a 46-year low of 1.0 percent - through September 2006, the Federal Reserve Board has raised the Federal Funds Rate by one-quarter point on each of seventeen occasions. Five of the seventeen rate increases occurred during 2004, and eight occurred in 2005 and four have occurred in 2006 (through September); the most recent increase occurred on

June 29, 2006, when the Feds increased the Federal Funds Rate from 5.00 percent to 5.25 percent, its highest level since January of 2001. These increases have started to have an impact on 30-year conforming fixed-rate mortgage rates, which slowly rose during the first and second quarter of this year, but have fallen in July, August and September. The behavior of mortgage rates is a matter of interest to the MTA, since mortgage rates can affect the number of real estate transactions, impacting receipts from the mortgage recording tax and Urban Tax, two primary sources of MTA revenue.

Results of Operations – Paid MTA Bridges and Tunnels traffic level for the first nine months of 2006 reached 225.2 million vehicles, which was 1.1 million vehicles or 0.5 percent less than 2005's volume over the same period of time. Traffic at the end of the first quarter was 0.2 million vehicles above the first quarter of 2005. However increases in gas prices began accelerating in April and May, exceeding 3.00 dollars per gallon in New York, and relatively heavier rainfall in both April and May of this year, contributed to a decline of 0.3 million vehicles, or .07 percent for the two months combined. Rainfall was even heavier in June, and traffic subsequently dropped by another 0.7 million vehicles, or 2.4 percent for the month. The E-ZPass electronic collection system continued to facilitate the management of heavy traffic volumes. On an average weekday during the first nine months of 2006, 74.7 percent of all MTA Bridges and Tunnels traffic used E-ZPass compared to 73.6 percent during the comparable period in 2005. Through September 2006, toll revenues were $926.5 which was $26.2 or 2.9 percent greater than the first nine months of 2005. The revenue gain was largely the result of a toll increase implemented on March 13, 2005 and the 1.00 dollar per month E-ZPass account maintenance fee instituted on July 1, 2005 (which fee was terminated June 1, 2006).

MTA New York City Transit's fare revenues in the first nine months of 2006 were higher than in the first nine months of 2005 by $28.5 or 1.4 percent. This increase is due primarily to the fare adjustments implemented on February 27, 2005 which raised the price of 7-day and 30-day passes and the express bus fare. Total ridership increased by .9 percent, attributed to an improving local economy and higher tourism. Other operating revenues increased by $8.4 due primarily to higher paratransit urban tax revenues and higher NYS payments from state tax refunds of violators who had outstanding Transit Adjudication Bureau summonses.

MTA Long Island Rail Road ridership for the first nine months of 2006 was at approximately 60.9 million on passenger revenues of $339.5. Revenues increased by approximately $10.4 or 3.2 percent in the first nine months of 2006 over the same period in 2005. This increase is due in part to the fare increase that went into effect on March 1, 2005 as well as increased ridership attributed to rising gasoline prices.

MTA Metro-North Railroad's operating revenue increased by $13.9 or 4.0 percent in the nine months ended September 30, 2006 over the same period in 2005. A 5.5 percent fare increase on travel that begins or ends in the State of Connecticut was effective as of January 1, 2005. A fare increase on travel in New York State designed to increase 2005 revenues by 5.0 percent took effect on March 1, 2005.

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

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

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

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

***Increase in Subsidies* -** Effective June 1, 2005, (1) the MTA's portion of the regional sales tax in the commuter transportation district was increased from .25 of 1 percent to .375 of 1 percent and (2) the MRT-1 portion of the MTA's mortgage recording taxes was increased from 25 cents per 100 dollars of recorded mortgage to 30 cents per 100 dollars of recorded mortgage.

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

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

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

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

- MTA Bus completed its consolidation of the various bus routes of the seven original companies during the first quarter of 2006.

Additional Bond Issues During 2006 – During the month of June, the MTA issued MTA DTF fixed rate bonds in the amount of $350. Also during the month of June, the MTA Bridges and Tunnels issued fixed rate General Revenue Bonds in the amount of $200. During the month of July, the MTA issued fixed rate Transportation Revenue Bonds in the amount of $475.

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METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006 AND DECEMBER 31, 2005
(Dollars in Millions)

	September 2006 (Unaudited)	December 2005
ASSETS		
CURRENT ASSETS:		
Cash (Note 3)	$ 92	$ 138
Investments (Note 3)	2,312	1,561
Receivables:		
Station maintenance, operation and use assessments	73	98
State and regional mass transit taxes	771	52
Mortgage Recording Tax receivable	58	63
State and local operating assistance	135	8
Other subsidies	49	35
Connecticut Department of Transportation	8	19
New York City	27	26
Other	322	328
Less allowance for doubtful accounts	(45)	(47)
Total receivables - net	1,398	582
Materials and supplies	313	292
Prepaid expenses and other current assets (Notes 2 and 4)	555	90
Total current assets	4,670	2,663
NONCURRENT ASSETS:		
Capital assets - net (Note 5)	37,406	35,900
Restricted investment held under capital lease obligations (Note 3 and 7)	2,479	2,505
Investments (Note 3)	1,475	2,196
Receivable from New York State	2,264	2,294
Other noncurrent assets	1,034	1,068
Total noncurrent assets	44,658	43,963
TOTAL ASSETS	$ 49,328	$ 46,626

(continued)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006 AND DECEMBER 31, 2005
(Dollars in Millions)

	September 2006 (Unaudited)	December 2005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 275	$ 431
Accrued expenses:		
Interest	300	191
Salaries, wages and payroll taxes	278	174
Vacation and sick pay benefits	626	607
Current portion - retirement and death benefits	366	207
Current portion - estimated liability from injuries to persons (Note 8)	188	191
Other	373	396
Total accrued expenses	2,131	1,766
Current portion - long-term debt (Note 6)	203	306
Current portion - obligations under capital lease (Note 7)	7	7
Deferred revenue	376	324
Total current liabilities	2,992	2,834
NONCURRENT LIABILITIES:		
Retirement and death benefits (Note 4)	6	60
Estimated liability arising from injuries to persons (Note 8)	1,022	983
Long-term debt (Note 6)	23,162	21,653
Obligations under capital lease (Note 7)	2,609	2,642
Contract retainage payable	289	216
Other long-term liabilities	277	245
Total noncurrent liabilities	27,365	25,799
Total liabilities	30,357	28,633
NET ASSETS:		
Invested in capital assets, net of related debt	14,090	14,044
Restricted for debt service	1,440	1,069
Unrestricted	3,441	2,880
Total net assets	18,971	17,993
TOTAL LIABILITIES AND NET ASSETS	$ 49,328	$ 46,626

See notes to consolidated financial statements.

(Concluded)

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Dollars in Millions)

	September 2006	September 2005
	(Unaudited)	
OPERATING REVENUES		
Fare revenue	$ 2,843	2,729
Vehicle toll revenue	926	900
Rents, freight, and other revenue	296	264
Total operating revenues	4,065	3,893
OPERATING EXPENSES:		
Salaries and wages	3,058	2,835
Retirement and other employee benefits	1,317	1,282
Traction and propulsion power	203	185
Fuel for buses and trains	138	101
Insurance	29	27
Claims	101	103
Paratransit service contracts	131	115
Maintenance and other operating contracts	389	325
Professional service contracts	128	111
Materials and supplies	336	300
Depreciation	1,179	1,089
Other	45	27
Total operating expenses	7,054	6,500
OPERATING LOSS	(2,989)	(2,607)
NON OPERATING REVENUES (EXPENSES)		
Grants, appropriations and taxes:		
Tax supported subsidies-NYS	1,830	1,453
Tax supported subsidies-NYC and local	1,031	984
Operating subsidies - NYS	211	230
Operating subsidies - NYC and local	321	239
Total grants, appropriations and taxes	3,393	2,906

(Continued)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (Dollars in Millions)

	September 2006	September 2005
	(Unaudited)	
Operating subsidies recoverable from Connecticut Department of Transportation related to New Haven Line	$ 39	$ 36
Subsidies paid to Dutchess, Orange and Rockland Counties	(4)	(4)
Interest on long-term debt	(740)	(743)
Station maintenance, operation and use assessments	104	101
Loss on disposal of subway cars	-	(2)
Unrealized (loss)/gain on investment	(6)	4
Other nonoperating revenue	304	177
Net non operating revenues	3,090	2,475
INCOME/(LOSS) BEFORE APPROPRIATIONS	101	(132)
APPROPRIATIONS, GRANTS AND OTHER RECEIPTS EXTERNALLY RESTRICTED FOR CAPITAL PROJECTS	877	662
CHANGE IN NET ASSETS	978	530
NET ASSETS, BEGINNING OF YEAR	17,993	17,596
NET ASSETS, END OF PERIOD	$ 18,971	$ 18,126

(Concluded)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Dollars in Millions)

	Sepember 2006 (Unaudited)	Sepember 2005 (Unaudited)
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Passenger receipts/tolls	$ 3,966	$ 3,797
Rents and other receipts	186	155
Payroll and related fringe benefits	(4,252)	(3,848)
Other operating expenses	(1,911)	(1,274)
Net cash used in operating activities	(2,011)	(1,170)
CASH FLOWS PROVIDED BY/(USED IN) NONCAPITAL FINANCING ACTIVITIES:		
Grants, appropriations and taxes	2,573	2,273
Operating subsidies from CDOT	39	37
Suburban transportation fund subsidy	(20)	-
Subsidies paid to Dutchess, Orange and Rockland counties	(22)	(21)
Net cash provided by noncapital financing activities	2,570	2,289
CASH FLOWS PROVIDED BY/(USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES:		
MTA bond proceeds	847	1,842
TBTA bond proceeds	207	950
MTA bonds refunded	-	(348)
MTA anticipation notes proceeds	450	(772)
Capital lease payments	(18)	(18)
Grants and appropriations	1,599	1,130
CDOT capital contributions	2	3
Capital expenditures	(2,799)	(2,583)
Debt service payments	(1,028)	(938)
Net cash used in capital and related financing activities	(740)	(734)
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:		
Purchase of long-term securities	(2,276)	(1,806)
(Purchase)/sales of maturities of securities - long-term	(17,504)	1,678
Sale/(purchase) of short-term securities	19,824	(346)
Earnings on investments	91	67
Net cash provided by investing activities	135	(407)
NET DECREASE IN CASH	(46)	(22)
CASH, BEGINNING OF PERIOD	138	124
CASH, END OF PERIOD	$ 92	$ 102

See notes to consolidated financial statements.

(Continued)

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Dollars in Millions)

	September 2006	September 2005
	(Unaudited)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (2,989)	$ (2,608)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	1,179	1,089
Net increase in payables, accrued expenses and other liabilities	301	248
Net (increase)/decrease in receivables	(14)	61
Net (increase)/decrease in materials and supplies and prepaid expenses	(488)	40
NET CASH USED IN OPERATING ACTIVITIES	$ (2,011)	$ (1,170)

(Concluded)

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

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

Metropolitan Transportation Authority and Related Groups -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 2005–2009 MTA Capital Programs and the 2005–2009 MTA Bridges and Tunnels Capital Program through September 30, 2006, provided for $21,252 in capital expenditures, of which $11,255 relates to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway, $3,572 relates to ongoing repairs of, and replacements to, the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad, $4,465 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $495 relates to a multi-faceted security program, $159 relates to MTA interagency initiatives including MTA Police Department plus an MTA-wide integrated computer systems initiative, $138 relates to MTA Bus company initiatives, and $1,168 relates to the ongoing repairs of, and replacements to, MTA Bridges and Tunnels facilities.

The combined funding sources for the approved 2005–2009 MTA Capital Programs and the 2005–2009 MTA Bridges and Tunnels Capital Program include $9,284 in MTA and MTA Bridges and Tunnels Bonds, $1,450 in New York State general obligation bonds approved by the voters in the November 2005 election, $6,716 in Federal Funds and $3,802 from other sources.

At September 30, 2006, $4,337 had been committed and $1,209 had been expended for the combined 2005-2009 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program.

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

The 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program through September 30, 2006, which provides for $20,887 in capital expenditures, of which $10,231 relates to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway, $3,923 relates to ongoing repairs of, and replacements to, the Commuter System operated by MTA Long Island Rail Road and MTA Metro-North Railroad, $4,532 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $450 relates to planning and design and customer service projects, $249 relates to World Trade Center repair projects, $1,035 relates to the ongoing repairs and replacements to MTA Bridges and Tunnels facilities, and $467 relates to MTA Bus.

The combined funding sources for the approved 2000–2004 MTA Capital Programs and the 2000–2004 MTA Bridges and Tunnels Capital Program include $7,912 in bonds, $6,482 in Federal funds, $4,575 from the proceeds of the MTA/MTA Bridges and Tunnels debt restructuring in 2002 and $1,918 from other sources.

At September 30, 2006, $19,058 had been committed and $14,672 had been expended for the combined 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

All investments are recorded on the balance sheets at fair value and all investment income, including changes in the fair value of investments, is reported as revenue on the statement of revenues, expenses and changes in net assets. Fair values have been determined using quoted market values at September 30, 2006 and December 31, 2005.

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

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

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

Liability Insurance – FMTAC, an insurance captive subsidiary of MTA, operates a liability insurance program ("ELF") that insures certain claims in excess of the self-insured retention limits of the agencies on both a retrospective (claims arising from incidents that occurred before October 31, 2003) and prospective (claims arising from incidents that occurred on or after October 31, 2003) basis. For claims arising from incidents that occurred on or after November 1, 2001, but before November 1, 2006, the self-insured retention limits are: $7 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Staten Island Railway, MTA Long Island Rail Road and MTA Metro-North Railroad; $2 for MTA Long Island Bus; and $1.4 for MTA and MTA Bridges and Tunnels. The maximum amount of claims arising out of any one occurrence is the total assets of the program available for claims, but in no event greater than $50. The retrospective portion contains the same insurance agreements, participant retentions, and limits as existed under the ELF program for occurrences happening on or before October 30, 2003. On a prospective basis, FMTAC issues insurance policies indemnifying the MTA, its subsidiaries and affiliates above their specifically assigned self-insured retention with a limit of $50 per occurrence with $50 annual aggregate. FMTAC charges appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. On December 31, 2005, the balance of the assets in this program was $83.2.

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

On March 1, 2006, the "non-revenue fleet" automobile liability policy program was renewed. This program provides third party auto liability insurance protection for the MTA and its member agencies with the exception of MTA New York City Transit and MTA Bridges and Tunnels. The policy provides $7.0 per occurrence limit with a $.5 per occurrence deductible. FMTAC renewed its deductible buy back policy, where it assumes the liability of the agencies for their deductible.

On March 1, 2006, the "Access-A-Ride" automobile liability policy program was renewed. This program provides third party auto liability insurance protection for the MTA New York City Transit's Access-A-Ride program, including the contracted operators. This policy provides a $3.0 per occurrence limit with a $.5 per occurrence deductible.

FMTAC directly insures the primary $7 in losses for Station Liability and Force Account Liability for MTA Metro-North Railroad and MTA Long Island Rail Road.

Property Insurance – Effective October 31, 2005 through October 30, 2006, FMTAC directly insures property damage claims of the related entities in excess of a $25 per occurrence self-insurance retention ("SIR"), subject to an annual $75 aggregate. Losses occurring after the retention aggregate is exceeded are subject to a deductible of $7.5 per occurrence. The total program limit has been maintained at $1.25 billion per occurrence covering property of the related entities collectively. With the exception of acts of terrorism (both domestic and foreign), and subject to certain parts of the program limit that have been retained by FMTAC as discussed in the next paragraph, FMTAC is reinsured in the domestic, London and European marketplaces for this coverage. As a consequence of this year's severe contraction in available market capacity at reasonable premium levels, FMTAC has not fully reinsured all tiers of the program limit. The following chart shows the portions of the tiers of the program limit that have been reinsured and the portions that have been retained by FMTAC. Within each tier, losses would be shared on a pro rata basis.

Incremental Insurance Loss	Amount Reinsured	Amount Retained by FMTAC
$ 0 – 25	$ 0.0	$ 25.0
25 – 125	100.0	0.0
125 – 175	36.8	13.2
175 – 400	164.0	61.0
400 – 700	224.2	75.8
700 – 1,000	80.5	219.5
1,000 – 1,250	250.0	0.0
Total	$ 855.5	$ 394.5

The property insurance, which is subject to annual renewal on October 31, 2006, provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages. With respect to acts of international terrorism committed by or on behalf of foreign interests, as covered by the Terrorism Risk Insurance Act of 2002, and amended by the Terrorism

Risk Insurance Extension Act of 2005 ("2005 TRIA"), FMTAC is reinsured by the United States Government for 90% of such "certified" losses, subject to an annual cap on all losses payable under 2005 TRIA of $100 billion. No federal compensation will be paid unless the aggregate industry insured losses exceed $50. The remaining 10% of MTA losses would be covered under an additional policy described below. The 2005 TRIA coverage is provided through December 31, 2007, but subject to certain changes in 2007, including a lower reimbursement rate (85%) and a higher "trigger" for industry losses ($100). With respect to terrorism losses not covered by the United States Government under 2005 TRIA, MTA obtained an additional commercial reinsurance policy that provides coverage for (1) 10% of any "certified" act of terrorism caused by foreign interests, or (2) 100% of any terrorism loss not "certified" by the United States Government. Coverage under this policy is subject to a limit of $100 per occurrence and $200 in the aggregate annually (subject to the $25 per occurrence self-insurance retention).

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

Operating Revenues

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

Nonoperating Revenues

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

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

  - MRT-1 proceeds are initially used to pay MTAHQ's operating expenses. Remaining funds, if any, are allocated 55 percent to certain Transit Operations and 45 percent to the Commuter Railroads. The Commuter Railroad portion is first used to fund the NYS Suburban Highway Transportation Fund in an amount not to exceed $20 annually (subject to the moneys being returned under the conditions set forth in the governing statute if the Commuter Railroads are operating at a deficit). As of September 30, 2006 and 2005 the amount payable to the NYS

Suburban Highway Transportation Fund was $0 and $0, respectively. Of the MTA New York City Transit portion, the MTA distributed $0 and $0 as of September 30, 2006 and September 30, 2005, respectively.

– The first $5 of the MRT-2 proceeds is transferred to the MTA Dutchess, Orange and Rockland Fund ($1.5 each for Dutchess and Orange Counties and $2 for Rockland County). Additionally, the MTA must transfer to each County's fund an amount equal to the product of (i) the percentage by which each respective County's mortgage recording tax payments (both MRT-1 and MRT-2) to the MTA increased over such payments in 1989 and (ii) the base amount received by each county as described above. The counties do not receive any portion of the June 1, 2005 increase in MRT-1 from 25 cents per $100 of recorded mortgage to 30 cents. Excess amounts transferable to the counties as of September 30, 2006 and September 30, 2005, were $0 and $0, respectively. Through September 30, 2006, the MTA has distributed $0 from the MRT-2 funds to the Commuter Railroads and $0 to MTA New York City Transit for their current operations. In the same period in 2005 the MTA distributed from the MRT-2 funds $0 to the Commuter Railroads and $0 to MTA New York City Transit for their current operations. On September 28, 2006, $2.1 of MRT-2 funds was transferred to fund the MaBSTOA Pension Plan and $266.1 was transferred to fund the MTA Defined Benefit Pension Plan.

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

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

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

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

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

- Pursuant to an agreement with NYS and NYC each pays to MTA $45 annually to cover a portion of the cost of the free fare student program. The estimated cost of this program is approximately $156 for the 2005 - 2006 school year. It is believed that NYC will continue to provide for the City's $45 contribution. For the 2005 - 2006 school year $15 was received in December 2005 and the remaining $30 was received in June 2006 and is reflected in the Transit Operations approved 2006 Adopted Budget. It also reflects the State's full $45 for the 2005–2006 school year that was received in March 2006. The Transit Operation's 2006–2009 Financial Plan assumes the continuation of the joint funding of the free fare program for students.

- Policing of the transit system is carried out by the NYC Police Department at NYC's expense. The MTA, however, continues to be responsible for certain capital costs and support services related to such police activities, a portion of which is reimbursed by NYC. The MTA received approximately $2.5 in the nine months ended September 30, 2006, and $2.6 in the nine months ended September 30, 2005 from NYC for the reimbursement of transit police costs.

- Federal law and regulations require a paratransit system for passengers who are not able to ride the buses and trains because of their disabilities. Pursuant to an agreement between NYC and the MTA, MTA New York City Transit had assumed operating responsibility for all paratransit service required in NYC by the Americans with Disabilities Act of 1990. The services are provided by private vendors under contract with MTA New York City Transit. NYC reimburses the MTA for the lesser of 33 percent of net paratransit operating expenses defined as labor, transportation, and administrative costs less fare revenues and 6.0 percent of gross Urban Tax Subsidies, or an amount that is 20.0 percent greater than the amount paid by the City for the preceding calendar year. Fare revenue and reimbursements aggregated approximately $62.9 in the nine months ended September 30, 2006, and $55.3 in the nine months ended September 30, 2005.

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

Recent Accounting Pronouncements - The MTA has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. There was no impact on the MTA's financial position and results of operations for the nine months ended September 30, 2006 and September 30, 2005. The statement was effective for financial statements for periods beginning after June 15, 2004 and December 15, 2004, respectively.

The MTA has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 47 *Accounting for Termination Benefits*. Currently, MTA is unable to prepare the statement of plan net assets, the statement of changes in net assets, notes to the financial statements, and the required supplementary information as prescribed by GASB Statement No. 43. The statement is effective as to MTA for financial statement periods beginning after December 15, 2005; however, MTA does not currently have any such postemployment benefit plans.

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

The MTA has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The MTA is therefore unable to disclose the impact that adopting this statement will have on its financial position and results of operations when such statement is adopted. GASB Statement No. 45 is effective as to MTA for financial statement periods beginning after December 15, 2006.

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

3. CASH AND INVESTMENTS

Cash, including deposits in transit, consists of the following at September 30, 2006 and December 31, 2005:

	September 2006 (Unaudited)		December 2005	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
FDIC insured or collateralized deposits	$ 28	$ 22	$ 75	$ 69
Uninsured and not collateralized	64	21	63	6
	$ 92	$ 43	$ 138	$ 75

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

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

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

Investments, at fair value, consist of the following at September 30, 2006 and December 31, 2005:

	September 2006 (Unaudited)		December 2005	
Repurchase agreements		$ 426		$ 627
U.S. Treasuries due 2005 - 2020		1,647		1,384
Investments restricted for capital lease obligations				
US Treasury Notes	-		8	
Treasury Strips	134		138	
Other Agencies	2,345		2,359	
Sub-total		2,479		2,505
Commercial Paper		649		685
Other Agencies due 2005 - 2011		1,065		1,061
Total	$ 2,479	$ 6,266	$ 2,505	$ 6,262

Fair values include accrued interest to the extent that interest is included in the carrying amounts. Accrued interest on investments other than Treasury bills and coupons is included in other receivables on the balance sheet. The MTA's investment policy states that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment. The net unrealized loss on investments for the nine months ended September 30, 2006 was $6.5 as compared to a gain for the year ended December 31, 2005 of $6.8.

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

All investments are either insured or registered and held by the MTA or its agent in the MTA's name. Investments had weighted average yields of 4.9 percent and 4.1 percent for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively.

Of the above cash and investments, amounts held for restricted purposes were as follows at September 30, 2006 and December 31, 2005:

	September 2006 (Unaudited)	December 2005
Construction or acquisition of capital assets	$ 1,349	$ 1,301
Funds received from affiliated agencies for investment	599	897
Debt service	700	590
Payment of claims	318	304
Restricted for capital leases	2,479	2,505
Other	474	558
Total	$ 5,919	$ 6,155

4. EMPLOYEE BENEFITS

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

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

Defined Benefit Pension Plans

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

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

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

- For the plan years ended December 31, 2005 and 2004, MTA New York City Transit made contributions to the MaBSTOA Plan of $153.4 and $142.0, respectively, equal to the required contributions for each year. During the year ended December 31, 2004, MTA New York City Transit made advance payments of $70.0 resulting in the recognition of a pension asset in the combined balance sheets. The MTA Board recently approved amendments authorizing the MaBSTOA Plan to invest in alternative investments. Such investments will be subject to specific investment guidelines and monitored by the Plan's independent investment adviser. On September 28, 2006, MTA made a contribution to the MaBSTOA Plan of $100 to reduce unfunded pension liabilities.

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

- *Multi-Employer Pension Plan* - The MTA Defined-Benefit Pension Plan ("MTA Plan"), a defined benefit pension plan for certain MTA Long Island Rail Road non-represented and MTA Metro-North Railroad non-represented employees hired after December 31, 1987, certain MTA Long Island Bus employees hired prior to January 23, 1983, MTA Police, and certain MTA Long Island Rail Road represented employees hired after December 31, 1997 and certain MTA Metro-North Railroad represented employees, is a cost-sharing multiple-employer retirement plan. MTA Long Island Rail Road, MTA Metro-North Railroad and MTA contribute to the MTA Plan, which offers distinct retirement, disability, and death benefits for covered MTA Metro-North Railroad and MTA Long Island Rail Road employees, MTA 20-year Police Retirement Plan and MTA Long Island Bus Employees' Pension Plan. MTA Police contribute to the MTA Plan at various rates. Annual pension costs and related information about this plan are presented in the following table for all years presented as if the plan was a single-employer plan at the MTA level.

  The MTA Board has approved plan and trust amendments to provide for and implement the merger of the Long Island Rail Road ("LIRR") Company Pension Plan into the MTA Defined Benefit Plan. The Board also approved amendments pursuant to which the LIRR Plan for Additional Pensions, which includes the same members as the LIRR Company Pension Plan, will participate in the MTA Plans' Master Trust. In addition, the Board approved amendments authorizing the MTA Plan to invest in alternative investments. Such investments will be subject to specific investment guidelines and monitored by the Plan's independent investment adviser. On September 28, 2006, MTA made a contribution to the MTA Master Trust of $363.7 to reduce unfunded pension liabilities of the MTA plan and the LIRR Plan for Additional Pensions. On November 1, this amount was allocated equally between the two plans.

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

- MTA Long Island Rail Road, MTA Metro-North Railroad, MTA, and MTA Long Island Bus recognized 2005 and 2004 pension cost based upon an assessment, which on average was 12.11 percent and 12.13 percent respectively, of annual compensation. The MTA Plan may be amended by action of the MTA Board.

Annual pension costs and related information about each plan follows:

	Single-Employer Plans			
	LIRR	SIRTOA	MaBSTOA	MTA Plan
Date of valuation	1/1/2005	1/1/2005	1/1/2005	1/1/2005
Required contribution rates:				
Plan members	variable	3.00% (1st 10 yrs.)	variable	variable
Employer:	actuarially determined	actuarially determined	actuarially determined	actuarially determined
Employer contributions made in 2005	$ 109.1	$ 1.8	$ 153.4	$ 58.2
Three-year trend information:				
Annual Pension Cost (APC):				
2005	$ 109.2	$ 1.8	$ 151.4	$ 58.2
2004	102.9	1.5	140.1	54.7
2003	63.8	1.6	135.2	28.2
Net Pension Obligation (NPO) (assets) at end of year:				
2005	(4.6)	-	54.9	-
2004	(4.7)	-	57.0	-
2003	(4.8)	-	58.9	-
Percentage of APC contributed:				
2005	100%	100%	101%	100%
2004	100%	100%	101%	100%
2003	100%	100%	101%	89%
Components of APC				
Annual required contribution (ARC)	$ 109.1	$ 1.8	$ 153.4	$ 58.2
Interest on NPO	(0.3)	-	4.6	-
Adjustment of ARC	(0.4)	-	6.6	-
APC	109.2	1.8	151.4	58.2
Contributions made	109.1	1.8	153.5	58.2
Change in NPO (assets)	0.1	-	(2.1)	-
NPO (assets) beginning of year	(4.7)	-	57.0	-
NPO (assets) end of year	$ (4.6)	$ -	$ 54.9	$ -

	Single-Employer Plans			
	LIRR	SIRTOA	MaBSTOA	MTA Plan
Actuarial cost method	Entry age normal	Entry age normal frozen initial liability	Entry age normal frozen initial liability	Entry age normal frozen initial liability
Method to determine actuarial value of plan assets	5-year smoothing	5-year smoothing	5-year smoothing	5-year smoothing
Investment return	8.00%	8.00%	8.00%	8.00%
Projected salary increases	3.5%	4.0% - 11.0%	3.5% - 18.0%	3.5% - 36.2%
Consumer price inflation	2.50%	2.50%	2.50%	2.50%
Amortization method and period	level dollar / 28 years	level dollar / 21 years	level dollar / 30 years	level dollar / 23 years
Period closed or open	closed	closed	closed	closed

Cost-Sharing Multiple-Employer Plans

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

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

Funding Policy - NYCERS is a contributory plan, except for certain employees who entered prior to July 27, 1976 who make no contribution and for employees who entered qualifying service after July 1976, who contribute 3 percent of their salary. The State legislature passed legislation in 2000 that suspended the 3 percent contribution for employees who have 10 years or more of credited service. MTA New York City Transit and MTA Bridges and Tunnels are required to contribute at an actuarially determined rate. The contribution requirements of plan members and MTA New York City Transit and MTA Bridges and Tunnels are established and amended by law. MTA New York City Transit's required contributions for NYCERS fiscal years ending June 30, 2006, and 2005 were $307.9 and $176.0, respectively. MTA Bridges and Tunnels' contributions to NYCERS for the years ended December 31, 2005 and 2004 were $10.1, and $5.0, respectively, which were equal to or in excess of the actuary's recommendation, plus interest.

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

Plan Description and Funding Policy - MTAHQ and MTA Long Island Bus employees who were hired after January 23, 1983, are members of NYSLERS. NYSLERS is a cost sharing multiple-employer plan and offers a broad spectrum of benefits including retirement 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 MTA Long Island Bus recognize pension expense based upon annual assessments made by NYSLERS. NYSLERS pension expense was approximately \$11.8 and \$11.2, for the years ended December 31, 2005 and 2004, respectively, and was equal to the annual required contributions for each year. Further information about the plan is more fully described in the publicly available statement of NYSLERS and may be obtained by writing to New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001.

Defined Contribution Plans

Single-Employer

The Long Island Rail Road Company Money Purchase Plan ("Money Purchase Plan") is a defined contribution plan that covers certain represented employees who began service with MTA Long Island Rail Road after December 31, 1987. Effective January 1, 2004, employees hired after January 1, 1998 who are participants in the Money Purchase Plan will become participants in the MTA Defined Benefit Plan ("MTA DB Plan") and have the same terms and conditions as those applicable to non-represented employees of MTA Long Island Rail Road and MTA in the MTA DB Plan.

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

	September 30, 2006 (Unaudited)		**December 31, 2005**	
	LIRR Money Purchase Plan	MNCR Agreement Plan	LIRR Money Purchase Plan	MNCR Agreement Plan
Employer contributions	\$ -	\$ 8.1	\$ -	\$ 10.8
Employee contributions	0.3	0.4	0.7	0.6

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

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

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

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

	September 30, 2006 (Unaudited)		**December 31, 2005**	
	Number of Participants (Actual)	Cost of Benefits	Number of Participants (Actual)	Cost of Benefits
MTA Total	40,451	$196.5	39,218	$233.0

5. CAPITAL ASSETS

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

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

Accumulated depreciation and amortization are reported as reductions of fixed assets. Depreciation is computed using the straight-line method based upon estimated useful lives of 25 to 50 years for buildings, 2 to 40 years for equipment, and 25 to 100 years for infrastructure. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the asset whichever is less. Capital assets consist of the following at September 30, 2006 and December 31, 2005:

	December 31, 2004	Additions	Deletions	December 31, 2005	Additions	Deletions	September 30 2006 (Unaudited)
Capital assets, not being depreciated							
Land	$ 125	$ 11	$ -	$ 136	$ -	$ -	$ 136
Construction work-in-progress	5,471	1,629	1,459	5,641	1,388	965	6,064
Total capital assets, not being depreciated	5,596	1,640	1,459	5,777	1,388	965	6,200
Capital assets, being depreciated							
Buildings and structures	10,692	1,295	175	11,812	440	1	12,251
Bridges and tunnels	1,604	43	-	1,647	-	-	1,647
Equipment							
Passenger cars and locomotives	8,519	716	84	9,151	530	69	9,612
Buses	1,852	205	1	2,056	90	-	2,146
Infrastructure	10,635	819	6	11,448	682	5	12,125
Other	7,144	628	5	7,767	531	16	8,282
Total capital assets, being depreciated	40,446	3,706	271	43,881	2,273	91	46,063
Less accumulated depreciation							
Buildings and structures	2,856	328	17	3,167	258	-	3,425
Bridges and tunnels	337	16	-	353	11	-	364
Equipment							
Passenger cars and locomotives	2,623	297	79	2,841	242	65	3,018
Buses	1,128	119	1	1,246	94	-	1,340
Infrastructure	2,867	372	4	3,235	298	5	3,528
Other	2,577	342	3	2,916	282	16	3,182
Total accumulated depreciation	12,388	1,474	104	13,758	1,185	86	14,857
Total capital assets, being depreciated, net	28,058	2,232	167	30,123	1,088	5	31,206
Capital assets, net	$ 33,654	$ 3,872	$ 1,626	$ 35,900	$ 2,476	$ 970	$ 37,406

Interest capitalized in conjunction with the construction of capital assets at September 30, 2006 and December 31, 2005 is $58 and $70, respectively.

Capital assets acquired prior to April 1982 for MTA New York City Transit were funded primarily by NYC with capital grants made available to MTA New York City Transit. NYC has title to a substantial portion of such assets and, accordingly, these assets are not recorded on the books of the MTA. Subsequent acquisitions, which are part of the MTA Capital Program, are recorded at cost by MTA New York City Transit. In certain instances, title to MTA Bridges and Tunnels' real property may revert to NYC in the event the MTA determines such property is unnecessary for its corporate purpose. The MTA New York City Transit scrapped 10 subway cars and 3 buses during the year ended 2005 and recorded a loss on disposal of $1.9. In the 12 months ended December 31, 2005, MTA Long Island Railroad retired 196 fully depreciated M-1 electric cars from revenue service. In addition, the overpass at the Jamaica station constructed to accommodate passengers with disabilities (ADA overpass) was demolished and taken out of service and a loss on disposal of assets of $18 was recorded. During the first nine months of 2006, MTA Long Island Rail Road placed into service 190 new M-7 electric cars and retired 138 M-1 electric cars and a locomotive from service, and MTA Metro-North placed 26 new M-7 in service, completed overhaul on 5 M-2 and retired 80 M-1 and 9 ACMU (1100 series) cars from service.

For certain construction projects, the MTA holds in a trust account marketable securities pledged by third-party contractors in lieu of cash retainages. At September 30, 2006 and December 31, 2005 these securities totaled $71.9 and $76.1, respectively, and had a market value of $71.1 and $85.1 respectively, and are not included in these financial statements.

6. LONG -TERM DEBT

	December 31, 2005	Issued	Retired	Refunded	September 30, 2006
MTA:					
Transportation Revenue Bonds 2.25% - 5.752% due through 2035	$ 9,207	$ 475	$ -	$ -	$ 9,682
Transportation Revenue Bond Anticipation Notes Commercial Paper	-	450	-	-	450
State Service Contract Bonds 3.00% - 5.50% due through 2031	2,332	-	43	-	2,289
Dedicated Tax Fund Bonds 3.00% - 6.25% due through 2031	3,278	350	-	-	3,628
Certificates of Participation 4.40% - 5.625% due through 2029	443	-	13	-	430
	15,260	1,275	56	-	16,479
Less net unamortized bond discount and premium	(363)	22	1	-	(342)
	$ 14,897	$ 1,297	$ 57	$ -	$ 16,137
TBTA:					
General Revenue Bonds 4.00% - 5.77% due through 2033	$ 4,586	$ 200	$ 6	$ -	$ 4,780
Subordinate Revenue Bonds 4.00% - 5.77% due through 2032	2,364	-	22	-	2,342
	6,950	200	28	-	7,122
Less net unamortized bond discount and premium	112	7	13	-	106
	$ 7,062	$ 207	$ 41	$ -	$ 7,228
Combined total	$ 21,959	$ 1,504	$ 98	$ -	$ 23,365
Current portion	(306)				(203)
Long-term portion	$ 21,653				$ 23,162

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

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

During 2006, the MTA issued Transportation Revenue Bonds, Series 2006A in the amount of $475 to finance transit and commuter projects.

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

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

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

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

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

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

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

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

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

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

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

Debt Limitation - The NYS Legislature has imposed limitations on the aggregate amount of debt that the MTA and MTA Bridges and Tunnels can issue to fund the approved transit and commuter capital programs. The current aggregate ceiling, subject to certain exclusions, is $28,877 compared with issuances totaling approximately $14,030 at September 30, 2006. The MTA expects that the current statutory ceiling will allow it to fulfill the bonding requirements of the 2000-2004 MTA Capital Program and the 2005-2009 MTA Capital program.

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

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

At September 30, 2006, the following amounts of MTA bonds, which have been refunded, remain valid debt instruments and are secured solely by and payable solely from their respective irrevocable trusts.

MTA Transit and Commuter Facilities:	
Transit Facilities Revenue Bonds	$ 1,529
Commuter Facilities Revenue Bonds	1,480
Commuter Facilities Subordinate Revenue Bonds	18
Transit and Commuter Facilities Service Contract Bonds	895
Dedicated Tax Fund Bonds	1,363
Excess Loss Trust Fund	19
MTA New York City Transit:	
Transit Facilities Revenue Bonds (Livingston Plaza Project)	121
MTA Bridges and Tunnels:	
General Purpose Revenue Bonds	2,259
Special Obligation Subordinate Bonds	214
Mortgage Recording Tax Bonds	236
Total	$ 8,134

Debt Service Payments **-** Principal and interest debt service payments (excluding refunded bonds) at September 30, 2006, are as follows:

	MTA		MTA BRIDGES AND TUNNELS				Aggregate	
			Senior Revenue		Subordinate Revenue		Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 258	$ 182	$ 79	$ 56	$ 18	$ 33	$ 355	$ 271
2007	310	732	87	222	43	114	440	1,068
2008	322	719	97	212	44	112	463	1,043
2009	338	706	102	207	48	110	488	1,023
2010	352	691	106	202	50	108	508	1,001
2011-2015	2,028	3,186	597	918	289	496	2,914	4,600
2016-2020	2,575	2,637	787	741	428	356	3,790	3,734
2021-2025	3,272	1,975	926	531	495	288	4,693	2,794
2026-2030	4,124	1,137	1,181	279	624	160	5,929	1,576
2031-2035	2,414	235	818	46	303	23	3,535	304
2036-2040	37	1	-	-	-	-	37	1
	$ 16,030	$ 12,201	$ 4,780	$ 3,414	$ 2,342	$ 1,800	$ 23,152	$ 17,415

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

- *Dedicated Tax Fund Refunding Bonds, Series 2005A* – 3.3156% per annum taking into account the interest rate swap
- *Transportation Revenue Bonds, Series 2005D* – 3.561% per annum taking into account the interest rate swaps
- *Transportation Revenue Bonds, Series 2005E* – 3.561% per annum taking into account the interest rate swaps
- *Transportation Revenue Bonds, Series 2005G* – 4.00% per annum

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

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

Swap Agreements

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

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

Activity Since September 30, 2006. On October 24, 2006, MTA terminated a proposed $350 Series 2006B Dedicated Tax Fund Bond hedge with Lehman Brothers Special Financing Inc. in return for a net payment to MTA of $18.5.

Fair Value. Relevant market interest rates on the valuation date of the swaps reflected in the following charts (September 30, 2006) in some cases were higher than, and in some cases were lower than, market interest rates on the effective date of the swaps. Consequently, as of the valuation date, some of the swaps had negative fair values and some had positive fair values. A negative fair value means that MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would have to pay the counterparty that approximate amount to terminate the swap. In the event there is a positive fair value, MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would be entitled to receive a payment from the counterparty to terminate the swap; consequently, MTA, MTA Bridges and Tunnels and/or MTA New York City Transit would be exposed to the credit risk of the counterparties in the amount of the swaps' fair value should the swap be terminated.

The fair values listed in the following tables represent the theoretical cost to terminate the swap as of the date indicated, assuming that a termination event occurred on that date. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bond due on the date of each future net settlement on the swap. In the event both parties continue to perform their obligations under the swap, there is not a risk of termination and neither party is required to make a termination payment to the other. MTA, MTA Bridges and Tunnels and MTA New York City Transit are not aware of any event that would lead to a termination event with respect to any of their existing swaps. See "*Termination Risk*" discussed more fully on page 53.

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

MTA TRANSPORTATION REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 9/30/06 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 9/30/06 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2002D-2	$200.0	05/30/02	3.627%	BMA[1]	$ (0.0)	01/01/07	Bear Stearns Capital Markets Inc.
Series 2002D-2	200.0	01/01/07	4.45	69% of one-month LIBOR[2]	(23.2)	11/01/32	Bear Stearns Capital Markets Inc.
Series 2005D and Series 2005E	500.0	11/02/05	3.561	67% of one-month LIBOR	(6.8)	11/01/35	60% – UBS AG 20% – Lehman Brothers Special Financing Inc. 20% – AIG Financial Products Corp.
Total	$900.0				$ (30.0)		

(1) The Bond Market Association Municipal Swap Index™.

(2) London Interbank Offered Rate.

MTA DEDICATED TAX FUND BONDS							
Associated Bond Issue	Notional Amounts as of 9/30/06 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 9/30/06 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2002B	$440.0	09/05/02	4.06 %	Actual bond rate until 04/30/10, and thereafter, BMA	$ (11.9)	09/01/13	Morgan Stanley Capital Services Inc.
Series 2005A	348.0	03/24/05	3.3156	67% of one-month LIBOR	5.6	11/01/31	Citigroup Financial Products Inc.
Proposed Series 2006B* (Hedge)	350.0	12/01/06	3.1419	67% of one-month LIBOR	14.1	11/01/36	Lehman Brothers Inc.
Total	$1,138.0				$ 7.8		

* On October 24, 2006, MTA terminated the proposed $350 Series 2006B Dedicated Tax Fund Bond hedge with Lehman Brothers Special Financing Inc. in return for a net payment to MTA of $18.5.

MTA BRIDGES AND TUNNELS SENIOR LIEN REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 9/30/06 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 9/30/06 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2001B and 2001C(3)	$230.9	01/01/02	5.777%	Actual bond rate	$ (26.5)	01/01/19	Citigroup Financial Products Inc.
Series 2002C(4)	77.2	01/01/00	5.634	Actual bond rate	(7.2)	01/01/13	Ambac Financial Services, L.P.
Series 2005B	800.0	07/07/05	3.076	67% of one-month LIBOR	40.0	01/01/32	25% each – Citibank, N.A., JPMorgan Chase Bank, BNP Paribas North America, Inc. and UBS AG
Series 2005B	800.0	07/07/05	67% of one-month LIBOR plus 43.7 basis points(5)	BMA minus 10 basis points	(12.3)	01/01/12	UBS AG
Total	$1,908.1				$ (6.0)		

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

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

(5) For the purpose of mitigating the basis risk during the escrow period with respect to the $800 notional amount swaps entered into in connection with the Series 2005B Bonds, MTA Bridges and Tunnels will pay 67% of one month LIBOR plus 43.7 basis points to the UBS AG and receive a variable rate equal to the BMA Index minus 10 basis points.

MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS							
Associated Bond Issue	Notional Amounts as of 9/30/06 (Unaudited) (in millions)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values as of 9/30/06 (Unaudited) (in millions)	Swap Termination Date	Counterparty
Series 2000A and 2000B(6)	$212.9	01/01/01	6.08 %	Actual bond rate	$ (29.2)	01/01/19	Bear Stearns Capital Markets Inc.
Series 2000C and 2000D**Error! Bookmark not defined.**	212.9	01/01/01	6.07	Actual bond rate	(29.1)	01/01/19	Citigroup Financial Products Inc.
Series 2002G-1	90.5	11/26/02	3.218	Lesser of actual bond rate, or 67% of one-month LIBOR minus 45 basis points	(1.6)	01/01/18	JPMorgan Chase Bank
Series 2002G-2	90.4	11/26/02	3.218	Lesser of actual bond rate, or 67% of one-month LIBOR minus 45 basis points	(1.8)	01/01/18	JPMorgan Chase Bank
Total	$606.7				$ (61.7)		

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

2 Broadway Certificates of Participation Swaps

In addition to the foregoing, MTA, MTA New York City Transit and MTA Bridges and Tunnels entered into separate ISDA Master Agreements with UBS AG relating to the $357.9 Variable Rate Certificates of Participation, Series 2004A (Auction Rate Securities) in connection with the refunding of certain certificates of participation originally executed to fund certain improvements to the office building located at 2 Broadway in Manhattan. The 2 Broadway swaps have (1) an effective date of September 22, 2004, (2) a fixed rate paid of 3.092%, (3) a variable rate received of the lesser of (a) the actual bond rate, or (b) 67% of one-month LIBOR minus 45 basis points, and (4) a termination date of January 1, 2030. Based on the aggregate notional amount of $355.5 outstanding as of September 30, 2006, MTA New York City Transit is responsible for $244.2 aggregate notional amount of the swaps, MTA for $74.7 aggregate notional amount, and MTA Bridges and Tunnels for $36.6 aggregate notional amount. As of September 30, 2006, the aggregate unaudited fair value of the swaps was ($2.422).

Counterparty Ratings

The current ratings of the counterparties are as follows:

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

Except as set forth below, the notional amounts of the swaps match the principal amounts of the associated bonds. The following table sets forth the notional amount and the outstanding principal amount as of September 30, 2006 for the swap where the notional amount does not match the outstanding principal amount of the associated bonds.

Associated Bond Issue	Principal Amount of Bonds (in millions)	Notional Amount (in millions)
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C	$296.4	$230.9
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002C	$103.3	$77.2

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

Risks Associated with the Swap Agreements

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

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

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

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

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

Credit Risk. The following table shows, as of September 30, 2006, the diversification, by percentage of notional amount, among the various counterparties that have entered into ISDA Master Agreements with MTA and/or MTA Bridges and Tunnels, or in connection with the 2 Broadway Certificates of Participation refunding. The notional amount totals below include both Bear Stearns swaps relating to the Transportation Revenue Bonds, Series 2002D-2 (one of which terminates on January 1, 2007, which is the date that the other swap becomes effective) and includes all five swaps (including the UBS basis risk swap) in connection with the MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2005B. The counterparties have the ratings set forth above.

Counterparty	Notional Amount (in millions)	% of Total Notional Amount
UBS AG	$1,655.5	33.7%
Citigroup Financial Products Inc.	991.8	20.2
Bear Stearns Capital Markets Inc.	612.9	12.5
Lehman Brothers Special Financing Inc.	450.0	9.2
Morgan Stanley Capital Services Inc.	440.0	9.0
JPMorgan Chase Bank	381.0	7.7
BNP Paribas North America, Inc.	200.0	4.1
AIG Financial Products Corp.	100.0	2.0
Ambac Financial Services, L.P.	77.2	1.6
Total	$4,908.4	100.0%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MTA (in millions)				
	Variable-Rate Bonds			
Year Ending December 31	Principal	Interest	Net Swap Payments	Total
2006	$ 1.4	$ 59.5	$ (5.1)	$ 55.8
2007	1.5	59.5	(3.4)	57.6
2008	1.5	59.4	(3.4)	57.5
2009	1.6	59.3	(3.4)	57.5
2010	1.7	59.3	(3.4)	57.6
2011-2015	92.8	293.1	(17.3)	368.6
2016-2020	354.5	249.5	(16.8)	587.2
2021-2025	347.6	170.6	(12.3)	505.9
2026-2030	339.4	111.9	(5.1)	446.2
2031-2035	345.9	30.0	(0.4)	375.5

MTA Bridges and Tunnels (in millions)				
	Variable-Rate Bonds			
Year Ending December 31	Principal	Interest	Net Swap Payments	Total
2006	$ 22.1	$ 72.3	$ 5.4	$ 99.8
2007	26.3	71.2	4.5	102.0
2008	34.1	69.8	3.5	107.4
2009	36.4	68.4	3.0	107.8
2010	38.2	66.9	2.1	107.2
2011-2015	251.3	306.2	(7.9)	549.6
2016-2020	264.4	248.1	(33.2)	479.3
2021-2025	205.2	208.8	(33.5)	380.5
2026-2030	514.2	146.8	(26.8)	634.2
2031-2035	436.5	9.2	(1.7)	444.0

7. LEASE TRANSACTIONS

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

Under the terms of the lease/leaseback agreement, the MTA initially received $314, which was utilized as follows. The MTA paid $266 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the MTA to make these payments to the third party. The MTA used $21 to purchase Treasury securities, which it deposited under pledge to the third party. This deposit, together with the aforementioned obligation of the third party's lender, resulted in a financial defeasance of all sublease obligations, including the cost of purchasing the third party's remaining rights at the end of the 22 year sublease period, if the purchase option is exercised. A further $.6 was used to pay for legal and other costs of the transaction, and $3 was used to pay the first rental payment under the sublease. A further $23 is the MTA's net benefit from the transaction, representing consideration for the tax benefits. MTA Bridges and Tunnels has entered into a guarantee with the third party that the sublease payments will be made. At September 30, 2006, the MTA has recorded a long-term capital obligation and capital asset of $274 arising from the transaction.

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

Under the terms of the lease/leaseback agreement, the MTA initially received $76.6, which was utilized as follows: The MTA paid $59.8 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the MTA to make these payments to the third party. The MTA used $12.5 to purchase a Letter of Credit from an affiliate of the third-party's lender, guaranteed by the third-party lender's parent. This payment, together with the aforementioned obligation of the third-party's lender, is sufficient to settle all obligations, including the cost of purchasing the third party's remaining rights at the end of the sublease period if the purchase options are exercised. At September 30, 2006, the MTA has recorded a long-term capital obligation and capital asset of $49 arising from the transaction. The net proceeds are deferred and amortized to operations over the period of the lease.

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

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

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

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

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

On June 3, 2003, the MTA entered into a sale/leaseback transaction whereby MTA New York City Transit transferred ownership of certain MTA New York City Transit subway cars to the MTA, the

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

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

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

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

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

On April 8, 1994, the MTA amended its lease for the Harlem/Hudson line properties, including Grand Central Terminal. This amendment initially extends the lease term, previously expiring in

2031, an additional 110 years and, pursuant to several other provisions, an additional 133 years. In addition, the amendment grants the MTA an option to purchase the leased property after the 25th anniversary of the amended lease. The amended lease comprises both operating (for the lease of land) and capital (for the lease of buildings and track structure) elements.

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

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

Total rent expense under operating leases approximated $22 through September 30, 2006 and $20 through September 30, 2005.

At September 30, 2006, the future minimum lease payments under non-cancelable leases are as follows:

Year	**Operating**	**Capital**
2006	$ 13	$ 126
2007	25	1,148
2008	24	100
2009	22	308
2010	20	176
2011 - 2015	83	447
2016 - 2020	65	521
2021 - 2025	62	572
2026 - 2030	53	205
2031 - 2035	47	1,616
Thereafter	452	605
	$ 866	5,824
Amount representing interest		(3,208)
Present value of capital lease obligations		$2,616

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 six months ended September 30, 2006 and the year ended December 31, 2005 is presented below:

	September 30, 2006 (Unaudited)	December 31, 2005
Balance, beginning of year	$ 1,174	$ 1,127
Activity during the year:		
Current year claims and changes in estimates	153	200
Claims paid	(117)	(153)
Balance, end of period	1,210	1,174
Less current portion	(188)	(191)
Long-term liability	$ 1,022	$ 983

9. COMMITMENTS AND CONTINGENCIES

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

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

10. SEGMENT INFORMATION (Presented by Operating Activity)

	MTA	Commuters	Transit	Bridges and Tunnels	Eliminations	Total
September 30, 2006 (Unaudited)						
Operating revenue	$ 172	$ 731	$ 2,246	$ 942	$ (26)	$ 4,065
Depreciation and amortization	34	354	753	38	-	1,179
Subsidies and grants	434	-	237	-	(78)	593
Tax revenue	2,238	-	1,057	-	(495)	2,800
Interagency subsidy	350	-	117	(350)	(117)	-
Operating (deficit) surplus	(433)	(969)	(2,241)	654	-	(2,989)
Net (deficit) surplus	1,314	(930)	479	115	-	978
Capital expenditures	2,769	184	548	142	(844)	2,799
September 30, 2006 (Unaudited)						
Total assets	11,611	9,501	26,151	3,878	(1,813)	49,328
Net working capital	1,617	(68)	(331)	(71)	531	1,678
Long-term debt - (including current portion)	16,138	-	-	7,271	(44)	23,365
Net assets	(9,071)	8,598	23,365	(3,921)	-	18,971
September 30, 2006 (Unaudited)						
Net cash (used in)/provided by operating activities	(822)	(613)	(1,311)	701	34	(2,011)
Net cash provided by/(used in) noncapital financing activities	2,361	628	1,301	(351)	(1,369)	2,570
Net cash (used in)/provided by capital and related financing activities	(1,800)	(18)	(290)	(187)	1,555	(740)
Net cash provided by/(used in) Investing activities	256	(7)	268	(162)	(220)	135
Cash at beginning of year	34	29	63	12	-	138
Cash at end of period	29	19	31	13	-	92

	MTA	Commuters	Transit	Bridges and Tunnels	Eliminations	Total
September 30, 2005 (Unaudited)						
Operating revenue	$ 98	$ 698	$ 2,209	$ 915	$ (27)	$ 3,893
Depreciation and amortization	24	321	708	36	-	1,089
Subsidies and grants	372	-	237	-	(79)	530
Tax revenue	1,903	-	848	-	(375)	2,376
Interagency subsidy	340	-	109	(340)	(109)	-
Operating (deficit) surplus	(270)	(898)	(2,083)	644	-	(2,607)
Net (deficit) surplus	1,023	(877)	268	116	-	530
Capital expenditures	2,567	141	534	124	(783)	2,583
December 31, 2005						
Total assets	10,487	9,087	25,430	3,571	(1,949)	46,626
Net working capital	(373)	(99)	49	(235)	487	(171)
Long-term debt - (including current portion)	14,897	-	-	7,107	(45)	21,959
Net assets	(9,069)	8,213	22,885	(4,036)	-	17,993
September 30, 2005 (Unaudited)						
Net cash (used in)/provided by operating activities	(299)	(538)	(1,026)	660	33	(1,170)
Net cash provided by (used in) noncapital financing activities	2,132	537	1,125	(354)	(1,151)	2,289
Net cash provided by/(used in)capital and related financing activities	(1,170)	6	(224)	(218)	872	(734)
Net cash provided by/(used in) Investing activities	(683)	(6)	125	(89)	246	(407)
Cash at beginning of year	57	18	36	13	-	124
Cash at end of period	37	17	36	12	-	102

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

(Concluded)

11. SETTLEMENT OF CLAIMS

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

12. SUBSEQUENT EVENTS

On October 24, 2006, MTA terminated a proposed $350 Series 2006B Dedicated Tax Fund Bond hedge with Lehman Brothers Special Financing Inc. in return for a net payment to MTA of $18.5 million.

With respect to certain defined benefit plans discussed in footnote 4, on October 25, 2006, MTA contributed an additional $.3 into the MaBSTOA Plan and an additional $1.4 into the MTA Master Trust to reduce unfunded pension liabilities.

Effective October 31, 2006, FMTAC renewed the all-agency property insurance program described in footnote 2 under the subsection "Property Insurance." For the period October 31, 2006 through October 30, 2007, FMTAC directly insures property damage claims of the related entities in excess of a $25 per occurrence SIR, subject to an annual $75 aggregate. Losses occurring after the retention aggregate is exceeded are subject to a deductible of $7.5 per occurrence. The total program limit has been maintained at $1.25 billion per occurrence covering property of the related entities collectively. With the exception of acts of terrorism (both domestic and foreign), and subject to certain parts of the program limit that have been retained by FMTAC as discussed in the next paragraph, FMTAC is reinsured in the domestic, London, European and Bermuda marketplaces for this coverage. Severe weather in 2005 had a major impact on pricing and capacity for property insurance. Although the market is beginning to stabilize given the absence of major catastrophes in 2006, available capacity at reasonable pricing levels remains limited. As a result, FMTAC was able to obtain additional reinsurance capacity over last year (reducing the amount retained from $394.5 for the year beginning October 31, 2005 to $267.9 for the year beginning October 31, 2006), but continues to retain portions of upper tiers of the program limit. The following chart shows the portions of the tiers of the program limit that have been reinsured and the portions that have been retained by FMTAC. Within each tier, losses would be shared among FMTAC and the respective insurers on a pro rata basis.

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

The property insurance, which is subject to annual renewal on October 31, 2007, provides replacement cost coverage for virtually all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages. With respect to acts of terrorism committed by or on behalf of foreign interests, as covered by the Terrorism Risk Insurance Act of 2002, and amended by the Terrorism Risk Insurance Extension Act of 2005 ("2005 TRIA"), FMTAC is reinsured by the United States Government for 90% of such "certified" losses, subject to an annual cap on all losses payable under 2005 TRIA of $100 billion. No federal compensation will be paid unless the aggregate industry insured losses exceed $50 ("trigger"). The remaining 10% of MTA losses would be covered under an additional policy described below. The 2005 TRIA coverage is provided through December 31, 2007, but subject to certain changes in 2007, including a lower reimbursement rate (85%) and a higher "trigger" for industry losses ($100). With respect to terrorism losses not covered by the United States Government under 2005 TRIA, MTA obtained an additional commercial reinsurance policy that provides coverage for (1) 10% of any "certified" act of terrorism caused by foreign interests, or (2) 100% of any terrorism loss not "certified" by the United States Government. Coverage under this policy is subject to a limit of $100 per occurrence and $200 in the aggregate annually (subject to the $25 per occurrence self-insurance retention). This coverage expires on December 31, 2006. A replacement program is currently being negotiated with the incumbent carrier, as well as potential new insurers to purchase coverage through the end of 2007.

Effective November 1, 2006, the self-insured retention limits for ELF described above in footnote 2 under the subsection "Liability Insurance" were increased to the following amounts: $8 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Staten Island Railway, MTA Long Island Rail Road and MTA Metro-North Railroad; $2.3 for MTA Long Island Bus; and $1.6 for MTA and MTA Bridges and Tunnels. At the same time, FMTAC increased the primary coverage on the Station Liability and Force Account Liability policies for MTA Metro-North Railroad and MTA Long Island Rail Road from $7 to $8.

On November 9, 2006, MTA issued $410 Dedicated Tax Fund Bonds, Series 2006B to finance transit and commuter projects.

On November 28, 2006, the MTA and ANB AMRO Bank N.V. agreed to increase the principal portion of the letter of credit securing the Transportation Revenue Bond Anticipation Notes commercial paper program to $750 to finance certain transit, commuter and MTA Bus projects.

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METROPOLITAN TRANSPORTATION AUTHORITY

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

		January 1, 2005	January 1, 2004	January 1, 2003
	LIRR			
a.	Actuarial value of plan assets	$ 659.6	$ 689.7	$ 701.9
b.	Actuarial accrued liability (AAL)	1,786.7	1,745.6	1,567.2
c.	Total unfunded AAL (UAAL) [b-a]	1,127.1	1,055.9	865.3
d.	Funded ratio [a/b]	36.9 %	39.5 %	44.8 %
e.	Covered payroll	$ 137.1	$ 151.2	$ 174.9
f.	UAAL as a percentage of covered payroll [c/e]	822.1 %	698.3 %	494.7 %
	SIRTOA			
a.	Actuarial value of plan assets	$ 38.6	$ 36.8	$ 34.4
b.	Actuarial accrued liability (AAL)	46.3	44.8	42.4
c.	Total unfunded AAL (UAAL) [b-a]	7.7	7.9	8.1
d.	Funded ratio [a/b]	83.3 %	82.3 %	81.0 %
e.	Covered payroll	$ 16.2	$ 15.5	$ 15.7
f.	UAAL as a percentage of covered payroll [c/e]	47.8 %	51.0 %	51.6 %
	MaBSTOA			
a.	Actuarial value of plan assets	$ 762.1	$ 713.2	$ 629.8
b.	Actuarial accrued liability (AAL)	1,680.5	1,663.3	1,564.6
c.	Total unfunded AAL (UAAL) [b-a]	918.4	950.1	934.8
d.	Funded ratio [a/b]	45.3 %	42.9 %	40.3 %
e.	Covered payroll	$ 479.5	$ 460.9	$ 450.6
f.	UAAL as a percentage of covered payroll [c/e]	191.5 %	206.1 %	207.5 %
	MTA			
a.	Actuarial value of plan assets	$ 463.6	$ 391.6	$ 243.2
b.	Actuarial accrued liability (AAL)	625.5	554.0	268.0
c.	Total unfunded AAL (UAAL) [b-a]	161.9	162.4	24.8
d.	Funded ratio [a/b]	74.1 %	70.7 %	90.7 %
e.	Covered payroll	$ 480.8	$ 451.1	$ 154.0
f.	UAAL as a percentage of covered payroll [c/e]	33.7 %	36.0 %	16.1 %

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METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
SCHEDULE OF FINANCIAL PLAN TO FINANCIAL STATEMENTS RECONCILIATION
NINE MONTHS ENDED SEPTEMBER 30, 2006
(Dollars in Millions)

	UNAUDITED
FINANCIAL PLAN ACTUAL - OPERATING LOSS	**$ (2,761.9)**
Reconciling items:	
TBTA Depreciation Expense - The Financial Plan subtracts the TBTA's depreciation in order to reflect the transfer of surplus revenues.	(38.3)
The Financial Statements include revenue and expense for the MTA Bus Company. The Financial Plan currently does not include the MTA Bus Company.	(170.3)
FMTAC revenues are recorded as operating on the Financial Plan and recorded as non-operating on the Financial Statements.	(10.8)
MTAHQ, MTA Long Island Bus, MTA Metro-North Railroad and MTA Bridges and Tunnels recorded adjustments to the Financial Statements after the Financial Plan was completed.	(18.2)
The Financial Plan includes TBTA capital transfer to agencies.	13.7
Other miscellaneous adjustments and accruals.	(2.8)
FINANCIAL STATEMENT - OPERATING LOSS	**$ (2,988.6)**

METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
CONSOLIDATED RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2006
(Dollars in Millions)

Category	Financial Plan Actual (Unaudited)	Financial Statement GAAP Actual (Unaudited)	Variance
REVENUE			
Farebox Revenue	$ 2,751.2	$ 2,843.2	$ 92.0
Vehicle Toll Revenue	926.5	926.4	(0.1)
Other Operating Revenue	328.0	295.4	(32.6)
Total Revenue	**4,005.7**	**4,065.0**	**59.3**
EXPENSES			
Labor:			
Payroll	2,618.6	2,761.0	(142.4)
Overtime	297.1	297.1	-
Health and Welfare	627.9	646.2	(18.3)
Pensions	492.6	506.2	(13.6)
Other Fringe Benefits	302.8	332.0	(29.2)
Reimbursable Overhead	(189.2)	(167.0)	(22.2)
Total Labor Expenses	**4,149.8**	**4,375.5**	**(225.7)**
Non-Labor:			
Traction and Propulsion Power	203.0	203.0	-
Fuel for Buses and Trains	121.5	137.5	(16.0)
Insurance	31.1	28.9	2.2
Claims	100.8	100.8	-
Paratransit Service Contracts	130.8	130.8	-
Maintenance and Other Operating Contracts	369.6	389.2	(19.6)
Professional Service Contract	123.4	128.4	(5.0)
Materials & Supplies	313.2	335.6	(22.4)
Other Business Expenses	117.0	45.1	71.9
Rounding	0.1	-	0.1
Total Non-Labor Expenses	**1,510.5**	**1,499.3**	**11.2**
Other Expenses Adjustments:			
TBTA Transfer	13.7	-	13.7
Interagency Subsidy	(37.1)	-	(37.1)
Rounding	0.1	-	0.1
Total Other Expense Adjustments	(23.3)	-	**(23.3)**
Total Expenses Before Depreciation	**5,637.0**	**5,874.8**	**(237.8)**
Depreciation	1,168.9	1,178.8	(9.9)
TBTA Depreciation Expense	(38.3)	-	(38.3)
Total Expenses (Excluding TBTA Depreciation)	**6,767.6**	**7,053.6**	**(286.0)**
Net Operating Deficit Excluding Subsidies and Debt Service	**$ (2,761.9)**	**$ (2,988.6)**	**$ (226.7)**

METROPOLITAN TRANSPORTATION AUTHORITY

SUPPLEMENTARY INFORMATION
CONSOLIDATED SUBSIDY ACCRUAL RECONCILIATION BETWEEN FINANCIAL PLAN AND FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2006
(Dollars in Millions)

Accrued Subsidies	Financial Plan Actual (Unaudited)	Financial Statement GAAP Actual (Unaudited)	Variance	
Mass Transportation Operating Assistance	$ 1,311.1	$ 1,311.1	$ -	
Petroleum Business Tax	458.8	458.8	-	
Mortgage Recording Tax 1 and 2	568.8	567.8	(1.0)	{1}
MRT transfer	-	(3.8)	(3.8)	{1}
Urban Tax	452.1	452.1	-	
State and Local Operating Assistance	378.7	512.1	133.4	{2}
Additional Mass Transportation Assistance Program	20.0	20.0	-	
Nassau County Subsidy to Long Island Bus	10.5	10.5	-	
Station Maintenance	103.9	103.9	-	
Connecticut Department of Transportation (CDOT)	38.5	38.5	-	
NYS Grant for Debt Service	-	60.3	60.3	{3}
Investment income	-	37.1	37.1	{4}
Total Accrued Subsidies	3,342.4	3,568.4	226.0	
Net Operating Surplus/(Deficit) Excluding Accrued Subsidies and Debt Service	(2,761.9)	(2,988.6)	(226.7)	
Total Net Operating Surplus/(Deficit)	**$ 580.5**	**$ 579.8**	**$ (0.7)**	
Interest on Long-Term Debt		**$ (485.3)**		
Debt Service	**$ 625.5**			

{1} The Financial Plan records on a cash basis while the Financial Statement records on an accrual basis.

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

{3} The Financial Plan did not include grant for debt service.

{4} The Financial Plan did not include investment income.