Triborough Bridge and Tunnel Authority

(Component Unit of the Metropolitan Transportation Authority)

Financial Statements as of and for the
Years Ended December 31, 2016 and 2015,
Required Supplementary Information, and
Independent Auditors' Report

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of
Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying statements of net position of the Triborough Bridge and Tunnel Authority (the "Authority"), a public benefit corporation which is a component unit of the Metropolitan Transportation Authority ("MTA"), as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of December 31, 2016 and 2015, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 16, Schedule of the Authority's Proportionate Share of Net Pension Liability in the New York City Employees' Retirement System on page 75, Schedule of the Authority's Contributions to the New York City Employees' Retirement System on page 76, and Schedule of Funding Progress-Postemployment Healthcare Plan on page 77 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

Introduction

The following is a narrative overview and analysis of the financial activities of Triborough Bridge and Tunnel Authority ("MTA Bridges and Tunnels" or "Authority") for the years ended December 31, 2016 and 2015. This discussion and analysis is intended to serve as an introduction to MTA Bridges and Tunnels' financial statements which have the following components: (1) Management's Discussion and Analysis ("MD&A"), (2) Financial Statements (3) Notes to the Financial Statements, and (4) Required Supplemental Information.

Management's Discussion and Analysis

This MD&A provides an assessment of how MTA Bridges and Tunnels' position has improved or deteriorated and identifies the factors that, in management's view, significantly affected MTA Bridges and Tunnels' overall financial position. It may contain opinions, assumptions, or conclusions by MTA Bridges and Tunnels' management that should not be considered a replacement for and must be read in conjunction with the financial statements.

The Financial Statements Include

The Statements of Net Position provide information about the nature and amounts of resources with present service capacity that the MTA Bridges and Tunnels presently controls (assets), consumption of net assets by the MTA Bridges and Tunnels that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the MTA Bridges and Tunnels has little or no discretion to avoid (liabilities), and acquisition of net assets by the MTA Bridges and Tunnels that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources being reported as net position.

The Statements of Revenues, Expenses and Changes in Net Position show how MTA Bridges and Tunnels' net position changed during each year and accounts for all of the current and prior year's revenues and expenses, measure the success of MTA Bridges and Tunnels' operations over the twelve months and can be used to determine how MTA Bridges and Tunnels has funded its costs.

The Statements of Cash Flows provide information about MTA Bridges and Tunnels' cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing, and investing activities.

The Notes to the Financial Statements Provide

Information that is essential to understanding the financial statements, such as MTA Bridges and Tunnels' basis of presentation, and significant accounting policies, details of cash and investments, capital assets, employee benefits, long-term debt, lease transactions, future commitments and contingencies, and subsequent events of MTA Bridges and Tunnels.

The notes to the financial statements also describe any other events or developing situations that could materially affect MTA Bridges and Tunnels' financial position.

Required Supplementary Information:

The Required Supplementary Information provides information concerning MTA Bridges and Tunnels' progress in funding its obligation to provide other postemployment benefits to its employees. It also includes the Schedule of the Authority's Proportionate Share of Net Pension Liability in the New York City Employees' Retirement System and Schedule of the Authority's Contributions to the New York City Employees' Retirement System as required by provisions for pensions under GASB Statement No. 68.

FINANCIAL REPORTING ENTITY

Triborough Bridge and Tunnel Authority is a public benefit corporation, separate and apart from the State of New York, without any power of taxation. Triborough Bridge and Tunnel Authority is empowered to operate and maintain nine toll bridges and tunnels and the Battery-Parking Garage, all located in New York City. The board members of the Metropolitan Transportation Authority ("MTA") also serve as the Board of Triborough Bridge and Tunnel Authority. Triborough Bridge and Tunnel Authority operates under the name of MTA Bridges and Tunnels and is a component unit of the MTA. The MTA is a component unit of the State of New York.

MTA Bridges and Tunnels' operations and capital costs (debt obligations) for its bridges and tunnels are paid by the revenues it generates from its facilities. MTA Bridges and Tunnels' surplus amounts are used to fund transit and commuter operations and finance capital projects for the transit and commuter systems operated by other affiliates and subsidiaries of the MTA.

CONDENSED FINANCIAL INFORMATION

The following sections will discuss the significant changes in MTA Bridges and Tunnels' financial position for the years ended December 2016 and 2015. Additionally, an examination of major economic factors and industry trends that have contributed to these changes is provided. It should be noted that for purposes of the MD&A, summaries of the financial statements and the various exhibits presented are in conformity with MTA Bridges and Tunnels' financial statements, which are presented in accordance with accounting principles generally accepted in the United States of America.

Correction of Prior Year Financial Statements - The discussions and financial information presented herein for the year ended December 31, 2015 have been revised for the effects of the errors identified by MTA Bridges and Tunnels in its previously reported Financial Statements as of and for the year ended December 31, 2015. See further information regarding the correction of these errors in Note 23 to the MTA Bridges and Tunnels' Financial Statements included elsewhere herein.

(In thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	As of December 31,			Increase/(Decrease)	
	2016	2015	2014	2016 - 2015	2015 - 2014
Capital Assets- Net	$ 5,229,113	$ 4,712,318	$ 4,427,602	$ 516,795	$ 284,716
Other Assets	897,525	1,008,841	1,052,515	(111,316)	(43,674)
Deferred Outflows of Resources	488,214	413,875	374,289	74,339	39,586
Total Assets and Deferred Outflows of Resources	$ 6,614,852	$ 6,135,034	$ 5,854,406	$ 479,818	$ 280,628

Significant Changes in Assets and Deferred Outflows of Resources:

December 31, 2016 versus 2015:

Total assets and deferred outflows of resources increased by $479,818 for the year ended December 31, 2016.

Capital assets, net increased $516,795 for the year ended December 31, 2016. This increase was primarily due to under construction work of $352,666, primary structures of $121,273, roadway of $123,896, toll equipment of $20,157, buildings of $17,647, toll plazas of $1,238 and other of $8,742. Accumulated depreciation has increased by $128,770 due to annual depreciation plus accelerated depreciation due to shortened lives resulting from assets being taken out of service due to automated electronic tolls.

Other assets decreased by $111,316 for the year ended December 31, 2016. The decrease was primarily due to lower restricted short-term investments of $152,224, partially offset by an increase in restricted short-term invested funds at MTA by $47,175 and an increase in unrestricted short-term investments of $19,478. The large cash posting at year-end of $107,072 was due to treasury notes maturing on December 31, 2016, which fell on a weekend and was therefore not reinvested until January 3, 2017, the first business day of the new year. There was a decrease of $37,825 relating to bad debt reserve for insurance recovery.

There was an increase in deferred outflows of resources of $74,339. Three factors were primarily responsible for this change. First, there was an increase in deferred outflows of resources related to pensions of $45,771. There was also an increase in the unamortized loss on debt refunding of $8,860, as well as an increase in the change in fair market value of derivative instruments of $19,708.

December 31, 2015 versus 2014:

Total assets and deferred outflows of resources increased by $280,628 for the year ended December 31, 2015.

Capital assets, net increased by $284,716 for the year ended December 31, 2015. This increase was primarily due to under construction work of $169,863, primary structures of $148,610, roadway of $30,211, buildings of $28,642, toll plazas of $12,896, toll equipment of $1,418 and other of $6,921. This was partially offset by accumulated depreciation of $113,845.

Other assets decreased by $43,674 for the year ended December 31, 2015. The decrease was primarily due to an decrease in unrestricted short-term investments by MTA Treasury of $18,944 and a decrease in short-term restricted investments of $69,769. These decreases were off by an increase in invested funds at MTA by $51,582. Also, prepaid expenses decreased by $16,871.

There was an increase in deferred outflows of resources of $39,586. Three factors were primarily responsible for this change. First, there was an increase in deferred outflows of resources of $58,302 related to MTA Bridges and Tunnels adoption of GASB Statement No. 68 and GASB Statement No. 71, offset by a decrease in the unamortized loss on debt refunding of $16,576 and a decrease in the change in fair market value of derivative instruments of $2,140 in 2015.

(In thousands)	As of December 31,			Increase/(Decrease)	
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**2016**	**2015**	**2014**	**2016-2015**	**2015-2014**
Current Liabilities	$ 1,071,562	$ 828,794	$ 862,533	$ 242,768	$ (33,739)
Noncurrent Liabilities	10,010,846	9,899,767	9,515,496	111,079	384,271
Deferred Inflow of Resources	9,627	22,704	-	(13,077)	22,704
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	$ 11,092,035	$ 10,751,265	$ 10,378,029	$ 340,770	$ 373,236

Significant Changes in Liabilities and Deferred Inflows of Resources:

December 31, 2016 versus 2015:

Total Liabilities and deferred inflows of resources increased by $340,770 for the year ended December 31, 2016.

Current liabilities increased by $242,768 for the year ended December 31, 2016. There was an increase in accounts payable of $101,041 which was mainly due to increases in capital accruals of $65,871, contractors retainage of $25,478, and other liabilities of $10,435. There was also an increase in payable to MTA of $119,601 resulting from increases in MTA Bridges and Tunnels Capital Program as well as an increase in the current portion of long-term debt of $15,818. See debt footnotes for further details. In addition, there were increases in accrued payroll of $8,855, mainly due to pay out of retroactive wage adjustment settlements in 2016.

Non-current liabilities increased by $111,079 for the year ended December 31, 2016. Five factors were primarily responsible for this change. First, there was an increase in the liability for other postemployment benefits other than pensions of $71,837. Second, there was an increase in long-term debt of $54,671. See debt footnotes for further details. Third, there was an increase in net pension liability of $63,695. A fourth factor was an increase of 13,080 related to MTA hedge swaps.Finally, there was an increase in derivative liabilities of $5,980. These increases were offset by a decrease in capital lease obligations mainly relating to railcars of $ 107,000. See derivative instrument footnotes for further details.

There was an decrease in deferred inflows of resources relating to pensions of $13,077 due to net decrease of projected and actual earnings on pension plan investments, $20,258, partially offset by a net increase between expected actual experience, $6,290.

December 31, 2015 versus 2014:

Total Liabilities and deferred inflows of resources increased by $373,236 for the year ended December 31, 2015.

Current liabilities decreased by $33,739 for the year ended December 31, 2015. First, there was a decrease in the current portion of long-term debt of $60,518. See debt footnotes for further details. In addition, there were decreases in accrued salaries of $5,672, due to pay out of retroactive wage adjustment settlements in 2015. These decreases were offset by increases in accounts payable of $16,013, mainly due to increases in several miscellaneous expense payables; payable to MTA of $16,059, resulting from increases in MTA Bridges and Tunnels Capital Project reimbursement and MTA operating expense; due to MTA of $6,081 and NYCTA of $4,576 and unearned tolls revenue of $9,376.

Non-current liabilities increased by $384,271 for the year ended December 31, 2015. Three factors were primarily responsible for this change. First, there was an increase in the liability for other postemployment benefits other than pensions of $67,291. Second, there was an increase in long-term debt of $36,380. See debt footnotes for further details. Finally, the adoption of GASB Statement No. 68 resulted in the Authority's reporting of net pension liabilities for its proportionate share of the New York City Employees' Retirement System qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement by $243,901.

There was an increase in deferred inflows of resources of $22,704 due the adoption of GASB Statement No. 68 in 2015.

(In thousands)

NET POSITION	**As of December 31,**			**Increase/(Decrease)**	
	2016	**2015**	**2014**	**2016-2015**	**2015-2014**
Net investment in capital assets	911,389	$ 655,998	$ 552,965	$ 255,391	$ 103,033
Restricted	511,153	723,199	737,600	(212,046)	(14,401)
Unrestricted	(5,899,725)	(5,995,428)	(5,814,188)	95,703	(181,240)
Total net position	(4,477,183)	$ (4,616,231)	$ (4,523,623)	$ 139,048	$ (92,608)

The negative net position has resulted from assets transferred to MTA and NYCTA, on prior years' debt financing incurred on their behalf.

Significant Changes in Net Position:

December 31, 2016 versus 2015:

In 2016 the total net position increased by $139,048. This was due to operating ncome of $1,233,300 less non-operating expenses of $351,712, less net transfers out of $742,540 (principally operating surplus). In addition, there was a restatement of $38,835 which was a result of prior year adjustments.

December 31, 2015 versus 2014:

In 2015 the total net position decreased by $92,608. This was due to operating income of $1,228,796, less non-operating expenses of $320,280, less net transfers out of $750,316 (principally operating surplus). In addition, The MTA Bridges and Tunnels adopted GASB Statement No. 68 in 2015. The adoption required the restatement of the beginning net position. The restatement resulted in a decrease of $236,766 in the beginning position. There was also a restatement to net position of $52,877 made in 2016 related to prior year corrections.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In thousands)	Years Ended December 31, 2016	2015	2014	Increase/(Decrease) 2016-2015	2015-2014
OPERATING REVENUES	$ 1,895,045	$ 1,836,664	$ 1,698,477	$ 58,381	$ 138,187
OPERATING EXPENSES	(653,261)	(604,087)	(602,392)	(49,174)	(1,695)
OPERATING INCOME	1,241,784	1,232,577	1,096,085	9,207	136,492
TOTAL NET NONOPERATING EXPENSES:	(360,196)	(324,061)	(332,806)	(36,135)	8,745
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	881,588	908,516	763,279	(26,928)	145,237
TRANSFERS IN - MTA	369	401	352	(32)	49
TRANSFERS OUT	(742,909)	(750,717)	(637,554)	7,808	(113,163)
CHANGES IN NET POSITION	139,048	158,200	126,077	(19,152)	32,123
NET POSITION - BEGINNING	(4,616,231)	(4,484,788)	(4,610,865)	(131,443)	126,077
RESTATEMENT OF BEGINNING NET POSITION DUE TO CORRECTION OF ERROR	-	(52,877)	-	52,877	-
RESTATEMENT OF BEGINNING NET POSITION - GASB 68	-	(236,766)	-	236,766	(236,766)
NET POSITION - ENDED	$ (4,477,183)	$ (4,616,231)	$ (4,484,788)	$ 139,048	$ (131,443)

Operating Revenues

For the year ended December 31, 2016, the operating revenues increased by $58,381 as compared to December 31, 2015. This increase can be primarily attributed to an increase in toll revenue of $54,337 which includes bad debt expenses relating to toll collections of $6,772. 2016 was a record year for traffic over and through bridges and tunnels. See “Overall Financial Position and Results of Operations and Important Economic Conditions” below.

For the year ended December 31, 2015, the operating revenues increased by $138,187 as compared to December 31, 2014. This increase can be primarily attributed to an increase in toll revenue of $132,456, which includes bad debt expenses relating to toll collections of $6,463. See “Overall Financial Position and Results of Operations and Important Economic Conditions” below.

Revenue by Major Source

MTA Bridges and Tunnels tolls accounted for 98.3% and 98.1% of operating revenues in 2016 and 2015, respectively. The remaining revenue primarily represented income from parking fees (net of operating expenses) collected at the Battery Parking Garage and fees collected from E-ZPass customers.

Toll revenues (net of bad debt expense relating to toll collections) were $1,863,238 and $1,802,437 for the years ended December 31, 2016 and December 31, 2015, respectively.

Operating Expenses

Operating expenses, including depreciation, increased for the year ended December 31, 2016, as compared to the prior year by $49,1746. The increase was primarily due to an increase in retirement and other employee benefits of $25,725, maintenance and other operating contracts of $4,009, mainly in major maintenance and painting, and depreciation expense of $14,976. Also, salary and wages increased by $3,240.

Operating expenses, including depreciation, decreased for the year ended December 31, 2015, as compared to the prior year by $1,695. The decrease was primarily due to lower retirement and other employee benefits and post-employment benefits other than pensions of $8,182 and a decrease in salaries and wages of $7,795. This was offset by an increase in maintenance and other operating contracts of $18,743.

Non-operating Revenues (Expenses)

Net non-operating expenses increased by $36,135 for the year ended December 31, 2016. This increase was primarily due to a provision for insurance recoveries of $37,825, changes in fair value of derivatives due to MTA of $13,080 and FEMA loss recovery of $0 in 2016 versus $5,524 in 2015. This was partially offset by an decrease in fair value of derivative financial instruments of $13,508 and net interest expense of $6,626.

Non-operating expenses decreased by $8,745 for the year ended December 31, 2015. This decrease was primarily due to a decrease in interest expense on the debt of $21,102 due to 2015 debt refundings offset by an increase in depreciation of $14,976

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS

Economic Conditions/Results of Operations

Two key economic factors that have statistically significant relationships to changes in traffic volumes are regional non-farm employment and inflation (CPI-U). Based on data from the U.S. Bureau of Labor Statistics, regional employment grew on average by 2.4% in 2015 and preliminary reports show employment growth of 1.9% in 2016. Inflation was 0.1% in 2015 and 1.1% in 2016.

Total paid traffic reached 307.3 million crossings in 2016, which was 9.4 million, or 3.1% above the 2015 level. Traffic in 2016 set a new record, surpassing the previous high of 304.4 million crossings in 2007 by 1.0%. Continued low gas prices appear to be the major driver behind the increased volume. Gas prices averaged $2.22 in 2016, compared to an average of $2.50 in 2015. In addition, overall winter weather was relatively less severe in 2016. Snow accumulations hit 39.2 inches in 2016 while snowfall in 2015 totaled 48.0 inches. Toll revenue was $1,870.0 million in 2016, which was $61.1 million, or 3.4%

above the 2015 level of $1,808.9 million. The additional revenue was a result of the higher traffic volume in 2016 and a full year's impact of the toll increase implemented on March 22, 2015.

In 2015, total annual paid traffic was 298.0 million crossings, which was over 11.6 million, or 4.0% above the 2014 level. Traffic was higher on a year-to-year basis during each month in 2015, with growth ranging between 1% and 7%. Relatively low gas prices appear to be the major driver behind the increased volume. Gas prices averaged $2.50 in 2015, which was $1.05 below the annual average for 2014. Weather was generally more favorable in 2015 as well. While snowfall was comparable in both years (48 inches in 2015 vs. 47 inches in 2014), rainfall totaled 37 inches over 106 days in 2015, compared to 50 inches over 117 days in 2014. Toll revenue reached $1,808.9 million in 2015, which was $132.5 million, or 7.9% above the 2014 level of $1,676.4 million. The additional revenue was a result of the higher traffic volume in 2015 and the toll increase implemented on March 22, 2015.

The E-ZPass electronic toll collection system continued to facilitate management of high traffic volumes. All categories grew on a year-to-year basis in both 2016 and 2015:

	2016	**2015**	**2014**
Total	85.9%	85.1%	84.1%
Average Weekday	87.5%	86.8%	85.8%
Passenger Vehicles	86.9%	86.2%	85.2%
Commercial Vehicles	93.7%	93.1%	92.6%
Average Weekend	82.0%	81.1%	80.1%

SIGNIFICANT CAPITAL ASSET ACTIVITY

Capital Program

MTA Bridge and Tunnels' facilities are all in a state of good repair. MTA Bridge and Tunnels' portion of the MTA's Capital Program for 2015-2019 totals $2,855,971 for normal replacement and system improvement projects. The commitments made during the fourth quarter 2016 were $97,515 bringing the total encumbrance under the five-year plan to $310,143.

MTA Bridge and Tunnels' portion of the Capital Program for 2010-2014 totals $2,108,385 for normal replacement and system improvement projects. The commitments made during the fourth quarter 2016 were $950 bringing the total commitment under the five-year plan to $1,909,167.

MTA Bridge and Tunnels' portion of the Capital Program for 2005-2009 totals $1,126,736 for normal replacement and system improvement projects. There were no commitments during the fourth quarter 2016. The total commitment under the five-year plan is $1,118,217.

Approximately 65% of the projected expenditures in the 2010-2014 Capital Program will be incurred at three facilities: The Robert F. Kennedy Bridge, the Throgs neck Bridge and the Verrazano-Narrows Bridge. Other major projects in the 2015-2019 Capital Program include the skewback retrofit and the reconstruction of the upper and lower level toll plaza decks and southbound approach roadway (Phase B) at the Henry Hudson Bridge, the rehabilitation of the Queens Midtown Tunnel controls and communication systems, rehabilitation of the Hugh L. Carey Tunnel ventilation systems, and scour protection, repair and replacement of the pier fender systems at the Cross Bay Bridge.

Approximately 65.5% of the projected expenditures in the 2010-2014 Capital Program will be incurred at three facilities: the Robert F. Kennedy Bridge, the Bronx-Whitestone Bridge, and the Verrazano-Narrows Bridge. Other major projects in the 2010-2014 Plan include the rehabilitation of tunnel walls, roadway drainage, firelines and ceiling repairs (Phase II) and replacement of electrical switchgear and power distribution equipment at the Brooklyn-Battery Tunnel, upper and lower level toll plazas deck rehabilitation at the Henry Hudson Bridge and a facility-wide electrical upgrade, vent building switchgear and motor control center replacement at the Queens Midtown Tunnel.

Approximately 60.0% of the expenditures in the 2005-2009 Capital Program have been incurred at four facilities: the Verrazano-Narrows Bridge, the Robert F. Kennedy Bridge, the Bronx-Whitestone Bridge, and the Throgs Neck Bridge.

MTA Bridge and Tunnels' portion of the MTA's Capital Program for Sandy Restoration and Resiliency totals $873,500, of which $96,000 is for facility mitigation projects. The total commitments made during the fourth quarter 2016 were $127,184. The total commitment under these plans is $661,331 to date.

Approximately 95% of the projected expenditures will be incurred at the Hugh L. Carey and Queens Midtown Tunnels.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

MTA Bridges and Tunnels Infrastructure Losses from Sandy

Based on preliminary assessments by MTA Bridges and Tunnels staff and independent engineers, the estimated capital cost of repairs, mostly for damage to the tunnels, is $778 million. The cost of infrastructure repairs is expected to be covered by a combination of FEMA, insurance, MTA Bridges and Tunnel resources, including its necessary reconstruction reserve, and, if necessary, interim external borrowings. Any such interim borrowings are currently expected to be structured as bond anticipation notes under the MTA Bridges and Tunnels Senior Resolution, and amounts of such borrowings not reimbursed by the federal government or from insurance coverage are expected to be paid from the proceeds of bonds issued under the MTA Bridges and Tunnels Senior Resolution.

As of December 31, 2016, costs associated with the storm included repair and clean-up expenses of $1.8 million which are included in "asset impairment and related expenses" on the Statements of Revenues, Expenses and Changes in Net Position.

E-ZPass Initiatives

In 2016, a number of initiatives to encourage E-ZPass participation continued:

- MTA Bridges and Tunnels began selling E-ZPass "On the Go" pre-paid tags in the cash toll lanes at each facility in 2012. Through December 2016, more than 856,000 tags have been sold.
- MTA Bridges and Tunnels introduced the MTA Reload Card in February 2012, an initiative which makes it easier for customers to replenish their E-ZPass account with cash. Through December 2016, more than 168,000 cards have been issued to customers and approximately 17% of total cash replenishments were made using the cards.
- Spanish language versions of the E-ZPass application, interactive website, and the customer service telephone voice response system were introduced in January 2012.
- In November 2012, MTA Bridges and Tunnels introduced E-ZPass "Pay per Trip," which enables customers to set up an E-ZPass account without a pre-paid balance. Those interested in this program pay for their tolls each day through an Automated Clearinghouse (ACH) deduction from their checking account. Through December 2016, over 80,000 account holders have signed up for this initiative.

All Electronic/Open Road Tolling

Bridges and Tunnels will be implementing automatic or "Open Road Tolling" (ORT) at its facilities throughout 2017. Sensors and cameras will be suspended over the highway on structures called gantries and vehicles will not be required to stop. Vehicles with E-ZPass will be automatically charged and non-E-ZPass vehicles will have their license plate recorded and a bill will be mailed to the registered owner of the vehicle. A cashless, All Electronic Tolling (AET) system has been in place at the Henry Hudson Bridge (HHB) since November 2012. At the HHB, the general operating environment—no commercial traffic, lower tolls, 94% E-ZPass usage—is especially conducive to ORT, and cashless tolling has subsequently been very successful, resulting in no revenue loss for B&T. However, implementing ORT at other facilities will present greater challenges in revenue collection and enforcement stemming from the introduction of commercial traffic into the system and the larger number of customers currently paying higher cash tolls compared to the HHB. B&T currently estimates that full conversion to ORT could result in modest revenue collection losses, based on experience at the HHB. At the same time, B&T has taken several actions to enhance collection and enforcement of tolls under the ORT system. These actions include:

- Raising the violation fee from $50 to $100 at all major facilities;
- Recently enacted NY DMV regulations to suspend the registrations of repeat offenders;
- Partnering with New York State Police on various enforcement measures;
- Pushing for vehicle suspension reciprocity agreements with other states.

Verrazano-Narrows Bridge Rebate Programs

The projected annualized cost of the 2015-2016 Verrazano-Narrows Bridge Rebate Programs is $17.3 million, with $7 million for the 2015-2016 Verrazano-Narrows Bridge Commercial Rebate Program and $10.3 million for the 2015-2016 Staten Island Resident Rebate Program. Under the 2015-2016 Verrazano Narrows Bridge Rebate Programs, $7 million of the cost for the 2015-2016 Staten Island Resident Rebate Program and $7 million of the cost of the 2015-2016 Verrazano-Narrows Bridge Commercial Rebate Program are to be funded equally by the State and the MTA, with the State's contribution provided by appropriations to the MTA. An additional $3.3 million in appropriations is being provided by the State to the MTA to keep an effective toll rate of $5.50 for Staten Island Residents under the Staten Island Resident Rebate Program (i.e., the effective toll prior to the March 22, 2015 toll increase).

The projected annualized cost of the 2016-2017 Verrazano-Narrows Bridge Rebate Programs is approximately $17.3 million, with $14 million for the 2016-2017 Verrazano-Narrows Bridge Commercial Rebate Program and for the 2016-2017 Staten Island Resident Rebate Program, funded equally by the State and MTA, with the State's contribution provided by appropriations to MTA. An additional $3.3 million in appropriations is being provided by the State to MTA to keep the $0.74 rebate for Staten Island Residents with three or more trips per month and the $1.10 rebate for Staten Island Residents with less than three trips per month.

The money to fund a year's estimated costs for the Verrazano-Narrows Bridge Rebate Programs is transferred by MTA to MTA Bridges and Tunnels prior to the implementation of the Verrazano-Narrows Bridge Rebate Programs each year. The 2016-2017 Verrazano-Narrows Bridge Rebate Programs will be implemented as specified herein only for such periods during which both (a) MTA's total financial responsibility, net of State actions or available offsets, does not exceed $7 million for the 2016-2017 Staten Island Resident Rebate and Verrazano-Narrows Bridge Commercial Programs and (b) the State provides (i) at least $7 million for the 2016-2017 Staten Island Residents Rebate Program and Verrazano-Narrows Bridge Commercial Rebate Program and (ii) such additional funds as are necessary (currently estimated to be $3.3 million) to keep the $0.74 rebate for Staten Island Residents with three or more trips per month and the $1.10 rebate for Staten Island Residents with less than three trips per month under the 2016-2017 Staten Island Resident Rebate Program. MTA shall apply the $3.3 million of additional funds provided by the State as necessary to keep the

$0.74 rebate for Staten Island Residents with three or more trips per month and the $1.10 rebate for Staten Island Residents with less than three trips per month.

If, as a result of unexpected toll transaction activity, MTA Bridges and Tunnels estimates that such MTA and State funds allocated to MTA for the 2016-2017 Verrazano-Narrows Bridge Rebate Programs, net of offsets, will be insufficient to fund the 2016-2017 Verrazano-Narrows Bridge Commercial Rebate Program for the full Program year, MTA Bridges and Tunnels may reduce the rebate amount under such Program to a percentage that is forecast to be payable in full for the remainder of the Program year with the available funds. However, in the event that such MTA and State funds allocated to MTA for the 2016-2017 Verrazano-Narrows Bridge Rebate Programs are fully depleted at any time during the 2016-2017 Verrazano-Narrows Bridge Rebate Programs annual period, the 2016-2017 Verrazano-Narrows Bridge Rebate Programs will cease and Staten Island residents will be charged the applicable resident discount toll and trucks and other commercial vehicles will be charged the applicable New York Customer Service Center E-ZPass toll for the Verrazano-Narrows Bridge.

The Verrazano-Narrows Bridge Rebate Programs will continue into future years provided that (a) MTA's annual period contribution does not exceed $7 million, (b) the MTA Board approves a budget that includes MTA's contribution to such program, and (c) the State provides to MTA funds sufficient for at least half the expenses of each continuing annual period.

Under the 2015-2016 Staten Island Resident Rebate Program, the MTA is rebating $0.74 of the $6.24 SIR E-ZPass toll paid by Staten Island residents with three or more trips per month across the Verrazano-Narrows Bridge, and $1.10 of the $6.60 SIR E-ZPass toll paid by Staten Island residents with one or two trips across the bridge. As a result of these MTA toll rebates, Staten Island residents pay an effective toll of $5.50 per trip. The 2015-2016 Staten Island Resident Rebate Program is retroactive to April 1, 2015 and will continue through March 31, 2016.

Under the 2016-2017 Staten Island Resident Rebate Program, MTA will continue to rebate $0.74 of the $6.24 SIR E-ZPass toll paid by Staten Island residents with three or more trips per month across the Verrazano-Narrows Bridge, and $1.10 of the $6.60 SIR E-ZPass toll paid by Staten Island residents with one or two trips across the bridge. As a result of these MTA toll rebates, Staten Island residents will pay an effective toll of $5.50 per trip under the current Staten Island Resident toll rates. The 2016-2017 Staten Island Resident Rebate Program is retroactive to April 1, 2016 and will continue through March 31, 2017.

Under the 2015-2016 Verrazano-Narrows Bridge Commercial Rebate Program, the initial rebate was 18% of the E-ZPass toll for trucks and other commercial vehicles with more than ten trips per month across the Verrazano-Narrows Bridge, using the same NYCSC E-ZPass Account. The 2015-2016 Staten Island Resident Rebate Program was retroactive to April 1, 2015 and continued through March 31, 2016.

Under the 2016-2017 Verrazano-Narrows Bridge Commercial Rebate Program, the initial rebate is 18% of the E-ZPass toll for trucks and other commercial vehicles with more than ten trips per month across the Verrazano-Narrows Bridge, using the same New York Customer Service Center E-ZPass Account. Implementing an 18% rebate of the E-ZPass toll for trucks and other eligible commercial vehicles is expected to ensure that the $7 million allocated for the 2016-2017 Verrazano-Narrows Bridge Commercial Rebate Program is sufficient to provide funding from April 1, 2016 through March 31, 2017. The 2016-2017 Staten Island Resident Rebate Rebate Program is retroactive to April 1, 2016 and will continue through March 31, 2017.

MTA has a program to rebate tolls for E-ZPass customers who are residents of Broad Channel and the Rockaway Peninsula using the Cross Bay Veterans Memorial Bridge. From July 23, 2010, to March 31, 2012, the resident discount E-ZPass crossing charge applied for the first two trips across the Bridge and only subsequent trips made during a calendar day using the same E-ZPass tag were eligible for the toll rebate. Effective April 1, 2012, the MTA has been using funds allocated by the State Legislature to restore the rebate for tolls incurred on the first two trips made by eligible participants across the Cross Bay Veterans Memorial Bridge within a calendar day (using the same E-ZPass tag).

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TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

(Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015
($ in thousands)

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash (Note 3)	$ 120,419	$ 13,357
Unrestricted investments (Note 4)	91,585	72,107
Restricted investments (Note 4)	82,658	234,882
Invested funds at MTA- unrestricted (Note 5)	28,204	28,388
Invested funds at MTA- restricted (Note 5)	428,489	381,314
Accrued interest receivable	906	719
Accounts receivable	50,422	37,237
Less allowance for doubtful accounts	(15,287)	(11,808)
Insurance recovery receivable (Note 10)	126,325	-
Less allowance for insurance recovery	(37,825)	-
Due from MTA (Note 21)	13,625	9,924
Prepaid expenses	4,435	5,813
Total current assets	893,956	771,933
NON-CURRENT ASSETS:		
Restricted investments (Notes 4 and 5)	5	107,003
Insurance recovery receivable (Note 10)	-	126,325
Capital assets (Note 6 and 23):		
Land and construction work-in-progress	1,068,364	715,699
Other capital assets (net of accumulated depreciation)	4,160,749	3,996,619
Derivative assets (Note 15)	3,564	3,580
Total non-current assets	5,232,682	4,949,226
TOTAL ASSETS	6,126,638	5,721,159
DEFERRED OUTFLOWS OF RESOURCES:		
Related to pensions (Note 7)	104,073	58,302
Accumulated decreases in fair value of derivative instruments (Note 15)	180,662	160,954
Loss on debt refunding (Note 23)	203,479	194,619
TOTAL DEFERRED OUTFLOWS OF RESOURCES	488,214	413,875
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 6,614,852	$ 6,135,034

See notes to financial statements. (Continued)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015
($ in thousands)

	2016	2015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable (Note 23)	$ 223,012	$ 121,970
Accrued expenses:		
Interest	53,565	54,203
Payable to MTA (Note 21)	162,655	43,054
Payable to NYCTA — operating expense (Note 21)	1,362	499
Accrued salaries	20,961	12,106
Accrued vacation and sick pay benefits	17,451	18,373
Total accrued expenses	255,994	128,235
Current portion — long-term debt (Notes 11 to 14)	290,000	274,182
Current portion - estimated liability from injuries to persons (Note 17 and 23)	5,878	4,704
Due to NYCTA - operating surplus (Note 1 and 21)	38,098	37,022
Due to MTA - operating surplus (Note 1 and 21)	56,971	56,494
Current portion - obligations under capital lease (Note 16)	-	6,117
Pollution remediation projects (Note 9)	1,829	1,829
Unearned tolls revenue (includes $48,652 and $42,798 in 2016 and 2015, respectively, due to other toll agencies)	199,780	198,241
Total current liabilities	1,071,562	828,794
NON-CURRENT LIABILITIES:		
Estimated liability arising from injuries to persons (Note 17 and 23)	37,755	36,143
Post employment benefits other than pensions (Note 8)	645,298	573,461
Long-term debt (Notes 11 to 14 and 23)	8,781,447	8,726,776
Net pension liability (Note 7)	307,596	243,901
Derivative liabilities (Note 15)	171,146	165,166
Due to MTA - change in fair value of derivative (Note 15)	13,080	-
Obligations under capital leases (Note 16 and 23)	54,524	154,320
Total non-current liabilities	10,010,846	9,899,767
TOTAL LIABILITIES	11,082,408	10,728,561
DEFERRED INFLOWS OF RESOURCES:		
Related to pensions (Note 7)	9,627	22,704
TOTAL DEFERRED INFLOWS OF RESOURCES	9,627	22,704
NET POSITION:		
Net investment in capital assets	911,389	655,998
Restricted	511,153	723,199
Unrestricted	(5,899,725)	(5,995,428)
TOTAL NET POSITION	(4,477,183)	(4,616,231)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 6,614,852	$ 6,135,034

See notes to financial statements. (Concluded)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

(Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED DECEMBER 31, 2016 AND 2015

($ in thousands)

	2016	2015
OPERATING REVENUES:		
Bridges and tunnels (Note 23)	$ 1,863,238	$ 1,802,437
Building rentals and fees	26,728	30,695
Other income	5,079	3,532
Total operating revenues	1,895,045	1,836,664
OPERATING EXPENSES:		
Salaries and wages	132,220	128,980
Retirement and other employee benefits	99,772	77,904
Post employment benefits other than pensions	90,130	86,815
Electric power	5,803	4,991
Fuel	1,362	1,977
Insurance	14,359	14,798
Maintenance and other operating contracts	127,863	123,855
Professional service contracts	17,773	17,116
Materials and supplies	3,808	3,255
Depreciation (Note 23)	128,769	113,793
Other (Note 23)	30,510	28,739
Total operating expenses	652,369	602,223
Asset impairment and related expenses — (Note 10)	892	1,864
OPERATING INCOME	1,241,784	1,232,577
NON-OPERATING REVENUES (EXPENSES):		
Build America Bonds subsidy	8,442	8,733
Federal Emergency Management Agency reimbursement related to Tropical Storm Sandy	-	5,524
Interest expense (Note 23)	(327,158)	(333,927)
Interest expense - capital lease obligation (Note 23)	(4,922)	(4,778)
Change in fair value of derivative financial instruments (Note 15)	13,712	204
Change in fair value of derivative - due (to)/from MTA	(13,080)	-
Investment income	635	183
Provision for insurance recoveries	(37,825)	-
Total net non-operating expenses	(360,196)	(324,061)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	881,588	908,516
TRANSFERS IN — Metropolitan Transportation Authority	369	401
TRANSFERS OUT (Note 1):		
New York City Transit Authority	(312,901)	(318,435)
Metropolitan Transportation Authority	(430,008)	(432,282)
CHANGE IN NET POSITION	139,048	158,200
NET POSITION — Beginning of year	(4,616,231)	(4,484,788)
Restatement of beginning net position-adoption of GASB 68	-	(236,766)
Restatement of beginning net position due to correction of error (Note 23)		(52,877)
NET POSITION — End of year	$ (4,477,183)	$ (4,616,231)

See notes to financial statements.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

(Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
($ in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tolls collected	$ 1,857,940	$ 1,811,906
Building rentals and fees received	32,296	43,372
Payroll and related fringe benefits	(304,554)	(180,795)
Other operating expenses (Note 23)	(139,336)	(272,059)
Net cash provided by operating activities	1,446,346	1,402,424
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Subsidies paid to affiliated agencies	(741,992)	(740,242)
Net cash used in noncapital financing activities	(741,992)	(740,242)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payment for capital assets (Note 23)	(496,480)	(395,552)
Debt service payments	(289,826)	(339,235)
Bond proceeds	642,206	324,843
Bonds refunded	(288,004)	(50,248)
Interest payments	(357,937)	(341,766)
Net cash used in capital and related financing activities	(790,041)	(801,958)

See notes to financial statements.

(Continued)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

(A Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
($ in thousands)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gross sales of short-term securities	$ 3,985,128	$ 3,105,940
Gross purchases of short-term securities	(3,792,369)	(2,966,952)
Net cash provided by investing activities	192,759	138,988
NET INCREASE/(DECREASE) IN CASH	107,072	(788)
CASH — Beginning of year	13,347	14,145
CASH — End of year	$ 120,419	$ 13,357
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,241,784	$ 1,232,577
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation (Note 23)	128,769	113,793
GASB 68 pension expense adjustment	6,848	-
Net (increase) in receivables	(17,073)	(10,240)
Net increase in operating payables	72,381	41,688
Net decrease in prepaid expenses and deferred charges	1,378	16,871
Net increase/(decrease) in accrued salary costs, vacation & insurance	10,720	(1,641)
Net increase in unearned revenue	1,539	9,376
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,446,346	$ 1,402,424
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital asset related liabilities	$ 106,691	$ 35,875
Interest expense includes amortization of net (premium)/discount (Note 23)	$ (25,804)	$ (18,749)
Interest expense which was capitalized	$ 33,545	$ 26,465

See notes to financial statements. (Concluded)

1. BASIS OF PRESENTATION

Reporting Entity — The Triborough Bridge and Tunnel Authority (the "Authority" or "MTA Bridges and Tunnels") is a public benefit corporation created pursuant to the Public Authorities Law (the "Act") of the State of New York (the "State"). MTA Bridges and Tunnels is a component unit of the Metropolitan Transportation Authority ("MTA"). The MTA is a component unit of the State and is included in the State of New York Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation. MTA Bridges and Tunnels is operationally and legally independent of the MTA. MTA Bridges and Tunnels enjoy certain rights typically associated with separate legal status including the ability to issue debt. However, MTA Bridges and Tunnels is included in the MTA's consolidated financial statements as a blended component unit because of the MTA's financial accountability and MTA Bridges and Tunnels is under the direction of the MTA Board (a reference to "MTA Board" means the board of MTA and/or the boards of the MTA Bridges and Tunnels and other MTA component units that apply in the specific context, all of which are comprised of the same persons). Under accounting principles generally accepted in the United States of America ("GAAP"), the MTA is required to include MTA Bridges and Tunnels in its consolidated financial statements.

MTA Bridges and Tunnels operates seven toll bridges, two toll tunnels, and the Battery Parking Garage. All Authority toll facilities operate E-Z Pass in conjunction with a regional electronic toll collection system. MTA Bridges and Tunnels' annual net earnings before depreciation and other adjustments ("operating transfer") are transferred to the New York City Transit Authority (the "TA") and the MTA pursuant to provisions of the Act. In addition, MTA Bridges and Tunnels annually transfers its unrestricted investment income to the MTA. The operating transfer and the investment income transfer can be used to fund operating expenses or capital projects. The TA receives $24,000 plus 50% of MTA Bridges and Tunnels' remaining annual operating transfer, as adjusted, to reflect certain debt service transactions and the MTA receives the balance of the operating transfer, as adjusted, to reflect certain debt service transactions, plus the annual unrestricted investment income. Transfers are made during the year. The remaining amount due at December 31, 2016 and 2015, of $ 95,069 and $93,516, respectively, is recorded as a liability in MTA Bridges and Tunnels' financial statements.

MTA Bridges and Tunnels certified to the City of New York (the "City") and the MTA that its operating transfer and its unrestricted investment income at December 31, 2016 and 2015, were as follows:

(In thousands)	2016	2015
Operating transfer	$ 742,909	$ 750,717
Investment income (excludes unrealized gain or loss)	635	183
	$ 743,544	$ 750,900

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying consolidated interim financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The MTA Bridges and Tunnels applies Governmental Accounting Standards Board (“GASB”) Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”) Section P80, Proprietary Accounting and Financial Reporting.

New Accounting Standards Adopted

The MTA Bridges and Tunnels adopted the following GASB Statements for the year ended December 31, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The adoption of this Statement resulted in expanded note disclosures related to the level of fair value hierarchy and valuation techniques. The total fair value derivative impact to MTA Bridges and Tunnels was $3.408 million - $3.376 million for derivatives under senior lien and $0.032 million for derivatives under subordinate lien.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement had no impact on the MTA Bridges and Tunnels financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* defines a tax abatement and requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The adoption of this Statement had no impact on the MTA Bridges and Tunnels financial statements. No additional disclosures are required.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* applies to state and local governmental employers that provide a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The adoption of this Statement had no impact on the MTA Bridges and Tunnels financial statements. No additional disclosures are required.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement also establishes additional note disclosure requirements for qualifying external investment pools. The adoption of this Statement had no impact on the MTA Bridges and Tunnels financial statements.

Accounting Standards Issued but Not Yet Adopted

GASB has issued the following pronouncements that may affect the future financial position, results of operations, cash flows, or financial presentation of the MTA Bridges and Tunnels upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	MTA Required Year of Adoption
73	*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*	2017
74	*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*	2017
75	*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*	2018
80	*Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14*	2017
81	*Irrevocable Split-Interest Agreement*	2018
82	*Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*	2017
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activities*	2020
85	*Omnibus 2017*	2018
86	*Certain Debt Extinguishment Issues*	2018

Use of Management's Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated interim financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for doubtful accounts, allowance for insurance recovery, , accrued expenses and other liabilities, depreciable lives of capital assets, estimated liability arising from injuries to persons, pension benefits and other postemployment benefits. Actual results could differ significantly from those estimates.

Operating Revenues — Passenger Revenue and Tolls — Revenues from the sale of tickets, tokens, and electronic toll collection system are recognized as income when tickets are used. Tickets are assumed to be used in the month of purchase, with the exception of advance purchases of monthly and weekly tickets.

MTA Bridges and Tunnels has two toll rebate programs at the Verrazano-Narrows Bridge: the Staten Island Resident ("SIR") Rebate Program, available for residents of Staten Island participating in the Staten Island Resident E-ZPass toll discount plan, and the Verrazano-Narrows Bridge Commercial Rebate Program ("VNB Commercial Rebate Program"), available for commercial vehicles making more than ten trips per month using the same New York Customer Service Center ("NYCSC") E-ZPass account. The Verrazano-

Narrows Bridge Commercial Rebate Program and Staten Island Resident Rebate Program are funded by the State and MTA.

Non-operating Revenues – Build America Bonds subsidy – MTA Bridges and Tunnels is receiving cash subsidy payments from the U.S. Treasury equal to 35% of the interest payable on the Series of Bonds issued as "Build America Bonds" and authorized by the Recovery Act. The Internal Revenue Code of 1986 imposes requirements that MTA Bridges and Tunnels must meet and continue to meet after the issuance in order to receive the cash subsidy payments. The interest on these bonds is fully subject to Federal income taxation.

Operating and Non-operating Expenses —Operating and non-operating expenses are recognized in the accounting period in which the liability is incurred. All expenses related to operating the MTA Bridges and Tunnels (e.g. salaries, insurance, depreciation, etc.) are reported as operating expenses. All other expenses (e.g. interest on long-term debt, subsidies paid to counties, etc.) are reported as non-operating expenses.

Investments — Effective for 2016, the MTA Bridges and Tunnels adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. Under the Statement, investment assets and liabilities are to be measured at fair value, which is described as the "price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants." Fair Value assumes that the transaction will occur in the MTA's Bridges and Tunnels principal (or most advantageous) market. GASB Statement No. 72 requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The MTA Bridges and Tunnels investment policies comply with the New York State Comptroller's guidelines for such operating and capital 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. FMTAC's investment policies comply with New York State Comptroller guidelines and New York State Department of Insurance guidelines.

Investments are recorded on the MTA Bridges and Tunnels statement of net position at fair value, except for commercial paper and repurchase agreements, which are recorded at amortized cost or contract value. All investment income, including changes in the fair value of investments, is reported as revenue on the MTA Bridges and Tunnels statement of revenues, expenses and changes in net position. Fair values have been determined using quoted market values at December 31, 2016 and December 31, 2015.

Investment derivative contracts are reported at fair value using the income approach.

MTA Investment Pool — The MTA, on behalf of the MTA Bridges and Tunnels, invests funds which are not immediately required for the MTA Bridges and Tunnels' 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. All investments are held by the MTA's agent in custody accounts in the name of the MTA. The Company has no financial instruments with significant individual or group concentration of credit risk.

Capital Assets —Properties and equipment are carried at cost and are depreciated on a straight-line basis over estimated useful lives. Expenses for maintenance and repairs are charged to operations as incurred. Capital assets and improvements include all land, buildings, equipment, and infrastructure of the MTA having a minimum useful life of two years and having a cost of more than $25 thousand. Capital assets are 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.

Pollution Remediation Projects — Pollution remediation costs have been expensed in accordance with the provisions of GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations (See Note 13). An operating expense provision and corresponding liability measured at current value using the expected cash flow method has been recognized for certain pollution remediation obligations, which previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations occur when any one of the following obligating events takes place: the MTA Bridges and Tunnels is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the MTA Bridges and Tunnels is named by a regulator as a responsible or potentially responsible party to participate in remediation; the MTA Bridges and Tunnels voluntarily commences or legally obligates itself to commence remediation efforts; or the MTA Bridges and Tunnels is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities.

Compensated Absences — MTA Bridges and Tunnels has accrued the full value (including fringe benefits) of all vacation and sick leave benefits earned by employees to date if the leave is attributable to past service and it is probable that MTA Bridges and Tunnels will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Total outstanding compensated balances at December 31, 2016 and 2015 were $645 and $600, respectively.

Net Position — MTA Bridges and Tunnels follows the "business type" activity requirements of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* which requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Restricted:

  Nonexpendable — Net position subject to externally imposed stipulations such that the Authority maintains them permanently. For the years ended December 31, 2016 and 2015, the Authority did not have nonexpendable net position.

  Expendable — Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire with the passage of time. For the years ended December 31, 2016 and 2015, the Authority had expendable restricted net position related to (1) Debt Service of $53,359 and $189,939, (2) the Necessary Reconstruction Reserve of $457,794 and $426,257, and (3) Capital Lease Obligations of $0 and $107,003, respectively.

- Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by actions of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Subsidies — Subsidies provided by MTA Bridges and Tunnels represent its operating transfer and investment income computed on an accrual basis.

Pension Plans —The Authority adopted the standards of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for its pension plans.

The MTA Bridges and Tunnels recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the MTA Bridges and Tunnels' proportionate share thereof in the case of a cost-sharing multiple-employer plan. The net pension liability is calculated using the qualified pension plan's measurement date. Changes in the net pension liability during the year are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the year incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the year in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the year in which the difference occurred.

Postretirement Benefits — In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers. In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. MTA Bridges and Tunnels has adopted these standards for its Postemployment Benefits Other Than Pensions.

In addition to providing pension benefits, MTA Bridges and Tunnels provides certain health care and life insurance benefits for retired employees. Substantially all of MTA Bridges and Tunnels' employees who are members of NYCERS may become eligible for those benefits if they reach normal retirement age while working for MTA Bridges and Tunnels. The insurance premiums for these benefits are recorded on a pay-as-you-go basis and totaled $21,240 and $19,524 in 2016 and 2015, respectively. No contributions are made by participants. As of December 31, 2016 and 2015, 1,334 and 1,247 retirees, respectively, including spouses and dependents, met those eligibility requirements. See Note 8 for further disclosure on Other Postemployment Benefits.

Premium Discount Amortization method – MTA Bridges and Tunnels amortized premium and discounts on bonds in the years the bonds are refunded or matured.

3. CASH

The Bank balances are insured up to $250 in the aggregate by the Federal Deposit Insurance Corporation ("FDIC") for each bank in which funds are deposited.

The Bank balances in 2016 and 2015 that were not insured were maintained in major financial institutions considered by management to be secure. The difference between the carrying amount and the bank balance for the years ended December 31, 2016 and 2015 is due mainly to the large cash posting of $107,072 due to treasury notes maturing on December 31, 2016, which fell on a weekend and was therefore not reinvested until January 3. 2017, the first business day of the new year, as well as petty cash and change funds which are maintained at the various toll facilities and not recorded by the bank. In addition, there were deposits in transit in each of the years ended December 31, 2016 and 2015.

Cash at December 31, 2016 and 2015 consists of the following:

	2016		2015	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	$ 250	$ 250	$ 250	$ 250
Collateralized deposits	11,793	4,821	13,107	9,404
Uncollateralized deposits	108,376	-	-	-
	$ 120,419	$ 5,071	$13,357	$ 9,654

4. INVESTMENTS

MTA Bridges and Tunnels' investment policies comply with the New York State Comptroller's guidelines for investment policies. MTA's All-Agency Investment Guidelines restrict MTA Bridges and Tunnels' investments to obligations of the U.S. Treasury, its agencies and instrumentalities and repurchase agreements backed by U.S. Treasury securities. All investments were managed by the MTA, as MTA Bridges and Tunnels' agent, in custody accounts kept in the name of MTA Bridges and Tunnels for restricted investments and in the name of the MTA for unrestricted investments. MTA's All-Agency Investment Guidelines state that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment.

MTA Bridges and Tunnels holds most of its investments at a custodian bank. The custodian must meet certain banking institution criteria enumerated in MTA's Bridges and Tunnels Investment Guidelines. The Investment Guidelines also require the Treasury Division to hold at least $100 of its portfolio with a separate emergency custodian bank. The purpose of this deposit is in the event that the MTA Bridges and Tunnels main custodian cannot execute transactions due to an emergency outside of the custodian's control, the MTA Bridges and Tunnels has an immediate alternate source of liquidity.

The MTA Bridges and Tunnels categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The MTA Bridges and Tunnels had the following recurring fair value measurements as of December 31, 2016 and 2015 (in millions):

Investments by fair value level	**December 31, 2016**	**Fair Value Measurements Level 1**	**Fair Value Measurements Level 2**	**December 31, 2015**	**Fair Value Measurements Level 1**	**Fair Value Measurements Level 2**
Debt Securities:						
U.S. treasury securities	$ 88,031	$ 88,031	$ -	$ 207,933	$ -	$ 207,933
U.S. government agency	5	-	5	61,494	-	61,494
Commercial paper	64,963	-	64,963	44,985	-	44,985
Asset-backed securities	-	-	-	-	-	-
Commercial mortgage-backed securities	-	-	-	-	-	-
Foreign bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Tax Benefit Lease Investments:						
U.S. treasury securities	-	-	-	-	-	-
U.S. government agency	-	-	-	-	-	-
Repurchase agreements	21,249	21,249	-	23,080	23,080	-
Money Market Funds	-	-	-	-	-	-
Total debt securities	174,248	109,280	64,968	337,492	23,080	314,412
Equity securities	-	-	-	-	-	-
Total investments by fair value level	174,248	$ 109,280	$ 64,968	337,492	$ 23,080	$ 314,412
Other	-			76,500		
Total Investments	$ 174,248			$ 413,992		

Investments classified as Level 1 of the fair value hierarchy, totaling $109,280 and $23,080 as of December 31, 2016 and 2015, respectively, are valued using quoted prices in active markets. 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 statement of net position. The MTA Bridges and Tunnels investment policy states that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment.

U.S. Government agency securities totaling $5 and $61,494, and commercial paper totaling $64,963 and $44,985, as of December 31, 2016 and 2015, respectively, classified in Level 2 of the fair value hierarchy, are valued using matrix pricing techniques maintained by a third party pricing service. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices and indices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from a third party pricing service or our custodian bank.

In connection with certain lease transactions described in Note 9, the MTA Bridges and Tunnels has purchased securities or entered into payment undertaking, letter of credit, or similar type agreements or instruments (guaranteed investment contracts) with financial institutions, which generate sufficient proceeds to make basic rent and purchase option payments under the terms of the leases. If the obligors do not perform, the MTA Bridges and Tunnels may have an obligation to make the related rent payments.

All investments, other than the investments restricted for capital lease obligations, are either insured or registered and held by the MTA Bridges and Tunnels. Investments for settlement of railcar lease obligation was liquidated in 2016 and used to pay off lease for $109,040. Investments restricted for capital lease obligations are either held by MTA Bridges and Tunnels or held by a custodian as collateral for MTA Bridges and Tunnels's obligation to make rent payments under capital lease obligation. Investments had weighted average yields of 0.56% and 0.51% for the years ended December 31, 2016 and 2015, respectively.

Investments available to pay operating and maintenance expenses, debt service and operating surplus transfers, at December 31, 2016 and 2015, are as follows (in thousands):

Investments:	**2016**	**2015**
CURRENT:		
Restricted:		
Bond Proceeds Fund	$ 1,093	$ 28,972
Primarily Necessary Reconstruction Fund	33,708	44,943
Debt Service Fund	47,607	160,076
Cost of Issuance Fund	250	710
COPS 2 Broadway	-	181
Total current — restricted	82,658	234,882
Total current — unrestricted	91,585	72,107
Total — current	$ 174,243	$ 306,989
LONG-TERM:		
Restricted:		
Senior Revenue Bonds	$ 5	$ 3
Capital Lease Obligation:		
U.S. Treasury Strips	-	30,500
Irrevocable Deposit Account	-	76,500
Total long-term — restricted	5	107,003
Total — long-term	$ 5	$ 107,003

The unexpended bond proceeds of the General Purpose Revenue Bonds 1980 Resolution, not including proceeds held for the Transportation Project, were restricted for payment of capital improvements of MTA Bridges and Tunnels' present facilities. The Debt Service Funds are restricted for the payment of debt service as provided by the bond resolutions.

The Necessary Reconstruction Fund was established by the MTA Bridges and Tunnels by a resolution adopted in March 29, 1968. The amount in the fund and related interest income is to be used to fund reconstruction of present facilities within the meaning of MTA Bridges and Tunnels General Revenue Bond Resolution.

MTA Bridges and Tunnels' accrual of the liability to the federal government for rebate of arbitrage income from tax-exempt borrowings was $0 at December 31, 2016 and 2015.

The fair value of the above investments consists of $91,585 and $72,107 in 2016 and 2015 in unrestricted investments respectively, and $82,663 and $341,885 in 2016 and 2015 in restricted investments, respectively. Investments had weighted average monthly yields ranging from 0.345% to 0.542%, for the year ended December 31, 2016 and 0.121 % to 0.238% for the year ended December 31, 2015. The net unrealized gain (loss), respectively on investments was $(22) and ($9) for the years ended December 31, 2016.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of interest rate risk. The greater the duration of a bond or portfolio of bonds, the greater its price volatility will be in response to a change in interest rate risk and vice versa. Duration is an indicator of bond price's sensitivity to a 100 basis point change in interest rates.

	December 31, 2016		December 31, 2015	
(In thousands)	Fair Value	Duration (In years)	Fair Value	Duration (In years)
U.S. TREASURIES	$ 88,031	0.07	$ 207,933	0.07
OTHER AGENCIES	5	0.01	30,994	0.01
TAX BENEFIT LEASE INVESTMENTS	-	0.00	30,500	0.08
REPURCHASE AGREEMENTS	21,249	0.00	23,080	0.00
COMMERCIAL PAPER	64,963	0.01	44,985	0.01
TOTAL FAIR VALUE	174,248		337,492	
MODIFIED DURATION		0.01		0.05
TOTAL	174,248		337,492	
Investments with no duration reported			76,500	
Total Investments	$ 174,248		$ 413,992	

Credit Risk — At December 31, 2016 and 2015, the following credit quality rating has been assigned to MTA investments by a nationally recognized rating organization (in thousands):

Quality Rating from Standard & Poor's	December 31, 2016	Percent of Portfolio	December 31, 2015	Percent of Portfolio
(In thousands)				
A-1+	5	0%	30,994	9%
A-1	64,963	37%	44,985	13%
Not Rated	21,249	12%	23,080	7%
U.S. Government	88,031	51%	238,433	71%
Total	174,248	100%	337,492	100%
Investment not rated	-		76,500	
Total Investment	$ 174,248		$ 413,992	

5. MTA INVESTMENT POOL

The MTA, on behalf of MTA Bridges and Tunnels, invests funds which are not immediately required for MTA Bridges and Tunnels' operations in securities permitted by the MTA's All-Agency Investment Guidelines in accordance with 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. All investments are held by the MTA's agent in custody accounts in the name of the MTA. The Company has no financial instruments with significant individual or group concentration of credit risk. MTA Bridges and Tunnels categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. MTA Bridges and Tunnels' investment in the MTA Investment Pool is valued based on other observable inputs (Level 2 inputs). The amounts related to investment pool funds for the year ended December 31, 2016 were $28,204 for short-term unrestricted and $428,489 for short-term restricted. The amounts for the year ended December 31, 2015 were $28,388 for short-term unrestricted and $381,314 for short-term restricted.

6. CAPITAL ADDITIONS/RECLASSIFICATIONS AND DELETIONS/RECLASSIFICATIONS

Capital assets at December 31 consisted of the following additions/reclassifications and deletions/reclassifications:

(In thousands)	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
CAPITAL ASSETS NOT BEING DEPRECIATED:							
Land	$ 52,940	$ -	$ -	$ 52,940	$ -	$ -	$ 52,940
Construction in progress	492,895	400,275	230,412	662,758	820,661	467,995	1,015,424
Total capital assets not being depreciated	545,835	400,275	230,412	715,698	820,661	467,995	1,068,364
CAPITAL ASSETS BEING DEPRECIATED:							
Building — 2 Broadway	82,025		-	82,025	-	53	81,972
Primary structures	2,627,875	148,610	-	2,776,485	121,273	-	2,897,758
Toll plazas	263,265	12,896	-	276,161	1,238	-	277,399
Toll equipment	141,398	1,418	-	142,816	20,157	-	162,973
Buildings	616,184	28,642	-	644,826	17,647	-	662,473
Roadway	1,278,248	30,211	-	1,308,459	123,896	-	1,432,355
Other	201,747	6,921	-	208,668	8,742	-	217,410
Total capital assets being depreciated	5,210,742	228,698	-	5,439,440	292,953	53	5,732,340
LESS ACCUMULATED DEPRECIATION:							
Building — 2 Broadway	39,761	1,115	-	40,876	1,055	-	41,931
Primary structures	498,268	25,470	-	523,738	29,297	-	553,035
Toll plazas	125,546	6,080	-	131,626	8,555	-	140,181
Toll equipment	57,893	3,505	-	61,398	12,787	-	74,185
Buildings	156,744	15,268	-	172,012	15,914	-	187,926
Roadway	289,559	42,930	-	332,489	46,238	-	378,727
Other	161,204	19,477	-	180,681	14,925	-	195,606
Total accumulated depreciation	1,328,975	113,845	-	1,442,820	128,771	-	1,571,591
TOTAL CAPITAL ASSETS BEING DEPRECIATED — Net of accumulated depreciation	3,881,767	114,853	-	3,996,620	164,182	53	4,160,749
CAPITAL ASSETS — Net	$ 4,427,602	$ 515,128	$ 230,412	$ 4,712,318	$ 984,843	$ 468,048	$ 5,229,113

In 2016 and 2015, capital asset additions included $21,152 and $20,574, respectively, of costs incurred by engineers working on capital projects. Capitalized interest totaled $ 33,545 and $26,465 in 2016 and 2015, respectively.

Correction of Prior Year Financial Statements — See Note 23 for further information regarding corrections to balances within the table as of the year ended as of December 31, 2015.

7. EMPLOYEE BENEFITS

Plan Description

Employees of MTA Bridges and Tunnels are members of the New York City Employees' Retirement System ("NYCERS"), which is a cost-sharing, multiple-employer retirement system for employees of The City of New York ("The City") and certain other governmental units. NYCERS administers the New York City Employees Retirement System qualified pension plan.

NYCERS was established by an act of the Legislature of the State of New York under Chapter 427 of the laws of 1920. NYCERS functions in accordance with the governing statutes contained in the New York State Retirement and Social Security Law (RSSL), and the New York City Administrative Code, which are the basis by which benefit terms and employer and member contribution requirements are established and amended. The head of the retirement system is the Board of Trustees.

NYCERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York City Employees' Retirement System at 335 Adams Street, Suite 2300, Brooklyn, NY 11201-3724 or at www.nycers.org.

All persons holding permanent civil service positions in the competitive or labor class are required to become members of NYCERS six months after their date of appointment, but may voluntarily elect to join NYCERS prior to their mandated membership date. All other eligible employees have the option of joining NYCERS upon appointment or anytime thereafter.

Tier 1	All members who joined prior to July 1, 1973.
Tier 2	All members who joined on or after July 1, 1973 and before July 27, 1976.
Tier 3	Only certain members who joined on or after July 27, 1976 and prior to April 1, 2012.
Tier 4	All members (with certain member exceptions) who joined on or after July 27, 1976 but prior to April 1, 2012. Members who joined on or after July 27, 1976 but prior to September 1, 1983 retain all rights and benefits of Tier 3 membership.
Tier 6	Members who joined on or after April 1, 2012.

Benefits Provided

NYCERS provides pension benefits to retired employees generally based on salary, length of service, and pension tier. For certain members of NYCERS, voluntary member contributions, which are in excess of the required member contributions, also impact pension benefits provided. In general, Tier 1 and Tier 2 member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier 3 and Tier 4 members make basic contributions of 3.0% of salary, regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees enrolled in the Transit 20-Year Plan, are not required to make basic contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. In addition, members who meet certain eligibility requirements will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Effective December 2000, certain Transit Authority Tier 3 and Tier 4 members make basic member contributions of 2.0% of salary, in accordance with

Chapter 10 of the Laws of 2000. Certain Tier 2, Tier 3 and Tier 4 members who are participants in special retirement plans are required to make additional member contributions of 1.85%, in addition to their base membership contribution. Tier 6 members are mandated to contribute between 3.0% and 6.0% of salary, depending on salary level, until they separate from City service or until they retire.

NYCERS provides automatic Cost-of-Living Adjustments ("COLA"), death benefits, accident, disability retirement benefits, and other supplemental pension benefits to certain retirees and beneficiaries. Members become fully vested as to benefits upon the completion of 5 years of service.

The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, 1976, 1983 and 2012, significant amendments made to the State Retirement and Social Security Law (RSSL) modified certain benefits for employees joining the Plan on or after the effective date of such amendments, creating membership tiers.

Contributions and Funding Policy

NYCERS funding policy is to contribute statutorily-required contributions ("Statutory Contributions"), determined by the Chief Actuary for the New York City Retirement Systems in accordance with State statutes and City laws, and are generally funded by employers within the appropriate Fiscal Year. The Statutory Contributions are determined under the One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. Statutory Contributions are determined annually to be an amount that, together with member contributions and investment income, provides for NYCERS' assets to be sufficient to pay benefits when due.

Member contributions are established by law. NYCERS has both contributory and noncontributory requirements, with retirement age varying from 55 to 70 depending upon when an employee last entered qualifying service.

In general, Tier 1 and Tier 2 member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier 3 and Tier 4 members make basic contributions of 3.0% of salary, regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees enrolled in the Transit 20-Year Plan, are not required to make basic contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. In addition, members who meet certain eligibility requirements will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Effective December 2000, certain Transit Authority Tier 3 and Tier 4 members make basic member contributions of 2.0% of salary, in accordance with Chapter 10 of the Laws of 2000. Certain Tier 2, Tier 3 and Tier 4 members who are participants in special retirement plans are required to make additional member contributions of 1.85%, in addition to their base membership contribution. Tier 6 members are mandated to contribute between 3.0% and 6.0% of salary, depending on salary level, until they separate from service or until they retire.

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

Certain retirees also receive supplemental benefits from MTA Bridges and Tunnels. Certain participants are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such participants' contribution accounts. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any outstanding loan balances.

MTA Bridges and Tunnels is required to contribute at an actuarially determined rate. For 2016, the Authority's rate is 31.85% of annual covered payroll versus 33.62% in 2015.

MTA Bridges and Tunnels contributions to NYCERS for the years ended December 31, 2016 and December 31, 2015 was $ 44,609 and $41,812, respectively.

Net Pension Liability

Bridges and Tunnels net pension liability reported at December 31, 2016 was measured as of the NYCERS fiscal year-end of June 30, 2016 and 2015. The total pension liability used to calculate the net pension liability was determined by actuarial valuation dates as of June 30, 2014 and 2013 and rolled forward to the measurement date of June 30, 2016. The fiduciary net position and additions to and deductions from the fiduciary net position have been determined on the same basis as reported by NYCERS. For this purpose, benefits and refunds are recognized when due and payable in accordance with the terms of the Plan; and investments are reported at fair value.

Actuarial Assumptions

<u>The following assumptions were used in June 30, 2014 actuarial valuation</u>:

Actuarial Valuation Date	June 30, 2014
Investment Rate of Return	7.0% per annum, net of investment expenses.
Projected Salary Increases [1]	In general, merit and promotion increases plus assumed general wage increases of 3.0% per year.
Inflation	2.50%
COLAs [1]	1.5% per annum for Tiers 1, 2, 4 and certain Tier 3 and Tier 6 retirees. 2.5% per annum for certain Tier 3 and Tier 4 retirees.
Mortality	Mortality tables for service and disability pensioners were developed from an experience study of NYCERS' pensioners. The mortality tables for beneficiaries were developed from an experience review of NYCERS' beneficiaries.

<u>The following assumptions were used in June 30, 2013 actuarial valuation</u>:

Actuarial Valuation Date	June 30, 2013
Investment Rate of Return	7.0% per annum, net of investment expenses.
Projected Salary Increases [1]	In general, merit and promotion increases plus assumed general wage increases of 3.0% per year.
Inflation	2.50%
COLAs [1]	1.5% per annum for Tiers 1, 2, 4 and certain Tier 3 and Tier 6 retirees. 2.5% per annum for certain Tier 3 and Tier 4 retirees.

Mortality	Mortality tables for service and disability pensioners were developed from an experience study of NYCERS' pensioners. The mortality tables for beneficiaries were developed from an experience review of NYCERS'

(1) Developed assuming a long-term Consumer Price Inflation assumption of 2.5% per year

Pursuant to Section 96 of the New York City Charter, an independent actuarial firm conducts studies of the actuarial assumptions used to value liabilities of the NYCERS Pension Plan every two years.

In accordance with the Administrative Code of the City of New York ("ACNY") and with appropriate practice, the Boards of Trustees of NYCERS are to periodically review and adopt certain actuarial assumptions as proposed by the Actuary for use in the determination of Employer Contributions, which are also generally used to determine the total pension liability, as applicable. Based, in part, upon a review of the then two most recently completed experience studies, the Actuary issued reports for NYCERS proposing changes in actuarial assumptions and methods for Fiscal Years beginning on and after July 1, 2011 (February 2012 Reports). Where required, the Boards of Trustees of the NYCERS adopted those changes to actuarial assumptions that require Board approval. The State Legislature enacted Chapter 3/13 to provide for those changes to the actuarial assumptions and methods that require legislation, including the Actuarial Interest Rate ("AIR") assumption of 7.0% per annum, net of investment expenses.

Expected Rate of Return on Investments

The long-term expected rate of return on investments of 7.0% for the NYCERS plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocations of the fund and the expected real rate of return (RROR) for the asset class in NYCERS was as of the measurement dates of June 30, 2015 and June 30, 2016, respectively, are summarized as follows:

	NYCERS	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
U.S. Public Market Equities	32.60%	2.15%
International Public Market Equities	10.00%	0.70%
Emergining Public Market Equities	6.90%	0.55%
Private Market Equities	7.00%	0.69%
Fixed Income	33.50%	0.90%
Alternatives (Real Assets, Hedge Funds)	10.00%	0.40%
	100.00%	
Assumed Inflation - Mean		2.50%
Long Term Expected Rate of Return		5.39%

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for the NYCERS plan as of June 30, 2016 and 7.0% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for the pension plan and that employer contributions will be made at the rates determined by the pension plan's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and non-active members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MTA Bridges and Tunnels Proportion of Net Pension Liability - NYCERS

The following table presents the Authority's proportionate share of the net pension liability of NYCERS at the measurement date of June 30, 2016 and 2015, and the proportion percentage of the net pension liability of NYCERS allocated to the Authority:

	June 30, 2016	June 30, 2015
	(in millions)	
Bridges and Tunnels proportion of the net pension liability	1.266 %	1.205 %
Bridges and Tunnels proportionate share of the net pension liability	$ 307.60	$ 243.90

MTA Bridges and Tunnels proportion of the net pension liability was based on the actual contributions made to NYCERS for the year-ended June 30, 2016 and 2015, relative to the contributions of all employers in the plan.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following table presents MTA Bridges and Tunnels proportionate share of the net pension liability calculated using the discount rate of 7.0% for NYCERS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate used as of each measurement date:

	June 30, 2016			June 30, 2015		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(in millions)			(in millions)	
Bridges and Tunnels proportionate share of the net pension liability	$ 421.74	$ 307.60	$ 211.99	$ 337.32	$ 243.90	$ 157.13

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2016 and 2015, the Authority's reported deferred outflow of resources and deferred inflow of resources for each pension plan as follows:

	2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
	(in millions)	
Differences between expected and actual experience	$ -	$ 8,731
Changes in assumptions	$ 22,704	$ -
Net difference between projected and actual earnings on pension plan investments	$ 16,640	-
Changes in proportion and differences between contributions and proportionate share of contributions	$ 21,183	$ 896
Employer contribution to plan subsequent to the measurement date of net pension liability	$ 43,546	-
Total	$ 104,073	$ 9,627

	2015	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
	(in millions)	
Differences between expected and actual experience	$ -	$ 2,446
Changes in assumptions	$	$ -
Net difference between projected and actual earnings on pension plan investments	$	$ 20,258
Changes in proportion and differences between contributions and proportionate share of contributions	$ 18,758	$
Employer contribution to plan subsequent to the measurement date of net pension liability	$ 39,544	-
Total	$ 58,302	$ 22,704

The annual differences between the projected and actual earnings on investments are amortized over a five-year closed period beginning the year in which the difference occurs. The annual differences between expected and actual experience and the changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over the weighted average remaining service life of all members, beginning the year in which the deferred amount occurs.

For the year ended December 31, 2016 and 2015, $43,546 and $39,544, respectively, was reported as deferred outflows of resources related to pensions resulting from MTA Bridges and Tunnels contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2016 will be recognized as pension expense as follows:

Year ending December 31: (In millions)		**Increase/(Decrease) in Pension Expense**
2017	$	13,259
2018		14,002
2019		16,905
2020		6,734
2021		-
Thereafter		-
Total	$	50,900

8. OTHER POSTEMPLOYMENT BENEFITS

The MTA and its component units, which includes the MTA Bridges and Tunnels, has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45"). This Statement establishes the standards for the measurement, recognition, and display of Other Postemployment Benefits ("OPEB") expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information ("RSI") in the financial reports of state and local governmental employers.

Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government's financial reports to reflect systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with the OPEB and whether and to what extent progress is being made in funding the plan.

Plan Description — The Benefits provided by the MTA and its component units include medical, pharmacy, dental, vision and life insurance, plus monthly supplements for Medicare Part B or Medicare supplemental plan reimbursement and welfare fund contributions.

MTA Bridges and Tunnels' participates in the New York State Health Insurance Program ("NYSHIP") to provide medical and prescription drug benefits, including Medicare Part B reimbursements to its members. NYSHIP provides a PPO plan and several HMO plans.

GASB Statement No. 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. The valuation must be performed at least biennially. The most recent biennial valuation was performed for the year ended December 31, 2016 and was performed with a valuation date of January 1, 2014.

Since the MTA Bridges and Tunnels' is a participating employer in NYSHIP, it does not issue a stand-alone financial report regarding post-employment benefits. The NYSHIP financial report can be obtained by writing to NYS Department of Civil Service, Employee Benefits Division, Alfred E. Smith Office Building, 805 Swan Street, Albany, NY 12239.

Annual OPEB Cost and Net OPEB Obligation — MTA Bridges and Tunnels' annual OPEB cost (expense) represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation, included on the statement of net position. The annual OPEB cost is equal to the annual required contribution ("ARC") less adjustments if a net OPEB obligation exists. The ARC is equal to the normal cost plus an amortization of the unfunded frozen actuarial accrued liability.

For determining the ARC, the MTA and its component units have chosen to use Frozen Initial Liability ("FIL") cost method with the initial liability amortized over a 22-year period. The remaining amortization period at December 31, 2016 is 13 years.

In order to recognize the liability over an employee's career, an actuarial cost method divides the present value into three pieces: the part that is attributed to past years (the "Accrued Liability" or "Past Service Liability"), the part that is being earned this year (the "Normal Cost"), and the part that will be earned in future years (the "Future Service Liability"). Under FIL, an initial past service liability is determined based on the Entry Age Normal ("EAN") Cost Method and is amortized separately. This method determines the past service liability for each individual based on a level percent of pay. The Future Service Liability is allocated based on the present value of future compensation for all members combined to determine the Normal Cost. In future years, actuarial gains/losses will be incorporated into the Future Service Liability and amortized through the Normal Cost.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions — The Frozen Initial Liability ("FIL") Cost Method was used for determining the Normal Cost. The Entry Age Normal ("EAN") Cost Method was used to determine the Frozen Accrued Liability and will be used to determine the unfunded actuarial accrued liability in the GASB 45 supplementary schedules. This method determines the Frozen Accrued liability for each individual based on a level percent of pay for service accrued through the initial valuation date. The difference between the Actuarial Present Value of Benefits and the Frozen Accrued Liability equals the Present Value of Future Normal Cost. The Normal Cost equals the Present Value of Future Normal Cost divided by the present value of future compensation and multiplied by the total of current compensation for members less than certain retirement age.

Inflation rate used was 2.5% per annum compounded annually.

Salaries were assumed to increase by years of service as follows:

Years of Employment	Rate of Increase
1	11.0 %
2	10.0
3	9.0
4	8.0
5	7.0
6	6.0
7	5.0
8	4.0
9	3.8
10	3.6
11+	3.5

Valuation Date — January 1, 2014.

Discount Rate — 3.5%

Medicare Part B Premiums — The Medicare Part B premium reimbursement was included in the 2015 and 2016 premium for those members covered by NYSHIP. Medicare Part B reimbursements were assumed to have an annual trend of 4.5%. The lower trends were assumed due to the actual experience of NYSHIP premium increases. It also reflected actual premium decreases for dental and vision benefits and Medicare Part B reimbursements.

These trends were combined with the adjusted Getzen model trend to determine a single weighted trend assumption. The weighting was based on an estimated liability basis.

Health Care Cost Trend Rates

Fiscal Years	Trend
2015	6.0
2016	6.0
2017	6.0
2018	5.3
2019	5.2
2024	5.2
2029	5.5
2034	6.4
2039	5.9
2044	5.7
2049	5.6
2054	5.5

The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2014 utilizing the baseline assumptions included in the model, except real Gross Domestic Product of 1.8% for medical and pharmacy benefits. Additional adjustments apply based on percentage of costs associated with administrative expenses, aging factors and potential excise tax due to healthcare reform.

Participation — For the 2,885 members who participate in NYSHIP, 100% of eligible members, including current retirees and surviving spouses, are assumed to elect the Empire Preferred Provider Organization Plan.

OPEB Participation By Agency at January 1, 2014

Active Members	
Number	1,569
Average Age	46.5
Average Service	13.3
Retirees	
Single Medical Coverage	612
Employee/Spouse Coverage	663
Employee/Child Coverage	36
No medical Coverage	5
Total Number	1,316
Average Age	68.9
Total Number with Dental/Vision	406
Total Number with Vision	406
Total Number with Supplement	910
Average Monthly Supplement Amount in whole dollars (Excluding Part B Premium)	$207
Total Number with Life Insurance	353
Average Life Insurance Amount	$5,754

Coverage Election Rates - For members that participate in NYSHIP, 100% of eligible members, including current retirees and surviving spouses, are assumed to elect the Empire PPO Plan. However, for Bridges and Tunnels members, 15% of represented members and 10% of non-represented, including SOBA, members are assumed to elect the HIP HMO Plan.

Dependent Coverage - Spouses are assumed to be the same age as the employee/retiree. 80% of male and 45% of female eligible members are assumed to elect family coverage upon retirement. No children are assumed. Actual family coverage elections for current retirees are used. If a current retiree's only dependent is a child, eligibility is assumed for an additional 7 years of dependent coverage if the member participates in NYSHIP (otherwise, 5 years) from the valuation date was assumed.

Healthcare Reform - The results of this valuation reflect our understanding of the impact in future health costs due to the Affordable Care Act ("ACA") passed into law in March 2010. An excise tax for high cost health coverage or "Cadillac" health plans was included in ACA. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. If, between 2010 and 2018, the cost of health care insurance rises more than 55%, the threshold for the excise tax will be adjusted. Legislative changes passed in December 2015 have delayed the effective date of the excise tax until 2020. However, the calculation of the threshold amounts remains unchanged. Also included in ACA are various fees (including, but not limited to, the Patient-Centered Outcomes Research Institute fee, Transitional Reinsurance Program fee, and the Health Insurer fee) associated with the initiation of health exchanges in 2014. The current provisions of ACA should be reflected in the projection of benefits and therefore, the value of the excise tax and ACA fees which apply to the plan are not included. It is assumed that there will be no changes to the current law and that there will be no changes in plan design to help mitigate the impact of the excise tax.

Per Capita Claim Costs — Use of a blended premium rate for active employees and retirees under age 65 is a common practice. Health costs generally increase with age, so the blended premium rate is higher than the true underlying cost for actives and the blended premium is lower than the true underlying cost for retirees. For retirees, this difference is called the implicit rate subsidy. Since GASB 45 only requires an actuarial valuation for retirees, it requires the plan sponsor to determine the costs of these benefits by removing the subsidy. However, a plan sponsor may use the premiums without adjustment for age if the employer participates in a community-rated plan, in which the premium rates reflect projected health claims experience of all participating employers, or if the insurer would offer the same premium rate if only non-Medicare-eligible retirees were covered.

Based on an initial, as well as an updated 2014 report, 2006 report from the Department of Civil Service of the State of New York regarding recommended actuarial assumptions used for New York State/SUNY's GASB 45 Valuation sent to all participating employers, it stated that the Empire Plan of NYSHIP is community-rated for all participating employers. Each MTA Agency participating in NYSHIP is no more than approximately 1%, and in total, the MTA is approximately 3% of the total NYSHIP population. The actual experience of the MTA will have little or no impact on the actual premium so it is reasonable to use the premium rates without age adjustments as the per capita claims cost.

Demographic Assumptions:

Mortality — Pre-retirement and postretirement healthy annuitant rates are projected on a generational basis using Scale AA, as recommended by the Society of Actuaries Retirement Plans Experience Committee.

Pre-Retirement — RP-2000 Employee Mortality Table for Males and Females with blue-collar adjustments.

Postretirement Healthy Lives — RP-2000 Healthy Annuitant mortality table for males with Blue Collar adjustments and 133% of the rates from the RP-2000 Healthy Annuitant mortality table for females.

Postretirement Disabled Lives — 75% of the rates from the RP-2000 Disabled Annuitant mortality table for males and females. At age 85 and later for males and age 77 and later for females, the disability rates are set to the male and female healthy rates, respectively.

Group	Pension Plan
MTA Bridges and Tunnels	NYCERS — MTA Bridges and Tunnels

Vestee Coverage — For members that participate in NYSHIP, Vestees (members who have terminated, but not yet eligible to retire) are eligible for NYSHIP benefits provided by the Agency upon retirement, but must maintain NYSHIP coverage at their own expense from termination to retirement. Vestees are assumed to retire at first eligibility and would continue to maintain NYSHIP coverage based on the following percentages. This assumption is based on the Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation report provided to Participating Employers of NYSHIP. These percentages were also applied to current vestees, which were only provided by Headquarters.

Age at Termination	Percent Electing
<40	- %
40–43	5
44	20
45–46	30
47–48	40
49	50
50–51	80
52+	100

The following table shows the elements of MTA Bridges and Tunnels' net OPEB cost for the year ended December 31, 2016 and 2015, the amount paid, and changes in MTA Bridges and Tunnels' net OPEB for the year ended December 31, 2016 and 2015 (in thousands):

(In thousands)

	2016	2015
Annual required contribution	$ 123,978	$ 114,090
Interest on net OPEB obligation	20,071	17,716
Adjustment to annual required contribution	(50,972)	(44,991)
Annual OPEB cost/expense	93,077	86,815
Payments	(21,240)	(19,524)
Increase in net OPEB obligation	71,837	67,291
Net OPEB obligation - beginning of year	573,461	506,170
Net OPEB obligation - end of year	$ 645,298	$ 573,461

MTA Bridges and Tunnels' annual OPEB cost, the percentage of annual OPEB cost contributed, and the net estimated OPEB obligation for the year ended December 31, 2016, 2015, and 2014 projected is as follows (in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Paid	Net OPEB Obligation
12/31/2016	$93,077	22.8%	$645,298
12/31/2015	$86,815	22.5%	$573,461
12/31/2014	$89,740	20.7%	$506,170

(In millions)

Period Ended	Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrued Liability (AAL) {b}	Unfunded Actuarial Accrued Liability (UAAL) {c}={b}-{a}	Funded Ratio {a}/{c}	Covered Payroll {d}	Ratio of UAAL to Covered Payroll {c}/{d}
12/31/2016	1/1/2014	$ -	798.0	798.0	$ -	117.5	679%

The required schedule of funding progress immediately following the notes to the financial statements and the supplemental schedules presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. POLLUTION REMEDIATION PROJECTS

MTA Bridges and Tunnels implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2008. The Statement establishes standards for determining when expected pollution remediation outlays should be accrued as a liability or, if appropriate, capitalized. An operating expense and corresponding liability, measured at its current value using the expected cash flow method, have been recognized for certain pollution remediation obligations that are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations, which are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations, occur when any one of the following obligating events takes place:

- An imminent threat to public health due to pollution exists
- MTA Bridges and Tunnels is in violation of a pollution prevention-related permit or license
- MTA Bridges and Tunnels is named by a regulator as a responsible or potentially responsible party to participate in remediation
- MTA Bridges and Tunnels is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities, or
- MTA Bridges and Tunnels voluntarily commences or legally obligates itself to commence remediation efforts

In accordance with GASB Statement No. 49, there was no pollution remediation expense provision in 2016 or 2015. The expense provision was measured at its current value utilizing the prescribed expected cash flow method.

As of December 31, 2016 and December 31, 2015, the pollution remediation liability totaled $1,829, primarily consisting of future remediation activities associated with asbestos removal and soil contamination at MTA Bridge and Tunnels facilities.

The pollution remediation liability is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

10. ASSET IMPAIRMENT AND RELATED EXPENSES

On October 29, 2012, Tropical Storm Sandy made landfall just south of Atlantic City, New Jersey, as a post-tropical cyclone. The accompanying storm surge and high winds caused widespread damage to the physical transportation assets operated by MTA and its related groups. MTA expects to recoup most of the costs associated with repair or replacement of assets damaged by the storm over the next several years from a combination of insurance and federal government assistance programs.

As of December 31, 2016, costs associated with the storm included repair and clean-up expenses of $0.9 million which are included in “asset impairment and related expenses” on the Statements of Revenues, Expenses and Changes in Net Position.

As of December 31, 2015, costs associated with the storm included repair and clean-up expenses of $1.9 million which are included in “asset impairment and related expenses” on the Statements of Revenues, Expenses and Changes in Net Position.

The MTA has reached a settlement related to Superstorm Sandy. There was an insurance Recovery of $126,325 Which was collected by MTA Headquarters in 2017. Of this amount, $88,500 will be allocated to Bridges and Tunnels during 2017.

11. LONG-TERM DEBT

MTA Bridges and Tunnels issues long-term bonds to fund its own capital projects, as well as the Transportation Project, through the following two credits:

- General Revenue Bonds, and
- Subordinate Revenue Bonds.

The following represents MTA Bridges and Tunnels' issuance of long-term debt in 2016:

- On January 28 2016, MTA Bridges and Tunnels issued $541,000 General Revenue Bonds, Series 2016A. The net proceeds were issued to finance projects for MTA Bridges and Tunnels' own facilities and refunding on Series 2006A, 2007A, 2008B-1, 2008C, 2009A-2, 2011A, 2012A, 2013C and 2014A. During 2016, the refunding on 2016A incurred a loss of $8,887,424.

- On October 19, 2016 MTA Bridges and Tunnels entered into a firm remarketing agreement in connection with the Remarketing of $108,800 General Revenue Variable Rate Refunding Bonds, Series 2005B-4a-e.

- On October 19, 2016 MTA Bridges and Tunnels pre-paid the principle amount on 2005B-4A in the amount of $900.

The following represents MTA Bridges and Tunnels' issuance of long-term debt in 2015:

- On January 28, 2015, MTA Bridges and Tunnels entered into a firm remarketing agreement in connection with the Remarketing of $185,875 General Revenue Variable Rate Refunding Bonds, Series 2003B-1, 2003B-2 and 2005B-3.

- On January 28, 2015, MTA Bridges and Tunnels entered into a firm remarketing agreement in connection with the Remarketing of $122,420 Senior Revenue Variable Rate Refunding Bonds, Series 2005A.

- On January 28, 2015, MTA Bridges and Tunnels entered into a firm remarketing agreement in connection with the Remarketing of $193,100 General Revenue Variable Rate Refunding Bonds, Series 2005B-2.

- On February 2, 2015, MTA Bridges and Tunnels entered into a firm remarketing agreement in connection with the Remarketing of $58,020 Subordinate Revenue Refunding Bonds, Subseries 2013D-2a.

- On May 15, 2015, MTA Bridges and Tunnels issued $225,000 General Revenue Bonds, Series 2015A. The net proceeds were issued to finance projects for MTA Bridges and Tunnels' own facilities and to retire Series 2014A.

- On July 1, 2015, MTA Bridges and Tunnels entered into a firm remarketing agreement in connection with the Remarketing of $193,100 General Revenue Variable Rate Refunding Bonds, Series 2005B-3.

- On August 20, 2015, MTA Bridges and Tunnels remarketed $122,565 General Revenue Variable Rate Bonds, Series 2001C.

- On October 28, 2015, MTA Bridges and Tunnels remarketed $187,695 General Revenue Variable Rate Refunding Bonds, Series 2002F.

- On November 16, 2015, MTA Bridges and Tunnels entered into a firm remarketing agreement in connection with the Remarketing of $91,140 General Revenue Variable Rate Refunding Bonds, Series 2008B-3.

- On November 16, 2015, MTA Bridges and Tunnels issued $65,000 General Revenue Bonds, Series 2015B. The net proceeds were issued to finance projects for MTA Bridges and Tunnels' own facilities.

- On November 19, 2015, MTA Bridges and Tunnels remarketed $43,800 General Revenue Variable Rate Refunding Bonds, Subseries 2005B-4d.

- On November 19, 2015, MTA Bridges and Tunnels remarketed $27,900 General Revenue Variable Rate Refunding Bonds, Subseries 2005B-4a.

- On December 17, 2015, MTA Bridges and Tunnels remarketed $58,020 Subordinate Revenue Refunding Bonds, Subseries 2013D-2a.

- On December 17, 2015, MTA Bridges and Tunnels remarketed $90,450 Subordinate Revenue Refunding Bonds, Subseries 2013D-2b.

MTA Bridges and Tunnels' non-current portion of long-term debt as of December 31, 2016 and 2015 is comprised of the following:

(In thousands)	2016	2015
Senior Revenue Bonds (Notes 12 and 14)	$ 7,213,449	$ 7,105,685
Subordinate Revenue Bonds (Note 13)	1,567,998	1,613,829
2 Broadway Certificates of Participation (Note 15)	-	7,262
Total long-term debt - net of premiums and discounts	$ 8,781,447	$ 8,726,776

MTA Bridges and Tunnels has entered into several Letter of Credit Agreements and Standby Bond Purchase Agreements (together, "Credit and Liquidity Agreements") as listed on the table below.

Resolution	Series	Provider	Exp. Date
TBTA General Revenue	2001B	State Street	9/28/2018
TBTA General Revenue	2001C	Bank of Tokyo Mitsubishi	8/17/2018
TBTA General Revenue	2002F	Helaba	11/1/2018
TBTA General Revenue	2003B-1	PNC	1/26/2018
TBTA General Revenue	2003B-3	Wells Fargo	1/26/2018
TBTA General Revenue	2005A	TD Bank	1/28/2020
TBTA General Revenue	2005B-2	Wells Fargo	1/26/2018
TBTA General Revenue	2005B-3	Bank of Tokyo Mitsubishi	6/29/2018
TBTA SUB	TBTA SUB 2013D-2a Taxable	Bank of America ML	12/14/2018
TBTA SUB	TBTA SUB 2013D-2b Taxable	Bank of America ML	12/14/2018

According to the terms of the Credit and Liquidity Agreements, if the remarketing agent fails to remarket any of the bonds listed above that are tendered by the holders, the bank is required (subject to certain conditions) to purchase such unremarketed portion of the bonds. Bonds owned by the bank and not remarketed after a specified amount of time (generally 90 days) are payable to the bank as a term loan over five years in ten equal semiannual principal payments including interest thereon. As of December 31, 2016, there were no term loans outstanding.

Correction of Prior Year Financial Statements — See Note 23 for further information regarding the corrections to balances within the table as of December 31, 2015.

12. DEBT — SENIOR REVENUE BONDS

Senior Revenue Bonds at December 31, 2016, consist of the following:

(In thousands)	Original Issuance	December 31, 2015	Issued	Principal Repayments	December 31, 2016
Series EFC 1996A	$ 23,530	$ 2,440	$ -	$ 1,810	$ 630
Series 2001B&C, 4.10% - 5.25%	296,400	245,135		9,530	235,605
Series 2002B	2,157,065	-	-	-	-
Series 2002F	246,480	187,695	-	7,910	179,785
Series 2003B	250,000	185,875	-	5,510	180,365
Series 2005A	150,000	118,675	-	3,900	114,775
Series 2005B	800,000	579,300	-	3,600	575,700
Series 2006A	200,000	66,260	-	66,260	-
Series 2007A	223,355	126,790	-	83,545	43,245
Series 2008A	822,770	598,210	-	21,920	576,290
Series 2008B	252,230	238,290	-	31,925	206,365
Series 2008C	629,890	487,485	-	39,480	448,005
Series 2009A-1	150,000	108,345	-	10,085	98,260
Series 2009A-2	325,000	288,990	-	6,805	282,185
Series 2009B - BAB	200,000	200,000	-	-	200,000
Series 2010A-1	66,560	36,905	-	6,730	30,175
Series 2010A-2 - BAB	280,400	280,400	-	-	280,400
Series 2011A	609,430	569,675	-	52,355	517,320
Series 2012A	231,490	216,950	-	16,075	200,875
Series 2012B	1,236,898	1,234,503	-	81,100	1,153,403
Series 2013B	257,195	257,195	-	-	257,195
Series 2013C	200,000	193,150	-	8,530	184,620
Series 2014A	250,000	240,945	-	5,720	235,225
Series 2015A	225,000	221,925	-	2,675	219,250
Series 2015B	65,000	65,000	-	1,125	63,875
Series 2016A	541,240	-	541,240	7,530	533,710
	$ 10,689,933	6,750,138	541,240	474,120	6,817,258
Add net unamortized bond (discount) and premium		565,265	47,525	(5,632)	618,422
		$ 7,315,403	$ 588,765	$ 468,488	$ 7,435,680

Senior Revenue Bonds at December 31, 2015, consist of the following:

(In thousands)	Original Issuance	December 31, 2014	Issued	Principal Repayments	December 31, 2015
Series EFC 1996A	$ 23,530	$ 4,150	$ -	$ 1,710	$ 2,440
Series 2001B&C, 4.10% - 5.25%	296,400	245,135	-	-	245,135
Series 2002B	2,157,065	75,480	-	75,480	-
Series 2002F	246,480	195,300	-	7,605	187,695
Series 2003B	250,000	192,915	-	7,040	185,875
Series 2005A	150,000	122,420	-	3,745	118,675
Series 2005B	800,000	582,000	-	2,700	579,300
Series 2006A	200,000	71,045	-	4,785	66,260
Series 2007A	223,355	131,640	-	4,850	126,790
Series 2008A	822,770	618,105	-	19,895	598,210
Series 2008B	252,230	252,230	-	13,940	238,290
Series 2008C	629,890	500,180	-	12,695	487,485
Series 2009A-1	150,000	114,905	-	6,560	108,345
Series 2009A-2	325,000	293,820	-	4,830	288,990
Series 2009B - BAB	200,000	200,000	-	-	200,000
Series 2010A-1	66,560	43,380	-	6,475	36,905
Series 2010A-2 - BAB	280,400	280,400	-	-	280,400
Series 2011A	609,430	586,210	-	16,535	569,675
Series 2012A	231,490	221,275	-	4,325	216,950
Series 2012B	1,236,898	1,235,473	-	970	1,234,503
Series 2013B	257,195	257,195	-	-	257,195
Series 2013C	200,000	196,610	-	3,460	193,150
Series 2014A	250,000	244,960	-	4,015	240,945
Series 2015A	225,000	-	225,000	3,075	221,925
Series 2015B	65,000	-	65,000	-	65,000
	$ 10,148,693	6,664,828	290,000	204,690	6,750,138
Add net unamortized bond (discount) and premium		521,144	54,014	9,893	565,265
		$ 7,185,972	$ 344,014	$ 214,583	$ 7,315,403

General Revenue Fixed Rate Bonds Series 2009B and General Revenue Fixed Rate Bonds Series 2010A-2 are Federally Taxable. TBTA received a subsidy on these bonds (Build America Bond).

Debt Service Requirements:

Year Ending December 31 (In thousands)	Principal	Interest	Aggregate Debt Service
2017	$ 222,230	$ 308,572	$ 530,802
2018	233,230	298,592	531,822
2019	239,745	287,875	527,620
2020	261,005	276,282	537,287
2021	265,195	264,633	529,828
2022–2026	1,427,210	1,131,521	2,558,731
2027–2031	1,829,656	761,822	2,591,478
2032–2036	1,310,152	422,633	1,732,785
2037–2041	771,130	149,400	920,530
2042–2046	209,025	39,807	248,832
2047–2051	48,680	6,233	54,913
	$ 6,817,258	$ 3,947,369	$ 10,764,627

The above interest amounts include both fixed and variable rate calculations. The interest rate assumptions for variable rate bonds are as follows: variable rate bonds at an assumed rate of 4%; swapped bonds at the applicable synthetic fixed rate for the swapped portion and 4% otherwise; floating rate notes at the applicable synthetic fixed rate plus the current fixed spread to maturity for the swapped portion and 4% plus the current fixed spread to maturity for the portion that is not swapped.

Correction of Prior Year Financial Statements — See Note 23 for further information regarding the corrections to balances within the table as of December 31, 2015.

13. DEBT — SUBORDINATE REVENUE BONDS

Subordinate Revenue Bonds at December 31, 2016, consist of the following:

(In thousands)	Original Issuance	December 31, 2015	Retirements During 2016	December 31, 2016
Series 2000AB	$ 201,120	$ -	$ -	$ -
Series 2000CD	201,080	-		-
Series 2000ABCD	147,850	128,700	34,400	94,300
Series 2002E	756,095	139,825	-	139,825
Series 2003A	500,170	5,050	5,050	
Series 2008D	491,110	354,045	21,670	332,375
Series 2013A	653,964	645,159	2,095	643,064
Series 2013D	313,975	311,745	1,250	310,495
	$ 3,265,364	1,584,524	64,465	1,520,059
Add net unamortized bond (discount) and premium		93,769	(21,939)	115,708
		$ 1,678,293	$ 42,526	$ 1,635,767

Subordinate Revenue Bonds at December 31, 2015, consist of the following:

(In thousands)	Original Issuance	December 31, 2014	Retirements During 2015	December 31, 2015
Series 2000AB	$ 201,120	$ -	$ -	$ -
Series 2000CD	201,080	-	-	-
Series 2000ABCD	147,850	147,850	19,150	128,700
Series 2002E	756,095	139,825	-	139,825
Series 2003A	500,170	9,545	4,495	5,050
Series 2008D	491,110	374,160	20,115	354,045
Series 2013A	653,964	647,194	2,035	645,159
Series 2013D	313,975	312,975	1,230	311,745
	$ 3,265,364	1,631,549	47,025	1,584,524
Add net unamortized bond (discount) and premium		96,573	2,804	93,769
		$ 1,728,122	$ 49,829	$ 1,678,293

Debt Service Requirements:

Year Ending December 31 (In thousands)	**Principal**	**Interest**	**Aggregate Debt Service**
2017	$ 67,770	$ 63,998	$ 131,768
2018	92,350	60,490	152,840
2019	97,610	56,840	154,450
2020	81,840	53,092	134,932
2021	86,460	49,361	135,821
2022–2026	495,760	182,833	678,593
2027–2031	536,117	61,130	597,247
2032	62,152	1,394	63,546
	$ 1,520,059	$ 529,139	$ 2,049,198

The above interest amounts include both fixed and variable rate calculations. The interest rate assumptions for variable rate bonds are as follows: variable rate bonds at an assumed rate of 4%; swapped bonds at the applicable synthetic fixed rate for the swapped portion and 4% otherwise; floating rate notes at the applicable synthetic fixed rate plus the current fixed spread to maturity for the swapped portion and 4% plus the current fixed spread to maturity for the portion that is not swapped.

14. CERTIFICATES OF PARTICIPATION

In 2000, the Trust (Note 17) issued $121,200 of fixed rate Serial and Term Certificates of Participation, Series 2000A. In 1999, the Trust issued $328,205 of fixed rate Serial and Term Certificates of Participation, Series 1999A. In 2004, the Trust issued $357,925 of fixed rate Serial and Term Certificates of Participation, Series 2004A. The proceeds of the Certificates were used to finance certain building and tenant improvements to the 2 Broadway office building in New York City, occupied by the Transit Authority, MTA and MTA Bridges and Tunnels (Notes 17 and 22). The Transit Authority is obligated to pay 68.7% of the debt service, the MTA 21.0%, and MTA Bridges and Tunnels 10.3%.

Certificates of Participation at December 31, 2016 and 2015 consist of the following:

(In thousands)	Original Issuance	December 31, 2015	Issued	Retirements During 2016	December 31, 2016
Series 1999A	$ 328,205	$ -	$ -	$ -	$ -
Series 2000A	121,200	-	-	-	-
Series 2004A	357,925	7,262	-	7,262	-
	$ 807,330		-		
		$ 7,262	$ -	$ 7,262	$ -

(In thousands)	Original Issuance	December 31, 2014	Issued	Principal Repayments & Retirements During 2015	December 31, 2015
Series 1999A	$ 328,205	$ -	$ -	$ -	$ -
Series 2000A	121,200	-	-	-	-
Series 2004A	357,925	8,722	-	1,460	7,262
	$ 807,330		-		7,262
		$ 8,722	$ -	$ 1,460	$ 7,262

During October 2016, TBTA paid off the outstanding amount relating to Certificates of Participation.

15. GASB 53 — DERIVATIVE INSTRUMENTS

MTA Bridges and Tunnels implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2010. The Statement deals with the recognition, measurement, and disclosure of information regarding derivative instruments, and addresses hedge accounting requirements. Hedging derivative instruments are supposed to significantly reduce financial risk by substantially offsetting the associated changes in cash flows or fair values of the underlying bond portfolio.

For the year ended December 31, 2016, the MTA Bridges and Tunnels is reporting gains, derivative liabilities and deferred outflows from derivative instruments in the amounts of $13,712, $171,146 and $180,662, respectively. The gain of $13,712 is related to swaps on MTA bonds which is offset by a loss of $13,080 reflected in other operating income. Also recognized in the same period are derivative assets of $3,564.

For the year ended December 31, 2015, the MTA Bridges and Tunnels is reporting gains, derivative liabilities and deferred outflows from derivative instruments in the amounts of $204, $135,856 and $160,954, respectively. Also recognized in the same period are derivative assets and derivative liabilities-off market elements in the amounts of $3,580 and $29,310, respectively.

GASB Statement No. 53- Accounting and Financial Reporting for Derivative Instruments
Summary Information as of December 31, 2016

	Bond Resolution	Series	Type of Derivative	Cash Flow or Fair Value Hedge	Effective Methodology	Trade/Entered Date	Notional Amount as of 12/31/16 (in millions)	Fair Values as of 12/31/16 (in millions)
Investment Swap	MTA Transporation Revenue Bond	2002G-1	Pay-Fixed Swap	N/a	N/a	4/1/2016	155.815	(15.245)
	MTA Transporation Revenue Bond	2011B	Pay-Fixed Swap	N/a	N/a	4/1/2016	46.555	(15.443)
Hedging Swaps	MTA Bridges & Tunnels Senior Revenue Bonds	2002F (Citi 2005B)	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	6/2/2005	192.200	(31.348)
	MTA Bridges & Tunnels Senior Revenue Bonds	2005A (COPS 2004A)	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	1/1/2011	23.230	(3.524)
	MTA Bridges & Tunnels Senior Revenue Bonds	2005B	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	6/2/2005	576.600	(94.044)
	MTA Bridges & Tunnels Subordinate Revenue Bonds	2001C	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	10/26/2016	70.500	(4.058)
	MTA Bridges & Tunnels Subordinate Revenue Bonds	2000ABCD	Pay-Fixed Swap	Cash Flow	Synthetic Instrument	8/12/1998	55.800	(3.920)

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2016, classified by type, and the changes in fair value of such derivative instruments from the year ended December 31, 2015 are as follows:

	Changes In Fair Value		Fair Value at December 31, 2016		
	Classification	Amount (in millions)	Classification	Amount (in millions)	Notional (in millions)
Government activities					
Cash Flow hedges:					
Pay-fixed interest rate swaps	Deferred outflow of resources	$ (24,060)	Debt	($136,894)	918.330
Investment Swap					
Pay-fixed interest rate swaps	Investment expense	$ (13,712)	Debt	($30,687)	202.370

From November 22, 2016 through December 5, 2016, the Authority redeemed the remainder of the 2004A Certificates of Participation that were outstanding. Subsequently, the outstanding swap notional that was associated with the 2004A Certificates of Participation were re-associated to the Bridges and Tunnels Series 2001C bonds.

The summary above reflects a total number of five (5) swaps and hedging relationships that were reviewed for GASB Statement No. 53 Hedge Accounting treatment. Of that total, five (5) were deemed effective using Synthetic Instrument Method.

For the five (5) hedging relationships, the Synthetic Instrument Method was utilized to determine effectiveness. Under the Synthetic Instrument Method, if the rate determined by dividing the historical Swap and Bond payments (Fixed Swap payments + Floating Bond payments - Floating Swap payments) by the hedge notional amount produces an “Actual Synthetic Rate” that is within 90% to 111% of the corresponding fixed swap rates then the hedging derivative instrument is deemed to be effective.

In accordance with GASB Statement No. 53, one of the hedging swaps is classified as a swaption for which a premium was received by MTA Bridges and Tunnels at contract inception as shown in the Table below. MTA Bridges and Tunnels have followed the relevant accounting required treatment and are amortizing the premium over the life of the swap agreement.

Bond Resolution	Original Series	Premuim	Date of the Swaption Contract	Premium Payment Date
MTA Bridges & Tunnels-Subordinate	2000AB	$22,740,000	8/12/1998	8/25/1998

16. CAPITAL LEASE OBLIGATIONS

2 Broadway

During 1998, the Metropolitan Transit Authority, Transit Authority, and MTA Bridges and Tunnels entered into an agreement with the United States Trust Company of New York (collectively, the "Trust") to provide for the lease of an office building located at 2 Broadway in New York City. Subsequently, the same parties provided for the delivery of certain certificates of participation to finance building and tenant improvements at 2 Broadway (Note 14). The lease is composed of both an operating lease (for the lease of land) (Note 20) and capital lease (for the lease of the building) elements.

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

On November 4, 2003, MTA entered into agreement to end the litigation between the MTA and the owners of the 2 Broadway facilities. The settlement provides for a rent credit to MTA Bridges and Tunnels over a 30-year period commencing January 1, 2004.

MTA Bridges and Tunnels has recorded capital lease assets using the net present value, and using a borrowing rate of 9.11%, and has reflected a capital lease obligation as of December 31, 2016 and 2015, of $54,524 and $53,437, respectively.

Subway Cars

During 1995, MTA Bridges and Tunnels entered into a sale-leaseback transaction with a third party whereby MTA Bridges and Tunnels sold certain subway cars, which were contributed by the TA, for net proceeds of $84,229. These cars were subsequently leased back by MTA Bridges and Tunnels under a capital lease. The gain on the sale of $34,231 was deferred and netted against the carrying value of the leased assets, and the assets were recontributed to the TA. MTA Bridges and Tunnels transferred $5,488 to the MTA, representing the net economic benefit of the transaction. The remaining proceeds equal the net present value of the lease obligation, of which $71,258 was placed in an irrevocable deposit account and $7,483 was invested in U.S. Treasury Strips. The estimated yields and maturities of the deposit account and the Treasury Strips are expected to be sufficient to meet all obligations under the lease as they become due.

At the end of the lease term, MTA Bridges and Tunnels has the option to purchase the subway cars for $109,040, which amount has been reflected in the net present value of the lease obligation, or to make a lease termination payment of approximately $89,000, which is expected to be covered by the irrevocable deposit.

In 2016, the balance in the irrevocable deposit account and the investments in U.S. Treasury Strips were liquidated and used to settle the obligations related to the subway car lease.

Total net obligations under all capital leases as of December 31, 2016 and 2015, are as follows:

(In thousands)	2016	2015
Beginning of the year	$ 160,437	$ 159,440
Deletions	(107,000)	-
Additions	1,087	997
Amortization	-	-
End of year	54,524	160,437
Add current portion	-	-
Noncurrent portion	$ 54,524	$ 160,437
2 Broadway	$ 54,524	$ 53,437
Subway cars	-	107,000
Total	$ 54,524	$ 160,437

Net minimum lease payments are as follows:

Years Ending December 31	Aggregate Lease Payments
(In thousands)	
2017	$ 3,781
2018	3,781
2019	4,371
2020	4,371
2021	4,371
2022-2026	23,766
2027-2031	29,018
2032-2036	35,216
2037-2041	39,990
2042-2046	57,974
Minimum future lease payments	206,639
Amount representing interest	(152,115)
Present value of capital lease obligations	$ 54,524

Total accumulated depreciation under capital leases was approximately $41,931 and $40,876 in 2016 and 2015, respectively.

Correction of Prior Year Financial Statements — See Note 23 for further information regarding the corrections to balances within the table as of December 31, 2015.

17. RISK MANAGEMENT

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

MTA Bridges and Tunnels is self-insured up to $3.2 million per occurrence for liability arising from injuries to persons, excluding employees. MTA Bridges and Tunnels is self-insured for work-related injuries to employees and for damage to third-party property. MTA Bridges and Tunnels provides reserves to cover the self-insured portion of these claims, including a reserve for claims incurred but not reported. The annual cost arising from injuries to employees and damage to third–party property is included in "Retirement & other employee benefits" and "Insurance" in the accompanying statements of revenues, expenses and changes in net position.

A summary of activity in estimated liability arising from injuries to persons, including employees, and damage to third-party property, as of December 31, 2016 and 2015, is as follows (in thousands):

(In thousands)	2016	2015
Balance — beginning of year	$ 40,847	$ 36,355
Activity during the year:		
Current year claims and changes in estimates	6,279	6,222
Claims paid	(3,493)	(1,730)
Balance — end of year	43,633	40,847
Less current portion	(5,878)	(4,704)
Long-term liability	$ 37,755	$ 36,143

Liability Insurance — FMTAC, an insurance captive subsidiary of MTA, operates a liability insurance program ("ELF") that insures certain claims in excess of the self-insured retention limits of the agencies on both a retrospective (claims arising from incidents that occurred before October 31, 2003) and prospective (claims arising from incidents that occurred on or after October 31, 2003) basis. For claims arising from incidents that occurred on or after November 1, 2006, but before November 1, 2009, the self-insured retention limits are: $8 million for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road, and MTA Metro-North Railroad; $2.3 million for MTA Long Island Bus and MTA Staten Island Railway; and $1.6 million for MTAHQ and MTA Bridges and Tunnels. For claims arising from incidents that occurred on or after November 1, 2009, but before November 1, 2012, the self-insured retention limits are: $9 million for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road and MTA Metro-North Railroad; $2.6 million for MTA Long Island Bus and MTA Staten Island Railway; and $1.9 million for MTAHQ and MTA Bridges and Tunnels. Effective November 1, 2012 the self-insured retention limits for ELF were increased to the following amounts: $10 million for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road and MTA Metro-North Railroad; $3 million for MTA Staten Island Railway; and $2.6 million for

MTAHQ and MTA Bridges and Tunnels. Effective October 31, 2015 the self-insured retention limits for ELF were increased to the following amounts: $11 million for MTA New York City Transit, MaBSTOA, MTA Bus, MTA Long Island Rail Road and MTA Metro-North Railroad; $3.2 million for MTA Staten Island Railway; MTAHQ 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 million. 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 other MTA Group entities above their specifically assigned self-insured retention with a limit of $50 million per occurrence with a $50 million 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, 2016, the balance of the assets in this program was $122.8 million.

MTA also maintains an All-Agency Excess Liability Insurance Policy that affords the MTA Group additional coverage limits of $350 million for a total limit of $400 million ($350 million excess of $50 million). 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 million.

Property Insurance — Effective May 1, 2016, FMTAC renewed the all-agency property insurance program. For the annual period commencing May 1, 2016, FMTAC directly insures property damage claims of the Related Entities in excess of a $25 million per occurrence deductible, subject to an annual $75 million aggregate deductible. The total All Risk program annual limit is $800 million per occurrence and in the annual aggregate for Flood and Earthquake covering property of the Related Entities collectively. FMTAC is 100% reinsured in the domestic, Asian, London, European and Bermuda reinsurance markets for this coverage. Losses occurring after exhaustion of the deductible aggregate are subject to a deductible of $7.5 million per occurrence. The property insurance policy provides replacement cost coverage for all risks (including Earthquake, Flood and Wind) of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverage.

Supplementing the $800 million per occurrence coverage noted above, FMTAC's property insurance program has been expanded to include a further layer of $200 million of fully collateralized storm surge coverage for losses from storm surges that surpass specified trigger levels in the New York Harbor or Long Island Sound and are associated with named storms that occur at any point in the three-year period from July 31, 2013 to July 30, 2016. The expanded protection is reinsured by MetroCat Re Ltd., a Bermuda special purpose insurer independent from MTA and formed to provide FMTAC with capital markets-based property reinsurance. The MetroCat Re reinsurance policy is fully collateralized by a Regulation 114 trust invested in U.S. Treasury Money Market Funds. The additional coverage provided is available for storm surge losses only after amounts available under the $800 million in general property reinsurance are exhausted.

With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 84% of "certified" losses in 2016 and 83% of "certified" losses in 2017 and 82% of "certified" losses in 2018, as covered by the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA") of 2015. The remaining 16% (2016), 17% (2017) and 18% (2018) of the Related Entities' losses arising from an act of terrorism would be covered under the additional terrorism policy described below. No federal compensation will be paid unless the aggregate industry insured losses exceed a trigger of $120 million in 2016, $140 million in 2017 and $160 million in 2018. The United States government's reinsurance is in place through December 31, 2020.

To supplement the reinsurance to FMTAC through the TRIPRA, MTA obtained an additional commercial reinsurance policy with various reinsurance carriers in the domestic, London and European marketplaces. That policy provides coverage for (1) 16% of any "certified" act of terrorism up to a maximum recovery of $172 million for any one occurrence and in the annual aggregate during 2016, 17% of any "certified" act of terrorism up to a maximum recovery of $182.75 million for any one occurrence and in the annual aggregate during 2017 and 18% of any "certified" act of terrorism up to a maximum recovery of $193.5 million for any one occurrence and in the annual aggregate during 2018, (2) the TRIPRA FMTAC captive deductible (per occurrence and on an aggregated basis) that applies when recovering under the "certified" acts of terrorism insurance or (3) 100% of any "certified" terrorism loss which exceeds $5 million and less than the $120 TRIPRA trigger up to a maximum recovery of $120 million for any occurrence and in the annual aggregate during 2016, or 100% of any "certified" terrorism loss which exceeds $5 million and less than the $140 million TRIPRA trigger up to a maximum recovery of $140 million for any occurrence and in the annual aggregate during 2017 or 100% of any "certified" terrorism loss which exceeds $5 million and less than the $160 million TRIPRA trigger up to a maximum recovery of $160 million for any occurrence and in the annual aggregate during 2018.

Additionally, MTA purchases coverage for acts of terrorism which are not certified under TRIPRA to a maximum of $172 million in 2016, $182.75 million in 2017 and $193.5 million in 2018. Recovery under the terrorism policy is subject to a deductible of $25 million per occurrence and $75 million in the annual aggregate in the event of multiple losses during the policy year. Should the Related Entities' deductible in any one year exceed $75 million future losses in that policy year are subject to a deductible of $7.5 million. The terrorism coverages expire at midnight on May 1, 2018.

Correction of Prior Year Financial Statements — See Note 23 for further information regarding the corrections to balances within the table as of December 31, 2015.

18. COMMITMENTS AND CONTINGENCIES

At December 31, 2016 and 2015, MTA Bridges and Tunnels had unused standby letters of credit, relative to insurance, amounting to $2.712 million.

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

Terms and Fair Value. The terms, fair values and counterparties of the outstanding swaps of MTA Bridges and Tunnels are reflected in the following tables (as of December 31, 2016).

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. While questioned costs may occur, ultimate repayments required of the MTA or the Authority have been infrequent in prior years.

19. SWAP AGREEMENTS

Swap Agreements Relating to Synthetic Fixed Rate Debt

Fair value for the swaps is calculated in accordance with GASB Statement No. 72, utilizing the income approach and Level 2 inputs. It incorporates the mid-market valuation, nonperformance risk of either

MTA Bridges and Tunnels or the counterparty, as well as bid/offer. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Swap Agreements Relating to Synthetic Fixed Rate Debt

Board-adopted Guidelines. The Related Entities adopted guidelines governing the use of swap contracts on March 26, 2002. The guidelines were amended and approved by the Board on March 13, 2013. The guidelines establish limits on the amount of interest rate derivatives that may be outstanding and specific requirements that must be satisfied for a Related Entity to enter into a swap contract, such as suggested swap terms and objectives, retention of a swap advisor, credit ratings of the counterparties, collateralization requirements and reporting requirements.

Objectives of synthetic fixed rate debt. To achieve cash flow savings through a synthetic fixed rate, MTA Bridges and Tunnels has entered into separate pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what MTA Bridges and Tunnels would have paid to issue fixed-rate debt, and in some cases where Federal tax law prohibits an advance refunding to synthetically refund debt on a forward basis.

MTA BRIDGES AND TUNNELS SENIOR LIEN REVENUE BONDS							
Associated Bond Issue	**Notional Amounts as of 12/31/16 (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 12/31/16 (in millions)**	**Swap Terminati on Date**	**Counterparty**
Series 2002F[1]	$192.200	07/07/05	3.076 %	67% of one-month LIBOR[1]	$(31.348)	01/01/32	Citibank, N.A.
Series 2005A[4][5]	23.230	09/24/04	3.092	Lesser of Actual Bond or 67% of one-month LIBOR - 45 basis points	(3.524)	01/01/30	UBS AG, Wells Fargo Bank, N.A.
Series 2001C[6]	70.50			67% of one-month LIBOR(1)	(4.058)	01/01/30	UBS AG
Series 2005B-2a,b,c, 2005B-3 and 2005B-4a,b,c,d,e[1]	576.60	7/7/05	3.076	67% of one-month LIBOR[1]	(94.044)	01/01/32	33% each – JPMorgan Chase Bank, NA, BNP Paribas North America, Inc. and UBS AG
Total	$862.53				$(132.974)		

MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS							
Associated Bond Issue	**Notional Amounts as of 12/31/2016 (in millions)**	**Effective Date**	**Fixed Rate Paid**	**Variable Rate Received**	**Fair Values as of 12/31/2016 (in millions)**	**Swap Termination Date**	**Counterparty**
Series 2000ABCD[1(2)(3)]	$55.80	01/01/01	6.080 %	SIFMA – 15 bp	$(3.920)	01/01/19	JPMorgan Chase Bank, NA
Total	$55.80				$(3.920)		

(1) On February 19, 2009, MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2005B-1 were refunded. Notional amounts from the Series 2005B-1 swap were reassigned to MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F, MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2003B-1,2,3 and from November 1, 2027 through November 1, 2030, to MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-2,3.

(2) In accordance with a swaption entered into on August 12, 1998, the Counterparty paid to MTA Bridges and Tunnels a premium of $22,740,000.

(3) On September 30, 2014, the TBTA Subordinate Revenue Variable Rate Refunding Bonds, Series 2000AB, together with the TBTA Subordinate Revenue Variable Rate Refunding Bonds Series 2000CD, were redesignated as the Series 2000ABCD Bonds and converted from a Weekly Mode to a Term Mode. The swap now hedges the portion of the Series 2000ABCD bonds that originally related to the Series 2000AB bonds.

(4) On December 18, 2012, MTA Variable Rate Certificates of Participation, Series 2004A associated with the swap in connection with Series 2004A Bonds, were redeemed. Notional amounts from the Series 2004A swap were reassigned to MTA Transportation Revenue Variable Rate Bonds, Series 2011B; and MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-1.

(5) On November 19, 2013, MTA Variable Rate Certificates of Participation, Series 2004A associated with the swap in connection with Series 2004A Bonds, were redeemed. Notional amounts from the Series 2004A swap were reassigned to MTA Transportation Revenue Variable Rate Bonds, Series 2011B; and MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A-1.

(6) In accordance with a swaption entered into on August 12, 1998, TBTA received an upfront option premium of $22.740, which is being amortized over the life of the swap agreement. Between November 22, 2016 and December 5, 2016, the Variable Rate Certificates of Participation, Series 2004A were redeemed. Corresponding notional amounts from the Series 2004A COPs were reassigned to MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2001C. Pursuant to an Interagency Agreement (following novations from UBS in April 2016), MTA New York City Transit is responsible for 68.7%, MTA is responsible for 21.0%, and TBTA is responsible for 10.3% of the transaction.

LIBOR: London Interbank Offered Rate
SIFMA: Securities Industry and Financial Markets Association Index
TRB: Transportation Revenue Bonds

2 Broadway Certificates of Participation Swaps

On April 21, 2016, the MTA, MTA Bridges and Tunnels, and MTA New York City Transit entered into a series of transactions in order to consolidate and novate swaps originally executed with UBS. The original trades related to the Variable Rate Certificates of Participation, Series 2004A (Auction Rate Securities).

These transactions were consolidated and novated among two new counterparties: U.S. Bank National Association and Wells Fargo Bank, N.A. As part of the transaction, MTA and NYCTA assigned their positions to MTA Bridges and Tunnels and the Ambac Assurance Corporation swap insurance policies were terminated. As a result, MTA Bridges and Tunnels is the sole MTA Agency on two identical transactions (combined notional of $296.1). MTA, MTA Bridges and Tunnels, and NYCTA have entered into an Interagency Agreement whereby MTA and NYCTA will reimburse MTA Bridges and Tunnels for payments made under the swaps, in order to ensure that each Agency continues to be responsible for swap payments in an amount based on the proportions of the original transactions. As part of the novations, the structure was modified to eliminate a 'lesser of/bond rate' option on the floating rate, move a fixed spread from the floating leg to the fixed leg, and lower the all-in rate payable by MTA Bridges and Tunnels.

From November 22, 2016 through December 5, 2016, the Authority redeemed the remainder of the 2004A Certificates of Participation that were outstanding. Subsequently, the outstanding swap notional that was associated with the 2004A Certificates of Participation were re-associated to the Bridges and Tunnels Series 2001C bonds.

Counterparty Ratings

The current ratings of the counterparties are as follows as of December 31, 2016:

Counterparty	Ratings of the Counterparty or its Credit Support Provider		
	S&P	**Moody's**	**Fitch**
U.S. Bank Naional Association	AA-	A1	AA
Wells fargo Bank, N.A.	AA-	Aa2	AA
BNP Paribas North America, Inc.	A	A1	A+
Citibank, N.A.	A+	A1	A+
JPMorgan Chase Bank, NA	A+	Aa3	AA-
UBS AG	A+	A1	AA

Swap Notional Summary

The following table sets forth the notional amount of Synthetic Fixed Rate debt and the outstanding principal amount of the underlying floating rate series as of December 31, 2016 (in whole dollars).

Series	Outstanding Principal	Notional Amount
TBTA SUB 2000ABCD	$ 94,300,000	$ 55,800,000
TBTA 2005B-4 (a,b,c,d,e)	191,300,000	192,200,000
TBTA 2005B-3	192,200,000	192,200,000
TBTA 2005B-2 (a,b,c)	192,200,000	192,200,000
TBTA 2005A	114,775,000	23,230,000
TBTA 2003B (1,2,3)	180,365,000	(a)
TBTA 2002F	179,785,000	192,200,000
TBTA 2001C	117,800,000	70,500,000
2002G-1	155,815,000	155,815,000
2011B	99,560,000.00	46,555,000
Total	$ 1,518,100,000	$ 1,120,700,000

(a) Swaps assigned to future maturities of Bonds on a forward basis.

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

Risks Associated with the Swap Agreements

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

Credit Risk – The risk that a counterparty becomes insolvent or is otherwise not able to perform its financial obligations. To mitigate the exposure to credit risk, the swap agreements include collateral provisions in the event of downgrades to the swap counterparties' credit ratings. Generally, MTA Bridges and Tunnels' swap agreements contain netting provisions under which transactions executed with a single counterparty are netted to determine collateral amounts. Collateral may be posted with a third-party custodian in the form of cash, U.S. Treasury securities, or certain Federal agency securities. MTA Bridges and Tunnels requires its counterparties to fully collateralize if ratings fall below certain levels (in general, at the Baa1/BBB+ level), with partial posting requirements at higher rating levels (details on collateral posting discussed further under "Collateralization/Contingencies"). As of December 31, 2016, all of the valuations were in liability positions to MTA Bridges and Tunnels; accordingly, no collateral was posted by any of the counterparties.

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

Termination Risk – The risk that a swap agreement will be terminated and MTA Bridges and Tunnels will be required to make a swap termination payment to the counterparty and, in the case of a swap agreement which was entered into for the purpose of creating a synthetic fixed rate for an advance refunding transaction may also be required to take action to protect the tax exempt status of the related refunding bonds.

The ISDA Master Agreement sets forth certain termination events applicable to all swaps entered into by the parties to that ISDA Master Agreement. MTA Bridges and Tunnels have entered into separate ISDA Master Agreements with each counterparty that govern the terms of each swap with that counterparty, subject to individual terms negotiated in a confirmation. MTA Bridges and Tunnels is subject to termination risk if its credit ratings fall below certain specified thresholds or if MTA Bridges and Tunnels commits a specified event of default or other specified event of termination. If, at the time of termination, a swap were in a liability position to MTA Bridges and Tunnels, a termination payment would be owed by MTA Bridges and Tunnels to the counterparty, subject to applicable netting arrangements.

The notional amount totals below include all swaps. The counterparties have the ratings set forth above.

Counterparty	**Notional Amount (in thousands)**	**% of Total Notional Amount**
JPMorgan Chase Bank, NA	$248,000	22.13%
UBS AG	192,200	17.15
Citibank, N.A.	192,200	17.15
BNP Paribas North America, Inc.	192,200	17.15
U.S. Bank National Association	148,050	13.21
Wells Fargo Bank, N.A.	148,050	13.21
Total	$1,120,700	100.00%

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

- JPMorgan Chase Bank, NA with respect to the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000ABCD,
- JPMorgan Chase Bank, NA with respect to the MTA Transportation Revenue Variable Rate Refunding Bonds, Series 2002D-2 and Series 2012G.

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

The fair market value of MTA's interest rate swaps changes daily primarily as a result of capital markets changes. Factors that influence LIBOR are interest rates, banks expectations of future rate movements, liquidity in the capital markets or changes in the value of the dollar. The relative financial health of MTA's counterparties do not directly impact the fair market value of the transaction.

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

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

The following tables set forth the Additional Termination Events for MTA Bridges and Tunnels and its counterparties.

MTA Bridges and Tunnels Senior Lien		
Counterparty Name	**MTA Bridges and Tunnels**	**Counterparty**
BNP Paribas North America, Inc.; Citibank, N.A.; JPMorgan Chase Bank, NA; UBS AG	Below Baa2 (Moody's) or BBB (S&P)*	Below Baa1 (Moody's) or BBB+ (S&P)*

**Note: Equivalent Fitch rating is replacement for Moody's or S&P.*

MTA Bridges and Tunnels Subordinate Lien		
Counterparty Name	**MTA Bridges and Tunnels**	**Counterparty**
JPMorgan Chase Bank, NA	Swap Insurer below A3 (Moody's) and A- (S&P); and MTA Bridges and Tunnels Senior Lien rating below Baa3 (Moody's) and BBB- (S&P)	Below Baa2 (Moody's) or BBB (S&P)
U.S. Bank National Association; Wells Fargo Bank, N.A.	Below Baa2 (Moody's) or BBB (S&P)*	Below Baa2 (Moody's) or BBB (S&P)**

**Note: Equivalent Fitch rating is replacement for Moody's or S&P. If not below Investment Grade, MTA Bridges and Tunnels may cure such Termination Event by posting collateral at a Zero threshold.*
***Note: Equivalent Fitch rating is replacement for Moody's or S&P.*

MTA Bridges and Tunnels' ISDA Master Agreements provide that the payments under one transaction will be netted against other transactions entered into under the same ISDA Master Agreement. Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the amounts so that a single sum will be owed by, or owed to, the non-defaulting party.

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

Associated Bond Issue	Bond Maturity Date	Swap Termination Date
MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2001C (swaps with U.S. Bank/Wells Fargo)	January 1, 2032	January 1, 2030
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F (swap with Citibank, N.A.)	November 1, 2032	January 1, 2032
MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2003B (swap with Citibank, N.A.)	January 1, 2033	January 1, 2032
MTA Bridges and Tunnels General Revenue Variable Rate Bonds, Series 2005A (swaps with U.S. Bank/Wells Fargo and Citibank, N.A.)	November 1, 2035	January 1, 2030 (U.S. Bank/Wells Fargo) January 1, 2032 (Citibank)

Collateralization/Contingencies. Under the majority of the swap agreements, MTA Bridges and Tunnels is required to post collateral in the event its credit rating falls below certain specified levels. The collateral posted is to be in the form of cash, U.S. Treasury securities, or certain Federal agency securities, based on the valuations of the swap agreements in liability positions and net of the effect of applicable netting arrangements. If MTA Bridges and Tunnels does not post collateral, the swap(s) may be terminated by the counterparty(ies).

As of December 31, 2016, the aggregate mid-market valuation of MTA Bridges and Tunnels' swaps subject to collateral posting agreements was ($169.470) million; as of this date, MTA Bridges and Tunnels was not subject to collateral posting based on its credit ratings (see further details below).

The following tables set forth the ratings criteria and threshold amounts applicable to MTA Bridges and Tunnels and its counterparties.

MTA Bridges and Tunnels Senior Lien		
Counterparty	**MTA Bridges and Tunnels Collateral Thresholds (based on highest rating)**	**Counterparty Collateral Thresholds (based on highest rating)**
BNP Paribas North America, Inc.; Citibank, N.A.; JPMorgan Chase Bank, NA; UBS AG	Baa1/BBB+: $30 million Baa2/BBB: $15 million Baa3/BBB- & below: Zero	A3/A-: $10 million Baa1/BBB+ & below: Zero

Note: MTA Bridges and Tunnels thresholds based on Moody's, S&P, and Fitch ratings. Counterparty thresholds based on Moody's and S&P ratings; Fitch rating is replacement for Moody's or S&P.

MTA Bridges and Tunnels Subordinate Lien		
Counterparty	**MTA Bridges and Tunnels Collateral Thresholds (based on lowest rating)**	**Counterparty Collateral Thresholds (based on lowest rating)**
JPMorgan Chase Bank, NA	N/A – MTA Bridges and Tunnels does not post collateral	$1,000,000
U.S. Bank National Association; Wells Fargo Bank, N.A.	Baa3/BBB- & below: Zero *(note: only applicable as cure for Termination Event)*	Aa3/AA-: $15 million A1/A+ to A3/A-: $5 million Baa1/BBB+ & below: Zero

Note: thresholds based on Moody's and S&P ratings. Fitch rating is replacement for Moody's or S&P.

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

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

MTA BRIDGES AND TUNNELS (IN MILLIONS)				
Year Ending December 31	Variable-Rate Bonds		Net Swap Payments	Total
	Principal	Interest		
2017	59.2	42.2	(6.1)	95.3
2018	62.5	39.7	(6.7)	95.5
2019	43.4	38.0	(7.0)	74.4
2020	25.4	37.0	(7.0)	55.4
2021-2025	170.3	166.5	(33.5)	303.3
2026-2030	408.3	116.8	(26.8)	498.3
2031-2035	350.2	9.0	(1.6)	357.6

20. OPERATING LEASES

During 1998, the MTA, TA and MTA Bridges and Tunnels entered into a lease and related agreements whereby each, as sub lessees, will rent for at least an initial stated term of approximately 50 years, space at 2 Broadway in lower Manhattan (Note 16).

The total annual rental payments over the initial lease term are $1,600, of this amount approximately $488 represents land accounted for under an operating lease agreement. Rental payments will be allocated to the MTA, TA, and MTA Bridges and Tunnels based upon usage. Minimum lease payments representing MTA Bridges and Tunnels' share of the operating lease are as follows:

Year Ending December 31	**Aggregate Lease Payments**
(In thousands)	
2017	$ 2,405
2018	2,405
2019	2,405
2020	2,405
2021	2,405
2022-2026	12,025
2027-2031	12,025
2032-2036	12,025
2037-2041	12,025
2042-2046	12,025
2047-2048	3,611
Minimum future lease payments	$ 75,761

Rental amount incurred during 2016 and 2015 were $566 and $738, respectively.

21. RELATED PARTY TRANSACTIONS

MTA Bridges and Tunnels and other affiliated MTA agencies receive support from MTA in the form of budget, cash management, finance, legal, real estate, treasury, risk and insurance management, and other services, some of which are charged back.

The resulting receivables and payables from the above transactions are recorded in the due from/to MTA and affiliated agencies account included in the accompanying balance sheets.

Due from/to MTA and affiliated agencies consists of the following at December 31, 2016 and 2015:

(In thousands)	2016		2015	
	Receivable	(Payable)	Receivable	(Payable)
Due from (due to) MTA	$ 13,625	$ (219,626)	$ 9,924	$ (99,548)
Due from (due to) MTA	$ (13,080)			
Due from (due to) affiliated agencies	-	(39,460)	-	(37,521)
Total MTA and affiliated agencies	$ 545	$ (259,086)	$ 9,924	$ (137,069)

22. SUBSEQUENT EVENTS

On January 19, 2017, MTA Bridges and Tunnels issued $300,000 of Triborough Bridge and Tunnel Authority General Revenue Bonds, Series 2017A and $902,975 of General Revenue Refunding Bonds, Series 2017B. The proceeds from the 2017A transaction were used to finance bridge and tunnel projects. Series 2017B are being issued to refinance certain outstanding indebtness issued by MTA Bridges and Tunnels to finance bridge and tunnel projects. The 2017B bonds are used for refunding General Revenue Bonds, Series 2007A, $37,980, Series 2008A, $529,110, Series 2008C, $223,865, $94,550 and Series 2008D, $125,935.

23. CORRECTION OF PRIOR YEAR FINANCIAL STATEMENTS

During the preparation of the 2016 consolidated financial statements, the following errors were identified to the Authority's previously reported financial statements:

(1) Certain completed capital projects were inadvertently not depreciated when the underlying capital assets were placed into service. The aggregate amount of the error as of December 31, 2015 amounted to an overstatement in capital assets – non depreciable of $172.4 million and an understatement in capital assets – other capital assets (net of depreciation) of $155.0 million, an overstatement of the Authority's beginning net position as of January 1, 2015 of $14.4 million, and an understatement of depreciation expense of $3.0 million for the year ended December 31, 2015;

(2) Bond premiums were incorrectly classified as a component of long-term debt and not amortized in a timely matter. The aggregate amount of the error as of December 31, 2015 was an understatement of the long-term debt balance of $58.3 million and an understatement of loss on refunding – deferred outflows of $45.6 million, and an overstatement of beginning net position of $9.0 million (relating to prior period amortization) as of January 1, 2015, and understatement of interest expense of $3.7 million for the year ended December 31, 2015; and

(3) An uncollectible receivable was incorrectly classified as a reduction of accounts payable and was not written-off in a timely manner. The aggregate amount of the error was an understatement of the accounts payable balance of $15 million as of December 31, 2015 and an overstatement of beginning net position of $15 million (relating to prior period expense) as of January 1, 2015 and an overstatement of net position as of December 31, 2015 of $15 million: and

(4) Capital lease obligations for an office lease were accounted for incorrectly. The aggregate amount of the error resulted in an understatement of Capital Lease Obligations and an overstatement of beginning

net position of $14.0 million as of January 1, 2015 and an overstatement of Operating Expenses – Other of $3.7 million and an understatement of Interest expense of $4.7 million; and

(5) A portion of the estimated liability from injured persons was incorrectly classified. The aggregate amount of the error was an overstatement of Current Portion – Estimated liability from injured persons of $16.4 million and an understatement of Estimated Liability arising from injured persons of $16.4 million as of December 31, 2015; and

(6) Bad debt expense was incorrectly classified as an Operating Expense – Other as opposed to a reduction of revenue. The aggregate amount of the error was an overstatement of Operating Expenses – Other and an overstatement of Operating Revenue of $6.5 million.

Management of the Authority corrected the above mentioned errors in the accompanying Consolidated Financial Statements as of and for the year ended December 31, 2015. The net effect of these errors resulted in an increase in capital assets – other capital assets (net of depreciation) and decrease in capital assets – land and construction work-in-process of $158.0 million and $172.4 million, respectively, increase in long term debt of $58.3 million, increase in accounts payable of $15.4 million, increase in loss of refunding of $49.3 million, decrease of Current Portion – Estimated liability from injured persons $16.4 million, increase in estimated liability arising from injured persons $16.4 million, increase in capital lease obligations of $14.0 million and an decrease in the Authority's beginning net position of /$52.8 million as of January 1, 2015 and a decrease in the Authority's net position as of December 31, 2015 of $60.5 million in the accompanying Consolidated Statement of Net Position, as compared to the previously reported amounts. In addition, the net effect of these errors resulted in an increase in depreciation expense by $3.0 million and interest expense of $8.4 million, decrease in Operating Expenses – Other $10.2 million, decrease in Operating Revenue $6.5 million, Income before capital contributions and transfers of $7.7 million, respectively, in the accompanying Consolidated Statement of Revenues, Expenses, and Changes in Net Position and Consolidated Statement of Cash Flows for the year ended December 31, 2015, as compared to the previously reported amounts.

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REQUIRED SUPPLEMENTARY INFORMATION

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY IN THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM AT JUNE 30,

	2016	2015
	(in millions)	
Authority's proportion of the net pension liability	1.266%	1.205%
Authority's proportionate share of the net pension liability	$ 307.60	$ 243.90
Authority's actual covered-employee payroll	$ 133.89	$ 127.48
Authority's proportionate share of the net pension liability as a percentage of the Authority's covered-employee payroll	229.741%	191.329%
Plan fiduciary net position as a percentage of the total pension liability	69.57%	73.125%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. In accordance with GASB No. 68, information was not readily available for periods prior to 2015.

TRIBOROGH BRIDGE AND TUNNEL AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO THE NEW YORK CITY EMPLOYEES' RETIREMENT SYSTEM FOR THE YEARS ENDED DECEMBER 31,

(in thousands)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 44,609	$ 41,812	$ 33,023	$ 33,461	$ 36,183	$ 27,671	$ 25,455	$ 24,821	$ 20,403	$ 18,537
Contributions in relation to the contractually required contribution	44,609	41,812	33,023	33,461	36,183	27,671	25,455	24,821	20,403	18,537
Contribution deficiency (excess)	$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 140,072	$ 124,359	$ 132,095	$ 132,095	$ 128,184	$ 128,730	$ 135,339	$ 148,082	$ 142,728	$ 129,739
Contributions as a percentage of covered-employee payroll	31.85%	33.62%	25.33%	25.33%	28.23%	21.50%	18.81%	16.76%	14.30%	14.29%

Notes to Authority's Contributions to NYCERS:

Significant methods and assumptions used in calculating the actuarially determined contributions of an employer's proportionate share in a Cost Sharing, Multiple-Employer pension plan, the NYCERS Plan, should be presented as notes to the schedule. Factors that significantly affect trends in the amounts reported are changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions. Following is a summary of such factors:

Changes of Benefit Terms

There were no changes of benefit terms in the June 30, 2013 funding valuation.

Changes of Assumptions

There were no changes of benefit assumptions in the June 30, 2013 fund valuation.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE PLAN
(In millions)

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
12/31/2016	1/1/2014	-	$ 798	$ 798	-	$ 118.0	676.0%
12/31/2015	1/1/2014	-	$ 798	$ 798	-	$ 118.0	676.0%
12/31/2014	1/1/2012	-	$ 707	$ 707	-	$ 106.9	661.4%