



Metropolitan Transportation Authority

Audit Committee Meeting

May 2012

Committee Members

J. Sedore Jr., Chair
M. Page, Vice Chair
A. Saul
J. Ballan
A. Cappelli
S. Metzger
C. Moerdler



Metropolitan Transportation Authority

MEETING AGENDA

MTA AUDIT COMMITTEE

MAY 2, 2012 – 10:00 a.m.

347 Madison Avenue
Fifth Floor Board Room
New York, NY

<u>AGENDA ITEMS</u>	<u>PAGE</u>
PUBLIC COMMENTS PERIOD	
1. APPROVAL OF MINUTES – JANUARY 24, 2012	1
2. AUDIT COMMITTEE WORK PLAN	3
3. FINANCIAL INTEREST REPORTS*	
4. 2011 FINANCIAL STATEMENTS	
➤ METROPOLITAN TRANSPORTATION AUTHORITY*	
➤ THE LONG ISLAND RAIL ROAD COMPANY*	
➤ METRO-NORTH COMMUTER RAILROAD COMPANY*	
➤ TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY*	
➤ MTA BUS COMPANY*	
➤ FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY*	
➤ NEW YORK CITY TRANSIT AUTHORITY *	
➤ METROPOLITAN SUBURBAN BUS AUTHORITY*	
5. MTA CONSOLIDATED FINANCIAL STATEMENTS – MANAGEMENT’S REVIEW	12
6. EXECUTIVE SESSION	

**(material previously distributed)*

**MINUTES OF MEETING
AUDIT COMMITTEE OF THE BOARD
MONDAY, JANUARY 24, 2012 – 3:15 P.M.
5TH FLOOR BOARD ROOM
347 MADISON AVENUE
NEW YORK, NEW YORK 10017**

The following were present:

Honorable:

**James L. Sedore
Jonathan Ballan
Mark Page**

**Susan G. Metzger
Charles Moerdler
Andrew Albert**

**M. Fucilli - MTA
P. Kane - MTA**

**D. Jones – D&T
M. Malloy - D&T**

1. APPROVAL OF MINUTES

A motion was made and carried to approve the minutes of the November 14, 2011 Audit Committee meeting.

2. AUDIT COMMITTEE WORK PLAN

The Committee Chair indicated there will be five Committee meetings held this year instead of six. In addition, the Chair commended Kevin McKenna for his years of service as NYCT Comptroller and wished him well on his retirement.

3. INDEPENDENT ACCOUNTANTS' REVIEW REPORT FOR THIRD QUARTER 2011

David Jones (Deloitte & Touche) reviewed the results of the Independent Accountants' Review Report for the third quarter of 2011. He indicated that D&T has completed their quarterly review of the MTA's financial statements. Based on the results of this review, D&T concluded that the financials are accurately presented and in accordance with GAAP. They did not note any significant issues that would have a material effect on the financial statements. A motion was made and approved to accept the quarterly review.

4. 2010 PENSION AUDITS

Michael Malloy (Deloitte & Touche) indicated that D&T have significantly completed the audits of the MTA Defined Benefit Pension Plan, the LIRR Company Plan for Additional Pensions, the MaBSTOA Pension Plan, and the Metro-North Cash Balance Plan for the year ended December 31, 2010. The objectives of these audits were to express an opinion about whether the financial statements that have been prepared are presented fairly and in conformance with GAAP. D&T did not note any significant problems with the statements, and is prepared to issue the reports dated today. The Chair noted that it was a good sign that the actual rate of return exceeded the actuarial estimate. A motion was made and approved to accept the pension audits.

5. **2011 AUDIT PLAN YEAR END REPORT AND 2012 AUDIT PLAN**

The Auditor General (AG) briefed the Committee on Audit Services' achievements during 2011. He reviewed the allocation of audit resources across the agencies, as well as the resource allocation across audit areas (i.e. procurement, revenue, technology, etc.). Overall, Audit Services completed 278 audits which included 677 recommendations for improvement with a total dollar impact of \$82 million. Savings were indentified in the areas of revenue enhancements, expense reductions in health care, Paratransit and overtime. On the contract side, costs proposals are reviewed to ensure the lowest prices are achieved before they are presented to the Board. He highlighted a number of key assurance audits that strengthened the internal control structure at the MTA including the Business Service Center's accounts payable and payroll; CPM administrative costs; ensuring that revenue collections are maximized and that technology is being utilized effectively. The AG also presented the proposed 2012 Audit Plan and described the risk assessment process that is used in developing the plan. He also reviewed the 2012 resource allocation and key audit areas. Finally, the Committee was advised that the procurement action for a Quality Assurance Review of Audit Services will be initiated in the fourth quarter of 2012. A motion was made and accepted to approve Audit Services' 2012 Audit Plan.

6. **EXECUTIVE SESSION**

A motion was made and seconded to go into Executive Session to discuss current issues with the MTA Auditor General.

7. **MOTION TO RETURN TO PUBLIC SESSION**

A motion was made and seconded to return to public session.

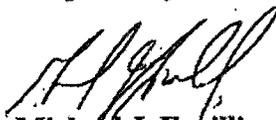
8. **MOTION TO ADJOURN**

A motion was made and seconded to adjourn the meeting.

9. **NEXT MEETING**

The next meeting of the Audit Committee is scheduled for May 2, 2012.

Respectfully submitted,



Michael J. Fucilli
Auditor General

2012 – 2013 AUDIT COMMITTEE WORK PLAN

I. RECURRING AGENDA ITEMS

	<u>Responsibility</u>
Approval of Minutes	Committee Chair & Members
Audit Work Plan	Committee Chair & Members
Pre-Approval of Audit and Non-Auditing Services	As Appropriate
Follow-up Items	As Appropriate
Status of Audit Activities	Auditor General/MTA IG/ Chief Compliance Officer/ External Auditor/As Appropriate
Executive Sessions	As Appropriate

II. SPECIFIC AGENDA ITEMS

May 2012

Financial Statements w/Audit Representation Letters	External Auditor/CFOs/Controllers
Contingent Liabilities/Third Party Lawsuits (Executive Session)	General Counsels/External Auditor
Financial Interest Reports	Chief Compliance Officer

June 2012

(No Meeting Scheduled)

July 2012

Quarterly Financial Statements – 1 st Quarter	External Auditor/CFOs
Single Audit Report	External Auditor/CFOs
Review of MTA/IG's Office	External Auditor/IG
MTAAS Audit Plan Status Report	Auditor General
Investment Compliance Report	External Auditor
Management Letter Reports	External Auditor/CFOs/Controllers

II. SPECIFIC AGENDA ITEMS (CON'T.)

Responsibility

August 2012

(No Meeting Scheduled)

September 2012

Quarterly Financial Statements – 2nd Quarter
Appointment of External Auditors
Annual Audit Committee Report
Ethics and Compliance Program

External Auditor/CFOs
CFOs/Controllers
Audit Committee
Chief Compliance Officer

October 2012

(No Meeting Scheduled)

November 2012

Compliance with the Requirements
of the Internal Control Act
Review of Audit Committee Charter
Open Audit Recommendations
Audit Approach Plans/
Coordination with External Auditors
Information Technology Reports

Agency ICOs/Chief Compliance Officer
Committee Chair
Agency ICOs/Chief Compliance Officer

External Auditor
Chief Information Officers

December 2012

(No Meeting Scheduled)

January 2013

Quarterly Financial Statements – 3rd
Quarter 2012
Pension Audits
2012 Audit Plan Status Report
2013 Audit Plan

External Auditor/CFOs
External Auditor
Auditor General
Auditor General

February 2013

(No Meeting Scheduled)

March 2013

(No Meeting Scheduled)

II. SPECIFIC AGENDA ITEMS (CON'T.)

Responsibility

April 2013

Financial Statements w/Audit
Representation Letters
Contingent Liabilities/Third Party
Lawsuits (Executive Session)
Financial Interest Reports

External Auditor/CFOs/Controllers

General Counsels/External Auditor
Chief Compliance Officer

May 2013

(No Meeting Scheduled)

2012-2013 AUDIT COMMITTEE WORK PLAN

Detailed Summary

I. RECURRING AGENDA ITEMS

Approval of Minutes

Approval of the official proceedings of the previous month's Committee meeting.

Audit Work Plan

A monthly update of any edits and/or changes in the work plan.

Pre-approval of Audit and Non-Auditing Services

As appropriate, all auditing services and non-audit services to be performed by external auditors will be presented to and pre-approved by the Committee.

Follow-Up Items

Communications to the Committee of the current status of selected open issues, concerns or matters previously brought to the Committee's attention or requested by the Committee.

Status of Audit Activities

As appropriate, representatives of MTA's public accounting firm or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.

Executive Sessions

Executive Sessions will be scheduled to provide direct access to the Committee, as appropriate.

II. SPECIFIC AGENDA ITEMS

Detailed Summary

MAY 2012

Financial Statements and Audit Representation Letters

The agency CFOs/Controllers will be available to the Committee to answer any questions regarding the submission of their audit representation letters to the external audit firm. The MTA public accounting firm will review the results and conclusions of their examination of the 2011 Financial Statements.

Contingent Liabilities and Status of Third Party Lawsuits

The General Counsels from each agency, along with representatives from D&T, will review in Executive Session the status of major litigation that may have a material effect on the financial position of their agency, or for which a contingency has been or will be established and/or disclosed in a footnote to the financial statements. In addition, the

Committee will be briefed on the status of third party lawsuits for which there has been minimal or sporadic case activity.

Financial Interest Reports

The MTA Chief Compliance Officer will brief the Committee as to the agencies' compliance with the State Law regarding the filing of Financial Interest Reports (FIRs), including any known conflicts of interest.

JUNE 2012

No Meeting Scheduled

JULY 2012

Quarterly Financial Statements – 1st Quarter

Representatives of MTA's public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the first quarter of 2012.

Single Audit Reports

Representatives of MTA's public accounting firm will provide the results of their federally mandated single audit reviews at the MTA, NYC Transit and LI Bus.

Review of Inspector General's Office

Representatives of MTA's public accounting firm will provide the results of their review of the MTA/IG's operation to ensure compliance with applicable regulations, rules, policies and procedures.

MTAAS Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed as compared to the audits planned for the year, a summary of the more significant audit findings, results of audit follow-up, and a discussion of the other major activities performed by the department.

Investment Compliance Report

Representatives of the MTA's public accounting firm will provide a review of MTA's compliance with the guidelines governing investment practices.

Management Letter Reports

Reports will be made by the MTA's public accounting firm on the recommendations made in the auditors' Management Letter for improving the accounting and internal control systems of the MTA and its agencies. The report will also include management's response to each Management Letter comment. The response will describe the plan of

action and timeframe to address each comment. In addition, the report will contain a follow-up of prior years' open recommendations conducted by the external audit firm.

AUGUST 2012

No Meeting Scheduled

SEPTEMBER 2012

Quarterly Financial Statements - 2nd Quarter

Representatives of MTA's public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the second quarter of 2012.

Appointment of External Auditors

The Audit Committee will review the reappointment of Deloitte & Touche as the independent auditor for MTA HQ and all the agencies. This is the fourth year of a seven year contract. As part of this process, the Auditor General has reviewed and provided to the Committee, and will retain on file, the latest report of the firm's most recent internal quality control review.

Annual Audit Committee Report

As a non-agenda information item, the Audit Committee will be provided with a draft report which outlines the Audit Committee's activities for the 12 months ended July 2012. This report is prepared in compliance with the Audit Committee's Charter. After Committee review and approval, the Committee Chair will present the report to the full MTA Board.

Ethics and Compliance Program

The MTA Chief Compliance Officer will brief the Committee on selected aspects of the MTA Ethics Program.

OCTOBER 2012

No Meeting Scheduled

NOVEMBER 2012

Compliance with the Requirements of the Internal Control Act

The Committee will be briefed by the MTA Chief Compliance Officer and Agency Internal Control Officers on the results of the All-Agency Internal Control Reports issued to the NYS Division of the Budget as required by the Government Accountability, Audit and Internal Control Act.

Review of Audit Committee Charter

The Committee Chair will report that the Committee has reviewed and assessed the adequacy of the Audit Committee Charter and, based on that review, will recommend any changes for 2013. The review will also show if the Committee's performance in 2012 adequately complied with the roles and responsibilities outlined in its Charter (i.e. monitoring and overseeing the conduct of MTA's financial reporting process; application of accounting principles; engagement of outside auditors; MTA's internal controls; and other matters relative to legal, regulatory and ethical compliance at the MTA).

Audit Approach Plans/Coordination With External Auditor

Representatives of MTA's public accounting firm will review their audit approach for the 2012 year-end agency financial audits. This review will describe the process used to assess inherent and internal control risks, the extent of the auditor's coverage, the timing and nature of the procedures to be performed, and the types of statements to be issued. In addition, the impact of new or proposed changes in accounting principles, regulations, or financial reporting practices will be discussed.

Open Audit Recommendations

The MTA Chief Compliance Officer and Agency Internal Control Officers will report to the Committee on the status of audit recommendations previously accepted by their respective agency.

Information Technology Reports

The Chief Technology/Information Officers or appropriate management from the respective agencies will review, with the Committee, the actions taken to address issues raised in both internal and external audits concerning system security and control related issues. This will include the status of prior year recommendations that have yet to be implemented and compliance to MTA Agency-wide policies and procedures.

DECEMBER 2012

No Meeting Scheduled

JANUARY 2013

Quarterly Financial Statements – 3rd Quarter

Representatives of the MTA public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the third quarter of 2012.

Pension Audits

Representatives of the MTA public accounting firms will provide the results of their reviews of the pension plans that are managed and controlled by MTA HQ, Long Island Rail Road, Metro-North and NYC Transit.

2012 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed, a summary of the more significant audit findings, and a discussion of the other major activities performed by the department.

2013 Audit Plan

A discussion by Audit Services of the areas scheduled to be reviewed in 2013 as well as the guidelines and policies that were used to assess audit risk and their application in the development of the audit work plan.

FEBRUARY 2013

No Meeting Scheduled

MARCH 2013

No Meeting Scheduled

APRIL 2013

Financial Statements and Audit Representation Letters

The agency CFOs/Controllers will be available to the Committee to answer any questions regarding the submission of their audit representation letters to the external audit firm. The MTA public accounting firm will review the results and conclusions of their examination of the 2012 Financial Statements.

Contingent Liabilities and Status of Third Party Lawsuits

The General Counsels from each agency, along with representatives from D&T, will review in Executive Session the status of major litigation that may have a material effect on the financial position of their agency, or for which a contingency has been or will be established and/or disclosed in a footnote to the financial statements. In addition, the Committee will be briefed on the status of third party lawsuits for which there has been minimal or sporadic case activity.

Financial Interest Reports

The MTA Chief Compliance Officer will brief the Committee as to the agencies' compliance with the State Law regarding the filing of Financial Interest Reports (FIRs), including any known conflicts of interest.

MAY 2013

No Meeting Scheduled

**MTA
CONSOLIDATED FINANCIAL
STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

**MANAGEMENT'S REVIEW
AUDIT COMMITTEE MEETING
MAY 2, 2012**

MTA CONSOLIDATED FINANCIAL STATEMENTS

- The MTA's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units.
- The consolidated financial statements include:
 1. **Management's Discussion and Analysis**
 2. **The Consolidated Financial Statements** which include:
 - The **Consolidated Balance Sheets**
 - The **Consolidated Statements of Revenues, Expenses and Changes in Net Assets**
 - The **Consolidated Statements of Cash Flows**
 3. **The Notes to the Financial Statements**
 4. **The Required Supplementary Information**
Presents the information regarding the MTA's progress in funding its obligation to provide pension benefits and postemployment benefits other than pensions to its employees. (Required by the Government Accounting Standards Board "GASB")
 5. **The Additional Supplementary Information**
Provides a series of reconciliations between the MTA Group Financial Plan Actuals and the audited Consolidated Statements of Revenues, Expenses and Changes in Net Assets.

MTA CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED FINANCIAL INFORMATION

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

- Capital assets include, but are not limited to: bridges, structures, tunnels, construction of buildings and the acquisition of buses, equipment, passenger cars, and locomotives.
- Other Assets include, but are not limited to: cash, restricted and unrestricted investments, due from State and regional mass transit taxes, and capital project receivables from federal and state governments.

(in millions)	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
Capital Assets - net (Note 6)	\$ 51,837	\$ 50,133	\$ 1,704	3%
Other Assets	10,662	10,082	580	6%
Total	<u>\$ 62,499</u>	<u>\$ 60,215</u>	<u>\$ 2,284</u>	4%

MTA CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED FINANCIAL INFORMATION

Net Capital Assets

(in millions)	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
Land	\$ 171	\$ 170	\$ 1	1%
Construction work-in-progress	9,235	9,506	(271)	-3%
Buildings & Structures	10,392	10,301	91	1%
Bridges & tunnels	1,886	1,814	72	4%
Passenger cars & locomotives	8,262	8,632	(370)	-4%
Buses	949	1,068	(119)	-11%
Infrastructure	11,838	11,028	810	7%
Other	9,104	7,614	1,490	20%
Total Net Capital Assets	\$ 51,837	\$ 50,133	\$ 1,704	3%

MTA CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED FINANCIAL INFORMATION

Significant Changes in Net Capital Assets: (See Note 6, Page 69 for additional information)

Net capital assets increased at December 31, 2011 by \$1,704. Significant capital projects contributing to this increase include:

- Continued progress on mega projects: East Side Access, Second Avenue Subway and Number 7 Extension Project.
- Station improvements with concentration on the Elevator Replacement Program at Jamaica, Penn and Moynihan Stations.
- Station improvements – Americans with Disabilities Act (“ADA”) – platform edge, street ceiling on the 7th Avenue line, canopy replacement on 62nd Street and brick repair at 168th, 181st, Jay and Lawrence Streets and ventilation facilities at Jackson Avenue in Queens.
- Infrastructure work included a deck replacement at the Bronx-Whitestone Bridge, and tower structural rehabilitation at the Throgs Neck Bridge, rehabilitation of the retaining walls and bridge abutments for six bridges and pedestrian underpass on the Port Washington branch line.
- Track rehabilitation and switch replacement on main subway lines and communication systems improvements.
- Signal and communication projects incurred by the MTA Long Island Rail Road and related Centralized Traffic Control System and Positive Train Control System.
- Rehabilitation of line structures and subway tunnels including the Rockaway Viaduct and Ocean Parkway. Depot rehabilitation and constructions of parking at 4 depot.
- Purchase of 328 articulated buses, 90 standard diesel buses – Nova T – drive pilot and 382 B division subway cars. Purchases of buses by MTA New York City Transit and MTA Bus continue in 2011 while Metro North Commuter Rail Road acquired train cars including the New Haven M-8 cars.

MTA CONSOLIDATED FINANCIAL STATEMENTS CONDENSED FINANCIAL INFORMATION

Other Assets

(in millions)	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
Cash	\$ 203	\$ 200	\$ 3	2%
Investments Current & Non-Current	4,809	4,735	74	2%
Receivables Current & Non Current	2,840	2,816	24	1%
Other Assets Current & Non-Current	2,810	2,331	479	21%
Total Other Assets	\$ 10,662	\$ 10,082	\$ 580	6%

- Current and non-current investments increased by \$74. This increase was attributable largely to an increase in restricted investments held under capital lease obligations of \$87, offset by decreases in other current and non-current investments. (See Note 3, page 46)
- Current and non-current receivables increased by \$24, attributable to an increase in current receivables of \$82 offset by a decrease in non-current receivables of \$75.
- Other current and non-current assets increased by \$479, attributable mainly to an increase in derivative related assets of \$339 due period to period changes in the fair market value of derivatives as reported under GASB 53 (See Note 7). In addition, un-requisitioned funds for capital expenditure for MTA New York City Transit and MTA Bus were higher by \$149 at year end due to increased requisition processing during the current year.

MTA CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED FINANCIAL INFORMATION

Liabilities

(in millions)	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
Long-term Debt (inc'l current portion)	\$ 31,928	\$ 31,405	\$ 523	2%
Post employment benefits other than pensions	6,608	4,903	1,705	35%
Accounts Payable, accrued expenses and other current	3,379	3,089	290	9%
Estimated liability from injuries to persons	1,968	1,700	268	16%
Other long-term liabilities	1,402	1,056	346	33%
Obligations under capital leases	1,198	1,186	12	1%
Total Liabilities	\$ 46,483	\$ 43,339	\$ 3,144	7%

- Long-term debt increased by \$523 due to new debt issues in 2011 offset by retirements, and debt refundings (Note 7, page 70).
- Post-employment benefits other than pensions increased by \$1,705 due to increased claim costs, the reflection of health care reform, and reduction in the discount rate to 4.0% from 4.2%. (Note 5).
- Accounts payable, accrued expenses and other current liabilities increased by \$290, attributable to an increase in accounts payable of \$152 due to timing, increases in accruals for salaries and benefits of \$110, and increases in deferred revenues and other of \$28.
- Estimated liabilities from injuries to persons increased by \$268 due to 2011 actuarial calculations. (Note 10).
- Other long-term liabilities increased by \$346, due to an increase in derivative related liabilities of \$325 due to changes in fair market value of derivatives under GASB 35 (Note 7, pages 78 – 84)

MTA CONSOLIDATED FINANCIAL STATEMENTS CONDENSED FINANCIAL INFORMATION

Revenues, Expenses and ,Changes in Net Assets

(in millions)	<u>2011</u>	<u>2010</u>	<u>\$</u>	<u>%</u>
Operating revenues	\$ 6,939	\$ 6,419	\$ 520	8%
Operating expenses:				
Total operating expense before depreciation	11,690	10,709	981	9%
Depreciation	2,020	2,000	20	1%
Total Operating Expense	<u>13,710</u>	<u>12,709</u>	<u>1,001</u>	<u>8%</u>
Operating Loss	(6,771)	(6,290)	(481)	8%
Non operating revenues, net	4,070	3,787	283	7%
Restricted Grants & Appropriations for				
Capital Projects	1,841	1,938	(97)	-5%
Change in Net Assets	<u>(860)</u>	<u>(565)</u>	<u>(295)</u>	<u>52%</u>
Total Net Assets, Beginning	<u>16,876</u>	<u>17,441</u>	<u>(565)</u>	<u>-3%</u>
Total Net Assets, Ending	<u>\$ 16,016</u>	<u>\$ 16,876</u>	<u>\$ (860)</u>	<u>-5%</u>

MTA CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED FINANCIAL INFORMATION

Revenues, Expenses, and Change in Net Assets (Continued)

- Total operating revenues increased by \$520.
 - Fare and toll revenues increased by \$498, due mainly to the fare increases that took effect on 12/30/10, partially offset by lower ridership because of a relatively weak local economy.
 - Other operating revenues increased by \$22. This increase derived from MTA New York City Transit is due primarily to student and paratransit reimbursements of expenses expected from New York State and New York City.

- Total operating expenses before depreciation increased by \$981.
 - Labor costs increased by \$804, attributable to increased post-employment benefits other than pension of \$574, increases in other employee benefits of \$137, and increased overtime of \$93.
 - Non-labor operating costs increased by \$177, attributable to increased fuel and propulsion power of \$77, increased maintenance and other operating expense of \$46, and increased claims expense arising from injuries to persons of \$54.

- Total net non-operating revenues increased by \$283, attributable to increased grants, appropriations and tax revenues of \$236, increases in other non-operating revenues of \$111, and a favorable change in the fair market value of non-effective derivatives of \$66. Offsetting these increases in revenues was an increase in interest expenses of \$130.

- Appropriations and grants decreased by \$97 due to delay in Federal grants availability.

MTA CONSOLIDATED FINANCIAL STATEMENTS CONDENSED FINANCIAL INFORMATION

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

(in millions)	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
Net Assets:				
Invested in capital assets, net of related debt	\$ 20,172	\$ 19,264	\$ 908	5%
Restricted for debt service	1,214	1,279	(65)	-5%
Restricted for claims	159	146	13	9%
Unrestricted	(5,529)	(3,813)	(1,716)	45%
Total Net Assets	\$ 16,016	\$ 16,876	\$ (860)	-5%

MTA CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED FINANCIAL INFORMATION

Cash Flow

(in millions)	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
Net Cash Used by Operating Activities	\$ (2,662)	\$ (3,037)	\$ 375	-12%
Net Cash Provided by Noncapital Financing Activities	5,116	5,665	(549)	-10%
Net Cash Used by Capital & Related Financing Activities	(2,622)	(1,777)	(845)	48%
Net Cash Provided/(Used) by Investing Activities	171	(999)	1,170	-117%
Net Increase/(decrease) in cash	3	(148)	151	-102%
Cash — Beginning of period	<u>200</u>	<u>348</u>	<u>(148)</u>	<u>-43%</u>
Cash — End of period	<u><u>\$ 203</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 3</u></u>	<u><u>2%</u></u>

Condensed Financial Information

Required Supplementary Information (Page 105)

<u>Pension Funding Progress</u>	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
(in millions)				
Actuarial Value of plan assets:				
LIRR Pension Plan	\$ 476	\$ 503	\$ (27)	-5%
MaBSTOA Pension Plan	1,527	1,397	130	9%
MNR Cash Balance Plan	1	1	(0)	-7%
Total Actuarial Value of Plan Assets	\$ 2,004	\$ 1,901	\$ 103	5%
Actuarial accrued liability:				
LIRR Pension Plan	1,572	1,584	(12)	-1%
MaBSTOA Pension Plan	2,213	2,134	79	4%
MNR Cash Balance Plan	1	1	(0)	-11%
Total Actuarial Accrued Liability	\$ 3,786	\$ 3,719	\$ 67	2%
Total Unfunded				
LIRR Pension Plan	1,096	1,080	16	1%
MaBSTOA Pension Plan	686	737	(51)	-7%
MNR Cash Balance Plan	0	0	0	0%
Total Unfunded Liability	\$ 1,782	\$ 1,817	\$ (35)	-2%
Funded ratio				
LIRR Pension Plan	30%	32%		
MaBSTOA Pension Plan	69%	66%		
MNR Cash Balance Plan	104%	99%		
Combined Funded Ratio	53%	51%		

Condensed Financial Information

Required Supplementary Information- Continued (Page 106)

Post-employment Benefit Plan Funding Progress (in millions)	AS OF DECEMBER 31,		INCR / (DECR)	
	2011	2010	\$	%
Actuarial Value of plan assets:	0	0	-	-
Actuarial accrued liability:	\$ 17,764	\$ 13,165	\$ 4,599	35%
Total Unfunded Liability	\$ 17,764	\$ 13,165	\$ 4,599	35%
Funded ratio	-	-	-	-

Condensed Financial Information

Additional Supplementary Information- Cont'd (Pages 109-111)

(in millions)	Financial Plan Actual	Financial Statement GAAP Actual	Variance
TOTAL REVENUES	6,976	6,939	(37)
EXPENSES:			
Total Labor Expenses	8,851	8,852	1
Total Non-Labor Expenses	2,783	2,840	57
Interagency subsidy	(2)	-	2
Total Expenses Before Depreciation	<u>11,631</u>	<u>11,691</u>	<u>60</u>
Depreciation	2,013	2,020	6
TOTAL EXPENSES	<u>13,645</u>	<u>13,711</u>	<u>66</u>
NET OPERATING DEFICIT	(6,668)	(6,771)	(103)
TOTAL SUBSIDIES	<u>5,301</u>	<u>5,499</u>	<u>199</u>
Net Operating Deficit (Exc'l debt service)	<u>(1,368)</u>	<u>(1,272)</u>	<u>96</u>
Interest on long-term debt (GAAP)	-	(1,429)	(1,429)
LOSS BEFORE CAPITAL APPROPRIATIONS		<u>\$ (2,700)</u>	
Debt service (Financial Plan)	<u>\$ (1,934)</u>	<u>\$ -</u>	<u>\$ 1,934</u>