

Comprehensive Annual Financial Report

for the years ending December 31, 2002 and 2001

**Metropolitan Transportation Authority,
a component unit of the State of New York**

Prepared by Department of Budgets and Financial Management

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Introductory Section

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Gary G. Caplan
Director of Budgets and
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Metropolitan Transportation Authority

State of New York

April 7, 2003

Chairman and Members of the Board
Metropolitan Transportation Authority

I hereby submit the Comprehensive Annual Financial Report ("CAFR") of the Metropolitan Transportation Authority ("MTA," the "Authority") prepared by the Comptroller's Office for the year ended December 31, 2002. Responsibility for both the accuracy of the enclosed data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. I believe that the data as presented are accurate in all material respects and that the information is presented in a manner designed to set forth fairly the financial position and results of operations of the Authority in accordance with generally accepted accounting principles. To the best of my knowledge, all disclosures necessary to enable the reader to gain an understanding of the Authority's financial affairs have been included.

The CAFR is presented in three parts:

Introductory Section, including a copy of the 2001 Certificate of Achievement for Excellence in Financial Reporting, this Letter of Transmittal, and the MTA Organizational Structure.

Financial Section, including Management's Discussion and Analysis, Report of the Independent Auditors, Combined Basic Financial Statements for the Years Ended December 31, 2002 and 2001 and accompanying notes to the financial statements, and Combining Financial Statements for the Years Ended December 31, 2002 and 2001.

Statistical Section, including a number of tables and graphs of unaudited data for the past 10 years and other information.

The Reporting Entity

The MTA is the largest public transportation provider in the Western Hemisphere. Its agencies serve 14.6 million people spread over 5,000 square miles from New York City through Long Island, southeastern New York State, and Connecticut. MTA agencies now move nearly 2.4 billion rail and bus customers a year.

A public benefit corporation chartered by the New York State Legislature in 1965, the MTA is governed by a 17-member Board.* Members are nominated by the Governor, with four recommended by New York City's mayor and one each by the county executives of Nassau, Suffolk, Westchester, Dutchess, Orange, Rockland, and Putnam counties. (Members representing the last four cast one collective vote.) The Board also has six rotating nonvoting seats held by representatives of organized labor and the Permanent Citizens Advisory Committee ("PCAC"), which serves as a voice for users of MTA transit and commuter facilities. All Board members are confirmed by the New York State Senate.

* The current board is made up of 17 voting members and six nonvoting members.

The following table shows the agencies' legal and popular names:

<i>Legal Name:</i>	<i>Popular Name:</i>
New York City Transit Authority	MTA New York City Transit
Staten Island Rapid Transit Operating Authority	MTA Staten Island Railway
The Long Island Rail Road Company	MTA Long Island Rail Road
Metropolitan Suburban Bus Authority	MTA Long Island Bus
Metro-North Commuter Railroad Company	MTA Metro-North Railroad
Triborough Bridge and Tunnel Authority	MTA Bridges and Tunnels

For financial reporting purposes, the above agencies are blended with MTAHQ for the combined financial statements because the oversight boards of each agency consist of the same members.

Major Initiatives, Service Efforts, and Accomplishments

A highlight of the year was the restoration of 1/9 line service that was disrupted by the attack on the World Trade Center. NYC Transit began to stabilize and rebuild some portions of the damaged line in January 2002 and completed designs for the entire effort by February. Contracts were awarded in March, and construction crews worked around the clock for nine months in order to restore service two weeks earlier than the contract specified — and far speedier than the two to three years estimated immediately after the September 11 attack.

The MTA is participating in the revitalization planning for Downtown Manhattan and has proposed state-of-the-art public transportation services and facilities. A Fulton Street Transit Center on the corner of Broadway and Fulton Street would create a major connecting point for nine subway lines that serve the Fulton Street/Broadway-Nassau station complex, and an underground pedestrian concourse at Dey Street would connect it to the N/R and E subways and provide access to the World Trade Center site and the PATH trains. A new 1/9 terminal at South Ferry would largely eliminate delays caused by mechanical failures and train congestion, eliminate platform gaps, improve access with an underground connection to the N/R at Whitehall Street, and improve subway access to the Staten Island Ferry. These proposals were reviewed by the Lower Manhattan Development Corporation and relevant city and state agencies and officials, and Governor George E. Pataki has championed the projects and approved them for immediate implementation.

The 2000-2004 Capital Program continues to rehabilitate, improve, and expand the MTA network, and more than 20 percent of all Capital Program funds are allocated for new rolling stock.

East Side Access The project received approval from the Federal Transit Administration ("FTA") in early 2002 to move into the final design phase, and in December the FTA approved the next major phase of construction by issuing a Letter of No Prejudice to cover the Queens and Manhattan tunnel contracts.

Second Avenue Subway The MTA submitted to the FTA for review a Supplemental Draft Environmental Impact Statement ("SDEIS") for a full-length Second Avenue Subway from 125th Street to the Financial District. The SDEIS maps the planned route and proposed transfer points of the new line.

Other Service Extensions As part of a joint environmental study with the City of New York Planning Department, the MTA began evaluating alternative routes for extending NYC Transit's 7 line west from its current terminus at Times Square to an area on the far West Side that has significant development and growth potential.

Results of Operations

Ridership Despite the national economic downturn, ridership increased in the MTA network, reaching a total of 2.37 billion, up 1.2 percent from the prior year. New York City Transit carried a total of 2.18 billion customers in 2002, up from 2.14 billion in 2001 and the highest level since 1970. Ridership on the Long Island Rail Road was down slightly to 83.9 million from 85.6 million. Long Island Bus ridership, including its paratransit operations, grew from 31.0 million to 31.3 million, an increase of just under 1 percent. Metro-North Railroad ridership increased for the tenth consecutive year, reaching 73.2 million, up from 73.1 million in 2001.

MetroCard Vending Machine sales totaled approximately \$815 million in 2002 and accounted for 58 percent of all MetroCard transactions. Debit card and credit card purchases accounted for 48 percent of all vending machine revenue.

Vehicle crossings at facilities of MTA Bridges and Tunnels totaled 299.8 million in 2002, up 2.2 percent from 293.2 million in 2001. The market share of the E-ZPass electronic toll collection system continued to grow, reaching 71 percent of all weekday crossings and 79 percent of commercial vehicle weekday crossings on Bridges and Tunnels facilities — a total of 600,000 customers. The E-ZPass program is the largest electronic toll collection system in the world; since it was introduced on the Verrazano-Narrows Bridge seven years ago, 2.7 million customers have joined the MTA's E-ZPass program.

Operating Revenues

Operating Revenues (\$ millions)				
	2002	Percent of Total	2001	Dollar Change
Passengers	\$2,979	74%	\$2,987	(\$8)
Tolls	933	23%	915	18
Rent, freight, and sundry	141	3%	150	(9)
Total	\$4,053	100%	\$4,052	\$1

Operating Expenses

Salaries and wages and retirement and other employee benefits expenses increased across all reporting groups, principally because of additional service frequency, more staff, higher levels of overtime, and wage increases associated with labor contracts for many of the MTA's represented staff. Benefit expenses increased commensurate with the higher salaries and wages and were affected by the nationwide increase in health benefit costs and recalculated pension contributions necessitated by stock market losses.

Operating Expenses				
(\$ millions)				
	2002	Percent of Total	2001	Dollar Change
Salaries and wages	\$3,395	49%	\$3,294	\$101
Retirement and other employee benefits	1,099	16%	992	107
Materials and supplies	402	6%	445	(43)
Fuel and power	278	4%	279	(1)
Computer, engineering, and other consulting services	406	6%	388	18
Public liability and claims	140	2%	106	34
Depreciation and amortization	1,135	16%	1,067	68
Other expenses	141	2%	147	(6)
Total	\$6,996	100%	\$6,718	\$278

Nonoperating Revenues (Expenses)

Nonoperating Revenues (Expenses)				
(\$ millions)				
	2002	Percent of Total	2001	Dollar Change
Tax-supported subsidies:				
New York State	\$1,215	74%	\$1,151	\$64
New York City and local	453	28%	479	(26)
Operating subsidies:				
New York State	230	14%	217	13
New York City and local	199	12%	204	(5)
Operating subsidies recoverable from Connecticut Department of Transportation related to Metro-North Commuter Railroad's New Haven line	47	3%	39	8
Subsidies to Dutchess, Orange, and Rockland counties	(14)	(1%)	(10)	(4)
Interest on long-term debt	(558)	(34%)	(509)	(49)
Station maintenance, operation, and use assessments	117	8%	120	(3)
Impairment/loss of capital assets at World Trade Center	-	-%	(173)	173
Loss on disposal of subway cars	(58)	(4%)	(58)	0
Unrealized gain (loss) on investment	(9)	(1%)	0	(9)
Other nonoperating income	15	1%	86	(71)
Total	\$1,637	100%	\$1,546	\$91

Risk Management

The Authority has an extensive risk management program, including its own "captive" insurance company. Following 9/11, terrorism insurance coverage amounts were limited by insurance carriers, which also significantly raised premiums and deductibles. Working under the federal Terrorism Risk Insurance Act, in 2002 the captive secured \$1 billion in terrorism insurance for the MTA network.

Accounting and Budgetary Control

Management of the Authority is responsible for establishing and maintaining an internal control structure to ensure that the assets of the Authority are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

Basis of Accounting The Authority prepares its financial statements using the accrual basis of accounting. The activities of the Authority are similar to those of proprietary funds of local jurisdictions and are therefore reported in conformity with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board ("GASB").

Budgetary Controls The Authority maintains budgetary procedures in order to ensure compliance with the annual operating budgets approved by the Authority's Board. It is the responsibility of each office to administer its operation in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board and that approved levels are not exceeded.

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

Independent Audit

The accounting firm of Deloitte & Touche LLP performed the annual audit of the financial records of the Authority in accordance with generally accepted auditing standards. The report of the independent auditors on the financial statements of the Authority is included in the Financial Section of this CAFR.

Awards

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the MTA for its 2001 annual report. This was the seventh consecutive year the MTA received this prestigious award. In order to be eligible for a Certificate of Achievement, the MTA published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the director of Financial Management and the entire staff of the Comptroller's Office. Each member of the office has our sincere appreciation for the contributions made in the preparation of this report.

Sincerely,



Gary G. Caplan
Director of Budgets and Financial Management

Certificate of Achievement
for Excellence
in Financial Reporting

Presented to

**Metropolitan Transportation Authority,
New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



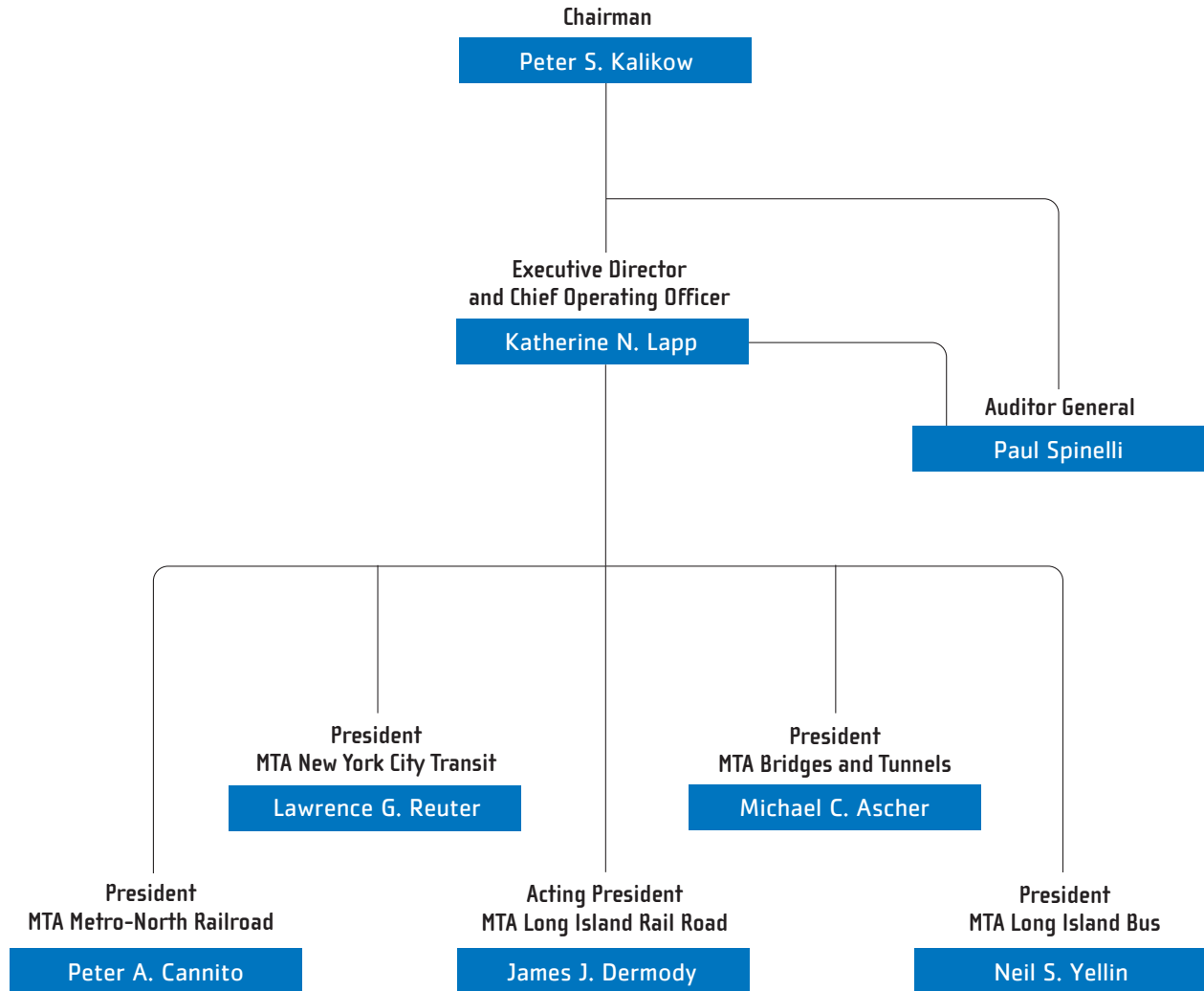
Handwritten signature of William Patrick Rosta in black ink.

President

Handwritten signature of Jeffrey L. Essler in black ink.

Executive Director

MTA Organizational Structure



Financial Section

1. Overview of the Financial Statements

Introduction

This report consists of four parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, and Supplementary Information.

The Basic Financial Statements Include:

- The Combined Statement of Net Assets provides information about the nature and amounts of investments in resources (assets) and the obligations to Metropolitan Transportation Authority ("Authority") creditors (liabilities), with the difference between the two reported as net assets.
- The Statement of Revenues, Expenses, and Changes in Fund Net Assets shows how the Authority's net assets changed during each year and accounts for all of the current year's revenues and expenses, measures the success of the Authority's operations over the past year, and can be used to determine how the Authority has funded its costs.
- The Combined Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing, and investing activities.

The Notes to the Financial Statements Provide:

- Information that is essential to understanding the basic financial statements, such as the Authority's accounting methods and policies.
- Details of cash and investments, employee benefits, long-term debt, lease transactions, and future commitments and contingencies of the Authority.
- Any other events or developing situations that could materially affect the Authority's financial position.

Supplementary Information

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

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2002 and 2001. This management discussion and analysis ("MD&A") is intended to serve as an introduction to the Authority's basic financial statements. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions, or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the other financial statements described below.

2. Financial Reporting Entity

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

MTA-Related Groups

- Headquarters ("MTAHQ") provides general oversight, planning, and administration, including budget, cash management, finance, legal, real estate, treasury, risk management, and other functions to the agencies listed below.
- Long Island Rail Road Company ("LIRR") provides passenger transportation between New York City and Long Island.
- Metro-North Commuter Railroad Company ("MNCR") provides passenger transportation between New York City and the suburban communities in Westchester, Dutchess, Putnam, Orange, and Rockland counties in New York State and New Haven and Fairfield counties in Connecticut.
- Staten Island Rapid Transit Operating Authority ("SIRTOA") provides passenger rail transportation on Staten Island.
- Metropolitan Suburban Bus Authority ("MSBA") provides public bus service in Nassau and Queens counties.
- MTA Excess Loss Trust Fund ("ELF") provides coverage against losses from catastrophic events and provides budget stability in the event annual aggregate losses impact negatively upon the operating budgets of its participants.
- First Mutual Transportation Assurance Company ("FMTAC") operates as a captive insurance company to provide insurance coverage for property and primary liability.
- New York City Transit Authority ("NYCTA") and the Manhattan and Bronx Surface Transit Operating Authority ("MaBSTOA") provide subway and public bus service within five boroughs of New York City.
- Triborough Bridge and Tunnel Authority ("TBTA") operates seven toll bridges, two tunnels, and the Battery Parking Garage.

Management's Discussion and Analysis

Years Ended December 31, 2002 and 2001

3. Condensed Financial Information

The following sections discuss the significant changes in the Authority's financial position for the year ended December 31, 2002. Additionally, 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, summaries of the financial statements and the various exhibits presented are in conformity with the Authority's financial statements, which are presented in accordance with accounting principles generally accepted in the United States of America. All dollar amounts are in millions.

	2002	2001
Capital assets, net	\$28,960	\$26,186
Other assets	10,808	11,229
Total assets	\$39,768	\$37,415

- Capital assets increased approximately \$2,774 from the prior year. The increase is primarily due to the additions and disposals of capital assets of \$1,781, and infrastructure construction related primarily to the East Side Access project, the Second Avenue Subway project, and the reconstruction of the 1/9 line of \$993. The increase is partially offset by the disposal of capital assets.
- Other assets decreased by \$421 from the prior year. The decrease is mostly attributable to:
 - Reduction of other current receivable of \$544 of which \$232 is related to amounts received as capital contribution from New York City representing the proceeds from the sale of the New York Coliseum. Additionally, New York State paid the full amount of the state's appropriations for the 2002-2003 fiscal year.
 - Increase in amounts held in escrow for the retirement of capital lease obligations of \$1,655.
 - Decrease in investments held in trust for the extinguishment of debt of \$2,177. As part of the debt restructuring, certain amounts held in the debt service reserve funds became available and were used to acquire capital assets, as well as to refund bonds.
 - Increase on New York State receivable of \$591 is related to the issuance of the new State Service Contract Bonds Series 2002A and 2002B, thus increasing the amount required of the State to pay debt service.
 - Increase in other noncurrent assets of \$54 is primarily related to the receipt of amounts related to insurance receivables resulting from September 11, 2001 and the impact of the stock market decline on assets held for certain pension trusts.

Total liabilities, distinguishing between long-term liabilities and other liabilities

	2002	2001
Other liabilities	\$2,101	\$2,800
Long-term liabilities	20,805	18,113
Total liabilities	\$22,906	\$20,913

Significant changes in liabilities include

- Total liabilities increased from December 31, 2001 to December 31, 2002 by approximately \$1,993; long-term liabilities increased \$2,692; and other liabilities decreased \$699.
 - The decrease in the other liabilities is primarily due to:
 - The payment of a short-term note in the amount of \$300;
 - A decrease on interest payable in the amount of \$208; and
 - A decrease in the current portion of long-term debt of \$364 that is attributed to the extinguishment of the debt due to restructuring.
 - These decreases are partially offset by increases in
 - Accounts payable of \$129; and
 - Other accrued expenses of \$44 related to general operations of the Authority.
 - Long-term liabilities increased by \$2,692 primarily due to increases in:
 - Long-term debt of \$976;
 - Obligations under capital leases of \$1,682; and
 - Other long-term debt of \$34.

The amounts were partially offset by a small decrease in estimated liability arising from injuries to persons.

The increase on long-term debt is part of the new debt restructuring that took place in 2002. The net proceeds from these issuances were used to refund existing obligations and for the acquisition of capital assets. The increase in obligations under capital leases is derived from the sale-leaseback transactions that took place between September 25, 2002 and December 19, 2002 as part of the Authority's cross-border leasing transactions.

Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts

	2002	2001
Invested in capital assets, net of related debt	\$13,891	\$10,917
Restricted debt service	768	1,714
Unrestricted	2,203	3,871
Total	\$16,862	\$16,502

The total net assets increase of \$360 is comprised of operating losses of \$2,943, nonoperating revenues of \$1,637, and appropriations, and grants and other receipts externally restricted for capital projects of \$1,666.

Management's Discussion and Analysis

Years Ended December 31, 2002 and 2001

Capital assets net of related debt increased by \$2,974. This is primarily due to the acquisition of assets with funds other than bond proceeds. The amount restricted for debt service decreased by \$946. This decrease is related to the bond restructuring that took place in 2002. Under the terms of the new bond resolution, the Authority is no longer required to maintain debt service reserve funds.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended December 31,	
	2002	2001
Operating revenues	\$4,053	\$4,052
Operating expenses	(6,996)	(6,718)
Operating loss	(2,943)	(2,666)
Nonoperating revenues:		
Grants, appropriations, and taxes	2,097	2,051
Interest on long-term debt	(558)	(509)
Other	65	(25)
Subsidies	33	29
Total nonoperating revenues:	<u>1,637</u>	<u>1,546</u>
Appropriations, grants, and other receipts externally restricted for capital projects	<u>1,666</u>	<u>1,510</u>
Change in net assets	360	390
Net assets—beginning of year	<u>16,502</u>	<u>16,112</u>
Net assets—end of year	<u>\$16,862</u>	<u>\$16,502</u>

Revenues by Major Source

Revenues from fares and tolls were \$1.0 higher in 2002. This small increase is primarily related to an increase in toll revenues which was partially offset by a decrease in commuter and metro area fare revenue. Ridership overall posted a modest increase due to a slowdown of the regional economy after September 11.

Expenses

- Salaries and wages and retirement and other employee benefits expenses increased for the year ended December 31, 2002, principally due to contractual and managerial wage increases. Benefit expenses increased commensurate with the higher salaries and wages and were affected by the nationwide increase in health benefit costs and recalculated pension contributions necessitated by stock market losses.
- Depreciation expenses also increased mostly due to the Authority's capital program, resulting from new capital assets being placed in service.
- Capital contributions increased by \$156 due to the availability of new funds for capital projects resulting from the debt restructuring.

4. Overall Financial Position and Results of Operations and Important Economic Conditions

Economic Conditions

The Authority's business consists of both urban and suburban transportation systems as well as bridges and tunnel facilities, all of which are affected by many different economic forces. In order to achieve maximum efficiency and success in its operations, the Authority must identify economic trends and continually implement strategies to adapt to changing economic conditions.

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 national recession that began in March 2001 and continued through 2002 resulted in a modest ridership increase of 1.2 percent, the smallest increase in the past six years. This fact, along with security costs and worsening of the operating balance position, moved the Authority to consider fare and toll increases. In March of 2003, the Authority's Board approved increases to be effective in May 2003.

The Authority expects that federal and state economic stimulus measures and the rebuilding of the Downtown infrastructure will improve the New York City economy. In addition, the Authority provides economic stimulus to the region through its capital investments, which create an annual average of 21,000 private sector jobs, \$1,100 in wages, \$100 in state and local tax revenues, and \$2,500 in economic activity.

Results of Operation

In 2002, TBTA achieved record level traffic despite the region's economic decline, as the E-ZPass electronic collection system continued its gain in acceptance and use. Commuter ridership declined slightly as the number of jobs in New York City continued to decline. New technology to improve customer service was introduced in 2002 with new Ticket Machines, which provide customers the ability to pay with cash, credit cards, or debit cards. NYCTA carried a total of 2,180 passengers versus 2,140 in 2001, the highest ridership level since 1970. MetroCard market share continued to grow during 2002. Ridership has grown by 34 percent since its introduction, while the average nonstudent fare has dropped to \$1.04.

Significant Capital Asset and Long-Term Debt Activity

Capital Program

As part of the Capital Program for 2000-2004, which totals \$17,062, the Authority made new commitments of \$239 in 2002, bringing total commitments under the five-year plan to \$17,301. Funding for the Capital Program comes from a combination of bond sales; money freed up through the debt restructuring; earned interest income; proceeds from selling or leasing assets; and federal, state, and local contributions.

The TBTA Capital Program for 2000-04 totals \$1,030. TBTA made commitments of \$142 in 2002, bringing total commitments under the five-year plan to \$592. TBTA funds its programs with TBTA bonds and pay-as-you-go funding.

The Authority's 2000-04 Capital Program is currently under revision. Three categories of modifications are taken into consideration: revisions to project budgets and schedules, program modifications reflecting new or changed capital investment strategies, and various revisions to the program funding plan. The revised Authority's 2000-04 Capital Program for which the Authority's Capital Program Review Board ("CPRB") approval is being requested totals \$19,000.

Debt Restructuring

Substantially all of the outstanding debt of the MTA, TBTA, and NYCTA was restructured during 2002 by consolidating most existing credits into four principal new credits. The restructuring allowed the Authority's agencies to adjust the average weighted life of their debt to better match the useful lives of the assets financed while taking advantage of historically low interest rates. In connection with the defeasance of the old debt, approximately \$1,100 in reserves was released to MTA, TBTA, and NYCTA to be used primarily to finance transit and commuter capital projects. In addition, the restructuring of the debt will allow the Authority and TBTA to issue approximately \$3,400 (depending on market conditions at the time of issuance) in additional bonds without exceeding the maximum annual debt service amount that existed prior to the debt restructuring.

5. Currently Known Facts, Decisions, or Conditions

The Authority has proposed implementing a complete restructuring strategy related to the merging of its various agencies into five distinct companies, each with a single transportation mission. The reorganization is required to provide for the region's growing demand on the transportation network. The guiding principles of the strategy are to serve the Authority's customers in the most effective and efficient means possible and support both on-going transportation operations as well as the significant system expansion projects to respond to needs of the changing travel patterns and ridership.

The MTA Bus Company will merge the existing services of NYCTA bus system, MSBA, and MaBSTOA entities. Currently, MSBA, in Nassau County, provides various routes with a total of 399 buses. NYCTA provides a total of 4,700 buses in separate surface transit divisions, which include: the boroughs of Manhattan and the Bronx in one division; and, Brooklyn, Queens and Staten Island in the other. The new MTA Bus Company will concentrate on developing enhanced services to improve the quality of each ride for their customers.

When the MTA Bus Company is fully consolidated, consideration will be given to having the "non-MTA" bus transportation providers also included. This would merge private bus companies that operate in New York City into the system and provide a means to regulate the public companies throughout the service region. These changes, however, would require the agreement of the Authority, the local government where "non-MTA" providers operate, and the State Legislature.

On March 6, 2003, the Authority's Board adopted fare and toll increases and fare policy changes that are expected to become effective in May 2003. The base fare at Transit has increased from one dollar and fifty cents to two dollars. We have also enhanced the bonus and unlimited ride pass. NYCTA recently stopped selling tokens, and their use for subways will end on May 4, 2003 and for buses on December 31, 2003.

Commuter system fares will increase 25 percent on average for travel between points in New York State; the fare increases will not take effect on travel which begins or ends in the State of Connecticut.

TBTA tolls will increase for two-axle passenger vehicles on average by fifty cents for one-way travel on major facilities. Various discount programs will apply. The toll-increase will average 16.7 percent for most passenger and commercial vehicles.

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& Touche**

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of
Metropolitan Transportation Authority

We have audited the accompanying financial statements of the Metropolitan Transportation Authority (the "Authority"), a component unit of the State of New York, and each major fund, as of and for the year ended December 31, 2002, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the New York City Transit Authority ("NYCTA"); Staten Island Rapid Transit Operating Authority ("SIRTOA"); and the Metropolitan Suburban Bus Authority ("MSBA"), which represent 43 percent and 80 percent, respectively, of the assets, and revenues of the Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for NYCTA, SIRTOA and MSBA is based on the report of the other auditors. The financial statements and each major fund of the Authority for the year ended December 31, 2001 were audited by other auditors whose report, dated April 8, 2002, expressed an unqualified opinion on those statements and expressed reliance on other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority and each major fund as of December 31, 2002, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, effective January 1, 2002 the Company adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 37.

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

The Management's Discussion and Analysis on pages 12-18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The required supplementary information on page 56 is required by the Governmental Accounting Standards Board and is not a required part of the basic financial statements. The required supplemental information has not been subjected to the auditing procedures applied in our audit of the basic financial statements taken as a whole and, accordingly, we express no opinion on such information.



March 21, 2003

**Deloitte
Touche
Tohmatsu**

Combined Balance Sheets

December 31, 2002 and 2001
(\$ Millions)

	2002	2001
Assets		
Current Assets:		
Cash (Note 3)	\$ 84	\$ 78
Investments (Note 3)	1,802	1,887
Receivables:		
Station maintenance, operation, and use assessments	88	89
State and regional mass transit taxes	5	5
Interest	7	24
Due from New York City	108	340
Other	409	706
Less allowance for doubtful accounts	(27)	(30)
Total receivables-net	590	1,134
Materials and supplies	263	241
Prepaid expenses and other current assets (Notes 2 and 4)	133	133
Total current assets	2,872	3,473
Noncurrent Assets:		
Properties and equipment-net (Note 5)	28,960	26,186
Restricted investments held for lease obligations (Note 3 and 7)	2,229	574
Investments (Note 3)	2,013	4,105
Receivable from New York State	1,984	1,393
Other noncurrent assets	1,710	1,684
Total noncurrent assets	36,896	33,942
Total Assets	\$39,768	\$37,415

See notes to financial statements.

(continued)

Combined Balance Sheets

December 31, 2002 and 2001
(\$ Millions)

	2002	2001
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 650	\$ 521
Accrued expenses:		
Interest	201	409
Salaries, wages, and payroll taxes	185	189
Vacation and sick pay benefits	506	485
Current portion—retirement and death benefits	15	19
Current portion—estimated liability from injuries to persons (Note 8)	153	148
Other	69	78
Total accrued expenses	1,129	1,328
Current portion—long-term debt (Note 6)	45	409
Short-term note	—	300
Current portion—obligations under capital lease (Note 7)	7	7
Deferred revenue	270	235
Total current liabilities	2,101	2,800
Noncurrent Liabilities:		
Retirement and death benefits (Note 4)	61	64
Estimated liability arising from injuries to persons (Note 8)	796	742
Long-term debt (Note 6)	16,269	15,293
Obligations under capital lease (Note 7)	2,287	605
Other long-term liabilities	1,392	1,409
Total noncurrent liabilities	20,805	18,113
Total liabilities	22,906	20,913
Net Assets:		
Invested in capital assets, net of related debt	13,891	10,917
Restricted for debt service	768	1,714
Unrestricted	2,203	3,871
Total net assets	16,862	16,502
Total liabilities and net assets	\$39,768	\$37,415

See notes to financial statements.

(concluded)

Combined Statements of Revenues, Expenses and Changes in Net Assets

Years Ended December 31, 2002 and 2001
(\$ Millions)

	2002	2001
Operating Revenues		
Passenger and tolls	\$ 3,912	\$ 3,902
Rents, freight and sundry	141	150
Total operating revenues	4,053	4,052
Operating Expenses		
Salaries and wages	3,395	3,294
Retirement and other employee benefits	1,099	992
Materials and supplies	402	445
Fuel and power	278	279
Computer, engineering and other consulting services	406	388
Public liability and claims	140	106
Depreciation and amortization	1,135	1,067
Other expenses	141	147
Total operating expenses	6,996	6,718
Operating Loss	\$ (2,943)	\$ (2,666)

(continued)

Combined Statements of Revenues, Expenses and Changes in Net Assets

Years Ended December 31, 2002 and 2001
(\$ Millions)

	2002	2001
Nonoperating Revenues (Expenses)		
Grants, appropriations and taxes:		
Tax supported subsidies–NYS	\$ 1,215	\$ 1,151
Tax supported subsidies–NYC and local	453	479
Operating subsidies–NYS	230	217
Operating subsidies–NYC and local	199	204
Total grants, appropriations and taxes	2,097	2,051
Operating subsidies recoverable from CDOT related to MNCR's New Haven Line	47	39
Subsidies to Dutchess, Orange and Rockland counties	(14)	(10)
Interest on long-term debt	(558)	(509)
Station maintenance, operation and use assessments	117	120
Impairment/loss of capital assets at World Trade Center	–	(173)
Loss on disposal of subway cars	(58)	(58)
Unrealized gain (loss) on investment	(9)	–
Other nonoperating income	15	86
Total nonoperating revenues (expenses)	1,637	1,546
Loss before appropriations	(1,306)	(1,120)
Appropriations, grants and other receipts externally restricted for capital projects	1,666	1,510
Change in net assets	360	390
Net assets, beginning of year	16,502	16,112
Net assets, end of year	\$16,862	\$16,502

See notes to financial statements.

(concluded)

Combined Statements of Cash Flows

Years Ended December 31, 2002 and 2001
(\$ Millions)

	2002	2001
Cash Flows from Operating Activities		
Passenger receipt/tolls	\$ 3,937	\$ 3,906
Rents and other receipts	212	234
Payroll and related fringe benefits	(4,546)	(4,320)
Other operating expenses	(1,280)	(1,210)
Net cash used in operating activities	(1,677)	(1,390)
Cash Flows from Noncapital Financial Activities		
Grants, appropriations and taxes	2,591	2,092
Operating subsidies from CDOT	49	39
Subsidies to Dutchess, Orange and Rockland counties	(10)	(7)
Net cash provided by noncapital financing activities	2,630	2,124
Cash Flows from Capital and Related Financing Activities		
MTA bond proceeds	9,138	563
MTA bonds refunded	(7,635)	-
MTA ELF special obligation bonds cash refunded	(41)	-
TBTA bond proceeds	4,116	2,435
TBTA bonds refunded	(4,613)	(1,345)
Proceeds from capital lease transactions	476	-
Capital lease payments	(5)	-
Loan repayment	(300)	300
Grants and appropriations	1,327	2,010
CDOT capital contributions	4	2
Capital expenditures	(4,488)	(3,240)
Debt service payments	(955)	(1,123)
Subsidies designated for debt service payments	7	6
Net cash used in capital and related financing activities	\$ (2,969)	\$ (392)

See notes to financial statements.

(continued)

Combined Statements of Cash Flows

Years Ended December 31, 2002 and 2001
(\$ Millions)

	2002	2001
Cash Flows from Investing Activities		
Purchase of securities—long-term	\$ (7,343)	\$ (4,567)
Sales of maturities of securities—long-term	5,229	5,443
Sales (purchases) of short-term securities	3,994	(1,393)
Earnings on investments	142	187
Net cash provided by (used in) investing activities	2,022	(330)
Net increase in cash	6	12
Cash, beginning of year	78	66
Cash, end of year	\$ 84	\$ 78
Reconciliation of Operating Deficit from Operations to Net Cash Used in Operating Activities		
Operating loss	\$ (2,943)	\$ (2,666)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	1,135	1,067
Net (increase) decrease in payables, accrued expenses and other liabilities	(82)	705
Net decrease (increase) in receivables	181	(646)
Net decrease in materials and supplies and prepaid expenses	32	150
Net cash used in operating activities	\$(1,677)	\$(1,390)

See notes to financial statements.

(concluded)

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

Note 1—Basis of Presentation

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

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

Metropolitan Transportation Authority and Related Groups

- Metropolitan Transportation Authority Headquarters ("MTAHQ") provides support in budget, cash management, finance, legal, real estate, treasury, risk and insurance management, and other services to the subsidiary and related groups listed below.
- The Long Island Rail Road Company ("LIRR") provides passenger transportation between New York City ("NYC") and Long Island.
- Metro-North Commuter Railroad Company ("MNCR") provides passenger transportation between NYC and the suburban communities in Westchester, Dutchess, Putnam, Orange, and Rockland counties in NYS and New Haven and Fairfield counties in Connecticut.
- Staten Island Rapid Transit Operating Authority ("SIRTOA") provides passenger transportation on Staten Island.
- Metropolitan Suburban Bus Authority ("MSBA") provides public bus service in NYC and Nassau County.
- MTA Excess Loss Trust Fund ("ELF") provides coverage against losses from catastrophic events and provides budget stability in the event annual aggregate losses impact negatively upon the operating budgets of its participants.
- First Mutual Transportation Assurance Company ("FMTAC") provides primary insurance coverage for property losses, which are reinsured, and assumes reinsurance coverage for station liability and force account liability.

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

- New York City Transit Authority ("NYCTA") and its blended component unit, Manhattan and Bronx Surface Transit Operating Authority ("MaBSTOA"), provide subway and public bus service within the five boroughs of New York City.
- Triborough Bridge and Tunnel Authority ("TBTA") operates seven toll bridges, two tunnels, and the Battery Parking Garage, all within the five boroughs of New York City.

The NYCTA and TBTA are operationally and legally independent of the Authority. These related groups enjoy certain rights typically associated with separate legal status including, in some cases, the ability to issue debt. However, they are included in the Authority's financial statements because of the Authority's financial accountability for these entities and they are under the direction of the MTA board. Under accounting principles generally accepted in the United States of America ("GAAP"), the Authority is required to include these related groups in its financial statements.

Because the Board members of each of the related groups are also the Board members of the Authority and its subsidiary units, the financial statements of the related groups have been blended with those of MTA for the combined financial statements. Under generally accepted accounting principles for enterprise funds, all significant inter-unit transactions, including receivables, payables, revenues, expenses, and capital transactions have been eliminated. Since the NYCTA and TBTA are legally independent they are reported as major funds of the Authority. Except for MTAHQ, financial statements of the individual subsidiary and related groups can be obtained from their respective administrative offices.

Operating Deficits

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

Capital Program

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

1995-1999 Capital Program

In November 1995, the Authority's Board approved a proposed 1995-1999 Capital Program exclusive of TBTA totaling \$11,929, which was increased in July 1997 to \$12,169, when it was first approved by the CPRB. In September 1996, the Governor signed legislation to increase the current bonding authority for capital projects and approved additional changes to the provisions governing capital programs. In February 1999, the Authority's Board approved certain changes to the 1995-1999 Capital Program, raising the amount to \$12,553. The March 1999 amendments have been approved by the CPRB.

In November 1995, the Authority's Board approved a proposed 1995-1999 Capital Program for TBTA totaling \$665, which was increased in December 1997 to \$669. In February 1999, this amount was increased to \$670. The plan does not require the approval of the CPRB.

At December 31, 2002, \$17,908 had been committed and \$16,343 has been expended for the 1992-1999 Capital Program for the Authority, including TBTA.

2000-2004 Capital Program

The 2000-2004 Capital Program exclusive of TBTA, initially totaling \$16,462, was approved by the Authority's Board in September 1999. This plan was submitted to the CPRB for approval in October 1999, but was returned for revision in December 1999. In April 2000, the Authority's Board approved subsequent revisions to the proposed 2000-2004 Capital Program, with total capital expenditures of \$17,062. In May 2000, CPRB approved the \$17,062 Capital Program. In February 2002 the CPRB approved the bonding resolution for restructuring debt that funds the 2000-2004 Capital Program. In February 2002, the Authority's Board increased the 2000-2004 Capital Program to \$17,224. The CPRB approved the increase in April 2002. In May 2002, the MTA Board increased the 2000-2004 Capital Program to \$17,301. In December 2002, the Authority's Board approved changes within and an increase to the Transit, Commuter Railroad and TBTA 2002-2004 programs totaling \$591.2 for infrastructure and facilities security program. As of the date hereof, these changes had not been approved by the CPRB.

In September 1999, the MTA Board approved a proposed 2000-2004 Capital Program for the TBTA that provided for approximately \$1,000 in capital expenditures. This plan does not require approval of the CPRB. In March 2000, the MTA Board increased the 2000-2004 Capital Program for TBTA to \$1,025. In May 2002 the MTA Board increased the TBTA program again to \$1,029 and in December 2002 to \$1,035.

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
[\$ millions]

At December 31, 2002, \$11,588 had been committed and \$4,087 has been expended for the 2000–2004 Capital Program for the Authority, including TBTA.

The federal government has a contingent equity interest in assets acquired by the Authority with federal funds, and upon disposal of such assets, the federal government may have a right to its share of the proceeds from the sale.

The Authority is a government unit that is not subject to real estate taxes, franchise taxes, and other excise taxes on its properties and sales taxes on its purchases.

Note 2—Significant Accounting Policies

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

Financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) require the use of estimates made by management for certain account balances and transactions. Actual results may differ from these estimates.

Basis of Accounting

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

Investments

The Authority’s investment policies comply with the New York State Comptroller’s guidelines for such policies. Those policies permit investments in, among others, obligations of the U.S. Treasury, 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 sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue on the statement of operations. Fair values have been determined using quoted market values at December 31, 2002 and 2001.

Materials and Supplies

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

Prepaid Expenses and Other Current Assets

In December 2002, NYCTA prepaid \$15.1 towards insurance coverage. The various policies cover environmental liability, sabotage and terrorism, property, and excess liability.

Properties and Equipment

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

Self-Insurance and Risk Retention

LIRR and MNCR are self-insured for liabilities arising from injuries to passengers, employees, and others with the exception of injuries to nonemployees and off-duty employees arising from occurrences at NYS stations (“Station Liability”), and employees and nonemployees, arising from reimbursable project work (“Force Account”). LIRR and MNCR accrue the estimated total cost for the self-insured liability arising out of these

claims. Claims arising from Station Liability and Force Account occurring after December 15, 2001 are fully insured up to \$7 per occurrence; claims arising December 15, 1997 to December 15, 2001 are insured up to \$6; and claims arising prior to December 15, 1997 are insured up to \$5. NYCTA and TBTA are self-insured up to certain per-occurrence limits for liability claims arising from injuries to persons, excluding employees. For claims arising after November 1, 2001, the limits are \$7 and \$1.4 respectively; for claims arising between November 1, 1996 and October 31, 2001, the limits are \$6 and \$1.2 respectively; and for claims arising between December 15, 1986 and October 31, 1996, the limits are \$5 and \$1 respectively.

ELF insures certain claims in excess of the self-insured retention limits for LIRR, MNCR, NYCTA, and TBTA noted above, and in excess of \$1.4 for MTAHQ (\$1.2 for claims arising between November 1, 1996 and October 31, 2001 and \$1 for claims arising between December 15, 1986 and October 31, 1996). It receives payments, as required by the ELF self-insurance agreement, from the participating agencies to cover the actuarially computed amount required to pay claims, fund operations and provide debt service (Currently, there is no debt service since all ELF bonds were defeased in December 2002). At December 31, 2002 and 2001, ELF had \$81 and \$121, respectively, of assets available to insure current and future claims. The maximum amount of claims arising out of any one occurrence, which can be paid by ELF, is the lesser of the assets available for claims of the ELF or \$50.

Effective October 31, 2002, a three-year All-Agency Excess Liability Insurance Policy was renewed. This coverage affords the ELF an additional limit of \$150, for a total limit of \$200 (\$150 excess of \$50). In the event the ELF's assets are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the ELF's coverage position of \$50.

Property and Casualty Insurance

First Mutual Transportation Assurance Company ("FMTAC"), a subsidiary of MTA, insured property damages or loss exposures in excess of \$30 per occurrence for claims brought by the MTA and its subsidiaries and affiliates until October 30, 2001. From October 31, 2001 to January 31, 2002 coverage units were \$500 per occurrence. By February 1, 2002 coverage limits were increased to \$900. This policy excludes coverage for acts of terrorism. Effective November 1, 2001, a stand-alone policy was purchased to cover sabotage and terrorism up to \$70 in excess of a \$30 self-insured retention.

Effective October 31, 2002, FMTAC insures property damages or loss exposures in excess of \$30 per occurrence up to a limit of \$970 for claims brought by the MTA and its subsidiaries and affiliates. This policy excluded acts of terrorism. Effective November 1, 2002, a stand-alone policy was purchased to cover sabotage and terrorism up to \$70 in excess of a \$30 self-insured retention. On November 26, 2002, with the enactment of the Terrorism Risk Insurance Act of 2002, any endorsements excluding certified acts of terrorism were void. Effective November 26, 2002, the stand-alone terrorism policy was restructured to provide 10 percent of \$700 in coverage. FMTAC reinsures the majority of its property risks above the \$30 retention.

Effective December 15, 2001, FMTAC reinsures the primary \$7 in losses for Station Liability and Force Account Liability for MNCR and LIRR with a third-party insurer. FMTAC established an aggregate blanket stop loss protection agreement with the third party whereby if losses and allocated expenses retained by FMTAC exceed \$45 for the insurance policy period ending December 15, 2002, a cover limit of \$10 (inclusive of allocated expenses) is available. The third-party insurer will be responsible for paying all losses and allocated expenses within the cover limit. If the cover limit is exhausted, any additional losses and allocated expenses are payable by FMTAC. Effective December 15, 2002, FMTAC directly insures the primary \$7 in losses for Station Liability and Force Account Liability for MNCR and LIRR.

Operating Revenues

Passenger Revenue and Tolls

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

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
[\$ millions]

Nonoperating Revenues

Operating Assistance, Appropriations, and Grants

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

NYS and Regional Mass Transit Taxes

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

Mortgage Recording Taxes ("MRT")

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

MRT-1 proceeds are initially used to pay MTAHQ's operating expenses. Remaining funds, if any, are allocated 55 percent to the NYCTA and SIRTOA and 45 percent to the Commuter Railroads. The Commuter Railroad portion is first used to fund the NYS Suburban Highway Transportation Fund in an amount not to exceed \$20 annually. Until these bonds were defeased in November 2002, any funds remaining after this payment were used to pay the commuter portion of debt service on the Mortgage Recording Tax Bonds (the "MRT Bonds"). Any funds remaining after meeting debt service requirements are to be used for operating and capital needs of the Commuter Railroads at the discretion of the Authority's Board. Similarly, the NYCTA portion was used to pay the transit portion of debt service on the MRT Bonds. Any excess funds subsequent to meeting debt service requirements are to be used for operating and capital needs of NYCTA at the discretion of the Authority's Board. The MRT bonds were defeased in 2002, so there are currently no MRT bonds outstanding or contemplated.

The first \$5 of the MRT-2 proceeds are transferred to the MTA Dutchess, Orange, and Rockland Fund (\$1.5 each for Dutchess and Orange counties and \$2 for Rockland County). Additionally, the Authority must transfer to each county's fund an amount equal to the product of (i) the percentage by which each respective county's mortgage recording tax payments to the Authority increased over such payments in 1989 and (ii) the base amount received by each county as described above. Excess amounts transferable to the counties were \$9.0 and \$5.2 for 2002 and 2001, respectively. Until these bonds were defeased in November 2002, remaining funds, if any, were used to pay debt service on the MRT Bonds. Unexpended funds from MRT-2 of \$133.0 and \$115.9 at December 31, 2002 and 2001, respectively, are available to meet capital and operating needs, including debt service, of the Commuter Railroads and NYCTA, as determined by the Authority's Board. During 2002 and 2001, the Commuter Railroads used \$12.4 and \$6.0, and NYCTA used \$71.3 and \$34.6, respectively, of MRT-2 funds to satisfy debt service requirements on the MRT bonds. Also, in 2002 the Authority provided \$50.0 of MRT-2 funds to TBTA. Of this amount, \$17.3 was used for bond defeasance and \$32.7 was used to satisfy debt service funds.

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

Petroleum Business Tax ("PBT")

Under NYS law, subject to annual appropriation, the Authority receives operating assistance through a portion of the Dedicated Mass Transportation Trust Fund ("MTTF") and Metropolitan Mass Transportation Operating Assistance Fund ("MMTOA"). The MTTF receipts are comprised 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. MTTF receipts are applied first to meet debt service requirements of obligations and in second instance are used to pay operating and capital costs. The MMTOA receipts are comprised of a quarter of one percent of regional sales taxes, 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 business. MMTOA receipts, to the extent that MTTF receipts are not sufficient to meet debt service requirements, will also be applied to debt service obligations, and secondly to operating and capital costs of the Transit system, SIRTOA, and the Commuter Railroad system.

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. Such assistance is required by law to be allocated, after provision for debt service on Dedicated Tax Fund Bonds (see Note 6), 85 percent to NYCTA and SIRTOA and 15 percent to the Commuter Railroads. Revenues from this funding source are recognized based upon amounts of tax reported collected by NYS, to the extent of the appropriation.

Operating Subsidies Recoverable from Connecticut Department of Transportation ("CDOT")

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

Interagency Subsidy—Triborough Bridge and Tunnel Authority

NYS Law requires TBTA to transfer its annual operating surplus, as defined, to NYCTA and MTA. The initial \$24 of the operating surplus is provided to NYCTA and the balance, as adjusted to reflect debt service requirements of TBTA bonds issued for their respective benefit, was divided between NYCTA and MTA in their respective amounts of \$103.9 and \$144.2 recognized in 2002. In 2001, the amounts related to NYCTA and MTA were \$137.9 and \$173.3, respectively.

Certain TBTA investment income is transferred to MTA and is Board-designated for use in acquiring or constructing capital assets for the Commuter Railroads and NYCTA. MTA recognized \$14.7 and \$23.8 in 2002 and 2001, respectively, related to the TBTA investment income transfer.

Sale of New York Coliseum

On July 31, 2000, the Authority closed on the sale of the New York Coliseum. The sale contract price was approximately \$345, resulting in a gain on the sale of approximately \$340. Proceeds from the sale were

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

remitted to NYC and are to be returned as contributions to the Capital Program, which NYC funds through issuance of its bonds. MTA has recorded accounts receivable due from New York City of \$108 and \$340 in 2002 and 2001, respectively. MTA expects to receive the remainder of these funds in 2003.

Reimbursement of Expenses

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

NYC no longer fully reimburses NYCTA for costs of the free fare program for students. Pursuant to an agreement with NYS and NYC, MTA continued the student program for the 1999-2000 school year with NYS and NYC each agreeing to pay \$45 of the cost. NYC's current financial plan provides for the continuation of NYC's \$45 contribution for the 2002-2003 school year, of which \$15 was received in December 2002. NYCTA's approved 2003 Operating Budget assumes that the remaining \$30 from NYC and NYS's full \$45 for the 2002-2003 school year will be received in 2003. The NYCTA's 2000-2004 financial plan assumes the continuation of the joint funding of the free fare program for students.

On April 2, 1995, NYCTA police were merged into the NYC's Police Department. Accordingly, NYC no longer reimburses NYCTA for the costs of policing the transit system on an ongoing basis. Pursuant to the merger agreement, the costs of some transit police officers and certain other transit police costs are paid by NYCTA and reimbursed by NYC. NYCTA received approximately \$4.2 in 2002 and \$4.7 in 2001 from NYC for the reimbursement of transit police costs. An additional reimbursement of approximately \$.8 was received in March 2002.

Federal law and regulations require a paratransit system for passengers who are not able to ride the buses and trains because of their disabilities. Pursuant to an agreement between NYC and the MTA, NYCTA, effective July 1, 1993, assumed operating responsibility for all paratransit service required in NYC by the Americans with Disabilities Act of 1990. NYC reimburses NYCTA for the lesser of 33 percent of net paratransit operating expenses defined as labor, transportation, and administrative costs less fare revenues and 6 percent of gross Urban Tax Subsidies, or an amount that is 20 percent greater than the amount paid by the City for the preceding calendar year. Revenues from NYC reimbursement and paratransit fares aggregated approximately \$32.0 in 2002 and \$30.3 in 2001.

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.

Recent Accounting Pronouncements

During the year ended December 31, 2002, the Authority adopted GASB Statement No. 34 (as amended by GASB Statement No. 37), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Disclosures*. GASB Statement No. 34 requires changes to the basic financial statements for state and local governmental entities. Among those requirements are certain changes applicable to special purpose governments engaged in business-type activities. Those changes require a balance sheet, with net assets displayed in the categories—invested in capital assets net of related debt, restricted, and unrestricted; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows presented using the direct method. In addition, GASB Statement No. 34 requires a management's discussion and analysis to be presented as required supplementary information. GASB Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of GASB Statement No. 34. Certain reclassifications and additional disclosures have been made to the financial statements for the year ended December 31, 2001 to conform to GASB Statement No. 34 and the current year's presentation.

The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement 14. The Authority is therefore unable to disclose the impact that adopting GASB Statement No. 39 will have on its financial position and results of operations when such statement is adopted. The Statement is effective for financial statements for periods beginning after June 15, 2003.

Note 3—Cash and Investments

Cash, including deposits in transit, consists of the following at December 31, 2002 and 2001:

	2002		2001	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured (FDIC) or collateralized deposits	\$54	\$13	\$42	\$27
Uninsured and not collateralized	30	195	36	24
Total	\$84	\$208	\$78	\$51

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

The MTA, on behalf of the NYCTA, TBTA, and MSBA, invests funds which are not immediately required for the Authority's operations in securities permitted by the State Public Authorities Law, including repurchase agreements collateralized by U.S. Treasury securities, U.S. Treasury notes, and U.S. Treasury zero coupon bonds.

Investments, at fair value, consist of the following at December 31, 2002 and 2001:

	2002	2001
Repurchase agreements	\$1,086	\$1,186
U.S. Treasuries due 2003-2020	2,487	4,365
Government National Mortgage Association due 2004-2021	21	153
Investments restricted for capital lease obligations	2,229	574
Other Agencies due 2005-2011	221	288
Total	\$6,044	\$6,566

Fair values include accrued interest to the extent it is included in the carrying amounts. Accrued interest on investments other than Treasury bills and coupons is included in other receivables on the balance sheet. The Authority's investment policy states that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment. The Authority's investment policy restricts the Authority's investments to Federal government and agency securities.

In connection with certain lease transactions described in Note 7, MTA and TBTA have 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 & Poor's, which generate sufficient proceeds to make payments under the terms of the leases. If the obligors do not perform, MTA or TBTA may have an obligation to make the related rent payments.

All investments are either insured or registered and held by the Authority or its agent in the Authority's name. Accordingly, all investments are category one credit risk (the lowest risk category) as defined in GASB No. 3. Investments had weighted average yields of 2.1 percent and 2.4 percent for the years ended December 31, 2002 and 2001.

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

Of the above cash and investments, amounts held for restricted purposes were as follows at December 31, 2002 and 2001:

	2002	2001
Construction or acquisition of capital assets	\$1,983	\$3,347
Funds received from affiliated agencies for investment	448	291
Debt service	768	1,714
Payment of claims	286	281
Restricted for capital leases	2,229	460
Other	130	72
Total	\$5,844	\$6,165

Note 4—Employee Benefits

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

Pension Plans

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

Defined Benefit Pension Plans

Single-Employer Public Employee Retirement Systems

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

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

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

At year-end 2002 and 2001, NYCTA made additional contributions to the MaBSTOA Plan of \$72.0 and \$83.5, respectively, resulting in the recognition of a pension asset in the combined balance sheets.

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

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

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

LIRR, MNCR, MTAHQ and MSBA recognized 2002 and 2001 pension expense based upon an assessment, which on average was 14.72 percent and 12.22 percent, respectively, of annual compensation. The MTA Plan may be amended by the action of the MTA Board.

Annual pension costs and related information about each plan follows:

	Single-Employer Plans			
	LIRR	SIRTOA	MaBSTOA	MTA Plan
Required contribution rates:				
Plan members	variable	3.00%	variable	variable
Employer:	actuarially determined	actuarially determined	actuarially determined	actuarially determined
Employer contributions made in 2002	\$44.1	\$1.4	\$123.5	\$22.0
Three-year trend information				
Annual Pension Cost (APC):				
2002	\$41.6	\$1.4	\$121.7	\$21.3
2001	34.6	1.4	114.2	16.5
2000	32.1	0.8	99.5	13.8
Net Pension Obligation (NPO) (assets) at end of year:				
2002	(4.7)	None	60.8	(1.2)
2001	(2.2)	None	62.6	(0.5)
2000	1.5	None	64.5	-
Percentage of APC contributed:				
2002	106%	100%	102%	103%
2001	93%	100%	102%	87%
2000	141%	100%	103%	142%
Components of APC				
Annual required contributions (ARC)	41.7	1.4	123.5	21.3
Interest on NPO	(0.2)	-	5.2	-
Adjustment of ARC	0.1	-	(7.0)	-
APC	41.6	1.4	121.7	21.3
Contributions made	44.1	1.4	123.5	22.0
Change in NPO (assets)	(2.5)	-	(1.8)	(0.7)
NPO (assets) beginning of year	(2.2)	-	62.6	(0.5)
NPO (assets) end of year	\$ (4.7)	\$ -	\$ 60.8	\$ (1.2)
Date of valuation	1/1/2002	1/1/2002	1/1/2002	1/1/2002
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 moving average of market value	5-year moving average of market value	phasing to a 5-point moving average of market value
Investment return	8.50%	8.00%	8.25%	8.25%
Projected salary increases	4.0%	4.0%–11.0%	3.5%–18.0%	4.0%–36.2%
Consumer price inflation	3.75%	2.50%	2.50%	2.50%
Amortization method and period	level % of payroll/ 40 years	level dollar/ 30 years	level dollar/ 30 years	level % of payroll/ 30 years
Period closed or open	open	closed	closed	closed

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
[\$ millions]

Cost Sharing Multiple-Employer Plans

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

Plan Description

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

Funding Policy

NYCERS is a noncontributory plan, except for employees who entered qualifying service after July 1976, who contribute 3 percent of their salary. The State legislature passed legislation in 2000 that suspends the 3 percent contribution for employees who have 10 years or more of credited service. The NYCTA and TBTA are required to contribute at an actuarially determined rate. The contribution requirements of plan members and NYCTA and TBTA are established and amended by law. NYCTA's contributions to NYCERS for the years ended December 31, 2002, 2001, and 2000 were \$30.7, \$19.5, and \$29.5, respectively, equal to the annual required contributions for each year. TBTA's contributions to NYCERS for the years ended December 31, 2002, 2001, and 2000 were \$1.0, \$1.0, and \$0.9, respectively, which were equal to or in excess of the actuary's recommendation, plus interest.

These payments cover the Authority's annual required contributions for the NYCERS 2002 and 2001 fiscal years ended June 30, as well as a portion of the annual required contribution for the 2003 NYCERS fiscal year. The remainder of the 2003 annual required contribution is expected to be paid subsequent to year-end within the NYCERS fiscal year.

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

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

Plan Description and Funding Policy

MTAHQ and MSBA employees who were hired after January 23, 1983, are members of NYSERS. NYSERS is a cost sharing multiple-employer plan and offers a broad spectrum of benefits including retirement and disability benefits. Generally, employees contribute 3 percent of salary. In 2000, the State Legislature passed legislation that suspends the 3 percent contribution of members who have 10 or more years of credited service. MTAHQ and MSBA recognize pension expense based upon annual assessments made by NYSERS. NYSERS pension expense was approximately \$1.5, \$1.2, and \$0.7, for the years ended December 31, 2002, 2001, and 2000, 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 NYSERS 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

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

Single-Employer Public Employee Retirement Systems

- The Long Island Rail Road Company Money Purchase Plan (“Money Purchase Plan”) is a defined contribution plan that covers all employees who began service with LIRR after December 31, 1987. Employees participating in the plan contribute 3 percent of their compensation and LIRR contributes 4 percent of their compensation. The Plan is administered by the LIRR Board of Managers of Pension. The MTA Board of Directors is responsible for establishing or amending the Plan’s provision and contribution requirements.
- The Metro-North Commuter Railroad Company Defined Contribution Pension Plan for Agreement Employees (“Agreement Plan”), established January 1, 1988, covers union-represented employees in accordance with applicable collective bargaining agreements. Under this plan, MNCR will contribute an amount equal to 4 percent of each eligible employee’s gross compensation to the plan on that employee’s behalf. For employees who have 19 or more years of service MNCR contributes 7 percent. In addition, employees may voluntarily match MNCR’s contribution to the plan, on an after-tax basis. The Plan is administered by an employee of Metro-North Commuter Railroad and the Metro-North Board of Managers of Pension. The MTA Board of Directors is responsible for establishing or amending the Plan’s provision and contribution requirements.

	2002		2001	
	LIRR Money Purchase Plan	MNCR Agreement Plan	LIRR Money Purchase Plan	MNCR Agreement Plan
Employer contributions	\$9.6	\$17.4	\$8.3	\$14.8
Employee contributions	5.9	1.2	5.2	1.2

Deferred Compensation Plans

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

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

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

Other Post-Employment Benefits

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

	2002		2001	
	Number of Participants (Actual amounts)	Cost of Benefits (in millions)	Number of Participants (Actual amounts)	Cost of Benefits (in millions)
MTAHQ	204	\$ 1.4	181	\$ 1.1
MNCR	1,421	2.3	1,262	1.8
LIRR:				
Management	725	5.4	641	4.5
Represented	3,982	13.9	3,858	10.4
NYCTA	31,350	127.9	31,500	121.0
TBTA	1,314	6.7	1,281	4.1
SIRTOA	40	0.2	43	0.2

Note 5—Properties and Equipment

Properties and equipment consist of the following at December 31, 2002 and 2001:

	Useful Life (years)	2002	2001
Land		\$ 124	\$ 122
Road and track	25-60	8,249	7,800
Bridges and tunnels	100	1,183	1,169
Buildings and structures	25-50	8,930	8,313
Equipment:			
Passenger cars	25-35	6,530	5,444
Buses	12	1,573	1,531
Other	2-40	6,905	6,288
Construction in progress		5,358	4,365
		38,852	35,032
Less accumulated depreciation		(9,892)	(8,846)
		\$28,960	\$26,186

Interest capitalized in conjunction with the construction of capital assets at December 31, 2002 and 2001 is \$49 and \$57, respectively.

Capital assets acquired prior to April 1982 for NYCTA were funded primarily by NYC with capital grants made available to NYCTA. NYC has title to a substantial portion of such assets and, accordingly, these assets are not recorded on the books of NYCTA. Subsequent acquisitions, which are part of the MTA Capital Program, are recorded at cost by NYCTA. In certain instances, title to TBTA's real property may revert to NYC in the event TBTA determines such property is unnecessary for its corporate purpose. NYCTA scrapped 405 and 229 cars in 2002 and 2001, respectively. Loss on disposal of capital assets of \$58.3 and \$58.0 was recorded for the years ended December 31, 2002 and 2001, respectively. NYCTA will continue the disposal of certain subway cars in its fleet through 2003.

For certain construction projects, the Authority holds in a trust account marketable securities pledged by third-party contractors in lieu of cash retainages. At December 31, 2002 and 2001, these securities totaled \$67.3 and \$65.0, respectively, and had a market value of \$68.5 and \$66.5 respectively, and are not included in these financial statements.

Note 6—Long-Term Debt

Substantially all of the outstanding debt of MTA, TBTA, and NYCTA was restructured during 2002 by consolidating most existing credits into four principal new credits:

- MTA Transportation Revenue Bonds,
- MTA State Service Contract Bonds,
- MTA Dedicated Tax Fund Bonds, and
- TBTA General Revenue Bonds and TBTA Subordinate Revenue Bonds.

MTA, TBTA, and NYCTA used the proceeds of bonds issued under the new resolutions, together with other available moneys, to fully defease the resolutions and/or trust agreements relating to the following bonds and notes:

- MTA Transit Facilities Revenue Bonds and Bond Anticipation Notes,
- MTA Commuter Facilities Revenue Bonds and Bond Anticipation Notes,
- MTA Subordinated Commuter Facilities Revenue Bonds (Grand Central Terminal Redevelopment Project),
- New York City Transit Authority Subordinated Transit Facilities Revenue Bonds (Livingston Plaza Project),
- MTA Transit Facilities Service Contract Bonds (1982 and 1987 Resolutions),
- MTA Commuter Facilities Service Contract Bonds (1982 and 1987 Resolutions),
- MTA Dedicated Tax Fund Bonds,
- TBTA Special Obligation Bonds (1991 Resolution), and
- TBTA Beneficial Interest Certificates.

Following the defeasance of the old bonds, notes and lease obligations, approximately \$1,100 in debt service reserves were released to MTA, TBTA, and NYCTA to be used primarily to finance transit and commuter capital projects.

In a separate transaction, on December 19, 2002, the Authority defeased the MTA Excess Loss Fund Special Obligation Bonds, Series 1998.

The Two Broadway Certificates of Participation and TBTA's Convention Center Project Bonds were not restructured.

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

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

	December 31, 2001	Issued	Retired	Refunded	December 31, 2002
MTA:					
Transit Facilities Revenue Bonds 3.90%–9.10% due through 2029	\$2,297	\$ –	\$ –	\$2,297	\$ –
Commuter Facilities Revenue Bonds 4.10%–8.00% due through 2029	1,788	–	–	1,788	–
Commuter Facilities Subordinate Revenue Bonds (GCT) 4.40%–5.70% due through 2024	102	–	–	102	–
Transit and Commuter Facilities Service Contract Bonds 4.10%–9.25% due through 2021	1,844	–	–	1,844	–
Excess Loss Trust Fund Bonds 4.10%–5.00% due through 2009	45	–	5	40	–
Dedicated Tax Fund Bonds 3.00%–6.25% due through 2031	2,064	1,687	37	1,483	2,231
Certification of Participation 4.40%–5.625% due through 2029	439	–	8	–	431
Transportation Revenue Bonds 2.25%–5.752% due through 2035	–	4,968	–	–	4,968
State Service Contract Bonds 3.00%–5.50% due through 2031	–	2,395	–	–	2,395
Bond Anticipation Notes ("BANs"):					
Commuter Facilities Special					
Obligation BANs	250	–	250	–	–
Transit Facilities Special BANs	500	–	500	–	–
Transportation Revenue BANs	–	750	–	–	750
	9,329	9,800	800	7,554	10,775
Less net unamortized bond discount and premium	(450)	(535)	(10)	(438)	(537)
Total MTA	\$8,879	\$9,265	\$790	\$7,116	\$10,238
NYCTA:					
Transit Facilities Revenue Bonds 4.70%–7.50% due through 2021	\$ 178	\$ –	\$ –	\$ 178	\$ –
Less net unamortized bond discount and premium	23	–	–	23	–
Total NYCTA	\$ 201	\$ –	\$ –	\$ 201	\$ –

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

	December 31, 2001	Issued	Retired	Refunded	December 31, 2002
TBTA:					
General Purpose Revenue Bonds 3.20%–7.00% due through 2032	\$ 4,684	\$ –	\$124	\$ 4,560	\$ –
Mortgage Recording Tax Bonds 4.00%–6.08% due through 2019	913	–	35	878	–
Beneficial Interest Certificates 5.00%–5.20% due through 2005	35	–	8	27	–
Bond Anticipation Notes 2000A	807	–	–	807	–
Special Obligation Subordinated Bonds 3.55%–5.13% due through 2033	247	–	6	241	–
General Revenue Bonds Senior Revenue 4.00%–5.77% due through 2033	–	4,221	–	–	4,221
General Revenue Bonds Subordinate Revenue 4.00%–5.77% due through 2032	–	1,706	–	–	1,706
	6,686	5,927	173	6,513	5,927
Less net unamortized bond discount and premium	(64)	148	(2)	(63)	149
Total TBTA	\$ 6,622	\$ 6,075	\$171	\$ 6,450	\$ 6,076
Combined total	\$ 15,702	\$15,340	\$961	\$13,767	\$ 16,314
Current portion	(409)				(45)
Long-term portion	\$15,293				\$16,269

MTA Transit and Commuter Facilities Revenue Bonds

These bonds are obligations payable solely from, and secured by a pledge of, the gross operating revenues, certain state and local operating subsidies, and other monies, and the physical assets of LIRR and MNCR for Commuter Facilities Revenue Bonds, and a pledge of the gross revenues of the NYCTA and certain state and local operating subsidies and other monies for the Transit Facilities Revenue Bonds. In 2002 these bonds were fully defeased with the issuance of MTA Transportation Revenue Bonds Series 2002A-E as part of the Authority's restructuring.

MTA Commuter Facilities Subordinated Revenue Bonds (GCT Redevelopment Project)

These bonds are obligations payable solely from, and secured by a pledge of, the gross operating revenues, certain state and local operating subsidies, and other monies, of LIRR and MNCR. These bonds are subordinate to MTA Commuter Facilities Revenue Bonds. In 2002 these bonds were fully defeased with the issuance of MTA Transportation Revenue Refunding Bonds Series 2002A.

MTA Bond Anticipation Notes

In 2002, MTA Transit and Commuter Facilities Special Obligation Bond Anticipation Notes were reissued under the new MTA Transportation Bond Resolution. The interest rate payable on the notes depends on the maturity and market conditions at the time of issuance. At December 31, 2002, the average rate on the outstanding notes was 1.3 percent. Payment of principal and interest on the notes are additionally secured by a letter of credit issued by a bank. It is the Authority's intention to reissue the notes as they become due or to issue other securities, such as bonds, to refund the notes. If the notes are not reissued (or other securities issued), the amounts due to the letter of credit bank are converted to bank parity obligation bonds with a term of three years payable in 2005.

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
[\$ millions]

MTA Transit and Commuter Facilities Service Contract Bonds

These bonds are special obligations payable solely from, and secured by, semi-annual payments from NYS provided for under service contracts entered into with the Authority and from certain funds established under the bond resolutions. The obligation of NYS to make payments of principal and interest under the service contracts is dependent upon annual appropriations by the NYS Legislature and the availability of monies to fund such payments. In 2002, these bonds were defeased with the issuance of MTA State Service Contract Bonds Series 2002A.

Excess Loss Trust Fund Bonds

In 2002 these bonds were retired with funds available from the investment portfolio of the ELF.

MTA Dedicated Tax Fund Bonds

These bonds are payable solely from and secured by moneys held in the Pledged Amounts Account of the MTA Dedicated Tax Fund. State law requires that a portion of the revenues derived from certain business privilege taxes imposed by the State on petroleum businesses, as well as certain special taxes, including a regional sales tax, a temporary regional franchise tax surcharge, a portion of a tax on certain companies and a portion of the business privilege tax imposed by the State on petroleum businesses, be deposited, subject to appropriation by the State Legislature, into the MTA Dedicated Tax Fund.

In December 2001, the Authority issued Dedicated Tax Fund Bonds, Series 2001A, in the amount of \$544.

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

MTA Certificates of Participation

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

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

Short-Term Note

On November 8, 2001, the Authority entered into a revolving credit agreement with a financial institution for \$600 to provide capital assistance in connection with expenses incurred after the WTC attack. The Authority had drawn down \$300 as of December 31, 2001, and in October 2002 the amount was repaid.

MTA Transportation Revenue Refunding Bonds

As part of the Authority debt restructuring the Authority issued in May of 2002 Transportation Revenue Refunding Bonds, Series 2002A, 2002B, 2002C, 2002D for a total amount of \$3,724. In June of 2002, the Authority issued Transportation Revenue Bonds Series 2002E, in the amount of \$397. These bonds were issued to refund Transit and Commuter Facilities Revenue Bonds as well as New York City Transit Authority Revenue Bonds. In November of 2002, the Authority issued Transportation Revenue Refunding Bonds Series 2002F and Series 2002G in the amount of \$446 and \$400, respectively. The purpose of these bonds was to provide for the payment of a portion of certain TBTA bond anticipation notes that were issued to finance transit and commuter projects. Transportation Revenue Bonds are MTA's special obligations, payable solely from the transit and commuter systems revenues and certain state and local operating subsidies.

MTA State Service Contract Bonds

In June of 2002, the Authority issued State Service Contract Refunding Bonds, Series 2002A, in the amount of \$1,716 to refund outstanding service contract bonds issued by MTA. Also in June of 2002, the Authority issued State Service Contract Bonds, Series 2002B, in the amount of \$679 to finance certain transit and commuter projects. The Series 2002A and 2002B are MTA's special obligations, payable solely from certain payments from the State of New York under a service contract.

NYCTA Transit Facilities Revenue Bonds

These bonds were obligations of NYCTA payable solely from and secured by a pledge of all the gross operating revenues and operating subsidies of NYCTA, excluding the federal operating assistance subsidy and reimbursements for project labor and engineering costs. These bonds are subordinate to MTA Transit Facilities Revenue Bonds. These bonds were defeased in 2002 with the issuance of MTA Transportation Revenue Bonds Series 2002A through 2002D.

TBTA General Purpose Revenue Bonds

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

In January 2001, TBTA issued General Purpose Revenue Bond Anticipation Notes, Series 2001A, in the amount of \$1,000. These notes were issued to finance certain transit and commuter capital projects, as well as TBTA's own capital projects. In November 2001, TBTA issued General Purpose Revenue Bonds in the amount of \$1,126. The Series 2001 bonds are being issued as long-term financings for TBTA General Purpose Revenue Bonds Anticipation Notes, Series 2001A. In December 2001, TBTA issued General Purpose Revenue Bonds in the amount of \$296. These series were issued to refund certain outstanding TBTA General Purpose Revenue Bonds. In 2002 these bonds were paid or defeased.

TBTA Mortgage Recording Tax Bonds

These bonds are obligations payable from MRT levied by NYS and allocated between MTA and NYCTA as described in Note 2. If available MRT receipts are not sufficient to fund debt service, TBTA will fund the required amount from its net operating revenue after satisfying the requirements of the 1980 resolution. Total debt service for these bonds for 2002 and 2001, was \$85 and \$59, respectively. The portion not covered by MRT receipts and funded by TBTA was zero in both 2002 and 2001. These bonds are on parity, as to claims on available TBTA net revenue, with TBTA Beneficial Interest Certificates and with TBTA Special Obligation Subordinated Bonds. In 2002, TBTA defeased all outstanding bonds issued under the 1991 Bond Resolution.

TBTA Beneficial Interest Certificates

The Beneficial Interest Certificates are obligations of TBTA payable from net revenues and other amounts derived from TBTA facilities. These certificates are subordinate to the TBTA General Purpose Revenue Bonds and are on parity as to claims on available TBTA net revenues with the TBTA Mortgage Recording Tax Bonds and TBTA Special Obligation Subordinated Bonds. These bonds were defeased in 2002.

TBTA Special Obligation Subordinated Bonds

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

TBTA Senior Revenue Bonds

In March 2002, TBTA issued General Purpose Revenue Bonds, Series 2002A in the amount of \$268. These bonds were issued to finance certain improvements to TBTA's bridges and tunnels. In October 2002, TBTA issued General Revenue Refunding Bonds, Series 2002B in the amount of \$2,157, and General Revenue Variable Rate Refunding Bonds, Series 2002C in the amount of \$103. These bonds were issued to refund TBTA bonds issued under the old resolutions. In October 2002, TBTA substituted the TBTA General Revenue Bond Resolution

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
[\$ millions]

(the Senior Resolution) for TBTA General Purpose Revenue Bond Resolution adopted in 1980 as the resolution securing \$24 General Purpose Revenue Bonds, Series EFC1996A; \$1,126 General Purpose Revenue Bonds, Series 2001A; \$296 General Purpose Revenue Bonds, Series 2001B and 2001C; and \$268 General Purpose Revenue Bonds, Series 2002A. In November 2002, TBTA issued \$246 General Revenue Refunding Bonds, Series F. These bonds were issued to refund TBTA bonds issued under the old resolutions. These series are general obligations of TBTA, payable generally from the net revenues collected on the bridges and tunnels operated by TBTA.

TBTA Subordinate Revenue Bonds

In October 2002, TBTA issued \$262 Subordinate Revenue Variable Rate Funding Bonds, Series 2002D. In November 2002, TBTA issued \$756 Subordinate Revenue Refunding Bonds, Series 2002E and \$181 Subordinate Revenue Variable Rate Refunding Bonds, Series 2002G. These bonds were issued to refund TBTA bonds issued under the old resolutions. In October 2002, TBTA substituted the Subordinate Revenue Resolution for the TBTA 1991 Special Obligation Bond Resolution as the resolution securing \$508 Special Obligation Variable Rate Refunding Bonds (1991 Resolution) Series 2002A–D. These series are special obligations of TBTA, payable generally from the net revenues collected on the bridges and tunnels operated by TBTA after the payment of operating expenses and debt services as required by TBTA's Senior Resolution.

Debt Limitation

The NYS Legislature has imposed limitations on the aggregate amount of debt that the Authority, excluding TBTA, can issue to fund the approved capital program. For the 1992 through 2004 Capital Programs, the imposed limitation, subject to certain exclusions, is \$16,500 compared with issuances totaling approximately \$6,978 at December 31, 2002.

Bond Refundings

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

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

The debt refundings resulted in an economic loss of approximately \$56.9 and an increase in future debt service cash flow of \$4,283. The economic loss is defined as the present value of the increase in future debt service cash flows.

At December 31, 2002, the following amounts of Authority bonds, which have been refunded, remain valid debt instruments and are secured solely by and payable solely from respective irrevocable trusts.

MTA Transit and Commuter Facilities	
Transit Revenue Bonds	\$2,286
Commuter Facilities Revenue Bonds	1,878
Commuter Facilities Subordinate Revenue Bonds	83
Transit and Commuter Facilities Service Contract Bonds	1,233
Dedicated Tax Fund Bonds	1,428
TBTA Beneficial Interest Certificates	27
TBTA Special Obligation Subordinate Bonds	241
TBTA Mortgage Recording Tax Bonds	300
Total	\$7,476

Interest Rate Swap Options

MTA has entered into a number of interest rate swaps in connection with its bonds. The following is a general summary of the swaps and the bonds relating thereto. Except as noted below, the outstanding aggregate principal amount of the bonds (calculated as of December 31, 2002) is equal to the aggregate notional amount of the swap relating thereto:

- \$440 outstanding aggregate principal amount Dedicated Tax Fund Variable Rate Bonds, Series 2002B—MTA entered into an interest rate swap agreement with Morgan Stanley Capital Services Inc., as counterparty, for the purpose of converting MTA's variable rate exposure to a fixed rate. Under the terms of the swap, MTA will pay a fixed rate to the counterparty and receive a variable rate equal to (1) the variable rate on the Series 2002B Bonds until April 30, 2010, and (2) thereafter, to the termination of the swap, the BMA Municipal Swap Index ("BMA Index"). The swap terminates in 2013 and the final maturity of the Series 2002B Bonds is 2022, so the amortization of the notional amount of the swap does not track the amortization of the principal of the Series 2002B Bonds. The swap is a qualified swap under the Dedicated Tax Fund Resolution and, as such, MTA's scheduled interest obligations under the swap constitute parity swap obligations under the Dedicated Tax Fund Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Dedicated Tax Fund Resolution.
- \$210.5 outstanding aggregate principal amount Transportation Revenue Variable Rate Refunding Bonds, Series 2002B—MTA entered into an interest rate swap agreement with Bear Stearns Capital Markets Inc., as counterparty, for the purpose of converting MTA's variable rate exposure to a fixed rate. Under the terms of the swap, MTA will pay a fixed rate to the counterparty and receive a variable rate equal to the BMA Index. The swap terminates on January 1, 2004, and the final maturity of the Series 2002B Bonds is 2022, so the amortization of the notional amount of the swap does not track the amortization of the principal of the Series 2002B Bonds. The swap is a qualified swap under the Transportation Revenue Bond Resolution and, as such, MTA's scheduled interest obligations under the swap constitute parity swap obligations under the Transportation Revenue Bond Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Transportation Revenue Bond Resolution.
- \$200 outstanding aggregate principal amount Transportation Revenue Variable Rate Refunding Bonds, Subseries 2002D-1—MTA entered into an interest rate swap agreement with Bear Stearns Capital Markets Inc., as counterparty, for the purpose of converting MTA's variable rate exposure to a fixed rate. Under the terms of the swap, MTA will pay a fixed rate to the counterparty and receive a variable rate equal to the BMA Index. The swap terminates on January 1, 2006, and the final maturity of the Series 2002B Bonds is 2029, so the amortization of the notional amount of the swap does not track the amortization of the principal of the Series 2002D-1 Bonds. The swap is a qualified swap under the Transportation Revenue Bond Resolution and, as such, MTA's scheduled interest obligations under the swap constitute parity swap obligations under the Transportation Revenue Bond Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Transportation Revenue Bond Resolution.
- \$200 outstanding aggregate principal amount Transportation Revenue Variable Rate Refunding Bonds, Subseries 2002D-2—MTA entered into an interest rate swap agreement with Bear Stearns Capital Markets Inc., as counterparty, for the purpose of converting MTA's variable rate exposure to a fixed rate. Under the terms of the swap, MTA will pay a fixed rate to the counterparty and receive a variable rate equal to the BMA Index. The swap terminates on January 1, 2007, and the final maturity of the Series 2002D-2 Bonds is 2032, so the amortization of the notional amount of the swap does not track the amortiza-

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Years Ended December 31, 2002 and 2001
[\$ millions]

tion of the principal of the Series 2002D-2 Bonds. The swap is a qualified swap under the Transportation Revenue Bond Resolution and, as such, MTA's scheduled interest obligations under the swap constitute parity swap obligations under the Transportation Revenue Bond Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Transportation Revenue Bond Resolution.

- MTA entered into a successor interest rate swap agreement with Bear Stearns Capital Markets Inc., as counterparty, that becomes effective upon the scheduled termination of the swap referenced in the preceding paragraph (January 1, 2007), for the purpose of converting MTA's variable rate exposure on the \$200 outstanding aggregate principal amount Transportation Revenue Variable Rate Refunding Bonds, Subseries 2002D-2 to a fixed rate. Under the terms of the swap, MTA will pay a fixed rate to the counterparty and receive a variable rate equal to the BMA Index. The swap terminates in 2032 upon the final maturity of the Series 2002B Bonds. The swap is a qualified swap under the Transportation Revenue Bond Resolution and, as such, MTA's scheduled interest obligations under the swap constitute parity swap obligations under the Transportation Revenue Bond Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Transportation Revenue Bond Resolution.

Upon the occurrence of certain events of default or termination events identified in the swap, either MTA or the counterparty could terminate the swap in accordance with its terms. Termination results in the payment of a termination amount by one party that attempts to compensate the other party for its economic losses. The cost of termination would depend, in major part, on then current interest rate levels, and, if interest rate levels were then lower than the swap rates, the cost of termination to MTA could be substantial.

TBTA has entered into a number of interest rate swaps in connection with its bonds. The following is a general summary of the swaps and the bonds relating thereto. Except as noted below, the outstanding aggregate principal amount of the bonds (calculated as of December 31, 2002) is equal to the aggregate notional amount of the swap relating thereto.

- \$253.8 outstanding aggregate principal amount Subordinate Revenue Variable Rate Refunding Bonds, Series 2000A and 2000B (\$235.3 notional amount)—TBTA entered into an interest rate swap agreement with Bear Stearns Capital Markets Inc., as counterparty, for the purpose of converting TBTA's variable rate exposure to a fixed rate. Under the terms of the swap, TBTA will pay a fixed rate to the counterparty and receive a variable rate equal to the variable rate on the Series 2000A and 2000B Bonds. The swap terminates on January 1, 2019 with the final maturity of the Series 2000A and 2000B Bonds. The swap is a qualified swap under the Subordinate Revenue Resolution and, as such, TBTA's scheduled interest obligations under the swap constitute parity swap obligations under the Subordinate Revenue Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Subordinate Revenue Resolution.
- \$253.8 outstanding aggregate principal amount Subordinate Revenue Variable Rate Refunding Bonds, Series 2000C and 2000D (\$235.3 notional amount)—TBTA entered into an interest rate swap agreement with Salomon Brothers Holding Company Inc., as counterparty, for the purpose of converting TBTA's variable rate exposure to a fixed rate. Under the terms of the swap, TBTA will pay a fixed rate to the counterparty and receive a variable rate equal to the variable rate on the Series 2000C and 2000D Bonds. The swap terminates on January 1, 2019 with the final maturity of the Series 2000C and 2000D Bonds. The swap is a qualified swap under the Subordinate Revenue Resolution and, as such, TBTA's scheduled interest obligations under the swap constitute parity swap obligations under the Subordinate Revenue Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Subordinate Revenue Resolution.

- \$296.4 outstanding aggregate principal amount General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C—TBTA entered into an interest rate swap agreement with Salomon Brothers Holding Company Inc., as counterparty, for the purpose of converting TBTA's variable rate exposure to a fixed rate. Under the terms of the swap, TBTA will pay a fixed rate to the counterparty and receive a variable rate equal to the variable rate on the Series 2001B and 2001C Bonds. The swap terminates in 2019 and the final maturity of the Series 2001B and 2001C Bonds is 2032, so the amortization of the notional amount of the swap does not track the amortization of the principal of the Series 2001B and 2001C Bonds. The swap is a qualified swap under the Senior Lien Resolution and, as such, TBTA's scheduled interest obligations under the swap constitute parity swap obligations under the Senior Lien Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Subordinate Revenue Resolution.
- \$103.305 outstanding aggregate principal amount General Revenue Variable Rate Refunding Bonds, Series 2002C (\$101.6 notional amount)—TBTA entered into an interest rate swap agreement with Ambac Financial Services, L.P., as counterparty, for the purpose of converting TBTA's variable rate exposure to a fixed rate. Under the terms of the swap, TBTA will pay a fixed rate to the counterparty and receive a variable rate equal to the variable rate on the Series 2002C Bonds. The swap terminates in 2013 and the final maturity of the Series 2002C Bonds is 2033, so the amortization of the notional amount of the swap does not track the amortization of the principal of the Series 2002C Bonds. The swap is a qualified swap under the Senior Lien Resolution and, as such, TBTA's scheduled interest obligations under the swap constitute parity swap obligations under the Senior Lien Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Subordinate Revenue Resolution.
- \$181.025 outstanding aggregate principal amount Subordinate Revenue Variable Rate Refunding Bonds, Series 2002G (Auction Rate Securities)—TBTA entered into two interest rate swap agreements (one relating to the Subseries 2002G-1 Bonds and the other to the Subseries 2002G-2 Bonds) with JPMorgan Chase Bank, as counterparty, for the purpose of converting TBTA's variable rate exposure to a fixed rate. Under the terms of the swaps, TBTA will pay a fixed rate to the counterparty and receive a variable rate equal to the lesser of (1) the variable rate on the Series 2002G Bonds or (2) 67% of the one-month LIBOR rate minus 45 basis points. The swaps terminate in 2018, subject to TBTA's option to terminate one of the swaps on or after December 29, 2010 and the other on or after January 5, 2011, and the final maturity of the Series 2002G Bonds is 2032, so the amortization of the notional amount of the swaps does not track the amortization of the principal of the Series 2002G Bonds. The swaps are qualified swaps under the Subordinate Revenue Resolution and, as such, TBTA's scheduled interest obligations under the swaps constitute parity swap obligations under the Subordinate Revenue Resolution. All other payments, including termination payments, are subordinate to the payment of debt service under the Subordinate Revenue Resolution.

Upon the occurrence of certain events of default or termination events identified in the swap, either TBTA or the counterparty could terminate the swap in accordance with its terms. Termination results in the payment of a termination amount by one party that attempts to compensate the other party for its economic losses. The cost of termination would depend, in major part, on then-current interest rate levels, and, if interest rate levels were then lower than the swap rates, the cost of termination to TBTA could be substantial. Net interest payments under the terms of the swaps are reflected as interest expense in the Statement of Revenues, Expenses, and Changes in Net Assets. Fees received by the Authority in connection with the swaps are deferred and amortized as a yield adjustment to interest expense.

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

Debt Service Payments

Principal and interest debt service payments (excluding refunded bonds) at December 31, 2002, will be as follows for the 12 months ended December 31:

	Twelve Months Ended December 31,							
	MTA		TBTA				Aggregate Debt Service	
	Principal	Interest	Senior Revenue		Subordinate Revenue		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 62	\$ 488	\$ 1	\$ 204	\$ 19	\$ 87	\$ 82	\$ 779
2004	148	486	39	204	20	86	207	776
2005	175	483	73	202	21	85	269	770
2006	182	472	76	199	22	84	280	755
2007	189	464	73	201	29	82	291	747
2008-2012	1,089	2,183	495	924	175	385	1,759	3,492
2013-2017	1,400	1,880	586	799	263	330	2,249	3,009
2018-2022	1,802	1,483	995	634	406	241	3,203	2,358
2023-2027	2,306	992	1,242	433	348	140	3,896	1,565
2028-2032	2,672	356	634	175	403	55	3,709	586
2033-2037	-	-	7	-	-	-	7	-
	\$10,025	\$ 9,287	\$ 4,221	\$ 3,975	\$ 1,706	\$ 1,575	\$15,952	\$14,837

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, Series 2002B—4.06% per annum until 09/01/2013 based on the interest rate swap and 4.00% per annum thereafter

Transportation Revenue Refunding Bonds, Series 2002B—5.50% per annum

Transportation Revenue Refunding Bonds, Series 2002C—7.00% per annum

Transportation Revenue Refunding Bonds, Series 2002D—5.50% per annum

Transportation Revenue Refunding Bonds, Series 2002G—4.00% per annum

TBTA Subordinate Refunding Bonds, Series 2000A and 2000B—4.00% per annum and including net payments made by TBTA under the swap agreements

TBTA General Revenue Refunding Bonds, Series 2002C—4.00% per annum and including net payments made by TBTA under the swap agreements

TBTA General Revenue Refunding Bonds, Series 2002D—4.00% per annum

TBTA General Revenue Refunding Bonds, Series 2002F—4.00% per annum

TBTA General Revenue Refunding Bonds, Series 2002G—4.00% per annum

Tax Rebate Liability

Under the Internal Revenue Code of 1986, the Authority accrues a liability for an amount of rebatable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. The arbitrage liability is payable to the federal government every five years and is reported as part of other long-term liabilities. At December 31, 2002 and 2001, the Authority recorded a rebate liability amounting to \$6.9 and \$13.3, respectively.

Note 7—Lease Transactions

Hillside Facility

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

Under the terms of the lease/leaseback agreement, the Authority initially received \$313.5, which was utilized as follows. The Authority paid \$266.4 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the Authority to make these payments to the third party. The Authority used \$20.7 to purchase Treasury securities, which it deposited under pledge to the third party. This deposit, together with the aforementioned obligation of the third party's lender, resulted in a financial defeasance of all sublease obligations, including the cost of purchasing the third party's remaining rights at the end of the 22-year sublease period, if the purchase option is exercised. A further \$.6 was used to pay for legal and other costs of the transaction, and \$3.2 was used to pay the first rental payment under the sublease. A further \$22.5 is the Authority's net benefit from the transaction, representing consideration for the tax benefits. TBTA has entered into a guarantee with the third party that the sublease payments will be made. At December 31, 2002, the Authority has recorded a long-term capital obligation and capital asset of \$282 arising from the transaction.

Subway and Rail Cars

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

Under the terms of the lease/leaseback agreement, the Authority initially received \$76.6, which was utilized as follows. The Authority paid \$59.8 to an affiliate of the third party's lender, which has the obligation to make a portion of sublease rent payments equal to this amount, thereby eliminating the need for the Authority to make these payments to the third party. The Authority used \$12.5 to purchase a Letter of Credit from an affiliate of the third party's lender, guaranteed by the third party lender's parent. This payment, together with the aforementioned obligation of the third party's lender, is sufficient to settle all obligations, including the cost of purchasing the third party's remaining rights at the end of the sublease period if the purchase options are exercised. At December 31, 2002, the Authority has recorded a long-term capital obligation and capital asset of \$56 arising from the transaction. The net proceeds are deferred and amortized to operations over the period of the lease.

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

Under the terms of the sale/leaseback agreements, the Authority initially received \$1,514.9, which was utilized as follows. The Authority paid \$1,058.6 to affiliates of certain of the lenders to the third parties, which affiliates have the obligation to make a portion of the lease rent payment equal to the debt service on the related loans, thereby eliminating the need for MTAHQ to make these payments to the third parties. The Authority also purchased Freddie Mac, FNMA and U.S. Treasury debt securities in amounts and with maturities, which are sufficient, to make the lease rent payments equal to the debt service on the loans from the other

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
[\$ millions]

lenders to the third parties. In the case of one of the four leases, MTAHQ also purchased Freddie Mac debt securities in amounts and with maturities which are expected to be sufficient to pay the remainder of the lease rent payments under that lease and the purchase price due upon exercise by the Authority of the purchase option if exercised. In the case of the other three leases, the Authority entered into Equity Payment Agreements with Premier International Funding Co. (which are guaranteed by Financial Security Assurance, Inc.) whereby that entity has the obligation to provide to the Authority the amounts necessary to make the remainder of the basic lease rent payments under the leases and to pay the purchase price due upon exercise by the Authority of the purchase options if exercised. The amount remaining after payment of transaction expenses, \$96.2, was the Authority's net benefit from these four transactions. These amounts are deferred and amortized to operations over the period of the lease.

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

QTE Lease Transactions

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

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

Other Lease Transactions

On July 29, 1998, the MTAHQ, NYCTA, and TBTA entered into a lease and related agreements whereby each agency, as sublessees, will rent, for an initial stated term of approximately 50 years, an office building at Two Broadway in Lower Manhattan. The lease term expires on July 30, 2048, and, pursuant to certain provisions, is renewable for two additional 15-year terms. The lease comprises both operating (for the lease of land) and capital (for the lease of the building) elements. The total annual rental payments over the initial lease term are \$1,602 with rent being abated from the commencement date through June 30, 1999. During 2002 and 2001 the Authority made rent payments of \$20.8. In connection with the renovation of the building and for tenant improvements, the Authority issued \$121.2 and \$328.2 in 2000 and 1999, respectively, of long-term obligations (see Note 6). The office building is principally occupied by NYCTA and TBTA.

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

In August 1988, the Authority entered into a 99-year lease agreement with Amtrak for Pennsylvania Station. This agreement, with an option to renew, is for rights to the lower concourse level and certain platforms. The \$44.6 paid to Amtrak by the Authority under this agreement is included in other assets. This amount is being amortized over 30 years. In addition to the 99-year lease, LIRR entered into an agreement with Amtrak to share equally the cost of the design and construction of certain facilities at Pennsylvania Station. Under this agreement, the Authority may be required to contribute up to \$60 for its share of the cost. As of December 31, 2000 the project was closed and \$50 was included in property and equipment.

Total rent expense under operating leases approximated \$14 in 2002 and \$16 in 2001.

At December 31, 2002, the future minimum lease payments under noncancellable leases are as follows:

Year	Operating	Capital
2003	\$ 20	\$ 66
2004	19	227
2005	17	124
2006	17	163
2007	17	1,126
2008–2012	63	535
2013–2017	56	424
2018–2022	43	691
2023–2027	43	316
2028–2032	43	339
Thereafter	403	1,535
	\$741	5,546
Amount representing interest		(3,252)
Present value of capital lease obligations		\$2,294

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(\$ millions)

Note 8—Estimated Liability Arising from Injuries to Persons

A summary of activity in estimated liability as computed by actuaries arising from injuries to persons, including employees, and damage to third-party property, for the years ended December 31, 2002 and 2001 is presented below:

	2002	2001
Balance, beginning of year	\$890	\$887
Activity during the year:		
Current year claims and changes in estimates	192	129
Claims paid	(133)	(126)
Balance end of year	949	890
Less current portion	(153)	(148)
Long-term liability	\$796	\$742

Note 9—Commitments and Contingencies

The September 11, 2001 terrorist attack on the World Trade Center in New York resulted in the following significant items: (1) significant physical and structural damage to NYCTA's N, R, 1, and 9 lines and related facilities and stations; (2) temporary closure of TBTA's bridges and tunnels, not all facilities, and certain restrictions imposed on the number of vehicle occupants when the facilities were reopened; (3) safety and security expenditures in and around the World Trade Center; and (4) temporary closure of MNCR's Grand Central Terminal and LIRR's Pennsylvania Station. The Authority has submitted claims to its re-insurance providers for reimbursement for expenditures incurred, for physical and structural damages and for loss of revenues due to business interruption. The Authority, on behalf of the agencies, has submitted certain re-insurance claims in connection with such losses and has received \$191 as of December 31, 2002.

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

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

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

On December 30, 1996, MTAHQ, LIRR, and MSBA entered into a Funding Agreement ("First Nassau County Agreement") with the County of Nassau (the "County"). Pursuant to the First Nassau County Agreement, MTAHQ agreed to make a grant transfer of \$51 to the County, after certain conditions were met by the County. In exchange, the County would make project contributions to MTAHQ equal to two times the amount of the grant transfer, provided that the aggregate amount of project contributions does not exceed \$102. At December 31, 1997, \$51 had been paid to the County as a grant and was recorded by MTAHQ as a receivable against future

project contributions. At December 31, 2002, MTAHQ had requisitioned \$90 and had received \$81 from the County for reimbursement of project costs incurred. A second Funding Agreement ("Second Nassau County Agreement") with the County containing substantially the same terms was entered into by MTAHQ and LIRR on May 1, 1999. Pursuant to the Second Nassau County Agreement, MTAHQ made a grant transfer of \$70 to the County and, in exchange, the County made project contributions in 1991 of \$140 to MTAHQ.

Pursuant to a Memorandum of Understanding ("MOU") dated May 20, 1996, by and among MTAHQ, NYCTA, and NYC, NYCTA was authorized, and made grant transfers to NYC, totaling \$250 through 1997. In exchange, NYC agreed to pay \$500 from its capital budget to fund NYCTA's capital program. The intent of the MOU was to provide additional capital funding to the NYCTA, which did not require the issuance of bonds supported by NYCTA revenues, including fare receipts. MTAHQ treats the first \$250 as a receivable due from NYC and the second \$250 as contributed capital. As of December 31, 2002, NYC had made capital payments totaling \$444.6, thereby reducing the receivable due from NYC in the consolidated balance sheets to \$0 and recognizing the additional \$194.6 as contributed capital.

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

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

The Authority's lease of new office space at Two Broadway has resulted in civil litigation between the Authority and the owner/landlord of Two Broadway in the Supreme Court of New York, New York County (the "Supreme Court action"), asking for declaratory, injunctive and monetary relief as a result of the landlord's defective performance and interference with the reconstruction and refurbishment of the base, core, and shell of the building (the "Base Building Work"). In turn, the landlord commenced a nonpayment of rent proceeding in the Civil Court of New York City, New York County (the "Civil Court action"), seeking to collect rent withheld by the Authority to cover the costs of the base Building Work, which was being financed by the Authority. The Civil Court action (Judge Acosta) has been stayed pending adjudication of the Supreme Court action, on the condition that the Authority pay use and occupancy rent. On May 22, 2000, the Supreme Court (Judge Lehner) granted the Authority's request for a preliminary injunction enjoining the defendants from taking any action to interfere with the Base Building Work, evict the Authority, or terminate the Authority's tenancy, pending the outcome of the case. On January 16, 2001, the Appellate Division modified the May 22, 2000 order to condition the injunction on the Authority's payment of use and occupancy rent, from that day forward. On November 22, 2002, the Court granted in part the Authority's motion for summary judgment and referred the determination of the full amount of the Base Building Work budget to a judicial referee. Deposition of the Landlord's expert witness who compiled the Landlord's objections to the amount of deductions sought by the Authority commenced on Monday, March 3, 2003. The Authority claims that it is entitled to a rent credit, in accordance with the applicable agreement, of \$154, while defendants insist that the correct amount is approximately \$50.

Notes to Combined Financial Statements

Years Ended December 31, 2002 and 2001
(\$ millions)

Note 10—Segment Information

	MNCR	LIRR	MTA*	NYCTA	TBTA	Eliminations	Total
2002							
Operating Revenue	\$ 367	\$ 373	\$ 81	\$ 2,330	\$ 939	\$ (37)	\$ 4,053
Depreciation and amortization	138	174	26	761	36	—	1,135
Subsidies and grants	—	—	111	318	—	—	429
Tax revenue	—	—	634	1,034	—	—	1,668
Interagency subsidy	—	—	163	100	(263)	—	—
Operating (deficit) surplus	(391)	(589)	(252)	(2,314)	603	—	(2,943)
Net (deficit) surplus	205	297	(6,265)	6,066	57	—	360
Capital expenditures	81	170	4,062	734	263	(1,056)	4,254
Total assets	3,110	4,641	9,622	21,093	3,536	(2,234)	39,768
Net working capital	(34)	(36)	1,166	(120)	119	(324)	771
Long-term debt	—	—	10,214	—	6,097	(42)	16,269
Net Assets	2,898	3,780	(5,598)	19,037	(3,255)	—	16,862
2001							
Operating Revenue	\$ 366	\$ 384	\$ 86	\$ 2,326	\$ 923	\$ (33)	\$ 4,052
Depreciation and amortization	128	158	23	727	31	—	1,067
Subsidies and grants	—	—	103	318	—	—	421
Tax revenue	—	—	680	950	—	—	1,630
Interagency subsidy	—	—	202	133	(335)	—	—
Operating (deficit) surplus	(360)	(539)	(241)	(2,161)	635	—	(2,666)
Net (deficit) surplus	108	201	76	801	(796)	—	390
Capital expenditures	77	169	3,002	685	1,106	(1,799)	3,240
Total assets	2,904	4,395	13,638	19,519	3,927	(6,968)	37,415
Net working capital	(14)	(41)	1,124	(38)	(128)	(230)	673
Long-term debt	—	—	8,652	192	6,493	(44)	15,293
Net Assets	2,693	3,483	667	12,971	(3,312)	—	16,502

*Includes the amounts of MTAHQ, MSBA, SIRTQA, FMTAC and ELF

Required Supplementary Information: Schedule of Pension Funding Progress

(Unaudited)
(\$ Millions)

Single-Employer Plans

Valuation Date	LIRR			SIRTOA		
	1/01/02	1/01/01	1/01/00	1/01/02	1/01/01	1/01/00
a. Actuarial value of plan assets	\$ 820.8	\$ 813.8	\$ 796.7	\$33.8	\$31.0	\$26.8
b. Actuarial accrued liability (AAL)	1,451.4	1,361.1	1,160.1	42.0	39.2	33.3
c. Total unfunded AAL (UAAL) [b-a]	630.6	547.3	363.4	8.2	8.2	6.5
d. Funded ratio [a/b]	56.6%	59.8%	68.7%	80.5%	79.1%	80.5%
e. Covered payroll	\$ 180.3	\$ 192.5	\$ 285.0	\$15.3	\$13.7	\$11.9
f. UAAL as a percentage of covered payroll [c/e]	349.8%	284.3%	127.5%	53.6%	59.9%	54.6%

			Single-Employer Plans		
MaBSTOA			MTA		
1/01/02	1/01/01	1/01/00	1/01/02	1/01/01	1/01/00
\$ 656.4	\$ 611.5	\$ 540.1	\$255.5	\$240.4	\$216.0
1,614.9	1,592.5	1,471.8	284.3	270.2	253.1
958.5	981.0	931.7	28.8	29.8	37.1
40.6%	38.4%	36.7%	89.9%	89.0%	85.3%
\$ 432.7	\$ 400.5	\$ 378.9	\$144.7	\$135.1	\$121.5
221.5%	244.9%	245.9%	19.9%	22.1%	30.5%

Combining Balance Sheets

December 31, 2002
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Assets					
Current Assets:					
Cash	\$ 36	\$ 36	\$ 12	\$ –	\$ 84
Investments	1,260	20	524	(2)	1,802
Receivables:					
Station maintenance, operation, and use assessments	88	–	–	–	88
State and regional mass transit taxes	5	–	–	–	5
Interest	6	–	1	–	7
Due from affiliated agencies	344	443	126	(913)	–
Due from New York City	108	–	–	–	108
Other	269	127	18	(5)	409
Less allowance for doubtful accounts	(4)	(23)	–	–	(27)
Total receivables–net	816	547	145	(918)	590
Materials and supplies	106	157	–	–	263
Prepaid expenses and other current assets	39	87	7	–	133
Total current assets	2,257	847	688	(920)	2,872
Noncurrent Assets:					
Properties and equipment–net	7,527	19,339	2,094	–	28,960
Restricted investments held for lease obligations	2,027	119	83	–	2,229
Investments	1,650	–	363	–	2,013
Receivable from New York State	1,984	–	–	–	1,984
Due from affiliated agencies	543	771	–	(1,314)	–
Other noncurrent assets	1,385	17	308	–	1,710
Total noncurrent assets	15,116	20,246	2,848	(1,314)	36,896
Total assets	\$17,373	\$21,093	\$3,536	\$(2,234)	\$39,768

(continued)

Combining Balance Sheets

December 31, 2002
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable	\$ 470	\$ 118	\$ 62	\$ –	\$ 650
Accrued expenses:					
Interest	113	–	88	–	201
Salaries, wages, and payroll taxes	35	148	2	–	185
Vacation and sick pay benefits	105	387	14	–	506
Current portion—retirement and death benefits	6	9	–	–	15
Current portion—estimated liability from injuries to persons	33	107	13	–	153
Other	19	50	–	–	69
Total accrued expenses	311	701	117	–	1,129
Current portion—long-term debt	24	–	21	–	45
Current portion—obligations under capital lease	–	–	7	–	7
Deferred revenue	38	142	90	–	270
Due to affiliated agencies	318	6	272	(596)	–
Total current liabilities	1,161	967	569	(596)	2,101
Noncurrent Liabilities:					
Retirement and death benefits	–	61	–	–	61
Estimated liability arising from injuries to persons	167	627	2	–	796
Long-term debt	10,214	–	6,097	(42)	16,269
Obligations under capital lease	2,032	135	120	–	2,287
Due to affiliated agencies	1,367	229	–	(1,596)	–
Other long-term liabilities	1,352	37	3	–	1,392
Total noncurrent liabilities	15,132	1,089	6,222	(1,638)	20,805
Total liabilities	16,293	2,056	6,791	(2,234)	22,906
Net Assets:					
Invested in capital assets, net of related debt	(2,382)	19,088	1,489	(4,304)	13,891
Restricted for debt service	253	19	496	–	768
Unrestricted (deficit)	3,209	(70)	(5,240)	4,304	2,203
Total net assets	1,080	19,037	(3,255)	–	16,862
Total liabilities and net assets	\$17,373	\$21,093	\$3,536	\$(2,234)	\$39,768

(concluded)

Combining Statements of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2002
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Operating Revenues					
Passenger and tolls	\$ 724	\$ 2,255	\$933	\$ -	\$ 3,912
Rents, freight and sundry	97	75	6	(37)	141
Total operating revenues	821	2,330	939	(37)	4,053
Operating Expenses					
Salaries and wages	892	2,394	109	-	3,395
Retirement and other employee benefits	374	693	32	-	1,099
Materials and supplies	118	236	48	-	402
Fuel and power	90	184	4	-	278
Computer, engineering and other consulting services	118	210	78	-	406
Public liability and claims	55	74	11	-	140
Depreciation and amortization	338	761	36	-	1,135
Other expenses	68	92	18	(37)	141
Total operating expenses	2,053	4,644	336	(37)	6,996
Operating (Loss) Income	\$(1,232)	\$(2,314)	\$603	\$ -	\$(2,943)

(continued)

Combining Statements of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2002
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Nonoperating Revenues (Expenses)					
Grants, appropriations and taxes:					
Tax supported subsidies–NYS	\$ 359	\$ 856	\$ –	\$ –	\$ 1,215
Tax supported subsidies–NYC and local	275	178	–	–	453
Operating subsidies–NYS	71	159	–	–	230
Operating subsidies–NYC and local	40	159	–	–	199
Total grants, appropriations and taxes	745	1,352	–	–	2,097
Interagency subsidy	163	100	(263)	–	–
Funds restricted for capital projects and debt service	(15)	–	15	–	–
Operating subsidies recoverable from CDOT related to					
MNCR's New Haven Line	47	–	–	–	47
Subsidies to Dutchess, Orange and Rockland counties	(14)	–	–	–	(14)
Interest on long-term debt	(121)	(87)	(350)	–	(558)
Station maintenance, operation and use assessments	117	–	–	–	117
Loss on disposal of subway cars	–	(58)	–	–	(58)
Unrealized Gain (Loss) on Investment	(10)	–	1	–	(9)
Other nonoperating income	10	5	–	–	15
Total nonoperating revenues (expenses)	922	1,312	(597)	–	1,637
(Loss) Income before appropriations	(310)	(1,002)	6	–	(1,306)
Appropriations, grants and other receipts externally					
restricted for capital projects	(321)	7,068	51	(5,132)	1,666
Cash and noncash defeasance	(5,132)	–	–	5,132	–
Total appropriations	(5,453)	7,068	51	–	1,666
Change in net assets	(5,763)	6,066	57	–	360
Net assets, beginning of year	6,843	12,971	(3,312)	–	16,502
Net assets, end of year	\$1,080	\$19,037	\$(3,255)	\$ –	\$16,862

(concluded)

Combining Statements of Cash Flows

Year Ended December 31, 2002
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows from Operating Activities					
Passenger receipts/tolls	\$ 723	\$ 2,274	\$ 940	\$ -	\$ 3,937
Rents and other receipts	137	102	7	(34)	212
Payroll and related fringe benefits	(1,272)	(3,130)	(144)	-	(4,546)
Other operating expenses	(455)	(680)	(166)	21	(1,280)
Net cash (used in) provided by operating activities	(867)	(1,434)	637	(13)	(1,677)
Cash Flows from Noncapital Financial Activities					
Grants, appropriations and taxes	1,003	1,588	-	-	2,591
Operating subsidies from CDOT	49	-	-	-	49
Subsidies to Dutchess, Orange and Rockland counties	(10)	-	-	-	(10)
Subsidies received from affiliated agencies	173	102	(275)	-	-
Net cash provided by (used in) noncapital financing activities	1,215	1,690	(275)	-	2,630
Cash Flows from Capital and Related Financing Activities					
MTA bond proceeds	9,138	-	-	-	9,138
MTA bonds refunded	(7,635)	-	-	-	(7,635)
MTA ELF special obligation bonds cash refunded	(41)	-	-	-	(41)
TBTA bond proceeds	-	-	4,133	(17)	4,116
TBTA bonds refunded	(834)	-	(3,779)	-	(4,613)
Proceeds from capital lease transactions	476	-	-	-	476
Capital lease payments	(5)	-	-	-	(5)
JP Morgan Chase loan repayment	(300)	-	-	-	(300)
Grants and appropriations	1,327	-	-	-	1,327
CDOT capital contributions	4	-	(13)	13	4
Capital expenditures	(4,564)	(734)	(263)	1,073	(4,488)
Debt service payments	(437)	(314)	(511)	307	(955)
Subsidies designated for debt service payments	-	314	-	(307)	7
Reimbursement of capital project costs					
to/from MTA	449	607	-	(1,056)	-
Payment (to) from affiliated agencies for debt service	(116)	-	116	-	-
Net cash (used in) provided by capital and related financing activities	\$(2,538)	\$ (127)	\$ (317)	\$ 13	\$(2,969)

(continued)

Combining Statements of Cash Flows

Year Ended December 31, 2002
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows from Investing Activities					
Purchase of securities—long-term	\$(7,323)	\$ (10)	\$ (10)	\$ –	\$(7,343)
Sales of maturities of securities—long-term	5,093	22	114	–	5,229
Sales (purchases) of short-term securities	4,142	–	(148)	–	3,994
Net (decrease) increase in funds received from affiliated agencies for centralized temporary investment	149	(137)	(12)	–	–
Earnings on investments	126	1	15	–	142
Net cash provided by (used in) investing activities	2,187	(124)	(41)	–	2,022
Net (decrease) increase in cash	(3)	5	4	–	6
Cash, beginning of year	39	31	8	–	78
Cash, end of year	\$ 36	\$ 36	\$ 12	\$ –	\$ 84

Reconciliation of Operating Income (Loss) from Operations to Net Cash (Used in) Provided by Operating Activities

Operating income (loss)	\$(1,232)	\$ (2,314)	\$ 603	\$ –	\$ (2,943)
Adjustments to reconcile to net cash provided by (used in) operating activities:					
Depreciation and amortization	338	761	36	–	1,135
Net (increase) decrease in payables, accrued expenses and other liabilities	(154)	78	(6)	–	(82)
Net decrease in receivables	152	23	6	–	181
Net decrease (increase) in materials and supplies and prepaid expenses	29	18	(2)	(13)	32
Net cash (used in) provided by operating activities	\$ (867)	\$(1,434)	\$637	\$(13)	\$(1,677)

(concluded)

Combining Balance Sheets

December 31, 2001
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Assets					
Current assets:					
Cash	\$ 39	\$ 31	\$ 8	\$ –	\$ 78
Investments	1,539	14	334	–	1,887
Receivables:					
Station maintenance, operation, and use assessments	89	–	–	–	89
State and regional mass transit taxes	5	–	–	–	5
Interest	19	–	5	–	24
Due from affiliated agencies	254	334	113	(701)	–
Due from New York City	340	–	–	–	340
Other	325	362	26	(7)	706
Less allowance for doubtful accounts	(4)	(26)	–	–	(30)
Total receivables–net	1,028	670	144	(708)	1,134
Materials and supplies	94	147	–	–	241
Prepaid expenses and other current assets	22	106	5	–	133
Total current assets	2,722	968	491	(708)	3,473
Noncurrent assets:					
Properties and equipment–net	6,888	17,406	1,892	–	26,186
Restricted investments held for lease obligations	338	122	114	–	574
Investments	3,588	18	499	–	4,105
Receivable from New York State	1,393	–	–	–	1,393
Due from affiliated agencies	4,517	840	903	(6,260)	–
Other noncurrent assets	1,491	165	28	–	1,684
Total noncurrent assets	18,215	18,551	3,436	(6,260)	33,942
Total assets	\$20,937	\$19,519	\$3,927	\$(6,968)	\$37,415

(continued)

Combining Balance Sheets

December 31, 2001
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 342	\$ 116	\$ 64	\$ (1)	\$ 521
Accrued expenses:					
Interest	212	5	192	–	409
Salaries, wages, and payroll taxes	48	135	6	–	189
Vacation and sick pay benefits	101	372	12	–	485
Current portion—retirement and death benefits	9	10	–	–	19
Current portion—estimated liability from injuries to persons	34	103	11	–	148
Other	25	53	–	–	78
Total accrued expenses	429	678	221	–	1,328
Current portion—long-term debt	227	9	174	(1)	409
Short-term note	300	–	–	–	300
Current portion—obligations under capital lease	–	–	7	–	7
Deferred subsidy revenue	34	119	82	–	235
Due to affiliated agencies	321	84	71	(476)	–
Total current liabilities	1,653	1,006	619	(478)	2,800
Noncurrent liabilities:					
Retirement and death benefits	1	63	–	–	64
Estimated liability arising from injuries to persons	149	588	5	–	742
Long-term debt	8,652	192	6,493	(44)	15,293
Obligations under capital lease	354	131	120	–	605
Due to affiliated agencies	1,914	4,532	–	(6,446)	–
Other long-term liabilities	1,371	36	2	–	1,409
Total noncurrent liabilities	12,441	5,542	6,620	(6,490)	18,113
Total liabilities	14,094	6,548	7,239	(6,968)	20,913
Net assets:					
Invested in capital assets, net of related debt	(1,565)	17,205	(5,127)	404	10,917
Restricted for debt service	1,096	32	586	–	1,714
Unrestricted (deficit)	7,312	(4,266)	870	(45)	3,871
Total net assets	6,843	12,971	(3,671)	359	16,502
Total liabilities and net assets	\$20,937	\$19,519	\$3,568	\$(6,609)	\$37,415

(concluded)

Combining Statements of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2001
(\$ Millions)

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

(continued)

Combining Statements of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2001
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Nonoperating Revenues (Expenses)					
Grants, appropriations and taxes:					
Tax supported subsidies–NYS	\$ 411	\$ 740	\$ –	\$ –	\$ 1,151
Tax supported subsidies–NYC and local	269	210	–	–	479
Operating subsidies–NYS	58	159	–	–	217
Operating subsidies–NYC and local	45	159	–	–	204
Total grants, appropriations and taxes	783	1,268	–	–	2,051
Interagency subsidy	202	133	(335)	–	–
Funds restricted for capital projects and debt service	(23)	–	23	–	–
Operating subsidies recoverable from CDOT related to MNCR's New Haven Line	39	–	–	–	39
Subsidies to Dutchess, Orange and Rockland counties	(10)	–	–	–	(10)
Interest on long-term debt	(213)	(153)	(143)	–	(509)
Station maintenance, operation and use assessments	120	–	–	–	120
Impairment/loss of capital assets at World Trade Center	–	(173)	–	–	(173)
Loss on disposal of subway cars	–	(58)	–	–	(58)
Other nonoperating income	72	10	4	–	86
Total nonoperating revenues (expenses)	970	1,027	(451)	–	1,546
(Loss) Income before appropriations	(170)	(1,134)	184	–	(1,120)
Appropriations, grants and other receipts externally restricted for capital projects	555	1,935	(980)	–	1,510
Change in net assets	385	801	(796)	–	390
Net assets, beginning of year	6,458	12,170	(2,516)	–	16,112
Net assets, end of year	\$6,843	\$12,971	\$(3,312)	\$ –	\$16,502

(concluded)

Combining Statements of Cash Flows

Year Ended December 31, 2001
(\$ Millions)

	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows from Operating Activities					
Passenger receipts/tolls	\$ 732	\$ 2,250	\$ 924	\$ –	\$ 3,906
Rents and other receipts	115	102	7	10	234
Payroll and related fringe benefits	(1,200)	(2,994)	(126)	–	(4,320)
Other operating expenses	(501)	(619)	(145)	55	(1,210)
Net cash (used in) provided by operating activities	(854)	(1,261)	660	65	(1,390)
Cash Flows from Noncapital Financial Activities					
Grants, appropriations and taxes	858	1,286	–	(52)	2,092
Operating subsidies from CDOT	39	–	–	–	39
Subsidies to Dutchess, Orange and Rockland counties	(7)	–	–	–	(7)
Subsidies received from affiliated agencies	210	134	(344)	–	–
Net cash provided by (used in) noncapital financing activities	1,100	1,420	(344)	(52)	2,124
Cash Flows from Capital and Related Financing Activities					
MTA bond proceeds	563	–	–	–	563
TBTA bond proceeds	–	–	2,435	–	2,435
TBTA bonds refunded	–	–	(1,345)	–	(1,345)
JP Morgan Chase loan repayment	300	–	–	–	300
Grants and appropriations	2,010	–	–	–	2,010
CDOT capital contributions	2	–	–	–	2
Advance for WTC disaster	–	–	13	(13)	–
Capital expenditures	(3,248)	(685)	(1,106)	1,799	(3,240)
Debt service payments	(666)	(344)	(451)	338	(1,123)
Subsidies designated for debt service payments	–	344	–	(338)	6
Reimbursement of capital project costs to/from MTA	1,361	438	–	(1,799)	–
Payment (to) from affiliated agencies for debt service	(41)	–	41	–	–
Net cash provided by (used in) capital and related financing activities	\$ 281	\$ (247)	\$ (413)	\$ (13)	\$ (392)

(continued)

Combining Statements of Cash Flows

Year Ended December 31, 2001
(\$ Millions)

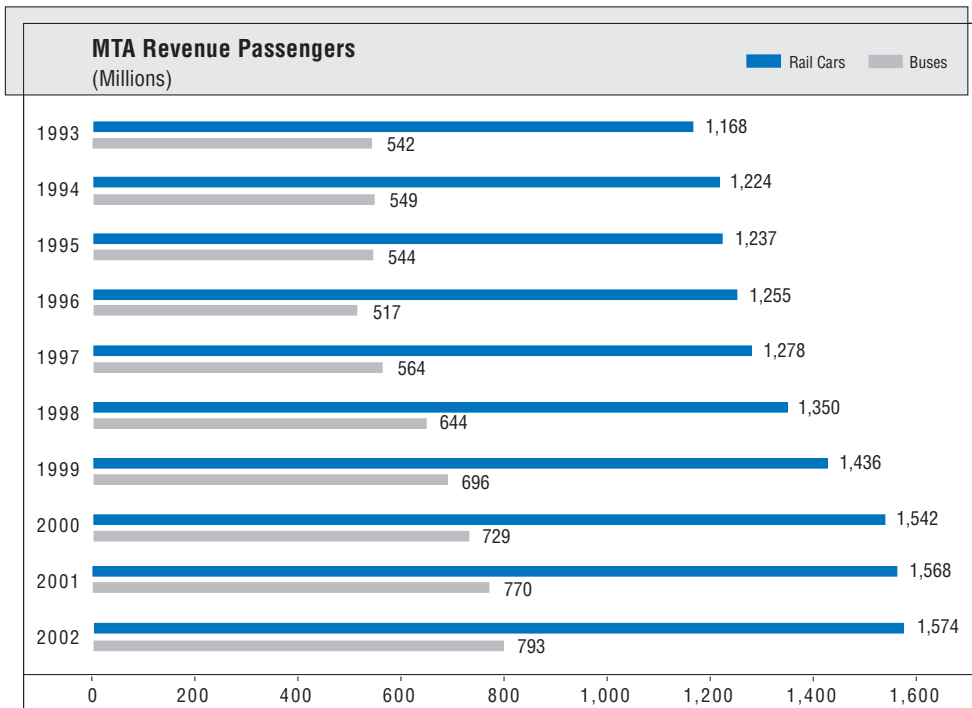
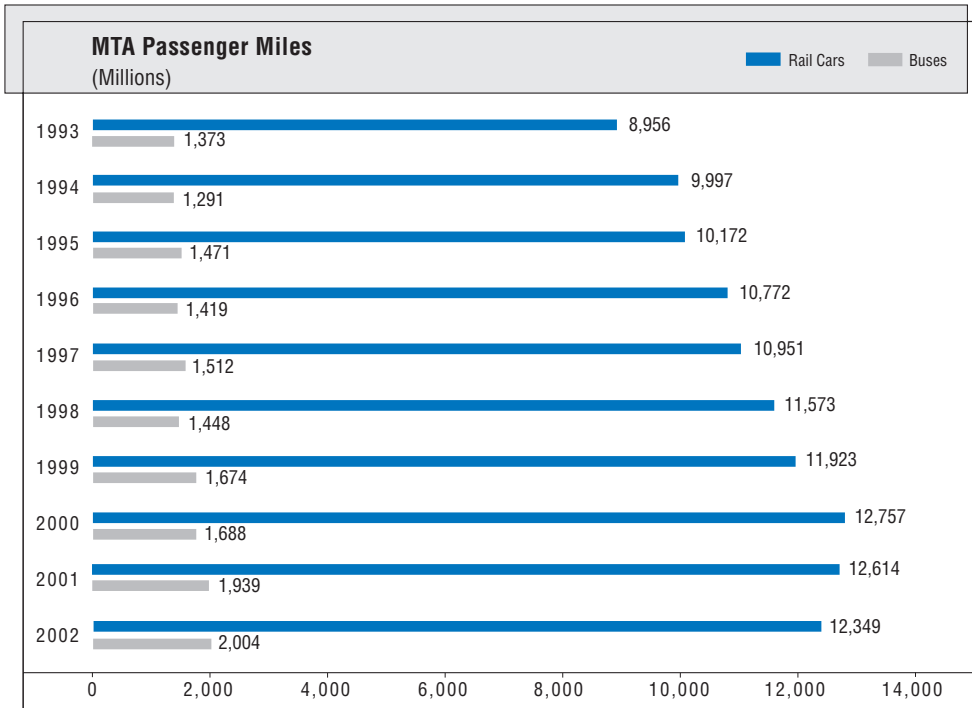
	MTA	NYCTA	TBTA	Eliminations	Total
Cash Flows from Investing Activities					
Purchase of securities—long-term	\$(3,410)	\$ (41)	\$(1,116)	\$ –	\$(4,567)
Sales of maturities of securities—long-term	4,310	51	1,082	–	5,443
Sales (purchases) of short-term securities	(1,492)	–	99	–	(1,393)
Net (decrease) increase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

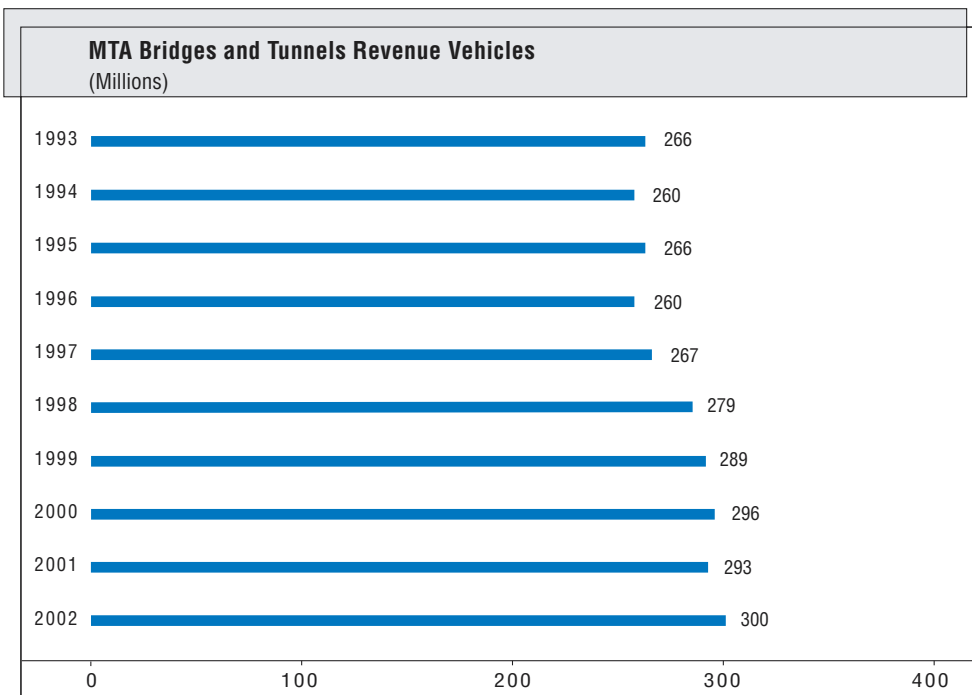
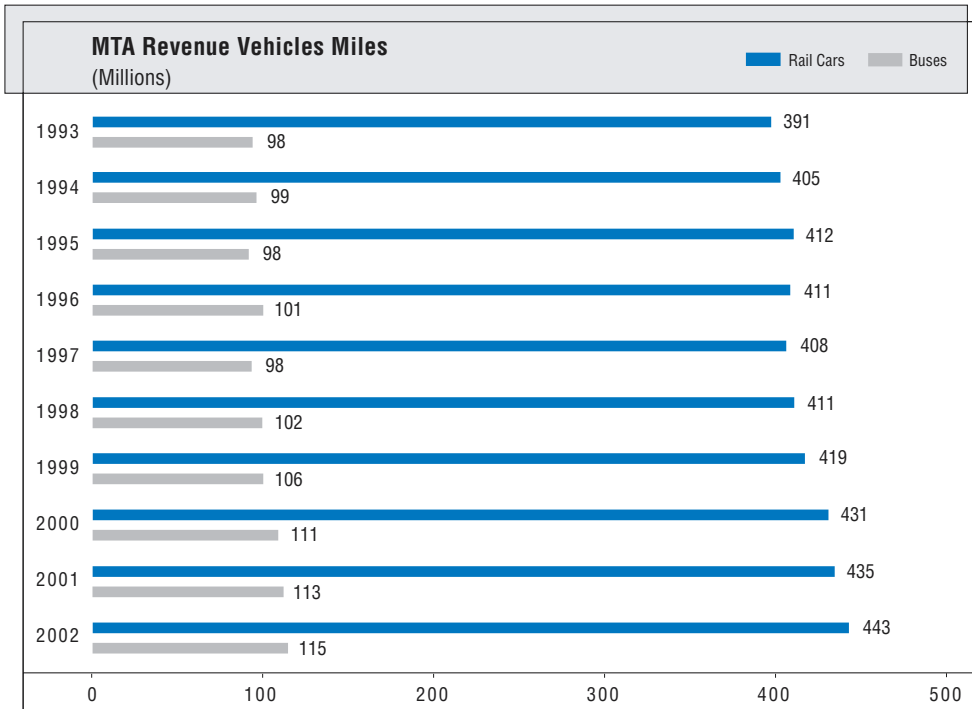
Reconciliation of Operating Income (Loss) from Operations to Net Cash (Used in) Provided by Operating Activities

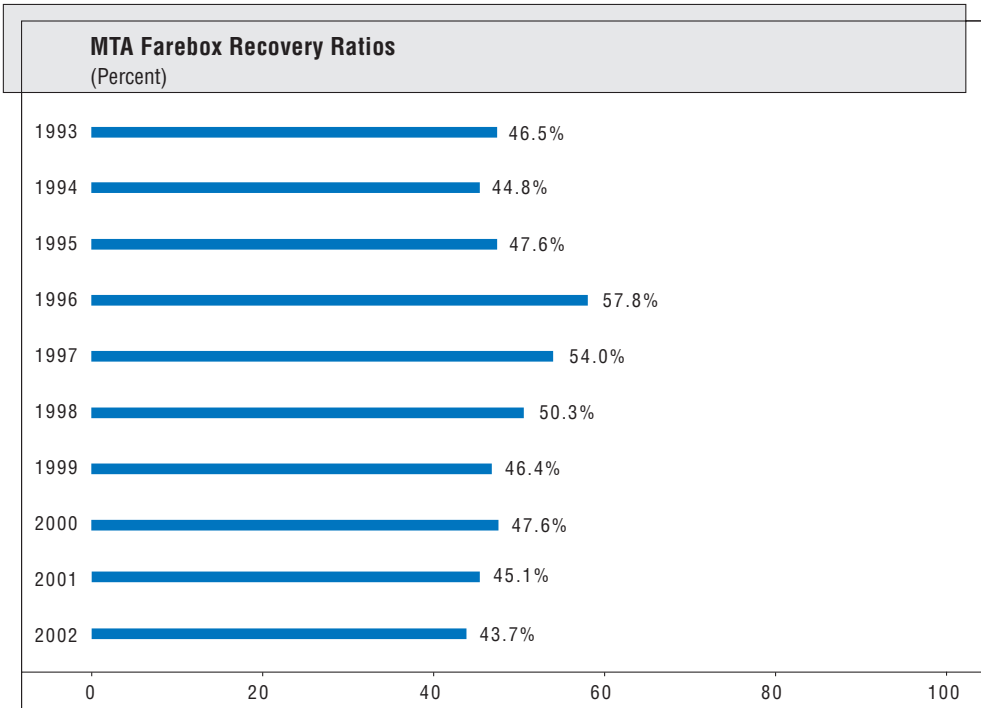
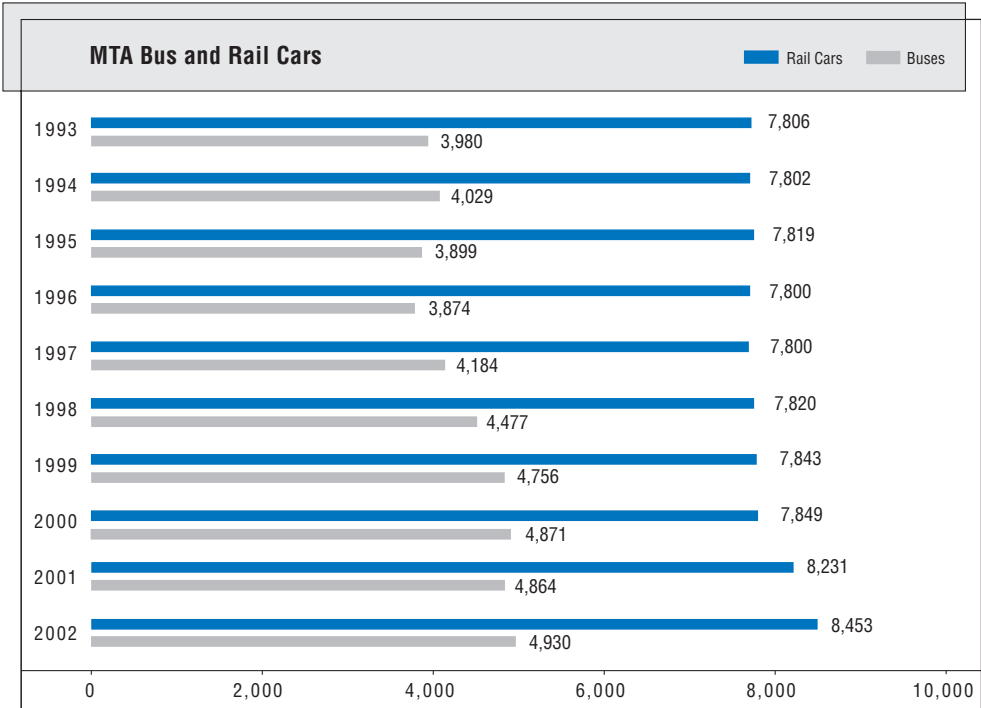
Operating income (loss)	\$(1,140)	\$(2,161)	\$ 635	\$ –	\$(2,666)
Adjustments to reconcile to net cash provided by (used in) operating activities:					
Depreciation and amortization	309	727	31	–	1,067
Net decrease in payables, accrued expenses and other liabilities	609	90	6	–	705
Net increase (decrease) in receivables	(671)	22	3	–	(646)
Net decrease (increase) in materials and supplies and prepaid expenses	39	61	(15)	65	150
Net cash (used in) provided by operating activities	\$ (854)	\$(1,261)	\$660	\$65	\$(1,390)

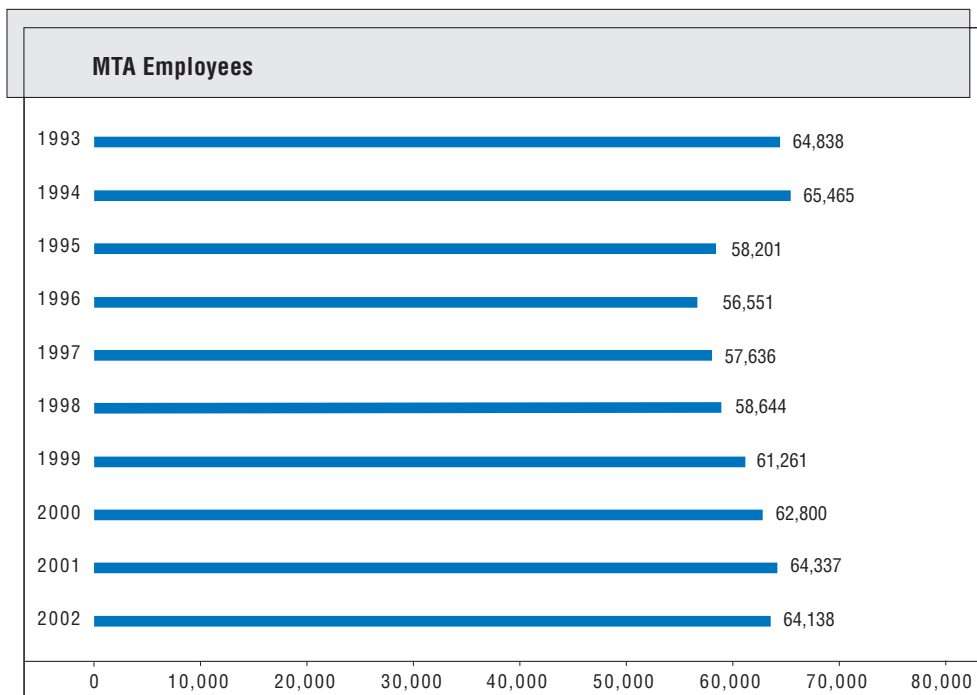
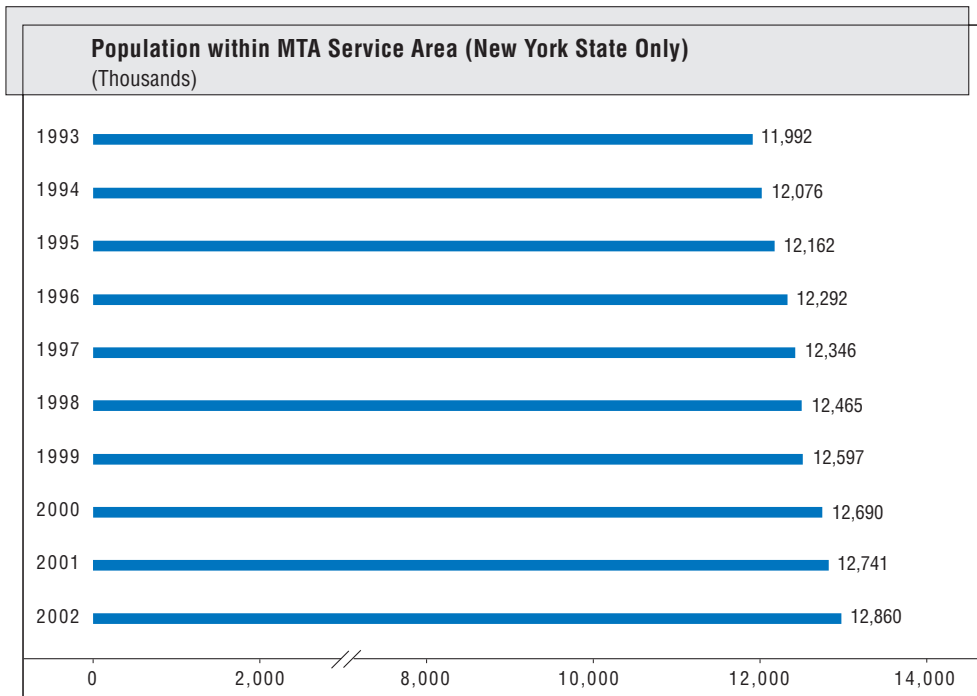
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Statistical Section









2002 Operating Statistics

	MTA New York City Subway	MTA New York City Bus ¹	MTA Staten Island Railway	MTA Long Island Rail Road
Paid rides (annual)				
2002	1,413,177,943	762,096,318	3,594,677	83,918,140
2001	1,405,300,386	739,489,869	3,963,636	85,602,984
Gain (Loss)	7,877,557	22,606,449	(368,959)	(1,684,844)
Percent change	0.6%	3.1%	-9.3%	-2.0%
Paid rides (average weekday)				
2002	4,590,571	2,452,669	13,011	299,254
2001	4,579,226	2,382,741	14,401	306,236
Gain (Loss)	11,345	69,928	(1,390)	(6,982)
Percent change	0.2%	2.9%	-9.7%	-2.3%
Annual revenue vehicle miles				
2002	333,565,884	102,134,686	2,148,000	57,758,867
2001	325,923,674	101,025,661	2,148,000	57,687,000
Gain (Loss)	7,642,210	1,109,025	0	71,867
Percent change	2.3%	1.1%	0.0%	0.1%
Average number weekday train/bus trips				
	8,504	48,846	130	730
Stations				
	468	—	22	124
Train lines/bus routes				
	27	244	1	11
Route miles				
Rail route miles ⁷	233	—	14	319
Bus route miles	—	2,017	—	—
Track miles⁸				
	656	—	29	594
Rolling stock				
Rail cars	6,400	—	64	1,092
Buses	—	4,513	—	—
Bridges				
	—	—	—	—
Tunnels				
	—	—	—	—
Employees				
	27,048	14,252	307	6,381

Notes: 1. Includes Manhattan and Bronx Surface Transit Operating Authority, an MTA New York City Transit subsidiary.
2. Ridership and employee statistics include paratransit operations.

3. Includes operations on the Harlem, Hudson, and New Haven lines in New York State and Connecticut as well as the New York State portions of the Port Jervis and Pascack Valley lines.

4. MTA New York City Subway plus MTA New York City Bus.

5. MTA Long Island Rail Road plus MTA Metro-North Railroad.

2002 Operating Statistics

MTA Long Island Bus ²	MTA Metro-North Railroad ³	MTA Bridges and Tunnels	MTA New York City Transit Total ⁴	Combined MTA Railroads Total ⁵	MTA Network Total ⁶
31,323,743	73,151,680	299,808,748	2,175,274,261	157,069,820	2,367,262,501
31,031,863	73,081,052	293,219,838	2,144,790,255	158,684,036	2,338,469,790
291,880	70,628	6,588,910	30,484,006	(1,614,216)	28,792,711
0.9%	0.1%	2.2%	1.4%	-1.0%	1.2%
104,604	251,863	842,150	7,043,240	551,117	7,711,972
104,409	252,631	825,729	6,961,967	558,867	7,639,644
195	(768)	16,421	81,273	(7,750)	72,328
0.2%	-0.3%	2.0%	1.2%	-1.4%	0.9%
12,604,130	49,463,127	—	435,700,570	107,221,994	557,674,694
12,184,468	49,423,788	—	426,949,335	107,110,788	548,392,591
419,662	39,339	—	8,751,235	111,206	9,282,103
3.4%	0.1%	—	2.1%	0.1%	1.7%
3,045	633	—	57,350	1,363	61,888
—	119	—	468	243	733
54	6	—	271	17	343
—	384	—	233	703	950
995	—	—	2,017	—	3,012
—	775	—	656	1,369	2,054
—	897	—	6,400	1,989	8,453
417	—	—	4,513	—	4,930
—	—	7	—	—	7
—	—	2	—	—	2
1,129	5,696	1,663	47,803 ⁹	12,077	64,138¹⁰

6. MTA ridership totals do not include MTA Bridges and Tunnels vehicle counts.

7. Nondirectional route miles; i.e., the distance from terminal to terminal. Several rail or bus lines may share the same route.

8. Does not include track in yards.

9. Includes 1,520 employees at CPM, 1,393 at Telecommunications and Information Services, 1,274 at Metrocard Operations, 1,745 at Executive Vice President, 97 at Paratransit, and 474 at other General and Administrative operations.

10. Includes 550 employees at MTA Headquarters and 609 at MTA Public Safety.



Metropolitan Transportation Authority

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The Metropolitan Transportation Authority is a public-benefit corporation chartered by the State of New York, George E. Pataki, Governor.

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The 2002 MTA annual report and financial statements are also available on our website at www.mta.info.