Metropolitan Transportation Authority

(A Component Unit of the State of New York)

Independent Accountants' Review Report

Consolidated Financial Statements
Three Months Ended March 31, 2006

METROPOLITAN TRANSPORTATION AUTHORITY

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Members of the Board of
Metropolitan Transportation Authority

We have reviewed the accompanying consolidated balance sheet of Metropolitan Transportation Authority (the "Authority"), a component unit of the State of New York, as of March 31, 2006, and the related consolidated statements of revenues, expenses, and changes in net assets and its consolidated cash flows for the quarter ended March 31, 2006 and 2005. These consolidated interim financial statements are the responsibility of the Authority's management.

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

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

The supplemental schedules listed in the table of contents on pages 63 through 65 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Authority's management. Such schedules were not audited or reviewed by us and, accordingly, we do not express an opinion or any other form of assurance on them.

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

Deloitte & Touche LLP

June 9, 2006

METROPOLITAN TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2006
(Amounts in Millions)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Consolidated Financial Statements include:

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

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

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

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

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

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

2. FINANCIAL REPORTING ENTITY

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

MTA Related Groups

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

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

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

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

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

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

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

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

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

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

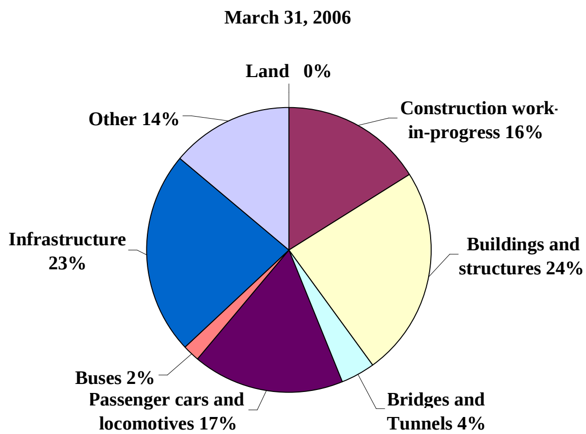
3. CONDENSED FINANCIAL INFORMATION

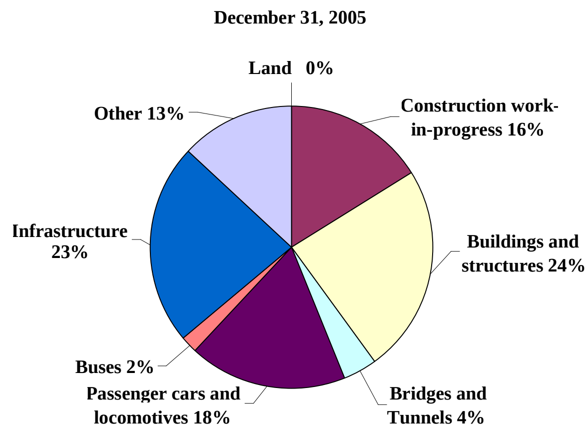
The following sections discuss the significant changes in the MTA's financial position for the three months ended March 31, 2006. An analysis of major economic factors and industry trends that have contributed to these changes is provided. It should be noted that for purposes of the MD&A, the information contained within the summaries of the consolidated financial statements and the various exhibits presented were derived from the MTA's consolidated financial statements. All dollar amounts are in millions.

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

	March 2006 (Unaudited)	December 2005
Capital assets, net (see Note 5)	$ 36,233	$ 35,900
Other assets	10,791	10,726
Total assets	$ 47,024	$ 46,626

Capital Assets, Net





March 31, 2006 versus December 2005

- Net capital assets increased at March 31, 2006 by $333. The most significant portion of the increase occurred in other, $241, followed by buildings and structures, $237, infrastructure, $114, and passenger cars and locomotives, $52. These increases were partially offset by normal depreciation expenses, the decommissioning of 43 M-1 electric passenger cars from MTA Long Island Rail Road service and 80 M-1 and 9 ACMU (1100 series) cars from MTA Metro-North Railroad service. Some of the more significant projects contributing to the increase included:

  – Continuation of rehabilitation work on the East River tunnel.

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

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

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

- Other assets had a net increase of $65. The items contributing to this change include but are not limited to:

– A net decrease in current and non-current investments and investments held under capital leases of $55 due primarily to use of funds for capital expenditures and debt service payments.

– Other current receivables had a net decrease of $113 due in part to receipt of an advance advertising payment from CBS/Viacom in January, advance payment from NYC for paratransit expense, and a reduction in accrued subsidies due to payments received in the first quarter.

– Prepaid expenses and other current assets had a net increase of $191 due primarily to prepayment of pension expense.

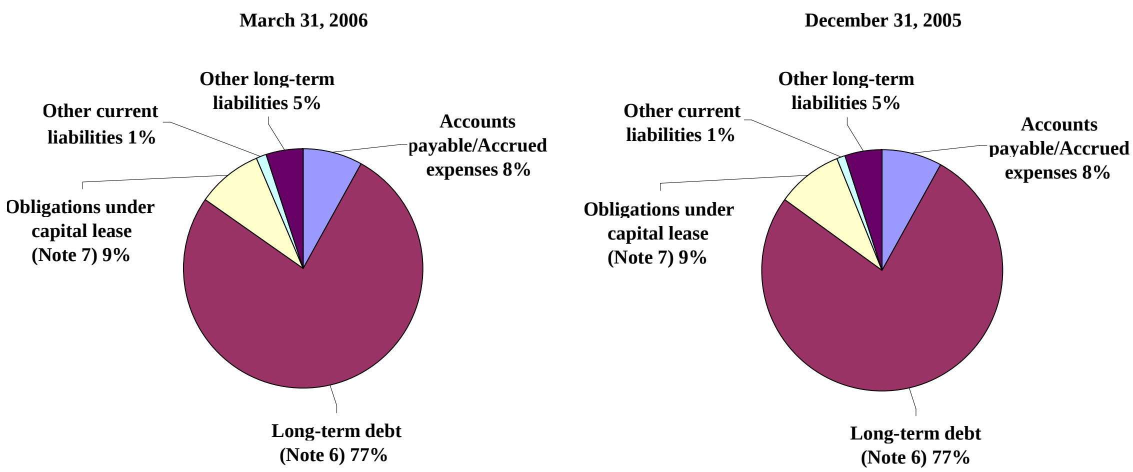
– Station maintenance, operation and use assessments increased by $36 due to timing of the billing.

– Material and supplies increased by $19. Other non current assets increased by $28.

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

	March 2006 (Unaudited)	December 2005
Current liabilities	$ 2,856	$ 2,834
Long-term liabilities	26,234	25,799
Total liabilities	$ 29,090	$ 28,633

<u>Total Liabilities</u>



Significant Changes in Liabilities Include:

March 31, 2006 versus December 2005

- Current liabilities increased by $22. This net increase is due primarily to:

  – Accounts payable and accrued expense having a net increase of $44. Accounts payable decreased by $46 due primarily to timing differences in invoices submitted for payment. Accrued expenses increased by a net of $90 due primarily to an increase in interest expense of $93 on long term debt; salaries, wages and payroll taxes of $55 due in large part to accrued estimated wage rate increases in anticipation of wage contract settlements at MTA New York City Transit; partially offset by a reduction in accrued miscellaneous other liabilities of $66 due in part to the payment to the NYS Suburban Highway Transportation Fund, payment of the excess amounts transferable to Dutchess, Orange and Rockland Counties, a reduction in the capital accrual amounts, reduction in bank overdraft amount and payment of amounts accrued at year end partially offset by a billing from GHI for TWU health insurance.

  – Other current liabilities had a net decrease of $22. This was due to a reduction of $63 in the current portion of long term debt and an increase of $41 in deferred revenue due to an increase in the value of unused fare media and paratransit reimbursement received from New York City.

- Non-current liabilities increased by $435. This net increase is primarily related to:

  – The net increase of $447 in Long Term Debt due primarily to the issuance of $450 of Transportation Revenue Bond Anticipation Notes Commercial Paper, an increase of $11 in contract retainage payable and $9 in estimated liability arising from injuries to persons. These increases are offset by reductions in obligations under capital lease, $17, reduction in retirement and death benefits, $3, and miscellaneous other long-term liabilities of $12.

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

	March 2006 (Unaudited)	December 2005
Invested in capital assets, net of related debt	$ 13,840	$ 14,044
Restricted for debt service	1,112	1,069
Unrestricted	2,982	2,880
Total	$ 17,934	$ 17,993

March 31, 2006 versus December 31, 2005

At March 31, 2006, the total net assets decreased by $59 from December 31, 2005. This decrease includes net non-operating revenues of $600, and appropriations, grants and other receipts externally restricted for capital projects of $257, offset by operating losses of $916.

Capital assets net of related debt decreased by $204.

Funds restricted for debt service increased by $43 due to the issuance of new bonds.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	March 31 2006	March 31 2005
	(Unaudited)	
Operating Revenues		
Passenger and tolls	$ 1,192	$ 1,112
Other	102	90
Total operating revenues	1,294	1,202
Nonoperating Revenues		
Grants, appropriations and taxes	719	421
Other	141	39
Total nonoperating revenues	860	460
Total Revenues	2,154	1,662
Operating Expenses		
Salaries and wages	1,000	942
Retirement and other employee benefits	355	325
Depreciation and amortization	391	355
Other expenses	464	425
Total operating expense	2,210	2,047
Nonoperating Expense		
Interest on long-term debt	242	230
Other nonoperating expense	18	49
Total nonoperating expense	260	279
Total Expenses	2,470	2,326
Appropriations, grants and other receipts externally restricted for capital projects	257	187
Change in net assets	(59)	(477)
Net assets, beginning of period	17,993	17,596
Net assets, end of period	$ 17,934	$ 17,119

Revenues and Expenses, by Major Source:

March 31, 2006 versus March 31, 2005

- Total operating revenues for the three months ended March 31, 2006 were $92 higher than in the three months ended March 31, 2005.

  - Fare revenues and vehicle toll revenues were higher due to realization for the full three months in 2006 of the fare adjustment implemented for 30-day and 7-day Unlimited Ride MetroCards, and the express bus fare increases that went into effect on February 27, 2005; the commuter rail fares that went into effect on March 1, 2005; and the increased bridge and tunnel crossing charge schedule that went into effect on March 13, 2005.

- Total operating expenses for the three months ended March 31, 2006 were higher than the three months ended March 31, 2005 by $163.

  - Labor costs, including retirement and other employee benefits, were higher by approximately $88. Accrued estimated wage rate increases in anticipation of wage contract settlements and the impact of operation of additional bus routes acquired after the first quarter of 2005 are the primary reasons for the $58 labor cost increases, Health and welfare cost increased by approximately $23 due in part to rate increases, in addition to the cost associated with the acquisition of the additional bus routes.

  - Non-labor operating costs were higher by approximately $75. Cost elements contributing to this increase were depreciation resulting in part from new capital assets being placed into service, $36, traction and propulsion power, and fuel expense increases of $13 are due primarily to price increases and a change in Long Island Power Authority billing methodology resulting in higher rates. Maintenance and other operating contracts increased by $20 primarily from higher facility repair requirements, facility heating fuel and power costs and major maintenance and bridge painting expense. Paratransit Service Contract cost increased $4 primarily due to increased trip volume.

- Total grants, appropriations and taxes were higher by approximately $298 for the three months ended March 31, 2006 compared to the three months ended March 31, 2005. The major components of the increase are Tax supported subsidies-NYS, $226 and Tax supported subsidies-NYC and local, $80. The increase in tax supported subsidies from New York State is due primarily to the advanced receipt of $200 in Metropolitan Mass Transportation Operating Assistance in the first quarter of 2006 while none was received in the first quarter of 2005 and an increase of $26 in Petroleum Business Tax. The increase in tax supported subsidies, NYC and local is primarily due to an increase in the urban tax of $68 and an increase in the Mortgage Recording Taxes of $12. In addition Mortgage Recording Tax 1 was increased from 25 cents per $100 of mortgage recorded to 30 cents per $100 of mortgage recorded effective June 1, 2005.

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

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

Through March 2006, preliminary system-wide utilization increased modestly, with MTA ridership 1.8 percent higher (10.4 million more trips) compared with ridership through March 2005. Preliminary vehicle crossing levels at MTA Bridges and Tunnels facilities were 0.1 percent higher (0.1 million more crossings) through March 2006 when compared to the same period in 2005.

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

During the first quarter of 2006 New York City added almost 55,000 new jobs compared to the number of jobs existing during the first quarter of 2005. The regional recovery continued to gain strength, benefiting from the current economic expansion, the rebuilding of the downtown infrastructure and the economic stimulus provided through the MTA's multi-billion-dollar capital programs which create an annual average of 21,000 private sector jobs, $1,100 in wages, $100 in state and local revenues and $2,500 in economic activity.

The recoveries of the national and regional economies have resulted in a more inflationary climate. The consumer price index in the New York metropolitan area increased by 3.3 percent in the first quarter of 2006. The rising cost of energy in the aftermath of the Gulf Coast hurricanes and the lack of surplus production and refining capacity had a tremendous impact on the consumer price index: the energy component of the index increased 19.1 percent in the first quarter of 2006, while the consumer price index excluding energy increased only 2.3 percent in the first quarter of 2006. The consumer price index, excluding energy, increased by 1.9 percent in March 2006 compared to March 2005. The New York Harbor spot price for conventional gasoline averaged $1.67 per gallon in the first quarter of 2006, an increase of 28.1 percent over the first quarter of 2005 average spot price. The average spot price in March 2006 was $1.77 per gallon, an increase of 22.7 percent over March 2005.

As the national economy has emerged from recession, the Federal Reserve Board has adjusted its monetary policies in an effort to keep inflation under control. Since the end of June 2004 - when the Federal Funds Rate was at a 46-year low of 1.0 per cent - through March 2006, the Federal Reserve Board has raised the Federal Funds Rate by one-quarter point on each of fifteen occasions. Five of the fifteen rate increases occurred during 2004, and eight have occurred in 2005 and two have occurred in 2006 through March; the most recent increase occurred on March 28, 2006, when the Feds increased the Federal Funds Rate from 4.50 percent to 4.75 percent, its highest level since March 2001. These increases have started to have an impact on 30-year conforming fixed-rate mortgage rates, which have been slowly increasing during the first quarter of 2006. As mortgage rates continue to increase, MTA could experience a negative impact on mortgage recording tax and Urban Tax revenues.

Results of Operations – Paid MTA Bridges and Tunnels traffic level for the first three months of 2006 reached 69.7 million vehicles, which was 0.1 million vehicles or .1 percent greater than 2005's volume over the same period of time. Although the blizzard of February 2006 suppressed volume, the declines were more than offset by relatively milder weather in January and March. The E-ZPass electronic collection system continued to facilitate the management of heavy traffic volumes. On an average weekday during the first quarter of 2006, 73 percent of all MTA Bridges and Tunnels traffic used E-ZPass compared to 72 percent in 2005. Through March 2006, toll revenues were $286.8 which was $28.1 or 10.9 percent greater than the first quarter of 2005. The revenue gain was largely the result of a toll increase implemented on March 13, 2005.

MTA New York City Transit's fare revenues in the first three months of 2006 were higher than in the first three months of 2005 by $22.6 or 3.5 percent. This increase is due primarily to the fare adjustments implemented on February 27, 2005 which raised the price of 7-day and 30-day passes and the express bus fare. Total ridership increased by 1.7 percent due primarily to an improving local economy and higher tourism.

MTA Long Island Rail Road ridership for the first three months of 2006 was 19 million on passenger revenues of $106.2. Revenues increased by approximately $4.6 or 4.6 percent in the first three months of 2006 over the same period in 2005. This increase is due in part to the fare increase that went into effect on March 1, 2005 as well increased ridership due to rising gasoline prices.

MTA Metro-North Railroad's operating revenue increased by $3.7 or 3.4 percent in the three months ended March 31, 2006 over the same period in 2005. A 5.5 percent fare increase on travel that begins or ends in the State of Connecticut was effective as of January 1, 2005. A fare increase on travel in New York State took effect on March 1, 2005.

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

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

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

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

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

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

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

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

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

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

Additional Bond Issues During 2006 – MTA issued $450 Transportation Revenue Bond Anticipation Notes in the form of commercial paper in March 2006. Through March 31, 2006, no other bonds or notes were issued by either MTA or MTA Bridges and Tunnels. During the month of June, the MTA expects to issue MTA DTF fixed rate bonds in the amount of $350. Also during the month of June, the MTA Bridges and Tunnels expects to issue fixed rate General Revenue Bonds in the amount of $200.

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METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2006 AND DECEMBER 31, 2005

(Dollars in Millions)

	March 2006 (Unaudited)	December 2005
ASSETS		
CURRENT ASSETS:		
Cash (Note 3)	$ 82	$ 138
Investments (Note 3)	2,075	1,561
Receivables:		
Station maintenance, operation and use assessments	134	98
State and regional mass transit taxes	53	52
Mortgage Recording Tax receivable	69	63
State and local operating assistance	8	8
Other subsidies	58	35
Connecticut Department of Transportation	8	19
New York City	23	26
Other	215	328
Less allowance for doubtful accounts	(47)	(47)
Total receivables - net	521	582
Materials and supplies	311	292
Prepaid expenses and other current assets (Notes 2 and 4)	281	90
Total current assets	3,270	2,663
NONCURRENT ASSETS:		
Capital assets - net (Note 5)	36,233	35,900
Restricted investment held under capital lease obligations (Note 3 and 7)	2,475	2,505
Investments (Note 3)	1,657	2,196
Receivable from New York State	2,293	2,294
Other noncurrent assets	1,096	1,068
Total noncurrent assets	43,754	43,963
TOTAL ASSETS	$ 47,024	$ 46,626

(continued)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

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

	March 2006 (Unaudited)	December 2005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 385	$ 431
Accrued expenses:		
Interest	284	191
Salaries, wages and payroll taxes	229	174
Vacation and sick pay benefits	617	607
Current portion - retirement and death benefits	214	207
Current portion - estimated liability from injuries to persons (Note 8)	182	191
Other	330	396
Total accrued expenses	1,856	1,766
Current portion - long-term debt (Note 6)	243	306
Current portion - obligations under capital lease (Note 7)	7	7
Deferred revenue	365	324
Total current liabilities	2,856	2,834
NONCURRENT LIABILITIES:		
Retirement and death benefits (Note 4)	57	60
Estimated liability arising from injuries to persons (Note 8)	992	983
Long-term debt (Note 6)	22,100	21,653
Obligations under capital lease (Note 7)	2,625	2,642
Contract retainage payable	227	216
Other long-term liabilities	233	245
Total noncurrent liabilities	26,234	25,799
Total liabilities	29,090	28,633
NET ASSETS:		
Invested in capital assets, net of related debt	13,840	14,044
Restricted for debt service	1,112	1,069
Unrestricted	2,982	2,880
Total net assets	17,934	17,993
TOTAL LIABILITIES AND NET ASSETS	$ 47,024	$ 46,626

(Concluded)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(Dollars in Millions)

	March 2006 (Unaudited)	March 2005
OPERATING REVENUES		
Fare revenue	$ 905	853
Vehicle toll revenue	287	259
Rents, freight, and other revenue	102	90
Total operating revenues	1,294	1,202
OPERATING EXPENSES:		
Salaries and wages	1,000	942
Retirement and other employee benefits	355	325
Traction and propulsion power	65	63
Fuel for buses and trains	39	28
Insurance	11	8
Claims	34	33
Paratransit service contracts	41	37
Maintenance and other operating contracts	124	104
Professional service contracts	32	51
Materials and supplies	108	94
Depreciation	391	355
Other	10	7
Total operating expenses	2,210	2,047
OPERATING LOSS	(916)	(845)
NON OPERATING REVENUES (EXPENSES)		
Grants, appropriations and taxes:		
Tax supported subsidies-NYS	350	124
Tax supported subsidies-NYC and local	369	289
Operating subsidies - NYS	-	-
Operating subsidies - NYC and local	-	8
Total grants, appropriations and taxes	719	421

(Continued)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(Dollars in Millions)

	March 2006	March 2005
	(Unaudited)	
Operating subsidies recoverable from Connecticut Department of Transportation related to New Haven Line	$ 12	$ 8
Subsidies paid to Dutchess, Orange and Rockland Counties	(1)	(1)
Interest on long-term debt	(242)	(230)
Station maintenance, operation and use assessments	36	31
Unrealized gain on investment	(17)	(8)
Other nonoperating revenue	93	(40)
Net non operating revenues	600	181
LOSS BEFORE APPROPRIATIONS	(316)	(664)
APPROPRIATIONS, GRANTS AND OTHER RECEIPTS EXTERNALLY RESTRICTED FOR CAPITAL PROJECTS	257	187
CHANGE IN NET ASSETS	(59)	(477)
NET ASSETS, BEGINNING OF YEAR	17,993	17,596
NET ASSETS, END OF PERIOD	$ 17,934	$ 17,119

(Concluded)

See notes to consolidated financial statements.

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(Dollars in Millions)

	March 2006 (Unaudited)	March 2005 (Unaudited)
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Passenger receipts/tolls	$ 1,272	$ 1,146
Rents and other receipts	83	51
Payroll and related fringe benefits	(1,460)	(1,249)
Other operating expenses	(564)	(444)
Net cash used in operating activities	(669)	(496)
CASH FLOWS PROVIDED BY/(USED IN) NONCAPITAL FINANCING ACTIVITIES:		
Grants, appropriations and taxes	703	400
Operating subsidies from CDOT	17	12
Suburban transportation fund subsidy	(20)	-
Subsidies paid to Dutchess, Orange and Rockland counties	(18)	(19)
Net cash provided by noncapital financing activities	682	393
CASH FLOWS PROVIDED BY/(USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES:		
MTA bond proceeds	-	1,031
MTA bonds refunded	-	(348)
MTA anticipation notes proceeds	450	-
Capital lease payments	(8)	(8)
Grants and appropriations	521	458
CDOT capital contributions	-	-
Capital expenditures	(815)	(738)
Debt service payments	(313)	(261)
Net cash (used in)/provided by capital and related financing activities	(165)	134
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:		
Purchase of long-term securities	(5,731)	(910)
Sales of maturities of securities - long-term	6,363	962
Purchase of short-term securities	(558)	(96)
Earnings on investments	22	12
Net cash provided by/(used in) investing activities	96	(32)
NET DECREASE IN CASH	(56)	(1)
CASH, BEGINNING OF PERIOD	138	124
CASH, END OF PERIOD	$ 82	$ 123

See notes to consolidated financial statements. (Continued)

METROPOLITAN TRANSPORTATION AUTHORITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2004
(Dollars in Millions)

	March 2006	March 2005
	(Unaudited)	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (916)	$ (845)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization	391	355
Net increase in payables, accrued expenses and other liabilities	75	5
Net decrease in receivables	24	40
Net decrease in materials and supplies and prepaid expenses	(243)	(51)
NET CASH USED IN OPERATING ACTIVITIES	$ (669)	$ (496)

(Concluded)

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

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

Metropolitan Transportation Authority and Related Groups -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The MTA Board approved the 2005–2009 MTA Capital Programs and the 2005–2009 MTA Bridges and Tunnels Capital Program through March 31, 2006, provide for $21,285 in capital expenditures, of which $11,301 relates to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway, $3,559 relates to ongoing repairs of, and replacements to, the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad, $4,465 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $495 relates to a multi-faceted security program, $159 relates to MTA interagency initiatives including MTA Police Department plus an MTA-wide integrated computer systems initiative, $138 relates to MTA Bus company initiatives, and $1,168 relates to the ongoing repairs of, and replacements to, MTA Bridges and Tunnels facilities.

The combined funding sources for the approved 2005–2009 MTA Capital Programs and the 2005–2009 MTA Bridges and Tunnels Capital Program include $9,317 in MTA and MTA Bridges and Tunnel Bonds, $1,450 in New York State general obligation bonds approved by the voters in the November 2005 election, $6,716 in Federal Funds and $3,802 from other sources.

At March 31, 2006, $2,835 had been committed and $586 had been expended for the combined 2005-2009 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program.

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

The CPRB approved the 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program through March 31, 2006, which provides for $20,894 in capital expenditures, of which $10,227 relates to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway, $3,894 relates to ongoing repairs of, and replacements to, the Commuter System operated by MTA Long Island Rail Road and MTA Metro-North Railroad, $4,532 relates to the expansion of existing rail networks for both the transit and commuter systems to be managed by MTA Capital Construction, $490 relates to planning and design and customer service projects, $249 relates to World Trade Center repair projects, $1,035 relates to the ongoing repairs and replacements to MTA Bridges and Tunnels facilities, and $467 relates to MTA Bus.

The combined funding sources for the approved 2000–2004 MTA Capital Programs and the 2000–2004 MTA Bridges and Tunnels Capital Program include $7,919 in bonds, $6,482 in Federal funds, $4,575 from the proceeds of the MTA/MTA Bridges and Tunnels debt restructuring in 2002 and $1,918 from other sources.

At March 31, 2006, $17,908 had been committed and $13,395 had been expended for the combined 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

Self-Insurance and Risk Retention – On October 31, 2003, FMTAC, an insurance captive subsidiary of MTA, in return for the transfer of the existing assets, assumed an existing program that insured certain claims in excess of the self-insured retention limits of the agencies ("ELF") on both a retrospective and prospective basis. The self-insured retention limits are: $7 for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Staten Island Railway, MTA Long Island Rail Road and MTA Metro-North Railroad; $2 for MTA Long Island Bus; and $1.4 for MTA and MTA Bridges and Tunnels. The maximum amount of claims arising out of any one occurrence is the total assets of the program available for claims, but in no event greater than $50. The retrospective portion contains the same insurance agreements, participant retentions, and limits as existed under the ELF program for occurrences happening on or before October 30, 2003. On a prospective basis, FMTAC issues insurance policies indemnifying the MTA, its subsidiaries and affiliates above their specifically assigned self-insured retention with a limit of $50 per occurrence with $50 annual aggregate. FMTAC charges appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. On December 31, 2005, the balance of the assets in this program was $83.2. Effective October 31, 2005, an All-Agency Excess Liability Insurance Policy was renewed. The coverage affords the MTA and its subsidiaries and affiliates an additional limit of $250, for a total limit of $300 ($250 excess of $50). In certain circumstances, when the assets in the program described in the preceding paragraph are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the coverage position of $50.

***Property Insurance* –** Effective October 31, 2004 through October 30, 2005, the MTA's captive insurance company subsidiary, First Mutual Transportation Assurance Company ("FMTAC"), directly insures property damage claims of the MTA in excess of a $25 per occurrence self-insurance retention, subject to an annual $75 aggregate. The per occurrence and aggregate retentions are the same as in the annual policy effective October 31, 2003 through October 30, 2004. The aggregate limitation of $1.25 billion per occurrence (up from $1 billion for the preceding year) covers all property of the related entities collectively. The property insurance provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages. With the exception of acts of terrorism (both domestic and foreign), FMTAC is reinsured in the domestic, London and European marketplaces for this coverage. With respect to acts of international terrorism covered by the Terrorism Risk Insurance Act of 2002 ("TRIA"), FMTAC is reinsured by the United States government for 90% of losses, subject to an annual cap on all losses payable under TRIA of $100 billion. The remaining 10% of MTA losses would be covered under an additional policy described in the next sentence. With respect to acts of terrorism not covered by TRIA, the MTA obtained an additional commercial reinsurance policy that provides coverage against all acts of terrorism in an amount up to $125 (up from $100 for the preceding year) per occurrence (subject to the $25 per occurrence self-insurance retention). In the event the occurrence is covered by TRIA, the coverage afforded by the additional policy provides for the payment of FMTAC's 10% retention not covered by TRIA subject to a maximum recovery of $97.5.

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

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

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

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

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

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

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

Operating Revenues

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

Nonoperating Revenues

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

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

- MRT-1 proceeds are initially used to pay MTAHQ's operating expenses. Remaining funds, if any, are allocated 55 percent to certain Transit Operations and 45 percent to the Commuter Railroads. The Commuter Railroad portion is first used to fund the NYS Suburban Highway Transportation Fund in an amount not to exceed $20 annually (subject to the moneys being returned under the conditions set forth in the governing statute if the Commuter Railroads are operating at a deficit). As of March 31, 2006 and 2005 the amount allocated to the NYS Suburban Highway Transportation Fund was $0 and $0, respectively. Of the MTA New York City Transit portion, the MTA distributed $0 and $0 as of March 31, 2006 and March 31, 2005, respectively.

- The first $5 of the MRT-2 proceeds is transferred to the MTA Dutchess, Orange and Rockland Fund ($1.5 each for Dutchess and Orange Counties and $2 for Rockland County). Additionally, the MTA must transfer to each County's fund an amount equal to the product of (i) the percentage by which each respective County's mortgage recording tax payments (both MRT-1 and MRT-2) to the MTA increased over such payments in 1989 and (ii) the base amount received by each county as described above. The counties do not receive any portion of the June 1, 2005 increase in MRT-1 from 25 cents per $100 of recorded mortgage to 30 cents. Excess amounts transferable to the counties as of March 31, 2006 and March 31, 2005, were $0 and $0, respectively. Through March 31, 2006, the MTA has distributed $0 from the MRT-2 funds to the Commuter Railroads and $0 to MTA New York City Transit for their current operations. In the same period in 2005 the MTA distributed from the MRT-2 funds $0 to the Commuter Railroads and $0 to MTA New York City Transit for their current operations.

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

• *Dedicated Taxes* - Under NYS law, subject to annual appropriation, the MTA receives operating assistance through a portion of the Dedicated Mass Transportation Trust Fund ("MTTF") and Metropolitan Mass Transportation Operating Assistance Fund ("MMTOA"). The MTTF receipts consist of a portion of the revenues derived from certain business privilege taxes imposed by the State on petroleum businesses, a portion of the motor fuel tax on gasoline and diesel fuel, and a portion of certain motor vehicle fees, including registration and non-registration fees. Effective October 1, 2005, the State increased the amount of motor vehicle fees deposited into the MTTF for the benefit of the MTA. MTTF receipts are applied first to meet certain debt service requirements or obligations and in the second instance are used to pay operating and capital costs. The MMTOA receipts are comprised of .375 of one percent regional sales tax (which was increased effective June 1, 2005 from ¼ of one percent), a temporary regional franchise tax surcharge, a portion of taxes on certain transportation and transmission companies, and an additional portion of the business privilege tax imposed on petroleum businesses. MMTOA receipts, to the extent that MTTF receipts are not sufficient to meet debt service requirements, will also be applied to certain debt service obligations, and secondly to operating and capital costs of the Transit System, and the Commuter Railroads.

  The State Legislature enacts in an annual budget bill for each state fiscal year an appropriation to the MTA Dedicated Tax Fund for the then current state fiscal year and an appropriation of the amounts projected by the Director of the Budget of the State to be deposited in the MTA Dedicated Tax Fund for the next succeeding state fiscal year. The assistance deposited into the

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

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

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

- NYC no longer fully reimburses the MTA for costs of the free fare program for students. However, pursuant to an agreement NYS and NYC each pay $45 annually. The estimated cost of this program is approximately $156 for the 2005 - 2006 school year. It is believed that NYC will continue to provide for the City's $45 contribution for the 2005 - 2006 school year, of which $15 was received in December 2005. The Transit Operations approved 2006 Adopted Budget assumes the remaining $30 will be received in June 2006. It is also expected that the State's full $45 for the 2005–2006 school year will be received in 2006. The Transit Operation's 2006–2009 Financial Plan assumes the continuation of the joint funding of the free fare program for students.

- As a result of the April 1995 merger of the transit police force into the NYC Police Department, policing of the transit system is being carried out by the NYC Police Department at NYC's expense. The MTA, however, continues to be responsible for certain capital costs and support services related to such police activities, a portion of which is reimbursed by NYC. The MTA received approximately $0.7 in the three months ended March 31, 2006, and $0.9 in the three months ended March 31, 2005 from NYC for the reimbursement of transit police costs.

- Federal law and regulations require a paratransit system for passengers who are not able to ride the buses and trains because of their disabilities. Pursuant to an agreement between NYC and the MTA, MTA New York City Transit, effective July 1, 1993, assumed operating responsibility for all paratransit service required in NYC by the Americans with Disabilities Act of 1990. NYC reimburses the MTA for the lesser of 33 percent of net paratransit operating expenses defined as labor, transportation, and administrative costs less fare revenues and 6.0 percent of gross Urban Tax Subsidies, or an amount that is 20.0 percent greater than the amount paid by the City for the preceding calendar year. Fare revenue and reimbursements aggregated approximately $20.8 in the three months ended March 31, 2006, and $15.8 in the three months ended March 31, 2005. Total paratransit expenses, including paratransit service contracts were $189.8 and $159.5 in 2005 and 2004, respectively.

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

Recent Accounting Pronouncements - The MTA has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. There was no impact on the MTA's financial position and results of operations for the three months ended March 31, 2006 and March 31, 2005. The statement was effective for financial statements for periods beginning after June 15, 2004 and December 15, 2004, respectively.

The MTA has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No 47 *Accounting for Termination Benefits*. Currently, MTA is unable to prepare the statement of plan net assets, the statement of changes in net assets, notes to the financial statements, and the required supplementary information as prescribed by GASB Statement No. 43. The statement is effective in three phases based on total annual revenues. The first phase ($100 million or more of annual revenues) is effective for financial statement periods beginning after December 15, 2005, the second phase (total annual revenues of $10 million or more but less the $100 million) is effective for periods beginning after December 15, 2006, and the third phase (annual revenues of less than $10 million) is effective for periods beginning after December 15, 2007.

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

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

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

3. CASH AND INVESTMENTS

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

	March 2006 (Unaudited)		December 2005	
	Carrying Amount	**Bank Balance**	**Carrying Amount**	**Bank Balance**
FDIC insured or collateralized deposits	$ 28	$ 21	$ 75	$ 69
Uninsured and not collateralized	54	8	63	6
	$ 82	$ 29	$ 138	$ 75

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

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

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

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

	March 2006 (Unaudited)		December 2005	
Repurchase agreements		$ 389		$ 627
U.S. Treasuries due 2005 - 2020		1,300		1,384
Investments restricted for capital lease obligations				
US Treasury Notes	$ -		8	
Treasury Strips	135		138	
Other Agencies	2,340		2,359	
Sub-total		2,475		2,505
Commercial Paper		1,219		685
Other Agencies due 2005 - 2011		824		1,061
Total	$ 2,475	$ 6,207	$ 2,505	$ 6,262

Fair values include accrued interest to the extent that interest is included in the carrying amounts. Accrued interest on investments other than Treasury bills and coupons is included in other receivables on the balance sheet. The MTA's investment policy states that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment. The net unrealized loss on investments for the three months ended March 31, 2006 was $17.2 as compared to a gain for the year ended December 31, 2005 of $6.8.

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

All investments are either insured or registered and held by the MTA or its agent in the MTA's name. Investments had weighted average yields of 4.4 percent and 4.1 percent for the three months ended March 31, 2006 and the year ended December 31, 2005, respectively.

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

	March 2006 (Unaudited)	December 2005
Construction or acquisition of capital assets	$ 1,232	$ 1,301
Funds received from affiliated agencies for investment	724	897
Debt service	645	590
Payment of claims	306	304
Restricted for capital leases	2,475	2,505
Other	620	558
Total	$ 6,002	$ 6,155

4. EMPLOYEE BENEFITS

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

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

Defined Benefit Pension Plans

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

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

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

- For the plan years ended December 31, 2005 and 2004, MTA New York City Transit made contributions to the MaBSTOA Plan of $153.4 and $142.0, respectively, equal to the required contributions for each year. During the year ended December 31, 2004, MTA New York City Transit made advance payments of $70.0 resulting in the recognition of a pension asset in the combined balance sheets.

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

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

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

Annual pension costs and related information about each plan follows:

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

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

Cost-Sharing Multiple-Employer Plans

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

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

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

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

Plan Description and Funding Policy - MTAHQ and MTA Long Island Bus employees who were hired after January 23, 1983, are members of NYSLERS. NYSLERS is a cost sharing multiple-employer plan and offers a broad spectrum of benefits including retirement and disability benefits. Generally, employees contribute 3 percent of salary. In 2000, the State legislature passed legislation that suspends the 3 percent contribution of members who have 10 or more years of credited service. MTAHQ and MTA Long Island Bus recognize pension expense based upon annual assessments made by NYSLERS. NYSLERS pension expense was approximately $11.8 and $11.2, for the years ended December 31, 2005 and 2004, respectively, and was equal to the annual required contributions for each year. Further information about the plan is more fully described in the publicly available statement of NYSLERS and may be obtained by writing to New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001.

Defined Contribution Plans

Single-Employer

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

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

	March 31 2006 (Unaudited)		**December 31, 2005**	
	LIRR Money Purchase Plan	MNCR Agreement Plan	LIRR Money Purchase Plan	MNCR Agreement Plan
Employer contributions	$ -	$ 2.7	$ -	$ 10.8
Employee contributions	0.2	0.2	0.7	0.6

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

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

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

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

	March 31 2006		**December 31, 2005**	
	Number of Participants (Actual) (Unaudited)	Cost of Benefits	Number of Participants (Actual)	Cost of Benefits
MTA Total	40,115	$ 62.7	39,218	$ 233.0

5. CAPITAL ASSETS

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

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

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

	Balance December 31, 2004	Additions	Deletions	Balance December 31, 2005	Additions	Deletions	Balance March 31, 2006 (Unaudited)
Capital assets, not being depreciated							
Land	$ 125	$ 11	$ -	$ 136	$ -	$ -	$ 136
Construction work-in-progress	5,471	1,629	1,459	5,641	119	107	5,653
Total capital assets, not being depreciated	5,596	1,640	1,459	5,777	119	107	5,789
Capital assets, being depreciated							
Buildings and structures	10,692	1,295	175	11,812	237	-	12,049
Bridges and tunnels	1,604	43	-	1,647	-	-	1,647
Equipment							
Passenger cars and locomotives	8,519	716	84	9,151	86	34	9,203
Buses	1,852	205	1	2,056	33	-	2,089
Infrastructure	10,635	819	6	11,448	114	-	11,562
Other	7,144	628	5	7,767	242	1	8,008
Total capital assets, being depreciated	40,446	3,706	271	43,881	712	35	44,558
Less accumulated depreciation							
Buildings and structures	2,856	328	17	3,167	84	-	3,251
Bridges and tunnels	337	16	-	353	5	-	358
Equipment							
Passenger cars and locomotives	2,623	297	79	2,841	80	34	2,887
Buses	1,128	119	1	1,246	31	-	1,277
Infrastructure	2,867	372	4	3,235	97	-	3,332
Other	2,577	342	3	2,916	94	1	3,009
Total accumulated depreciation	12,388	1,474	104	13,758	391	35	14,114
Total capital assets, being depreciated, net	28,058	2,232	167	30,123	321	-	30,444
Capital assets, net	$ 33,654	$ 3,872	$ 1,626	$ 35,900	$ 440	$ 107	$ 36,233

Interest capitalized in conjunction with the construction of capital assets at March 31, 2006 and December 31, 2005 is $18 and $70, respectively.

Capital assets acquired prior to April 1982 for MTA New York City Transit were funded primarily by NYC with capital grants made available to MTA New York City Transit. NYC has title to a substantial portion of such assets and, accordingly, these assets are not recorded on the books of the MTA. Subsequent acquisitions, which are part of the MTA Capital Program, are recorded at cost by MTA New York City Transit. In certain instances, title to MTA Bridges and Tunnels' real property may revert to NYC in the event the MTA determines such property is unnecessary for its corporate purpose. The MTA New York City Transit scrapped 10 subway cars and 3 buses during the year ended 2005 and recorded a loss on disposal of $1.9. In the 12 months ended December 31, 2005, MTA Long Island Railroad retired 196 fully depreciated M-1 electric cars from revenue service. In addition, the overpass at the Jamaica station constructed to accommodate passengers with disabilities (ADA overpass) was demolished and taken out of service and a loss on disposal of assets of $18 was recorded. During the first quarter of 2006, MTA Long Island Rail Road retired 43 M-1 electric cars from service, and MTA Metro-North retired 80 M-1 and 9 ACMU (1100 series) cars from service.

For certain construction projects, the MTA holds in a trust account marketable securities pledged by third-party contractors in lieu of cash retainages. At March 31, 2006 and December 31, 2005 these securities totaled $75.6 and $78.4, respectively, and had a market value of $76.1 and $60.9 respectively, and are not included in these financial statements.

6. LONG -TERM DEBT

	December 31, 2005	Issued	Retired	Refunded	March 31, 2006
MTA:					
Transportation Revenue Bonds 2.25% - 5.752% due through 2035	$ 9,207	$ -	$ -	$ -	$ 9,207
Transportation Revenue Bond Anticipation Notes Commercial Paper	-	450	-	-	450
State Service Contract Bonds 3.00% - 5.50% due through 2031	2,332	-	22	-	2,310
Dedicated Tax Fund Bonds 3.00% - 6.25% due through 2031	3,278	-	-	-	3,278
Certificates of Participation 4.40% - 5.625% due through 2029	443	-	10	-	433
	15,260	450	32	-	15,678
Less net unamortized bond discount and premium	(363)	-	(1)	-	(362)
	$ 14,897	$ 450	$ 31	$ -	$ 15,316
TBTA:					
General Revenue Bonds 4.00% - 5.77% due through 2033	$ 4,586	$ -	$ 6	$ -	$ 4,580
Subordinate Revenue Bonds 4.00% - 5.77% due through 2032	2,364	-	23	-	2,341
	6,950	-	29	-	6,921
Less net unamortized bond discount and premium	112	-	6	-	106
	$ 7,062	$ -	$ 35	$ -	$ 7,027
Combined total	$ 21,959	$ 450	$ 66	$ -	$ 22,343
Current portion	(306)				(243)
Long-term portion	$ 21,653				$ 22,100

MTA Transportation Revenue Bonds – Prior to 2004, MTA issued nine series of Transportation Revenue Bonds secured under its General Resolution Authorizing Transportation Revenue Obligation adopted on March 26, 2002 in the aggregate principal amount of $6,195. The Transportation Revenue Bonds are MTA's special obligations payable solely from transit and commuter systems revenues and certain state and local operating subsidies.

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

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

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

MTA State Service Contract Bonds – Prior to 2004, MTA issued two series of State Service Contract Bonds secured under its state Service Contract Obligation Resolution adopted on March 26, 2002, in the aggregate principal amount of $2,395. The State Service Contract Bonds are MTA's special obligations payable solely from certain payments from the State of New York under a service contract.

***MTA Dedicated Tax Fund Bonds* –** Prior to 2004, MTA issued three series of Dedicated Tax Fund Bonds secured under its Dedicated Tax Fund Obligation Resolution adopted on March 26, 2002, in the aggregate principal amount of $2,241. The Dedicated Tax Fund Bonds are MTA's special obligations payable solely from monies held in the Pledged Amounts Account of the MTA Dedicated Tax Fund. State law requires that the MTTF revenues and MMTOA revenues (described above in footnote 2 under "Nonoperating Revenues") be deposited, subject to appropriation by the State Legislature, into the MTA Dedicated Tax Fund.

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

MTA Certificates of Participation – Prior to 2004, MTA, MTA New York City Transit and MTA Bridges and Tunnels executed and delivered two series of Certificates of Participation in the aggregate principal amount of $479 to finance certain building and leasehold improvements to an office building at Two Broadway in Manhattan occupied principally by MTA New York City Transit, MTA Bridges and Tunnels, MTA Capital Construction and MTAHQ. The Certificates of Participation which represent proportionate interests in the principal and interest components of Base Rent paid severally, but not jointly, in their respective proportionate shares by MTA New York City