



Financial Statements and Appended Notes Year 2003

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
The Port Authority of New York and New Jersey

We have audited the accompanying consolidated statements of net assets of The Port Authority of New York and New Jersey, which includes its wholly owned subsidiaries and affiliated entity (collectively the "Port Authority"), as of December 31, 2003 and 2002, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. We also audited the financial information included in Schedules A, B, and C. These consolidated financial statements and schedules are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net assets of the Port Authority as of December 31, 2003 and 2002, and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Schedules A, B, and C have been prepared pursuant to the requirements of law and Port Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. However, in our opinion, Schedules A, B, and C present fairly, in all material respects, the assets and liabilities of the Port Authority at December 31, 2003 and 2002, and the revenues and reserves for the years then ended in conformity with the accounting principles described in Note A-4.

The "Management's Discussion and Analysis" is not a required part of the consolidated financial statements but is supplemental information required by the Governmental Accounting Standards Board. This supplemental information is the responsibility of the Port Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management of the Port Authority regarding the methods of measurement and presentation of this supplemental information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements and Schedules A, B, and C taken as a whole. The supplemental information presented in Schedules D, E, and F, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This supplemental information is the responsibility of the Port Authority's management. The supplemental information presented in Schedules D, E, and F has been subjected to the auditing procedures applied by us in the audit of the consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP

February 27, 2004

Management's Discussion and Analysis

Year Ended December 31, 2003

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey (Port Authority) is intended to provide an introduction to and understanding of the financial statements of the Port Authority, which includes its wholly-owned subsidiaries, the Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, and the New York and New Jersey Railroad Corporation, and its affiliated entity WTC Retail LLC, for the year ended December 31, 2003, with selected comparative information for the year ended December 31, 2002. This section has been prepared by the management of the Port Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights

- The Port Authority continued to demonstrate financial strength in 2003 with an increase in net assets of \$883 million.
- Gross operating revenues of \$2.8 billion increased by \$93 million in 2003 compared to 2002.
- Operating expenses of \$1.9 billion in 2003 reflected an increase of \$33 million from 2002.
- During 2003, the Port Authority recognized receipts of \$684 million from insurance proceeds and the Federal Emergency Management Agency (FEMA) related to the events of September 11, 2001.
- Capital expenditures totaled \$1.9 billion in 2003, an increase of \$388 million from 2002.
- Certain elements of the John F. Kennedy International Airport AirTrain system (JFK AirTrain) opened in December of this year including the on-airport terminal connector in the Central Terminal Area and the link to existing transit lines in Howard Beach Queens, New York. Approximately \$1.4 billion in capital expenditures related to the JFK AirTrain project was transferred to completed construction in 2003.

- Construction of the temporary PATH station at the World Trade Center (WTC) site was completed this year and the station opened in November 2003. Cumulative costs associated with the construction of the temporary station, along with the rehabilitation of the PATH Exchange Place Station, which reopened in June 2003, and associated track and tunnel work totaled \$551 million, of which \$395 million was spent in 2003.
- In 2003, the Port Authority entered into a Memorandum of Understanding (MOU) with the City of New York with respect to the lease agreement covering John F. Kennedy International Airport (JFK) and LaGuardia Airport (LGA), and a MOU with the Brooklyn Bridge Park Development Corporation (BBPDC) with respect to the transfer of piers 1, 2, 3, and 5 at the Brooklyn - Port Authority Marine Terminal to BBPDC. As of December 31, 2003, certain liabilities and expenses associated with the MOU have been reflected in the financial records of the Port Authority (see Notes G and J).

Overview of the Financial Statements

The financial section of this annual report consists of five parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements, financial schedules pursuant to Port Authority bond resolutions, and other supplemental information. The basic financial statements include: the Consolidated Statements of Net Assets, the Consolidated Statements of Revenues, Expenses and Changes in Net Assets, and the Consolidated Statements of Cash Flows.

Consolidated Statements of Net Assets

The Consolidated Statements of Net Assets present the financial position of the Port Authority at the end of the fiscal year and include all assets and liabilities of the Port Authority. Net assets represent the difference between total assets and total liabilities. A summarized comparison of the Port Authority's assets, liabilities, and net assets at December 31, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
	(In thousands)	
<u>ASSETS</u>		
Current assets (including restricted assets)	\$ 2,548,295	\$ 2,046,980
Noncurrent assets (including restricted assets)		
Facilities, net	11,403,696	10,077,080
Other noncurrent assets	<u>4,927,291</u>	<u>4,778,952</u>
Total assets	<u>18,879,282</u>	<u>16,903,012</u>

LIABILITIES

Current liabilities	2,584,217	1,717,123
Noncurrent liabilities		
Bonds and other asset financing obligations	7,470,893	7,294,147
Other noncurrent liabilities	<u>2,021,841</u>	<u>1,972,447</u>
Total liabilities	<u>12,076,951</u>	<u>10,983,717</u>

NET ASSETS

Invested in capital assets, net of related debt	5,397,959	4,492,027
Restricted	15,153	16,505
Unrestricted	<u>1,389,219</u>	<u>1,410,763</u>
Total net assets	<u>\$ 6,802,331</u>	<u>\$ 5,919,295</u>

In its eighty-second year of existence, the Port Authority's financial position remained strong at December 31, 2003, with assets of \$18.9 billion and liabilities of \$12.1 billion. Investment in facilities, net of depreciation, increased \$1.3 billion from 2002. This amount includes both fully completed facilities and construction in progress.

The Port Authority's current investments increased by \$493 million from 2002 stemming from an increase in short term investments in United States Government securities and commercial paper notes.

At December 31, 2003, the Port Authority had recognized liabilities totaling \$856 million for rents, an increase of \$690 million over the prior year. This increase was primarily due to an accrual for increased rental obligations associated with the anticipated extension of the lease agreement covering JFK and LGA pursuant to the MOU between the City of New York and the Port Authority.

Net assets, which represent the residual interest in the Port Authority's assets after liabilities are deducted, were \$6.8 billion at December 31, 2003, an increase of \$883 million from 2002. Invested in capital assets, net of related debt, increased by \$906 million to \$5.4 billion. Amounts reported as restricted net assets consist of restricted receivables in connection with Passenger Facility Charges, which decreased \$1.3 million from 2002. Unrestricted net assets decreased by \$22 million from 2002.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

The change in net assets is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. Following is a summary of the Consolidated Statements of Revenues, Expenses and Changes in Net Assets:

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Gross operating revenues	\$2,764,051	\$2,670,583
Operating expenses	(1,919,251)	(1,886,190)
Depreciation and amortization	(521,098)	(435,246)
Net recoverables related to the events of September 11, 2001	<u>664,211</u>	<u>474,663</u>
Income from operations	<u>987,913</u>	<u>823,810</u>
Net non-operating expenses	<u>(104,877)</u>	<u>(83,848)</u>
Increase in net assets	<u><u>\$ 883,036</u></u>	<u><u>\$ 739,962</u></u>

Additional information on facility operating results can be found in Schedule E located in the other supplemental information section of this report.

Revenues

A summary of gross operating revenues through December 31, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Gross operating revenues:		
Rentals	\$ 858,414	\$ 832,527
Tolls and fares	758,326	774,337
Aviation fees	705,302	672,175
Parking and other	234,261	197,912
Utilities	112,555	97,184
Rentals – Special Project Bond projects	<u>95,193</u>	<u>96,448</u>
Total	<u><u>\$2,764,051</u></u>	<u><u>\$2,670,583</u></u>

Gross operating revenues increased \$93 million from 2002, mainly due to higher revenues from cost recovery agreements with the airlines primarily for Port Authority capital investment associated with assets placed into service at the airports, higher revenues from activity-based rentals at JFK, LGA and Newark Liberty International Airport (EWR), and the full-year effect of an increase in vehicular parking rates at the airports. These increases were partially offset by decreased toll revenue at certain tunnel and bridge facilities and reduced PATH fare revenue due to the general downturn in many regional service sectors and the severe winter weather conditions experienced in 2003.

Expenses

A summary of operating expenses, including depreciation and amortization, through December 31, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Operating expenses:		
Employee compensation, including benefits	\$ 769,711	\$ 777,146
Contract services	543,926	622,781
Rents and amounts in-lieu-of taxes	237,276	140,614
Materials, equipment and other	150,700	135,321
Utilities	122,445	113,880
Interest on Special Project Bonds	95,193	96,448
Total operating expenses	1,919,251	1,886,190
Depreciation and amortization	521,098	435,246
Total	<u>\$2,440,349</u>	<u>\$2,321,436</u>

Operating expenses, including depreciation and amortization, totaled \$2.4 billion through December 31, 2003, an increase of \$119 million over 2002. Total rents and amounts in-lieu-of taxes increased by \$97 million resulting from an increase in municipal rent expense associated with the anticipated extension of the lease with the City of New York for JFK and LGA. Total depreciation and amortization expense increased by \$86 million primarily due to the completion of construction and placement into service of the JFK AirTrain and the Exchange Place and temporary WTC PATH Stations in 2003, the planned transfer of Brooklyn - Port Authority Marine Terminal Piers 1, 2, 3 and 5 to BBPDC, and the demolition of the former Port Authority Administration Building at EWR. Increased expenses were partially offset by lower contract service costs of \$79 million primarily in the area of architectural, engineering and construction contracts and because costs associated with the termination of the E-Z Pass Consortium were recognized in 2002.

Recoverables Related to the Events of September 11, 2001

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Recoverables	\$ 682,232	\$ 587,400
Expenses	18,021	112,737
Total net recoverables related to the events of September 11, 2001	<u>\$ 664,211</u>	<u>\$ 474,663</u>

Approximately \$684 million was received by the Port Authority in 2003 comprising \$309 million in insurance advances and \$375 million in payments from FEMA. These amounts represent reimbursements to the Port Authority for costs incurred in its recovery efforts and for business interruption costs resulting from the events of

September 11, 2001. Of these amounts, \$682 million was recognized as revenue in 2003, and the balance was applied to a portion of the outstanding receivable representing the net book value of the properties destroyed as a result of the terrorist attacks.

As of December 31, 2003, cumulative insurance proceeds and payments from FEMA recognized by the Port Authority totaled approximately \$1.37 billion. Of this amount, \$869 million has been recognized as income net of \$429 million of expenses related to the events of September 11, 2001, primarily the cost of office space necessary to replace the Port Authority's offices that were located at the World Trade Center, and the balance of approximately \$68 million has been applied to a portion of the outstanding receivable representing the net book value of the properties destroyed as a result of the terrorist attacks.

Non-operating Revenues and Expenses

	<u>2003</u>	<u>2002</u>
	(In thousands)	
Non-operating revenues and (expenses):		
Income on investments	\$ 50,306	\$ 67,898
Increase in fair value of investments	15,842	29,914
Interest expense in connection with bonds and other asset financing	<u>(344,755)</u>	<u>(336,725)</u>
Net financial expense	<u>(278,607)</u>	<u>(238,913)</u>
Gain on Disposition of Assets	<u>787</u>	<u>-</u>
Passenger Facility Charges	<u>109,111</u>	<u>110,471</u>
Contributions in aid of construction	57,568	36,258
Grants	34,501	19,892
Regional ferry pass-through grant program payments	<u>(28,237)</u>	<u>(11,556)</u>
Net non-operating grants	<u>63,832</u>	<u>44,594</u>
Net non-operating expenses	<u>\$ (104,877)</u>	<u>\$ (83,848)</u>

Financial income, which totaled \$66 million for 2003, decreased by \$32 million reflecting a lower interest rate environment in 2003 compared to 2002. Financial expense of \$345 million in 2003 remained relatively stable compared to 2002.

Contributions and grants provided by others to the Port Authority in 2003 were as follows:

- Contributions received in aid of construction from federal, state and other entities with respect to Port Authority facilities totaled \$58 million.
- Federal and state pass-through grants designated for the expansion of ferry transportation service across the Hudson River to partially offset lost

interstate mass transportation capacity between New York and New Jersey totaled \$28 million.

- Grants received for reimbursement of snow removal costs incurred in connection with the February 2003 snowstorm totaled \$3.3 million.
- Grants for implementing enhanced security measures at various ports in the bi-state region totaled \$1.9 million.

Capital Construction

During 2003, Port Authority expenditures and amounts accrued for capital construction projects totaled \$1.9 billion, an increase of \$388 million from last year's activity. Capital construction in 2003 was primarily associated with the following projects:

- Exchange Place and Temporary WTC PATH Stations*
- PATH Tunnels E & F*
- AirTrain at JFK
 - On-airport Terminal Connector*
 - Link to Transit Lines in Howard Beach Queens, New York*
 - Link to Transit Lines in Jamaica Queens, New York
- General harbor channel improvements
- Terminal developments at various New Jersey marine terminals
- NY Economic Development and Regional Transportation Programs
- Runway, taxiway, roadway and parking area rehabilitation work at JFK, EWR and LGA
- Rehabilitation projects at various Port Authority tunnel and bridge facilities
- Implementation of the E-ZPass Fare Collection System at the parking lots located at JFK, EWR and LGA*
- Elizabeth Marine Terminal roadway improvements*

* Project was completed in 2003.

In connection with the adoption of the 2004 Budget, the Port Authority has approved a capital plan which calls for total spending of approximately \$9 billion over the 2004 to 2008 period as follows:

	(In billions)
WTC Site Restoration (including permanent WTC PATH Station)	\$2.4
Aviation	1.9
Tunnels, Bridges & Terminals	1.2
Port Commerce	1.0
PATH	.9
JFK AirTrain	.3
Economic Development	.2
Regional Programs	1.1

Additional capital investment information on Port Authority facilities can be found in Note B to the financial statements and in Schedule F located in the other supplemental information section of this report.

Capital Financing and Debt Management

As of December 31, 2003, bonds and other asset financing obligations of the Port Authority totaled \$8.4 billion, a \$443 million year to year increase.

During 2003, the Port Authority issued approximately \$1.4 billion in new consolidated bonds and notes. Of this amount, \$1.3 billion was issued to fund capital construction projects in connection with Port Authority facilities and \$84 million was used to refund existing outstanding obligations.

In 2003, the Port Authority was awarded a grant by the Federal Transit Administration of approximately \$1.7 billion which will be used in connection with the permanent PATH terminal at the WTC site.

Listed below is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority. The ratings for the obligations outstanding in 2002 have remained the same for 2003. It is important to note that subsequent to the events of September 11, 2001, Standard & Poor's placed all United States and Canadian Airports, as well as the Port Authority, on credit watch with negative implications. In January 2004, Standard & Poor's changed the Port Authority's outlook to stable. During 2003, Moody's and Fitch considered the Port Authority's outlook as stable.

OBLIGATION	S&P	Fitch	Moody's
Consolidated Bonds	AA-	AA-	A1
Consolidated Notes	SP-1+	F-1+	MIG1
Commercial Paper	A-1+	F-1+	P-1
VSO Short Term	A-1+	F-1+	VMIG1
VSO Long Term	A-	A+	A2

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority Bonds or as to market price or suitability of any maturity of the Bonds for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price.

Additional information on Port Authority debt can be found in Note D to the financial statements.

Consolidated Statements of Net Assets

	December 31,	
	2003	2002
ASSETS	(In thousands)	
Current assets:		
Cash	\$ 29,398	\$ 40,563
Investments	2,156,871	1,663,474
Current receivables, net	282,113	275,294
Other current assets	64,760	51,144
Restricted receivables in connection with Passenger Facility Charges	15,153	16,505
Total current assets	2,548,295	2,046,980
Noncurrent assets:		
Restricted cash	10,295	9,362
Investments	1,069,794	1,329,837
Other amounts receivable, net	1,036,473	1,274,239
Deferred charges and other noncurrent assets	952,491	354,134
Amounts receivable - Special Project Bond projects	1,404,074	1,425,270
Unamortized costs for regional programs	454,164	386,110
Facilities, net	11,403,696	10,077,080
Total noncurrent assets	16,330,987	14,856,032
Total assets	18,879,282	16,903,012
LIABILITIES		
Current liabilities:		
Accounts payable	525,829	565,695
Accrued interest and other current liabilities	1,077,225	430,975
Accrued payroll and other employee benefits	99,942	105,162
Current portion bonds and other asset financing obligations	881,221	615,291
Total current liabilities	2,584,217	1,717,123
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	533,524	465,547
Other noncurrent liabilities	84,243	81,630
Amounts payable - Special Project Bonds	1,404,074	1,425,270
Bonds and other asset financing obligations	7,470,893	7,294,147
Total noncurrent liabilities	9,492,734	9,266,594
Total liabilities	12,076,951	10,983,717
NET ASSETS	\$ 6,802,331	\$ 5,919,295
Net assets are composed of:		
Invested in capital assets, net of related debt	\$ 5,397,959	\$ 4,492,027
Restricted	15,153	16,505
Unrestricted	1,389,219	1,410,763
Net assets	\$ 6,802,331	\$ 5,919,295

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31,	
	2003	2002
	(In thousands)	
Gross operating revenues:		
Rentals	\$ 858,414	\$ 832,527
Tolls and fares	758,326	774,337
Aviation fees	705,302	672,175
Parking and other	234,261	197,912
Utilities	112,555	97,184
Rentals - Special Project Bond projects	95,193	96,448
Total gross operating revenues	2,764,051	2,670,583
Operating expenses:		
Employee compensation, including benefits	769,711	777,146
Contract services	543,926	622,781
Rents and amounts in-lieu-of taxes	237,276	140,614
Materials, equipment and other	150,700	135,321
Utilities	122,445	113,880
Interest on Special Project Bonds	95,193	96,448
Total operating expenses	1,919,251	1,886,190
Net recoverables related to the events of September 11, 2001	664,211	474,663
Depreciation of facilities	(488,986)	(406,484)
Amortization of costs for regional programs	(32,112)	(28,762)
Income from operations	987,913	823,810
Non-operating revenues and (expenses):		
Income on investments	50,306	67,898
Net increase in fair value of investments	15,842	29,914
Interest expense in connection with bonds and other asset financing	(344,755)	(336,725)
Gain on disposition of assets	787	-
Passenger Facility Charges	109,111	110,471
Contributions in aid of construction	57,568	36,258
Grants	34,501	19,892
Regional ferry pass-through grant program payments	(28,237)	(11,556)
Increase in net assets	883,036	739,962
Net assets, January 1	5,919,295	5,179,333
Net assets, December 31	\$ 6,802,331	\$ 5,919,295

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2003	2002
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	\$ 2,647,634	\$ 2,576,509
Cash received related to the events of September 11, 2001	683,749	613,952
Cash paid to suppliers	(885,650)	(901,805)
Cash paid to or on behalf of employees	(706,375)	(714,793)
Cash paid to municipalities	(136,684)	(153,930)
Cash payments related to the events of September 11, 2001	(21,427)	(126,068)
Net cash provided by operating activities	1,581,247	1,293,865
Cash flows from capital activities:		
Proceeds from sales of capital obligations	1,365,507	759,868
Principal paid on capital obligations	(887,729)	(470,615)
Proceeds from capital obligations issued for refunding purposes	2,078,996	2,607,108
Principal paid through capital obligations refundings	(2,078,996)	(2,607,108)
Interest paid on capital obligations	(385,755)	(396,305)
Investment in facilities and construction of capital assets	(1,513,037)	(1,396,263)
Financial income allocated to capital projects	1,380	2,592
Investment in regional programs	(100,166)	2,937
Insurance proceeds related to the destruction of Port Authority property on September 11, 2001	-	36,347
Contributions in aid of construction	62,376	30,727
Subtotal	(1,457,424)	(1,430,712)
Cash flows from related financing activities:		
Interest paid on equipment notes	(1,083)	(1,838)
Principal paid on equipment notes	(45,300)	(5,000)
Payments for Fund buy-out obligation	(35,213)	(35,215)
Proceeds from Passenger Facility Charges	110,463	105,128
Grants	34,501	19,892
Regional ferry pass-through grant program payments	(28,237)	(11,556)
Subtotal	35,131	71,411
Net cash used for capital and related financing activities	(1,422,293)	(1,359,301)
Cash flows from investing activities:		
Purchase of investment securities	(66,562,489)	(44,372,147)
Proceeds from maturity and sale of investment securities	66,345,245	44,383,978
Interest received on investment securities	31,563	41,190
Miscellaneous financial income	16,495	15,605
Net cash (used for) provided by investing activities	(169,186)	68,626
Net (decrease) increase in cash	(10,232)	3,190
Cash at beginning of year	49,925	46,735
Cash at end of year	\$ 39,693	\$ 49,925

(Consolidated Statements of Cash Flows continued on next page.)

Consolidated Statements of Cash Flows (continued)

Year ended December 31,
2003 2002

(In thousands)

2. Reconciliation of income from operations to net cash provided by operating activities:

Income from operations	\$ 987,913	\$ 823,810
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	488,986	406,484
Amortization of costs for regional programs	32,112	28,762
Amortization of other assets	35,267	57,400
Change in operating assets and operating liabilities:		
(Increase) decrease in receivables	(20,498)	5,590
(Increase) in prepaid expenses	(46,060)	(218,898)
Decrease in payables	(10,361)	(41,291)
Increase in employee benefits	62,757	60,169
Increase in other liabilities	49,650	171,877
Increase (decrease) in deferred income	1,481	(38)
Total adjustments	593,334	470,055
Net cash provided by operating activities	\$ 1,581,247	\$ 1,293,865

3. Capital obligations:

Consolidated bonds and notes, commercial paper, variable rate master notes and versatile structure obligations.

4. Noncash capital financing activity:

Noncash activity of \$85,377,000 in 2003 and \$88,663,000 in 2002 includes amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds and amounts payable in connection with Special Project Bonds. Noncash capital financing did not include any activities that required a change in fair value.

Note A – Nature of the Organization and Summary of Significant Accounting Policies

1. Reporting Entity

- a.** The Port Authority of New York and New Jersey was created in 1921 by Compact between the two States and consented to by the Congress of the United States. The Compact envisions the Port Authority as being financially self-sustaining. As such, it must raise the funds necessary for the improvement, construction or acquisition of its facilities generally upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation fees and other charges.
- b.** The Governor of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners; the actions the Commissioners take at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State.
- c.** The Audit Committee, which consists of four members of the Board of Commissioners, provides oversight of the quality and integrity of the accounting, auditing and financial reporting processes. The independent auditors are retained by and meet directly, on a regular basis, with the Audit Committee. The Audit Committee also reviews the performance and independence of the independent auditors, who are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Chairman of the Audit Committee periodically advises the Board of Commissioners on the activities of the Committee.
- d.** The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiaries, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, and in 2003, its affiliated entity WTC Retail LLC.

2. Basis of Accounting

- a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.
- b. In its accounting and financial reporting, the Port Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

3. Significant Accounting Policies

- a. Facilities are carried at cost. Facilities do not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (see Note H). Costs that benefit future accounting periods and are expected to prolong the service lives of assets beyond the originally assigned life are capitalized, including net interest expense incurred from the date of issuance of debt for purposes of a capital project until such project is completed and ready for its intended use (see Note B).
- b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets. The useful lives of assets are developed by the various related disciplines in the Port Authority's Engineering Department utilizing past experience, standard industrial expectations, and external sources such as consultants, manufacturers and contractors. Useful lives are reviewed periodically for each specific type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

Buildings, bridges, tunnels, other structures	25 to 100 years
Machinery and equipment	5 to 35 years
Runways, roadways and other paving	10 to 20 years
Utility infrastructure	20 to 40 years

Assets located at facilities leased by the Port Authority from others are depreciated over the lesser of the remaining term of the facility lease or the asset life stated above.

Costs of regional programs are amortized on a straight-line basis (see Note H). Certain operating costs, which provide benefits for periods exceeding one year, are deferred and amortized over the period benefited.

- c. Cash consists of cash on hand and demand deposits.
- d. Inventories are valued at average cost.
- e. Operating revenues include rentals, tolls, fares, aviation fees, and other charges derived in connection with the use of and privileges granted at Port Authority facilities, and amounts received from operating grants. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, which include financial income, Passenger Facility Charges (PFCs), contributions in aid of construction, non-operating grants, and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant sponsor costs are reported as non-operating expenses.
- f. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Port Authority has been authorized to impose \$3 Passenger Facility Charges on enplaning passengers. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration approved airport-related projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and reported as non-operating revenue in the year the fees are due from the air carriers (see Consolidated Statements of Revenues, Expenses and Changes in Net Assets and Schedule E). PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net" on the Consolidated Statements of Net Assets and Schedule F.
- g. All Port Authority investments whose values are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority is authorized to use a variety of financial instruments to assist in the management of its financing and investment objectives. The Port Authority may also employ hedging strategies to minimize interest rate risk and enters into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C) and interest rate exchange contracts (swaps) (see Note D).
- h. When issuing new debt for refunding purposes, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.
- i. Environmental costs, including costs associated with the Port Authority's dredging and disposal plan, are generally charged as an operating expense. However, such costs, when they result in the construction of a new asset or the improvement of an existing asset compared with its condition when it was constructed or acquired, are capitalized. Improved asset conditions include the extension of the useful life, increased capacity, and improvement of safety or efficiency.

- j. The 2002 financial statements contain the reclassification of certain amounts, which have been made in order to conform to the classifications in 2003.

4. Reconciliation of Consolidated Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Port Authority Bond Resolutions

Schedules A, B, and C, which follow the notes to the consolidated financial statements, have been prepared in accordance with legal requirements and Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

- a. The revenues and expenses of facilities are accounted for in the operating fund. The financial resources expended for the construction or acquisition of major facilities or improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.
- b. Consistent with Port Authority bond resolutions, Passenger Facility Charges are deferred until spent on approved project costs. Unspent PFC program amounts are a Port Authority liability, which are reflected as "Deferred income in connection with PFCs". A reconciliation of revenues related to PFCs on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets to deferred income in connection with PFCs on Schedule B – Assets and Liabilities follows:

	Year ended December 31,	
	<u>2003</u>	<u>2002</u>
	(In thousands)	
Passenger Facility Charges	\$109,111	\$110,471
Financial income, PFCs	4	-
Direct PFC project payments	(110,467)	(105,128)
PFC deferred income, January 1	<u>16,505</u>	<u>11,162</u>
PFC deferred income, December 31	<u>\$ 15,153</u>	<u>\$ 16,505</u>

- c. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or through direct investment in facilities. These amounts are credited at par to "Facility infrastructure investment" on Schedule B, Assets and Liabilities.
- d. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.

- e. Capital costs for regional programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.
- f. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Discounts and premiums are capitalized at issuance.
- g. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from "Invested in facilities". However, in the event of the sale of assets removed from service or recovery of amounts related to assets destroyed or damaged, the amount of proceeds received from such sale or recovery is deducted from "Invested in facilities".

A reconciliation of the Consolidated Statements of Revenues, Expenses and Changes in Net Assets and the Consolidated Statements of Net Assets to Schedules A and B follows:

**Consolidated Statements of Revenues,
Expenses and Changes in Net Assets to
Schedule A – Revenues and Reserves**

	Year ended December 31,	
	<u>2003</u>	<u>2002</u>
	(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets	\$ 883,036	\$ 739,962
Add: Depreciation of facilities	488,986	406,484
Amortization of costs for regional programs	32,112	28,762
Amortization of discount and premium	<u>7,728</u>	<u>5,409</u>
	<u>1,411,862</u>	<u>1,180,617</u>
Less: Debt maturities and retirements	698,280	181,250
Call premiums on refunded bonds	839	4,957
Repayment of capital asset obligations	6,329	5,863
Debt retirement acceleration	183,120	283,502
Appropriations for self-insurance	15,201	19,017
Direct investment in facilities	542,260	433,747
Gain on disposition of assets	787	-
Passenger Facility Charges	109,111	110,471
PFC income on investments (including net increase in fair value of investments)	<u>4</u>	<u>-</u>
	<u>1,555,931</u>	<u>1,038,807</u>
(Decrease) increase in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)	<u>\$ (144,069)</u>	<u>\$ 141,810</u>

**Consolidated Statements of Net Assets
To Schedule B – Assets and Liabilities**

	December 31,	
	<u>2003</u>	<u>2002</u>
	(In thousands)	
Net assets reported on Consolidated Statements of Net Assets	\$ 6,802,331	\$ 5,919,295
Add: Accumulated depreciation of facilities	5,593,461	5,158,970
Accumulated retirements and gains and losses on disposal of invested in facilities	1,563,819	1,510,111
Cumulative amortization of costs for regional programs	656,112	624,000
Cumulative amortization of discount and premium	<u>55,028</u>	<u>48,139</u>
	14,670,751	13,260,515
Less: Deferred income in connection with PFCs	<u>15,153</u>	<u>16,505</u>
Net assets reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)	<u>\$ 14,655,598</u>	<u>\$13,244,010</u>

Note B -- Facilities

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers	Retirements	End of Year
	(In thousands)				
2003					
<u>Facilities</u>					
Land	\$ 502,095	\$ -	\$ 15,611	\$ -	\$ 517,706
Buildings, bridges, tunnels, other structures	4,479,493	-	1,120,749	(21,550)	5,578,692
Machinery and equipment	3,148,599	-	1,300,572	(12,895)	4,436,276
Runways, roadways and other paving	2,478,900	-	491,380	(11,869)	2,958,411
Utility infrastructure	1,573,682	-	186,996	(8,181)	1,752,497
Construction in progress	3,053,281	1,815,602	(3,115,308)	-	1,753,575
Total Facilities	15,236,050	1,815,602	-	(54,495)	16,997,157
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	1,961,791	166,778	-	(21,550)	2,107,019
Machinery and equipment	1,397,433	133,124	-	(12,895)	1,517,662
Runways, roadways and other paving	1,030,533	117,119	-	(11,869)	1,135,783
Utility infrastructure	769,213	71,965	-	(8,181)	832,997
Total accumulated depreciation	5,158,970	488,986	-	(54,495)	5,593,461
Facilities, net	\$ 10,077,080	\$ 1,326,616	\$ -	\$ -	\$ 11,403,696

2002					
<u>Facilities</u>					
Land	\$ 461,478	\$ -	\$ 40,617	\$ -	\$ 502,095
Buildings, bridges, tunnels, other structures	4,258,162	-	226,088	(4,757)	4,479,493
Machinery and equipment	3,041,667	-	108,280	(1,348)	3,148,599
Runways, roadways and other paving	2,213,108	-	272,914	(7,122)	2,478,900
Utility infrastructure	1,504,801	-	79,348	(10,467)	1,573,682
Construction in progress	2,250,204	1,530,324	(727,247)	-	3,053,281
Total Facilities	13,729,420	1,530,324	-	(23,694)	15,236,050
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	1,833,724	132,824	-	(4,757)	1,961,791
Machinery and equipment	1,288,288	110,493	-	(1,348)	1,397,433
Runways, roadways and other paving	938,500	99,155	-	(7,122)	1,030,533
Utility infrastructure	715,668	64,012	-	(10,467)	769,213
Total accumulated depreciation	4,776,180	406,484	-	(23,694)	5,158,970
Facilities, net	\$ 8,953,240	\$ 1,123,840	\$ -	\$ -	\$ 10,077,080

2. Net interest expense added to the cost of facilities was \$86,119,000 in 2003 and \$90,808,000 in 2002.

Note C - Cash and Investments

1. The components of cash and investments are:

	December 31,	
	2003	2002
	(In thousands)	
CASH		
Cash on hand	\$ 1,960	\$ 1,906
Demand deposits	37,733	48,019
Total cash	39,693	49,925
Less restricted cash	10,295	9,362
Unrestricted cash	\$ 29,398	\$ 40,563

	December 31,	
	2003	2002
	(In thousands)	
INVESTMENTS		
United States Treasury notes	\$ 717,608	\$ 496,974
United States Treasury bills	1,462,552	1,115,471
United States government agency obligations	689,686	716,066
Commercial paper notes	107,987	-
United States Treasury obligations held pursuant to repurchase agreements	72,394	511,246
JFK International Air Terminal LLC obligations	172,514	147,500
Accrued interest receivable	3,924	6,054
Total investments	3,226,665	2,993,311
Less current investments	2,156,871	1,663,474
Noncurrent investments	\$ 1,069,794	\$ 1,329,837

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum market value of 110% of average daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). Actual daily balances may differ from the average daily balances. The collateral must consist of obligations of the United States of America, the Port Authority, the State of New York or the State of New Jersey held in custodial bank accounts in banks in the Port District having combined capital and surplus in excess of \$1 million.

Total actual bank balances were \$30,340,000 as of December 31, 2003. Of that amount, \$27,892,000 was either secured through the FDIC or was fully collateralized by collateral held by a bank acting as the Port Authority's agent and held by such bank in the Port Authority's name. The balance of \$2,448,000 was not collateralized.

3. The investment policies of the Port Authority are established in conformity with its agreements with the holders of its obligations, generally through resolutions of the Board of Commissioners or its Committee on Finance. Individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third party financial institution acting as the Port Authority's agent. Securities transactions are conducted in the open market at competitive prices. Transactions (including repurchase and reverse repurchase agreement transactions) are completed when the Port Authority's securities custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with the Port Authority's instructions.

Proceeds of "Bonds and other asset financing obligations" may be invested, on an interim basis, in conformance with applicable Federal law and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time accounts. The Consolidated Bond Reserve Fund and the General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund. Operating funds may presently be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises, investment grade negotiable certificates of deposit, negotiable bankers' acceptances, commercial paper, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts with primary dealers in United States Treasury securities, and obligations of JFK International Air Terminal LLC for certain costs attributable to the completion of the passenger terminal project. The Board has from time to time authorized other investments of operating funds.

The passenger terminal lease with JFK International Air Terminal LLC (JFKIAT) was amended during 2001 to provide for, among other items, the Port Authority to invest up to \$180 million of operating funds to be used by JFKIAT for certain costs attributable to the completion of its passenger terminal project at John F. Kennedy International Airport (JFK). Payments by JFKIAT to the Port Authority on account of such investment (JFKIAT payment obligation) are to be made on a subordinated basis to certain other rental obligations of JFKIAT under such lease, including facility rental pledged to the payment of debt service on Special Project Bonds, Series 6 (see Note D-2). In 2002, the JFKIAT passenger terminal lease was further supplemented to provide for the deferral of approximately \$11 million of JFKIAT payment obligations in 2003 resulting in an increase in the authorized amount of operating funds that could be invested in this project. JFKIAT's ability to meet its contractual commitments under the lease may be affected by trends in the airline industry which may have a negative effect on air traffic and revenues derived from the operation of the air terminal.

The Port Authority has entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. Although there were no investments in reverse repurchase agreements at December 31, 2003, during 2003, reverse repurchase agreements in effect at any one time ranged as high as \$844,860,000. Repurchase agreements in effect at any one time during 2003 ranged as high as \$1,232,334,000.

Note D - Outstanding Obligations and Financing

1. Outstanding bonds and other asset financing obligations

The obligations noted with "(*)" on original issuance were subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations. Obligations noted with "(**)" are subject to Federal taxation.

December 31, 2003

	Current	Noncurrent	Total
	(In thousands)		
A. CONSOLIDATED BONDS AND NOTES	\$ 420,420	\$ 6,492,874	\$ 6,913,294
B. COMMERCIAL PAPER NOTES	249,200	-	249,200
C. VARIABLE RATE MASTER NOTES	149,990	-	149,990
D. VERSATILE STRUCTURE OBLIGATIONS	10,500	544,000	554,500
E. PORT AUTHORITY EQUIPMENT NOTES	15,900	45,900	61,800
F. FUND BUY-OUT OBLIGATION	35,211	388,119	423,330
	\$ 881,221	\$ 7,470,893	\$ 8,352,114

December 31, 2002

	Current	Noncurrent	Total
	(In thousands)		
A. CONSOLIDATED BONDS AND NOTES	\$ 198,280	\$ 6,288,547	\$ 6,486,827
B. COMMERCIAL PAPER NOTES	180,408	-	180,408
C. VARIABLE RATE MASTER NOTES	149,990	-	149,990
D. VERSATILE STRUCTURE OBLIGATIONS	6,100	554,500	560,600
E. PORT AUTHORITY EQUIPMENT NOTES	45,300	61,800	107,100
F. FUND BUY-OUT OBLIGATION	35,213	389,300	424,513
	\$ 615,291	\$ 7,294,147	\$ 7,909,438

A. Consolidated Bonds and Notes

		Dec. 31, 2002	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2003
Consolidated bonds					
			(In thousands)		
Sixty-ninth series (a)	Due 2004-2011	\$ 23,630	\$ 2,030	\$ 2,720	\$ 22,940
Seventy-fourth series (b)	Due 2004-2014	29,545	2,461	1,785	30,221
Seventy-ninth series	5.9%-6% due 2004-2005	20,865	-	7,010	13,855
Eightieth series	5.9%-6% due 2004-2005	10,560	-	3,535	7,025
Eighty-fourth series*	5 3/4%-6% due 2008-2028	97,250	-	97,250	-
Eighty-fifth series	5%-5 3/8% due 2008-2028	98,000	-	-	98,000
Eighty-sixth series	4.8%-5.2% due 2004-2012	69,845	-	11,520	58,325
Eighty-seventh series	4.7%-5 1/4% due 2003-2021	86,315	-	86,315	-
Eighty-eighth series	4 1/2%-4 3/4% due 2004-2008	74,120	-	20,050	54,070
Eighty-ninth series	4.4%-5 1/8% due 2003-2021	88,685	-	88,685	-
Ninetieth series**	6.05%-6 1/8% due 2004-2005	23,510	-	7,385	16,125
Ninety-first series	4.7%-5.2% due 2004-2020	252,975	-	8,495	244,480
Ninety-second series	4 3/4%-5 5/8% due 2009-2029	90,680	-	-	90,680
Ninety-third series	6 1/8% due 2094	100,000	-	-	100,000
Ninety-fourth series	5.2%-6% due 2004-2017	100,000	-	4,345	95,655
Ninety-fifth series*	5 1/2%-6 1/8% due 2005-2029	95,000	-	-	95,000
Ninety-sixth series*	5.7%-6.6% due 2004-2023	100,000	-	2,525	97,475
Ninety-seventh series*	6%-7.1% due 2004-2023	100,000	-	1,900	98,100
Ninety-eighth series*	5.7%-6.2% due 2005-2015	100,000	-	-	100,000
Ninety-ninth series*	5 1/4%-7% due 2004-2015	86,000	-	-	86,000
One hundredth series	5 5/8%-5 3/4% due 2010-2030	135,000	-	-	135,000
One hundred first series*	5.1%-6% due 2004-2015	75,380	-	4,200	71,180
One hundred third series	4.7%-5 1/4% due 2004-2014	64,000	-	4,500	59,500
One hundred fourth series	4 3/4%-5.2% due 2011-2026	150,000	-	-	150,000
One hundred fifth series*	5%-6 1/4% due 2004-2016	116,760	-	6,340	110,420
One hundred sixth series*	5.3%-6% due 2004-2016	79,900	-	2,000	77,900
One hundred seventh series*	4.9%-6% due 2004-2016	100,000	-	-	100,000
One hundred eighth series*	4.8%-6% due 2004-2017	124,550	-	5,770	118,780
One hundred ninth series	5 3/8%-5 1/2% due 2012-2032	150,000	-	-	150,000
One hundred tenth series*	4.6%-5 3/8% due 2004-2017	83,390	-	3,800	79,590
One hundred eleventh series	5% due 2012-2032	100,000	-	-	100,000
One hundred twelfth series*	4 1/2%-5 1/4% due 2004-2018	130,060	-	5,530	124,530
One hundred thirteenth series	4 1/8%-4 3/4% due 2004-2013	105,000	-	14,250	90,750
One hundred fourteenth series	4 3/4%-5 1/2% due 2013-2033	100,000	-	-	100,000
One hundred fifteenth series	4.2%-4 3/8% due 2004-2008	41,000	-	6,000	35,000
One hundred sixteenth series	4 1/4%-5 1/4% due 2005-2033	450,000	-	-	450,000
One hundred seventeenth series*	4.1%-5 1/8% due 2004-2018	85,680	-	3,865	81,815
One hundred eighteenth series	4 1/4%-5.35% due 2004-2014	80,500	-	6,500	74,000
One hundred nineteenth series*	5%-5.875% due 2004-2019	271,680	-	10,510	261,170
One hundred twentieth series*	4 1/2%-6% due 2004-2035	280,835	-	10,365	270,470
One hundred twenty-first series	5%-5 1/2% due 2016-2035	200,000	-	-	200,000
One hundred twenty-second series*	5%-5 1/2% due 2004-2036	242,150	-	8,195	233,955
One hundred twenty-third series	4 3/4%-5% due 2017-2036	100,000	-	-	100,000
One hundred twenty-fourth series*	4 1/2%-5% due 2004-2036	292,340	-	8,570	283,770
One hundred twenty-fifth series	5% due 2018-2032	300,000	-	-	300,000
One hundred twenty-sixth series*	5%-5 1/2% due 2004-2037	300,000	-	9,920	290,080
One hundred twenty-seventh series*	4%-5 1/2% due 2004-2037	300,000	-	7,875	292,125
One hundred twenty-eighth series	4%-5% due 2007-2032	250,000	-	-	250,000
One hundred twenty-ninth series	2%-4% due 2004-2015	75,000	-	3,555	71,445
One hundred thirtieth series	1.30%-3 3/4% due 2004-2015	-	83,865	-	83,865
One hundred thirty-first series*	2%-5% due 2004-2033	-	500,000	-	500,000
One hundred thirty-second series	5% due 2024-2038	-	300,000	-	300,000
Consolidated notes					
Series TT	3 5/8% due 2004	200,000	-	-	200,000
Series UU	2% due 2003	-	250,000	250,000	-
Series VV*	1.15% due 2003	-	250,000	250,000	-
Consolidated bonds and notes pursuant to Port Authority bond resolutions (c)		6,630,205	<u>\$ 1,388,356</u>	<u>\$ 965,265</u>	7,053,296
Less unamortized discount and premium (d)		<u>143,378</u>			<u>140,002</u>
Consolidated bonds and notes		<u>\$ 6,486,827</u>			<u>\$ 6,913,294</u>

A. Consolidated Bonds and Notes (continued)

- (a) Includes \$8,313,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2004 to 2011, in total aggregate maturity amounts of \$29,035,000
- (b) Includes \$12,450,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2004 to 2014, in total aggregate maturity amounts of \$40,970,000.
- (c) Debt service requirements to maturity for consolidated bonds and notes outstanding on December 31, 2003 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2004	\$ 420,420	\$ 348,280	\$ 768,700
2005	233,925	335,885	569,810
2006	235,780	325,108	560,888
2007	236,060	314,176	550,236
2008	236,525	302,767	539,292
2009-2013	1,332,725	1,327,179	2,659,904
2014-2018	1,243,675	961,087	2,204,762
2019-2023	907,405	691,677	1,599,082
2024-2028	954,705	455,705	1,410,410
2029-2033	833,710	225,389	1,059,099
2034-2038	335,210	67,484	402,694
2039-2094***	100,000	314,621	414,621
	\$ 7,070,140	\$ 5,669,358	\$ 12,739,498

***Debt service 2039-2094 reflects principal and interest payments associated with a single series of outstanding consolidated bonds.

Total principal of \$7,070,000 shown above differs from the total consolidated bonds and notes pursuant to Port Authority bond resolutions of \$7,053,000 because of differences in the par value at maturity of the capital appreciation bonds of \$16,844,000.

- (d) Amount includes the unamortized difference between acquisition price and carrying amount on refunded debt.

Consolidated bonds and notes outstanding as of February 27, 2004 (pursuant to Port Authority bond resolutions) totaled \$7,548,417,000.

The Board of Commissioners has authorized the issuance of consolidated bonds, one hundred thirty-third series through one hundred forty-second series, in aggregate principal amount of up to \$500 million of each series, and consolidated notes, Series WW, XX and YY of up to \$300 million in aggregate principal amount of each series.

The Port Authority operates JFK and LaGuardia Airport (LGA) under a lease agreement with the City of New York, which expires in 2015. During 1994, the City of New York suspended negotiations to extend the lease term. In the context of the suspension of negotiations to extend the term of the lease, in 1994 the Port Authority instituted a program to accelerate the retirement of certain consolidated bonds that were outstanding as of December 31, 1994, and had maturities extending beyond 2015, in which the lease expired. As of December 31, 2003, the Port Authority had achieved its program goals through the year 2011 with the retirement of \$1,380,290,000 in principal amount of such consolidated bonds, through open-market purchases and refundings. Additionally, bonds issued for purposes of capital projects at JFK and/or LGA were structured to mature on or before December 31, 2015. As a result of the authorization in November 2003 by the Board of Commissioners of a Memorandum of Understanding between the City of New York and the Port Authority in with respect to the extension of the lease agreement covering JFK and LGA (see Note G), the program of accelerated retirements and maturity limitations was discontinued.

During 2003, the Port Authority refunded \$83,865,000 in outstanding consolidated bonds. Although the refundings resulted in an additional cash outlay of \$2,441,000, the Port Authority in effect reduced its aggregate debt service payments by approximately \$30,336,000 over the life of the refunded issues. The economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) is worth approximately \$11,800,000 in present value savings to the Port Authority.

B. Commercial Paper Notes

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be issued until December 31, 2005, in an aggregate principal amount outstanding at any one time not in excess of \$500 million in two separate series. Each series includes a standby revolving credit facility and the maximum aggregate principal amount that may be outstanding at any one time is \$300 million for Series A and \$200 million for Series B.

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
	(In thousands)			
Series A*	\$ 109,536	\$ 1,444,121	\$ 1,392,627	\$ 161,030
Series B	70,872	620,031	602,733	88,170
	\$ 180,408	\$ 2,064,152	\$ 1,995,360	\$ 249,200

Interest rates for all commercial paper notes ranged from 0.70% to 1.35% in 2003.

As of February 27, 2004, commercial paper notes outstanding totaled \$274,305,000.

C. Variable Rate Master Notes

Variable rate master notes may be issued in aggregate principal amounts outstanding at any one time not to exceed \$400 million.

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
	(In thousands)			
Agreements 1989-1995*	\$ 69,900	\$ -	\$ -	\$ 69,900
Agreements 1989-1998	80,090	-	-	80,090
	\$ 149,990	\$ -	\$ -	\$ 149,990

Interest rates are determined weekly, based upon specific industry indices (e.g. three-month Treasury bill rate, tax exempt note rate published by Lehman Brothers, JP Morgan Rate published by JP Morgan or the Bond Market Association rate) as stated in each master note agreement, and ranged from 0.68% to 1.676% in 2003.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2003, would be as follows:

	Principal	Interest	Debt Service
	(In thousands)		
2004	\$ -	\$ 1,927	\$ 1,927
2005	-	1,921	1,921
2006	-	1,921	1,921
2007	-	1,921	1,921
2008	-	1,927	1,927
2009-2013	-	9,633	9,633
2014-2018	13,090	8,917	22,007
2019-2023	117,000	5,107	122,107
2024-2025	19,900	449	20,349
	\$ 149,990	\$ 33,723	\$ 183,713

Variable rate master notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

D. Versatile Structure Obligations

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
	(In thousands)			
Series 1R*, 4*, 6*	\$ 281,900	\$ -	\$ 4,100	\$ 277,800
Series 2, 3, 5	278,700	-	2,000	276,700
	\$ 560,600	\$ -	\$ 6,100	\$ 554,500

Variable interest rates, set daily by the remarketing agent for each series, ranged from 0.44% to 1.75% in 2003.

D. Versatile Structure Obligations (continued)

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2003, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2004	\$ 10,500	\$ 7,184	\$ 17,684
2005	11,900	7,044	18,944
2006	12,500	6,887	19,387
2007	14,000	6,721	20,721
2008	16,800	6,524	23,324
2009-2013	136,200	28,078	164,278
2014-2018	172,400	18,040	190,440
2019-2023	124,300	7,648	131,948
2024-2028	55,900	1,504	57,404
	\$ 554,500	\$ 89,630	\$ 644,130

The Port Authority has entered into a separate standby certificate purchase agreement pertaining to each series of versatile structure obligations with certain banks, which provide that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2003 in connection with the agreements were \$1,311,000. No bank was required to purchase any of the obligations under the agreements in 2003.

E. Port Authority Equipment Notes

Equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed \$250 million.

	Dec. 31, 2002	Issued	Refunded/ Repaid	Dec. 31, 2003
			(In thousands)	
Notes 1997-2001*	\$ 24,400	\$ -	\$ 7,800	\$ 16,600
Notes 1997-2002	82,700	-	37,500	45,200
	\$ 107,100	\$ -	\$ 45,300	\$ 61,800

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.75% to 1.65% in 2003.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2003, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2004	\$ 15,900	\$ 647	\$ 16,547
2005	18,000	579	18,579
2006	-	360	360
2007	-	360	360
2008	27,900	176	28,076
	\$ 61,800	\$ 2,122	\$ 63,922

F. Fund Buy-Out Obligation

	Dec. 31, 2002	Accretion (a)	Refunded/ Repaid	Dec. 31, 2003
	(In thousands)			
Obligation outstanding	\$ 424,513	\$ 34,030	\$ 35,213	\$ 423,330

(a) Represents the annual implicit interest cost (8.25%) contained in the present value of amounts due to the States of New York and New Jersey upon the termination, in 1990, of the Fund for Regional Development.

Payment requirements of the fund buy-out obligation outstanding on December 31, 2003 are as follows:

Year ending December 31:	Payments (In thousands)
2004	\$ 35,211
2005	35,213
2006	35,211
2007	43,216
2008	43,211
2009-2013	232,058
2014-2018	260,064
2019-2021	160,027
	\$ 844,211

As of February 27, 2004, the fund buy-out obligation outstanding totaled \$428,800,000.

2. Amounts Payable - Special Project Bonds

Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on special project bonds. Principal and interest on each series of special project bonds are secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

	Dec. 31, 2002	Issued	Repaid/ Amortized	Dec. 31, 2003
	(In thousands)			
Series 1R, Delta Air Lines, Inc. Project (a) 6.95% term bonds, due 2008	\$ 96,500	\$ -	\$ -	\$ 96,500
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (b)* 9%-9 1/8%, due 2004-2015	182,050	-	7,910	174,140
Less: unamortized discount and premium	6,283		487	5,796
Total - Series 2	175,767	-	7,423	168,344
Series 4, KIAC Partners Project (c)* 6 3/4%-7% due 2004-2019	229,800	-	8,800	221,000
Less: unamortized discount and premium	3,206	-	191	3,015
Total - Series 4	226,594	-	8,609	217,985

2. Amounts Payable - Special Project Bonds (continued)

	Dec. 31, 2002	Issued	Repaid/ Amortized	Dec. 31, 2003
		(In thousands)		
Series 6, JFK International Air Terminal LLC Project (d)*				
5.20%-7% due 2004-2025	934,100	-	5,500	928,600
Less: unamortized discount and premium	7,691	-	336	7,355
Total - Series 6	926,409	-	5,164	921,245
Amounts payable - special project bonds	\$ 1,425,270	-	\$ 21,196	\$ 1,404,074

- (a) Special project bonds, Series 1R, Delta Air Lines, Inc. Project, were issued in connection with a project that includes the construction of a passenger terminal building at LaGuardia Airport leased to Delta Air Lines, Inc.
- (b) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines Inc. and Eastern Air Lines, Inc. The leasehold interest of Eastern Air Lines, Inc. was assigned to Continental Airlines, Inc. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern was subsequently assigned to USAir, Inc. (with Continental to remain liable under both underlying leases).
- (c) Special project bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 bonds, and in connection with a project at John F. Kennedy International Airport, that includes the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.
- (d) Special project bonds, Series 6, JFK International Air Terminal LLC Project, were issued in connection with a project that includes the development and construction of a new passenger terminal at John F. Kennedy International Airport.

3. Interest Rate Exchange Contracts (Swaps)

The Port Authority records interest rate exchange contracts pursuant to the settlement method of accounting whereby cash paid or received under the terms of the swap is charged or credited to the related interest expense account for the purpose of managing interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations with respect to an agreed upon nominal principal amount called a "notional amount".

Objective

The Port Authority entered into four pay-fixed, receive-variable interest rate swaps on a forward basis in order to protect against the potential of rising interest rates between the execution date and the effective date and to preserve the net present value savings of the bond refunding associated with each swap transaction. Each swap is matched against a Versatile Structure Obligation, the proceeds of which were used to refund outstanding high-coupon fixed rate debt. The combination of the swaps and the associated variable rate debt created synthetic fixed rate-refunding bonds.

The notional amount of the swaps matches the principal amount of the associated debt. The Port Authority's swap agreements contain scheduled reductions to outstanding notional amounts to approximately follow scheduled reductions of the associated debt. The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2003, are as follows:

Associated Debt	Notional Amount	Execution Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating (a)
VSO 2	\$ 85,760,000	10/13/1993	3/3/1994	6.875%	JKK (b)	(\$22,100,493)	7/1/2005	A+/Aa3/AA-
VSO 3	91,000,000	2/18/1993	7/15/1995	5.950%	JKK (b)	(18,285,417)	7/15/2005	A+/Aa3/AA-
VSO 4	100,000,000	2/24/1995	5/1/1996	5.570%	JKK (b)	(9,281,921)	5/1/2006	A+/Aa3/AA-
VSO 5	100,000,000	9/7/1995	8/1/1996	5.473%	BMA (c)	(9,401,620)	8/1/2006	A+/Aa3/AA-
Total	<u>\$ 376,760,000</u>					<u>(\$59,069,451)</u>		

(a) Ratings supplied by Standard & Poor's/Moody's/Fitch Ratings.

(b) The JJ Kenny "High Grade" Index.

(c) The Bond Market Association Municipal Swap Index.

Debt service requirements of the underlying variable rate debt and net swap payments, valued for presentation purposes at the rate in effect on December 31, 2003, are shown below. As rates vary, variable rate debt interest payments and net swap payments will vary.

<u>Year Ending December 31</u>	<u>Versatile</u>		<u>Interest Rate Swaps, Net</u>	<u>Total</u>
	<u>Structure Obligations Principal</u>	<u>Interest (In thousands)</u>		
2004	\$ 6,200	\$ 4,852	\$ 17,858	\$ 28,910
2005	7,500	4,769	17,524	29,793
2006	7,900	3,334	12,477	23,711
2007	9,200	2,155	8,247	19,602
2008	9,600	2,103	7,783	19,486
2009-2013	94,500	8,750	30,426	133,676
2014-2018	126,400	4,505	14,028	144,933
2019-2023	97,300	246	800	98,346
2024-2028	18,100	-	-	18,100
Total	\$ 376,700	\$ 30,714	\$ 109,143	\$ 516,557

Fair Value

Because interest rates have declined, all swaps had a negative fair value as of December 31, 2003. The negative fair values may be countered by reductions in total interest payments under the variable rate obligations, creating lower synthetic interest rates. Because interest rates on the Versatile Structure Obligations are reset on a daily basis, thereby reflecting market interest rates, the obligations do not have corresponding fair value increases. The fair values of the swaps 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 swaps.

Credit Risk

As of December 31, 2003, the Port Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Port Authority would be exposed to credit risk in the amount of the swaps' fair value.

All of the swap agreements provide each party the right to set-off, counterclaim, or withhold payment upon and during the continuation of an event of default by the other party until the event of default is remedied, and, in addition, an early termination date may be designated if an event of default occurs. Of the four swap transactions currently outstanding, three swaps are held with one counterparty. Both counterparties are rated A+/Aa3/AA-.

Basis Risk

The Port Authority's interest payments on the associated debt are equivalent to the daily variable market rates set by the remarketing agent. The Port Authority receives a variable rate payment based on an index other than the daily market rates on each swap and would be exposed to basis risk should the relationship between the actual rate and the swap rate index differ. To the degree these rates differ, expected cost savings may not be realized. As of December 31, 2003, the variable market rates were 1.27%, 1.29%, 1.29% and 1.32%, whereas the swap rate indexes were 1.15% for the JJ Kenny "High Grade" Index and 1.23% for the Bond Market Association Municipal Swap Index.

Termination Risk

The Port Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. If any of the swaps are terminated, the associated variable rate debt will no longer carry synthetic fixed interest rates. Also, if at the time of termination the counterparty suffers a loss, the Port Authority would be liable to the counterparty for a payment calculated pursuant to the agreement with respect to such loss.

Rollover Risk

The Port Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, the Port Authority will not realize the synthetic rate offered by the swaps on the underlying issues. The following debt is exposed to rollover risk:

<u>Associated Debt</u>	<u>Associated Debt Maturity Date</u>	<u>Swap Termination Date</u>
VSO 2	5/1/2019	7/1/2005 ^(d)
VSO 3	6/1/2020	7/15/2005 ^(d)
VSO 4	4/1/2024	5/1/2006
VSO 5	8/1/2024	8/1/2006

(d) When the swap agreement was originally executed, notwithstanding its automatic termination in 2005, it was based on a market rate to the maturity date of the series of Versatile Structure Obligations to which it pertained. At the end of the initial term of the swap agreement, a payment will either be made to the Port Authority or to the counterparty. In the event that a new swap agreement is entered into with the same counterparty for the remaining term of such series of Versatile Structure Obligations, it was intended that the payment calculated at the end of the initial term of the swap agreement, combined with the new swap agreement, would equal the effective fixed rate at the original execution date.

Note E - Reserves

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which required the Port Authority to create the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2003, the General Reserve Fund balance was \$948,902,000 and met the prescribed statutory amount.

The balance remaining of all net revenues of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Notes and the amount necessary to maintain the General Reserve Fund at its statutorily required amount, is to be paid into the Consolidated Bond Reserve Fund, which is pledged as additional security for all outstanding Consolidated Bonds and Notes. Consolidated Bonds and Notes have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds.

Other capital asset obligations (versatile structure obligations, commercial paper obligations, and variable rate master notes), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other capital asset obligations are payable solely from the proceeds of obligations issued for such purposes or from net revenues paid into the Consolidated Bond Reserve Fund and, in the event such proceeds or net revenues are insufficient therefore, from other moneys of the Port Authority legally available for such payments. Operating asset obligations (equipment notes and the Fund buy-out obligation) are paid in the same manner and from the same sources as operating expenses. Special Project Bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund. The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2003, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F – Funding Provided by Others

During 2003 and 2002, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating programs

- Federal Aviation Administration (FAA) K-9 program – The FAA provided funds used to offset the costs of training and caring for explosive detection dogs. Amounts received in connection with this program were approximately \$600,500 in 2003 and \$979,000 in 2002.
- Transportation Security Administration (TSA) funds for airport screening – The TSA provided approximately \$9.1 million in 2003 and \$11 million in 2002 to reimburse the Port Authority for costs primarily attributable to providing police personnel at the Port Authority's three major airports.

Grant receipts for operating activities are recorded as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets and on Schedule A – Revenues and Reserves.

2. Non-operating grants

- Federal Emergency Management Agency (FEMA) Funds – February 2003 Snowstorm – The Port Authority received approximately \$3.3 million in funds from FEMA for the reimbursement of certain costs incurred as a result of the Presidents' Day snowstorm in February 2003.
- TSA Port Security Grant – In 2003, the TSA provided approximately \$1.9 million to reimburse the Port Authority for costs incurred as a result of implementing enhanced security at various ports in the New York and New Jersey region.
- New York State Department of Transportation (NYSDOT) – Congestion Mitigation and Air Quality Grants:

George Washington Bridge – The Port Authority received approximately \$600,000 in funds from the NYSDOT to help stimulate increased ridership on buses to and from the George Washington Bridge Bus Station in order to reduce automobile congestion in New York City and improve air quality.

LGA – In 2003, the NYSDOT provided approximately \$500,000 in funds for reimbursement of costs incurred by the Port Authority associated with the installation of a compressed natural gas station at LGA

- Regional ferry pass-through grant program – The Port Authority has acted as a sponsoring agency for FEMA funds to expand ferry service to partially make up for the diminished cross-Hudson River public transportation service resulting from the destruction of the PATH World Trade Center station. Amounts recognized in connection with this program, which was effectively completed in December 2003, were approximately \$28.2 million and \$11.5 million during 2003 and 2002, respectively. NY Waterways, the provider of these ferry services, is currently under

investigation by the Federal Government with respect to its activities in connection with the receipt of federal grant funds.

3. Contributions In Aid of Construction

The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Federal and state contributions (including amounts receivable) were approximately \$55 million in 2003 and \$35.4 million in 2002. Contributions from other entities were \$2.5 million in 2003 and \$800,000 in 2002.

Note G - Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to \$816.8 million in 2003 and \$800.6 million in 2002.

2. Property held for lease

The Port Authority, its subsidiaries or affiliated entities have entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport, the World Trade Center and the Newark Legal and Communications Center. Investments in such facilities, as of December 31, 2003, include property associated with minimum rentals derived from the leases. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Future minimum rentals scheduled to be received on operating leases in effect on December 31, 2003 are:

Year ending December 31:

(In thousands)

2004	\$ 652,737
2005	624,663
2006	559,869
2007	554,903
2008	564,255
Later years	<u>101,154,638</u>

Total future minimum rentals (a)	<u>\$104,111,065</u>
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(a) Includes future rentals of approximately \$97.3 billion attributable to World Trade Center leases (see Note K).

3. Property leased from others

Rental expenses under leases, including payments to the cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of replacement office space due to the destruction of the World Trade Center, aggregated \$240.6 million in 2003 and \$128.7 million in 2002. Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2003 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:

(In thousands)

2004	\$ 121,381
2005	121,085
2006	120,870
2007	120,732
2008	118,429
2009-2013	585,363
2014-2018	467,242
2019-2023	360,605
2024-2028	354,631
2029-2033	340,000
2034-2065	<u>2,176,000</u>

Total future minimum rent payments* \$ 4,886,338

*Future minimum rent payments for years 2034-2065 reflect payments associated with the City of Newark lease commitment. Future minimum rent payments do not include payments of approximately \$90 million per year associated with the MOU authorized on November 20, 2003 with the City of New York with respect to the lease extension for JFK and LGA.

4. Information on leases at the New York City Airports, Newark Liberty International Airport (EWR) and Port Newark, and certain agreements relating to other Port Authority facilities located in the City of Newark.

The Port Authority operates JFK and LGA under a lease agreement entered into in 1947 and amended and supplemented from time to time thereafter, with the City of New York, which expires on December 31, 2015. The lease currently provides for basic annual rental payments to be made by the Port Authority to the City of approximately \$3 million from 1985 through 1997, and \$3.5 million for the remaining term of the lease. The City receives additional rent in any year in which the basic annual rental is less than the amount of airport revenues net of Port Authority expenses and debt service on obligations of the Port Authority incurred to provide capital improvements at LGA and JFK.

On November 20, 2003, the Board of Commissioners authorized the Port Authority to enter into a Memorandum of Understanding (MOU) with the City of New York with respect to the lease agreement covering JFK and LGA, and the agreement between the City of New York and the Port Authority with respect to payments-in-lieu-of-taxes (PILOT) to the City for the World Trade Center site. Among other items, the MOU provides for the extension of the lease agreement to December 31, 2050. Upon execution of the lease extension, an initial lump sum rental payment in the amount of \$500 million, which may be deferred for up to two years at the discretion of the City of New York, and the minimum annual rental of \$90 million for each of years 2002 and 2003, as well as the portion of such amounts for 2004 that has accrued at the time of execution, will be due to the City of New York. The balance of the minimum annual rent for 2004 will be paid in equal monthly installments over the remainder of the year. As of December 31, 2003 certain liabilities

and expenses associated with the MOU have been reflected in the financial records of the Port Authority.

The execution of the amended lease agreement between the City and the Port Authority is conditioned upon the completion of the City of New York's Uniform Land Use Review Procedure, replacement of the current framework upon which flight fees paid by airlines operating at JFK and LGA are calculated on terms substantially similar to those currently in effect no later than July 1, 2004, and resolution by the City of New York and the Port Authority of all property issues with respect to the street grid at the World Trade Center site.

In October 2002, the Port Authority and the City of Newark entered into agreements pertaining to EWR and Port Newark, providing in part for an extension of the expiration date of the lease for each facility from December 31, 2031 to December 31, 2065. The agreements provide that, if the Port Authority enters into a new lease with the City of New York relating to JFK and LGA, or amends the existing lease with respect to those airports, the City of Newark will have the right to amend the provisions of its lease with the Port Authority to conform to the terms agreed upon with the City of New York (see Note J).

Note H – Regional Programs

1. The Port Authority has established, at the request of the Governors of New York and New Jersey, several facilities described briefly below under which certain projects, not a part of other Port Authority facilities, have been and/or will be undertaken.

- **Regional Development Facility** – This facility was established in conjunction with a program of up to \$250 million for transportation, economic development and infrastructure renewal projects authorized in connection with the Governors' Program of June 1983. Some of the projects in this program have been associated with other existing Port Authority facilities, while a balance of \$139 million was associated with the Regional Development Facility.
- **Regional Economic Development Program** – This facility was authorized in 1989 in conjunction with a centralized program of up to \$400 million for transportation, economic development and infrastructure renewal projects authorized pursuant to gubernatorial request. As of December 31, 2003, \$394 million had been authorized of which \$326 million was associated with the Regional Economic Development Program facility and the balance has been associated with other existing Port Authority facilities.
- **Oak Point Rail Freight Link** – The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link, which was authorized in 1980. Approximately \$63 million of the \$102 million Port Authority's share of the total project cost was allocated against moneys made available through the Regional Development Facility and the Regional Economic Development Program.
- **The New Jersey Marine Development Program** – This program, authorized in 1989, was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey with a total cost of \$27 million.
- **New York Transportation, Economic Development and Infrastructure Renewal Program** – This facility was authorized in 2000 in conjunction with a program of up to \$250 million for transportation, economic development and infrastructure renewal projects in the State of New York to be designated by the Governor. As of December 31, 2003, projects totaling approximately \$230 million have been designated by the Governor.
- **Regional Transportation Program** – This facility was authorized in 2002 in conjunction with a program to provide up to \$500 million, with \$250 million to be provided in each of the States of New York and New Jersey, for regional transportation initiatives to be designated by the respective Governor of each state. As of December 31, 2003, the Governor of the State of New Jersey had designated a project totaling approximately \$250 million for the acquisition of bi-level rail cars for New Jersey Transit Corporation as the New Jersey transportation project to be effectuated through this facility.

- **Hudson-Raritan Estuary Resources Program** – This facility was authorized in 2001 in conjunction with a program to acquire certain real property in the Port District area of the Hudson-Raritan Estuary, in support of the Port Authority's capital program. The property would be acquired in consultation with the Governor of the State in which the property is located together with the respective state natural resources agencies and environmental organizations. The cost of any real property to be acquired under this program will not exceed \$60 million (with up to \$30 million allocated to property to be acquired in each state).
- **Regional Rail Freight Program** – This facility was authorized in 2001 to provide for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of rail freight projects to increase the regional capacity. The Port Authority is authorized to provide up to \$50 million, with \$25 million to be provided for projects in each of the states.

As of December 31, 2003, \$1.2 billion has been expended for regional programs. Costs for regional programs are deferred and amortized over the period benefited, up to a maximum of 15 years. The unamortized costs of the regional programs are as follows:

	Dec. 31, 2002	Project Expenditures	Amortization	Dec. 31, 2003
		(In thousands)		
Regional Development Facility	\$ 84,527	\$ 133	\$ 6,039	\$ 78,621
Regional Economic Development Program	267,240	5,000	20,361	251,879
Oak Point Rail Freight Link	22,819	-	1,630	21,189
New Jersey Marine Development Program	11,524	-	824	10,700
New York Transportation, Economic Development and Infrastructure Renewal Program	-	37,466	1,469	35,997
Regional Transportation Program	-	51,065	1,500	49,565
Hudson – Raritan Estuary Resources Program	-	2	-	2
Regional Rail Freight Program	<u>-</u>	<u>6,500</u>	<u>289</u>	<u>6,211</u>
Total unamortized costs of regional programs	<u>\$386,110</u>	<u>\$100,166</u>	<u>\$ 32,112</u>	<u>\$454,164</u>

2. Bi-State Initiatives – From time to time the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2003, the Port Authority expended \$9 million on regional initiatives.
3. Buy-out of Fund for Regional Development – In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. An agreement between the Port Authority and the States of New York and New Jersey with respect to the Fund provided that net revenues from the subleasing were to be accumulated subject to disbursements to be made upon the concurrence of the Governors of New York and New Jersey. The assets, liabilities, revenues and expenses of the Fund were not consolidated with those of the Port Authority. In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund. The present value (calculated at the time of the termination agreement) of the cost to the Port Authority of its purchase of the Fund's interest in the World Trade Center subleased space was approximately \$431 million. The liability for payments to the States of New York and New Jersey attributable to the Fund buy-out is further described in Note D.

Note I - Pension Plans and Other Employee Benefits

1. Pension Plans

a. Generally, full-time employees of the Port Authority (but not its subsidiaries) are required to join one of two cost-sharing multiple-employer defined benefit pension plans, the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the "Retirement Systems". The New York State Constitution provides that membership in a pension or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired.

The Retirement Systems provide retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited public service (generally five years), and optional methods of benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance and the contributory or non-contributory nature of the plan. Contributions are not required from police personnel who are members of the PFRS or from those non-police employees who joined the ERS prior to July 27, 1976 or, effective October 1, 2000, members of the ERS with more than ten years of credited service. ERS members with less than ten years of credited service are required to contribute 3% of their annual gross wages to the ERS.

The Port Authority's payroll expense for 2003 was \$526,550,000 of which \$351,590,000 and \$166,078,000 represent the cost for employees covered by ERS and PFRS, respectively.

Required Port Authority contributions to the Retirement Systems, including costs for participation in retirement incentive programs, are as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>% of Covered Payroll</u> (In thousands)	<u>PFRS</u>	<u>% of Covered Payroll</u>
2003	\$27,548	5.3%	\$11,818	2.2%
2002	\$ 3,350	0.6%	\$ 7,455	1.4%
2001	\$ 9,661	2.0%	\$ 4,720	1.0%

These contributions cover the entire funding requirements for the current year and each of the two preceding years.

Employee contributions of \$7,913,000 to the ERS represented 1.5% of the total Port Authority covered payroll in 2003.

The Annual Report of the New York State and Local Retirement Systems, which provides details on valuation methods and ten years historical trend information, is

available from the Comptroller of the State of New York, 110 State Street, Albany, NY 12236.

b. Employees of the Port Authority Trans-Hudson Corporation are not eligible to participate in existing New York State Retirement Systems. PATH provides supplemental pension plans for most of its union employees. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 2003 for these employees was \$65,321,000. For the year 2003, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled \$3,666,000, which represented approximately 4.9% of the total PATH covered payroll for 2003. Contributions in 2002 and 2001 were \$3,569,000 and \$3,088,000 respectively.

2. Other Employee Benefits

The Port Authority and PATH provide certain group health care, dental, vision and term life insurance benefits for active employees and for employees who have retired from the Port Authority or PATH (and for eligible dependents and survivors of active and retired employees). Contributions towards the costs of some of these benefits are required of certain participants. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH. The actuarially determined valuation of these benefits is reviewed annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents. As of December 31, 2003, the actuarially determined value of these benefits is \$957,900,000 consisting of the following:

	<u>Port Authority</u>	<u>PATH</u> (In millions)	<u>Total</u>
Retirees	\$712.6	\$70.9	\$783.5
Active	<u>160.6</u>	<u>13.8</u>	<u>174.4</u>
Total	<u><u>\$873.2</u></u>	<u><u>\$84.7</u></u>	<u><u>\$957.9</u></u>

The obligation accrued as of December 31, 2003 was \$527,027,000. The difference between the actuarial present value of future benefits for prior service and the amount accrued as of December 31, 2003 is being amortized over a 15 year period.

The cost of providing health care, dental, vision and life insurance benefits, not including the accrual for prior service costs, totaled \$135,440,000 in 2003 and \$125,050,000 in 2002, of which \$51,845,000 in 2003 and \$45,681,000 in 2002 were the costs associated with providing these benefits to retired employees and their eligible dependents.

Note J – Commitments and Certain Charges to Operations

1. On December 11, 2003, the Board of Commissioners adopted the annual budget for 2004. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.
2. At December 31, 2003, the Port Authority had entered into various construction contracts totaling approximately \$1.4 billion, which are expected to be completed within the next three years.
3. The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards.

Insurance coverage as of December 31, 2003 is as follows:

- a. Property damage and loss of revenue insurance program:

	General Coverage (excluding terrorism)	Terrorism Coverage
Limits:	- \$475 million, per occurrence, excess of deductible and self-insurance	- \$25 million full terrorism coverage, per occurrence, excess of deductible and self-insurance - \$450 million TRIA* coverage, per occurrence, excess of \$25 million full terrorism coverage
Deductible:	- \$5 million per occurrence	- \$5 million per occurrence
Self-Insurance:	- \$25 million in the aggregate, excess of deductible - Upon sustaining \$25 million in aggregate losses above the deductible, purchased coverage applies	- \$25 million in the aggregate, excess of deductible - Upon sustaining \$25 million in aggregate losses above the deductible, purchased coverage applies

b. Public liability insurance program:

1. Aviation facilities

	General Coverage (excluding terrorism)	Terrorism Coverage
Limits:	- \$1 billion, per occurrence and in the aggregate, excess of deductible	- \$1 billion aviation war risk coverage, per occurrence and in the aggregate, excess of deductible
Deductible:	- \$3 million per occurrence	- \$3 million per occurrence

2. Non-aviation facilities

	General Coverage (excluding terrorism)	Terrorism Coverage
Limits:	- \$750 million per occurrence and in the aggregate, excess of deductible	- \$50 million full terrorism coverage, per occurrence and in the aggregate, excess of deductible - \$200 million TRIA* coverage, per occurrence and in the aggregate, excess of \$50 million full terrorism coverage
Deductible:	- \$5 million per occurrence	- \$5 million per occurrence
Self-insurance:	- 10% of \$50 million excess of deductible	- 10% of \$50 million excess of deductible

*The Terrorism Risk Insurance Act of 2002

At December 31, 2002, public liability insurance totaled \$1 billion per occurrence for aviation facilities and \$750 million for non-aviation facilities per occurrence and in the aggregate.

During each of the past three years, claims payments have not exceeded insurance coverage.

In providing for uninsured potential losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses by charging operating expense as liabilities are incurred.

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses and estimated recoveries. Changes in the liability amounts in 2002 and 2003 were:

	<u>Beginning Balance</u>	<u>Additions and Changes</u> (In thousands)	<u>Payments</u>	<u>Year-end Balance</u>
2002	\$13,384	(\$1,322)	\$ 3,356	\$ 8,706
2003	\$ 8,706	\$4,727	\$ 4,779	\$ 8,654

4. The 2003 balance of "Other amounts receivable, net" on the Consolidated Statements of Net Assets consists of the anticipated recovery of \$874 million net book value of various assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; \$109 million representing the balance due from the private full service vendor operating the plant at the Essex County Resource Recovery Facility, under the conditional sale agreement through which the vendor financed a portion of the construction costs of the plant; \$6 million representing the balance due from Howland Hook Container Terminal, Inc. for the purchase of 5 cargo cranes; and \$47 million in long-term receivables from Port Authority tenants. The Port Authority has contractual agreements to collect \$15 million of the "Other amounts receivable, net" balance during 2004.

5. On November 20, 2003, the Board of Commissioners of the Port Authority authorized a Memorandum of Understanding (MOU) with the City of New York (executed on January 16, 2004) which, among other items, provides for the extension of the lease agreement relating to JFK and LGA to December 31, 2050 effective as of January 1, 2002. Certain contingencies exist within the MOU that need to be satisfied before the agreement will be executed. The Port Authority presently anticipates that all of the contingencies set forth in the MOU will be satisfied in the required time frames and a new lease agreement will be executed. As of December 31, 2003, the Port Authority recognized a liability of approximately \$688.7 million, representing the lump sum payment of \$500 million and the additional base rent payments of \$90 million for each of years 2002 and 2003 that will be made to the City upon execution of the agreement, as set forth in the MOU. The balance of the liability associated with the agreement is attributable to the 2003 interest expense on the additional 2002 and 2003 base rent amounts. The lump sum payment and the additional base rent for 2002 have been deferred and will be amortized through 2050.

Additionally, under the terms of the October 31, 2002 agreements between the City of Newark and the Port Authority pertaining to EWR and Port Newark, if the Port Authority enters into a new lease with the City of New York relative to JFK and LGA, the City of Newark will have the right to amend the provisions of its lease with the Port Authority with respect to EWR to conform to the terms agreed upon with the City of New York. The Port Authority has not recorded a liability for any additional

rental payments because the agreement with the City of Newark has not been finalized and the amount of any additional payments has not been determined (see Note G).

6. The City of New York commenced several actions, the first of which occurred in 1999, in the Supreme Court of the State of New York alleging that the Port Authority breached its agreement to make payments in-lieu-of taxes (PILOT) relating to the World Trade Center. On November 20, 2003, the Board of Commissioners of the Port Authority authorized a MOU with the City which, among other items, provides for the Port Authority and the City of New York to enter into an amended agreement with respect to PILOT for the World Trade Center site. Upon execution of the amended agreement, all pending litigation with respect to PILOTs will be terminated with prejudice.

Under the amended agreement with respect to PILOTs, beginning January 1, 2004, the Port Authority would make a minimum annual payment equal to 12% of rent payments from the net lessees of One, Two, Four and Five World Trade Center and the retail components of the World Trade Center. Upon full development of the site, the Port Authority would pay the greater of the minimum annual payment or an increased amount, which escalates based upon a base amount of \$55 million, a multiplier based on values of comparable Manhattan commercial office space, and the amount of occupied space in the buildings that are developed on the site (see Note G).

7. In October 2002 and November 2003, the Port Authority and the Newark Legal and Communications Center Urban Renewal Corporation received tax bills for the calendar years 2001, 2002 and 2003 totaling approximately \$200,000, based on the City of Newark's assessed value for the land upon which the Newark Legal and Communications Center is located. The Port Authority is contesting the City of Newark's allegation that the land upon which the Newark Legal and Communications Center is located is subject to real property tax.

8. Employees of PATH are not eligible to participate in existing New York State Retirement Systems. However, for PATH employees who are not covered by collective bargaining agreements, the Port Authority has recognized, as a matter of policy, an obligation to provide supplemental payments resulting in amounts generally comparable to benefits available to similarly situated Port Authority employees. Such payments for PATH exempt employees totaled \$1,956,000 in 2003 and \$1,945,000 in 2002.

9. The 2003 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2002	Additions	Deductions	Dec. 31, 2003
		(In thousands)		
Workers' compensation liability	\$ 42,404	\$ 14,744	\$13,668	\$ 43,480
E-ZPass true-up liability	46,323	-	46,323	-
PATH exempt employee supplemental	18,231	2,942	1,956	19,217
Surety and security deposits	9,677	3,417	2,391	10,703
Claims liability	8,706	4,727	4,779	8,654
Other	<u>18,426</u>	<u>1,942</u>	<u>2,620</u>	<u>17,748</u>
Gross other liabilities	<u>\$143,767</u>	<u>\$ 27,772</u>	<u>\$ 71,737</u>	99,802
Less current portion:				
Workers' compensation liability				13,603
PATH exempt employee supplemental				<u>1,956</u>
Total other noncurrent liabilities				<u>\$ 84,243</u>

10. On December 31, 2003, the Port Authority and the Brooklyn Bridge Park Development Corporation (BBPDC) entered into a Memorandum of Understanding providing for the Port Authority to transfer its property rights in Piers 1, 2, 3 and 5 at the Brooklyn-Port Authority Marine Terminal to BBPDC, and to allocate approximately \$85 million for the development of a park on such property, subject to completion of certain environmental reviews and completion of the planning and authorization necessary for the BBPDC to acquire the property. The net book value of the piers as of December 31, 2003 was \$ 31.6 million.

Note K – Information with Respect to the Events of September 11, 2001

The World Trade Center's components, which included two 110-story office towers (One and Two World Trade Center), two nine-story office buildings (Four and Five World Trade Center), an eight-story office building (Six World Trade Center), a 22-story hotel (Three World Trade Center), a 47-story office building (Seven World Trade Center), an electrical sub-station (Con Ed Substation) under Seven World Trade Center, a retail shopping mall, and a six level sub-grade area located below the World Trade Center complex, together with the PATH-World Trade Center rail station (PATH-WTC station) were destroyed as a result of the terrorist attacks of September 11, 2001.

On July 24, 2001, the Port Authority entered into net leases with respect to One, Two, Four and Five World Trade Center with single purpose entities established by Silverstein Properties, Inc. (the Silverstein net lessees), and with respect to the retail components of the World Trade Center, with a single purpose entity established by an affiliate of Westfield America, Inc. (Westfield). The terms of the 99-year net leases generally required the net lessees to pay in the aggregate \$616 million upon commencement of the net leases, base rent starting at \$102 million annually and, when applicable, a graduating percentage of gross revenues. The net leases do not provide for rent abatement before or during the restoration period.

The terms of the net leases establish both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority. The net lessees obtained property damage and business interruption insurance in a combined single limit of approximately \$3.5 billion per occurrence. Since the events of September 11, 2001, the insurance companies participating in this program have made advances of approximately \$2 billion under the program. Approximately \$1.3 billion of these advances has been used for the net lessees' business interruption expenses, including the payment of rent to the Port Authority, the prepayment of the mortgage loan entered into on July 24, 2001 by the Silverstein net lessees with GMAC Commercial Mortgage Corporation in the amount of approximately \$562 million, and the purchase by the Port Authority on December 23, 2003 of the retail net lessee from Westfield for \$140 million. The Port Authority now owns 100% of the membership interest in and is the sole managing member of this single purpose entity, which is now known as "WTC Retail LLC".

Future minimum rentals (see Note G) include rentals of approximately \$97.3 billion attributable to the World Trade Center net leases described above. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the World Trade Center will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the outcome of certain pending and future litigation involving insurance and other matters, the nature of the

downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

Accounting

In 2001, the Port Authority reclassified and recognized as an operating expense the \$1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. As of December 31, 2003, the remaining balance of \$874 million of the receivable recognized in 2001 represents amounts at least equal to the presently expected value of the properties to be constructed by the net lessees at the World Trade Center site.

As of December 31, 2003, recoverable amounts of approximately \$1.37 billion comprising \$953 million in proceeds from the Port Authority's insurance policies and \$413 million from the Federal Emergency Management Agency (FEMA) have been recognized by the Port Authority. Of this amount, \$869 million has been recognized as income net of \$429 million of expenses related to the events of September 11, 2001, primarily the cost of office space necessary to replace the Port Authority's offices that were located at the World Trade Center, and the balance of approximately \$68 million has been applied to a portion of the outstanding receivable representing the net book value of the properties destroyed. The Port Authority received the maximum amount allocated by FEMA for reimbursement of the Port Authority's costs related to the events of September 11, 2001.

Schedule A - Revenues and Reserves

(Pursuant to Port Authority bond resolutions)

	Year ended December 31,			2002
	Operating Fund	Reserve Funds	Combined Total	Combined Total
	(In thousands)			
Gross operating revenues :				
Rentals	\$ 858,414	\$ -	\$ 858,414	\$ 832,527
Tolls and fares	758,326	-	758,326	774,337
Aviation fees	705,302	-	705,302	672,175
Parking and other	234,261	-	234,261	197,912
Utilities	112,555	-	112,555	97,184
Rentals - Special Project Bond projects	95,193	-	95,193	96,448
Total gross operating revenues	2,764,051	-	2,764,051	2,670,583
Operating expenses:				
Employee compensation, including benefits	769,711	-	769,711	777,146
Contract services	543,926	-	543,926	622,781
Rents and amounts in-lieu-of taxes	237,276	-	237,276	140,614
Materials, equipment and other	150,700	-	150,700	135,321
Utilities	122,445	-	122,445	113,880
Interest on Special Project Bonds	95,193	-	95,193	96,448
Total operating expenses	1,919,251	-	1,919,251	1,886,190
Amounts in connection with operating asset obligations	(35,113)	-	(35,113)	(35,960)
Net recoverables related to the events of September 11, 2001	664,211	-	664,211	474,663
Net operating revenues	1,473,898	-	1,473,898	1,223,096
Financial income :				
Income on investments	33,952	11,975	45,927	66,048
Net increase in fair value of investments	11,598	4,240	15,838	29,914
Contributions in aid of construction	57,568	-	57,568	36,258
Grants	34,501	-	34,501	19,892
Regional ferry pass-through grant program payments	(28,237)	-	(28,237)	(11,556)
Net revenues available for debt service and reserves	1,583,280	16,215	1,599,495	1,363,652
Debt service:				
Interest on bonds and other capital asset obligations	291,514	6,860	298,374	298,463
Debt maturities and retirements	698,280	-	698,280	181,250
Debt retirement acceleration	-	183,120	183,120	283,502
Repayment of capital asset obligations	-	6,329	6,329	5,863
Total debt service	989,794	196,309	1,186,103	769,078
Transfers to reserves	\$ (593,486)	593,486	-	-
Revenues after debt service and transfers to reserves		413,392	413,392	594,574
Direct investment in facilities		(542,260)	(542,260)	(433,747)
Appropriations for self-insurance		(15,201)	(15,201)	(19,017)
(Decrease) increase in reserves		(144,069)	(144,069)	141,810
Reserve balances, January 1		1,717,115	1,717,115	1,575,305
Reserve balances, December 31		\$ 1,573,046	\$ 1,573,046	\$ 1,717,115

Schedule B - Assets and Liabilities

(Pursuant to Port Authority bond resolutions)

	December 31, 2003			2002	
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
(In thousands)					
ASSETS					
Current assets:					
Cash	\$ 28,398	\$ -	\$ 1,000	\$ 29,398	\$ 40,563
Investments	998,458	329,303	829,110	2,156,871	1,663,474
Current receivables, net	282,111	2	-	282,113	275,294
Other current assets	41,477	23,283	-	64,760	51,144
Restricted receivables in connection with PFC projects	15,153	-	-	15,153	16,505
Total current assets	1,365,597	352,588	830,110	2,548,295	2,046,980
Noncurrent assets:					
Restricted cash	10,295	-	-	10,295	9,362
Investments	172,515	154,343	742,936	1,069,794	1,329,837
Other amounts receivable, net	36,829	999,644	-	1,036,473	1,274,239
Deferred charges and other noncurrent assets	952,491	16,166	-	968,657	371,314
Amounts receivable - Special Project Bond projects	-	1,404,074	-	1,404,074	1,425,270
Invested in facilities	-	19,866,282	-	19,866,282	17,947,787
Total noncurrent assets	1,172,130	22,440,509	742,936	24,355,575	22,357,809
Total assets	2,537,727	22,793,097	1,573,046	26,903,870	24,404,789
LIABILITIES					
Current liabilities:					
Accounts payable	196,526	329,303	-	525,829	565,695
Accrued interest and other current liabilities	1,056,855	20,370	-	1,077,225	430,975
Accrued payroll and other employee benefits	99,942	-	-	99,942	105,162
Deferred income in connection with PFCs	15,153	-	-	15,153	16,505
Current portion bonds and other asset financing obligations	51,111	830,110	-	881,221	615,291
Total current liabilities	1,419,587	1,179,783	-	2,599,370	1,733,628
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	533,524	-	-	533,524	465,547
Other noncurrent liabilities	81,236	3,007	-	84,243	81,630
Amounts payable - Special Project Bonds	-	1,420,240	-	1,420,240	1,442,450
Bonds and other asset financing obligations	434,019	7,176,876	-	7,610,895	7,437,524
Total noncurrent liabilities	1,048,779	8,600,123	-	9,648,902	9,427,151
Total liabilities	2,468,366	9,779,906	-	12,248,272	11,160,779
NET ASSETS	\$ 69,361	\$ 13,013,191	\$ 1,573,046	\$ 14,655,598	\$ 13,244,010
Net assets are composed of:					
Facility infrastructure investment	\$ -	\$ 13,013,191	\$ -	\$ 13,013,191	\$ 11,472,735
Reserves	-	-	1,573,046	1,573,046	1,717,115
Appropriated reserves for self-insurance	69,361	-	-	69,361	54,160
Net assets	\$ 69,361	\$ 13,013,191	\$ 1,573,046	\$ 14,655,598	\$ 13,244,010

Schedule C - Analysis of Reserve Funds

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2003			2002
	General Reserve Fund	Consolidated Bond Reserve Fund	Combined Total	Combined Total
	(In thousands)			
Balance, January 1	\$ 907,075	\$ 810,040	\$ 1,717,115	\$ 1,575,305
Income on investments	8,769	3,206	11,975	22,976
Net increase in fair value of investments	2,491	1,749	4,240	8,660
Transfer from operating fund	30,567	562,919	593,486	868,131
	948,902	1,377,914	2,326,816	2,475,072
Applications:				
Repayment of capital asset obligations	-	6,329	6,329	5,863
Interest on capital asset obligations	-	6,860	6,860	15,828
Debt retirement acceleration	-	183,120	183,120	283,502
Direct investment in facilities	-	542,260	542,260	433,747
Self-insurance	-	15,201	15,201	19,017
Total applications	-	753,770	753,770	757,957
Balance, December 31	\$ 948,902	\$ 624,144	\$ 1,573,046	\$ 1,717,115

Schedule D - Selected Statistical Financial Data

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
	(In thousands)									
REVENUES AND EXPENSES										
Gross operating revenues: (a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,205,647	\$ 2,154,120	\$ 2,082,624	\$ 1,979,674
Rentals	858,414	832,527	976,054	1,218,093	1,119,719	1,335,837	-	-	-	-
Tolls and fares	758,326	774,337	750,782	616,722	595,691	585,264	-	-	-	-
Aviation fees	705,302	672,175	560,951	382,604	363,015	62,995	-	-	-	-
Parking and other fees	234,261	197,912	202,864	219,985	247,695	226,832	-	-	-	-
Utilities	112,555	97,184	126,956	113,054	123,356	52,109	-	-	-	-
Rentals associated with Special Project Bonds	95,193	96,448	97,195	97,870	98,036	98,165	-	-	-	-
Gross operating revenues	2,764,051	2,670,583	2,714,802	2,648,328	2,547,512	2,361,202	2,205,647	2,154,120	2,082,624	1,979,674
Operating expenses: (a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,461,264	\$ 1,469,309	\$ 1,469,881	\$ 1,407,938
Employee compensation, including benefits	769,711	777,146	654,074	648,171	630,752	616,405	-	-	-	-
Contract services	543,926	622,781	600,686	619,462	560,425	505,775	-	-	-	-
Rents and amounts in-lieu-of taxes	237,276	140,614	96,401	131,431	133,556	50,764	-	-	-	-
Materials, equipment and other	150,700	135,321	157,004	133,166	122,778	167,355	-	-	-	-
Utilities	122,445	113,880	140,436	142,261	131,717	130,794	-	-	-	-
Interest on Special Project Bonds	95,193	96,448	97,195	97,870	98,036	98,165	-	-	-	-
Operating expenses	1,919,251	1,886,190	1,745,796	1,772,361	1,677,264	1,569,258	1,461,264	1,469,309	1,469,881	1,407,938
Net recoverables (expenses) related to the events of September 11, 2001	664,211	474,663	(270,334)	-	-	-	-	-	-	-
Amounts in connection with operating asset obligations	(35,113)	(35,960)	(36,696)	(37,188)	(35,957)	(35,605)	(34,675)	(33,126)	(32,254)	(32,103)
Net operating revenues	1,473,898	1,223,096	661,976	838,779	834,291	756,339	709,708	651,685	580,489	539,633
Financial income	61,765	95,962	143,381	162,811	104,657	118,362	103,873	98,707	70,830	73,723
Grants and contributions in aid of construction, net	63,832	44,594	40,070	-	-	-	-	-	-	-
Gain on purchase of Port Authority bonds	-	-	-	-	-	-	11	-	439	4,797
Net amounts associated with the 1993 WTC bombing	-	-	-	-	-	-	29,450	-	-	-
Net revenues available for debt service and reserves	1,599,495	1,363,652	845,427	1,001,590	938,948	874,701	843,042	750,392	651,758	618,153
DEBT SERVICE - OPERATIONS										
Interest on bonds and other capital asset obligations	(291,514)	(282,635)	(266,944)	(318,912)	(323,954)	(310,107)	(291,765)	(292,987)	(266,903)	(259,400)
Times, interest earned (b)	5.49	4.82	3.17	3.14	2.90	2.82	2.89	2.56	2.44	2.38
Debt maturities and retirements (c)	(698,280)	(181,250)	(171,340)	(158,435)	(138,225)	(123,395)	(105,450)	(87,443)	(86,865)	(75,745)
Times, debt service earned (b)	1.62	2.94	1.93	2.10	2.03	2.02	2.12	1.97	1.84	1.84
DEBT SERVICE - RESERVES										
Direct investment in facilities	(542,260)	(433,747)	(462,129)	(404,388)	(233,260)	(242,311)	(246,232)	(162,471)	(268,711)	(224,622)
Debt retirement acceleration	(183,120)	(283,502)	(25,000)	(60,000)	-	-	-	(100,000)	(112,680)	(27,062)
Application from PFC program	-	-	-	-	-	-	-	-	105,000	-
Appropriations for self-insurance	(15,201)	(19,017)	14,270	(5,101)	(4,247)	(3,785)	(3,749)	5,057	(3,444)	710
Interest on capital asset obligations	(6,860)	(15,828)	(27,964)	-	-	-	-	-	-	-
Repayment of capital asset obligations	(6,329)	(5,863)	(6,390)	(10)	(172)	(757)	(395)	(780)	(878)	(343)
Net (decrease) increase in reserves	(144,069)	141,810	(100,070)	54,744	239,090	194,346	195,451	111,768	17,277	31,691
RESERVE BALANCES										
January 1	1,717,115	1,575,305	1,675,375	1,620,631	1,381,541	1,187,195	991,744	879,976	862,699	831,008
December 31	\$ 1,573,046	\$ 1,717,115	\$ 1,575,305	\$ 1,675,375	\$ 1,620,631	\$ 1,381,541	\$ 1,187,195	\$ 991,744	\$ 879,976	\$ 862,699
Reserve fund balances represented by:										
General Reserve	948,902	907,075	880,041	848,095	839,671	823,581	754,619	618,960	605,167	579,329
Consolidated Bond Reserve	624,144	810,040	695,264	827,280	780,960	557,960	432,576	372,784	274,809	283,370
Total	\$ 1,573,046	\$ 1,717,115	\$ 1,575,305	\$ 1,675,375	\$ 1,620,631	\$ 1,381,541	\$ 1,187,195	\$ 991,744	\$ 879,976	\$ 862,699

(a) Data not available for categorizing operating revenues and expenses for the years prior to 1998.

(b) Debt service ratios excluding net recoverables (expenses) related to the events of September 11, 2001 and net amounts associated with the 1993 WTC bombing are as follows:

Times interest earned	3.21	3.15	4.18	-	-	-	2.79	-	-	-
Times debt service earned	0.94	1.92	2.55	-	-	-	2.05	-	-	-

(c) Amounts for 2003 include \$500 million due to the maturity of Consolidated Notes issued during 2003 to pay for capital construction in anticipation of the receipt of proceeds from insurers and FEMA in connection with the events of September 11th. During 2003, such receipts totaled \$684 million.

NOTE: This selected financial data is prepared primarily from information contained in Schedules A, B and C and is presented for general information purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

See Notes to Consolidated Financial Statements.

Schedule D - Selected Statistical Financial Data (Continued)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
	(In thousands)									
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	\$ 7,053,296	\$ 6,630,205	\$ 6,092,735	\$ 5,889,613	\$ 5,916,804	\$ 5,747,387	\$ 5,077,133	\$ 4,723,335	\$ 4,795,207	\$ 4,650,350
Fund buy-out obligation	423,330	424,513	425,606	419,696	414,246	409,219	404,582	400,305	396,360	392,722
Amounts payable - Special Project Bonds	1,420,240	1,442,450	1,457,705	1,468,965	1,477,275	1,479,975	1,482,675	548,575	472,675	473,575
Variable rate master notes	149,990	149,990	214,990	214,990	215,990	215,990	202,900	233,000	308,000	283,000
Commercial paper notes	249,200	180,408	356,880	251,885	123,595	124,910	124,445	163,850	176,955	187,106
Versatile structure obligations	554,500	560,600	566,000	571,300	575,900	580,400	584,200	484,700	285,200	185,700
Operating equipment-lease financing obligations	-	-	-	-	-	-	-	-	-	13,563
Port Authority equipment notes	61,800	107,100	112,100	84,200	87,150	87,150	74,838	36,138	13,638	-
Total obligations	\$ 9,912,356	\$ 9,495,266	\$ 9,226,016	\$ 8,900,649	\$ 8,810,960	\$ 8,645,031	\$ 7,950,773	\$ 6,589,903	\$ 6,448,035	\$ 6,186,016
INVESTED IN FACILITIES AT DECEMBER 31	\$ 19,866,282	\$ 17,947,787	\$ 16,425,060	\$ 16,113,699	\$ 14,910,982	\$ 13,927,378	\$ 13,069,084	\$ 12,370,806	\$ 11,752,783	\$ 11,118,503
DEBT RETIRED THROUGH INCOME:										
Annual	\$ 887,729	\$ 470,615	\$ 202,730	\$ 218,445	\$ 138,396	\$ 124,153	\$ 105,845	\$ 188,223	\$ 95,423	\$ 103,150
Cumulative	\$ 5,522,621	\$ 4,634,892	\$ 4,164,277	\$ 3,961,547	\$ 3,743,102	\$ 3,604,706	\$ 3,480,553	\$ 3,374,708	\$ 3,186,485	\$ 3,091,062

NOTE: This selected financial data is prepared primarily from information contained in Schedules A, B and C and is presented for general information purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

See Notes to Consolidated Financial Statements.

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2003							2002
	Gross Operating Revenues	Operating Expenses(a)	Depreciation & Amortization	Income (Loss) from Operations	Interest & Other Expenses(b)	PFC Revenues & Grants	Net Income (Loss)	Net Income (Loss)
	(In thousands)							
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	\$ 320,337	\$ 104,402	\$ 28,614	\$ 187,321	\$ 18,286	\$ 743	\$ 169,778	\$ 184,814
Holland Tunnel	86,049	68,361	9,466	8,222	7,318	62	966	(6,111)
Lincoln Tunnel	109,761	83,850	19,285	6,626	13,264	84	(6,554)	(5,625)
Bayonne Bridge	20,000	16,377	4,360	(737)	3,668	12	(4,393)	(4,179)
Goethals Bridge	84,488	22,408	6,217	55,863	2,468	11	53,406	60,039
Outerbridge Crossing	78,708	21,322	11,194	46,192	4,118	11	42,085	39,220
P. A. Bus Terminal	26,823	80,808	12,073	(66,058)	8,433	6	(74,485)	(83,183)
Subtotal - Tunnels, Bridges & Terminals	726,166	397,528	91,209	237,429	57,555	929	180,803	184,975
PATH	68,336	200,921	49,804	(182,389)	31,875	8,538	(205,726)	(199,482)
Journal Square Transportation Center	1,539	5,857	4,917	(9,235)	2,590	-	(11,825)	(11,279)
Subtotal - PATH	69,875	206,778	54,721	(191,624)	34,465	8,538	(217,551)	(210,761)
Ferry Service	63	2,626	158	(2,721)	280	-	(3,001)	(4,542)
Total Interstate Transportation Network	796,104	606,932	146,088	43,084	92,300	9,467	(39,749)	(30,328)
AIR TERMINALS								
LaGuardia	270,866	211,036	42,148	17,682	14,973	9,472	12,181	22,739
JFK International	722,261	520,039	108,356	93,866	40,260	14,107	67,713	130,224
Newark Liberty International	599,941	358,318	97,041	144,582	61,276	26,219	109,525	58,849
Teterboro	22,686	9,896	1,515	11,275	648	2,503	13,130	11,508
Heliport	767	2,179	701	(2,113)	108	-	(2,221)	(2,615)
Total Air Terminals	1,616,521	1,101,468	249,761	265,292	117,265	52,301	200,328	220,705
PORT COMMERCE								
Port Newark	56,992	45,167	13,910	(2,085)	7,731	12	(9,804)	(17,261)
Elizabeth Marine Terminal	51,496	20,490	18,562	12,444	10,977	1,952	3,419	7,579
Brooklyn	4,133	14,969	20,707	(31,543)	5,775	9	(37,309)	(15,748)
Red Hook	3,383	6,058	2,990	(5,665)	-	-	(5,665)	(9,153)
Howland Hook	4,187	7,922	3,461	(7,196)	2,837	5	(10,028)	(7,560)
Greenville Yard	295	3	1	291	-	-	291	272
Auto Marine	7,610	1,647	2,245	3,718	1,796	-	1,922	2,344
Total Port Commerce	128,096	96,256	61,876	(30,036)	29,116	1,978	(57,174)	(39,527)
ECONOMIC & WATERFRONT DEVELOPMENT								
Essex County Resource Recovery	58,958	64,491	1,420	(6,953)	(3,617)	-	(3,336)	(5,779)
Industrial Park at Elizabeth	830	89	208	533	346	-	187	3,586
Bathgate	3,799	1,768	1,589	442	718	-	(276)	(1,372)
Teleport	20,730	11,595	2,373	6,762	1,121	86	5,727	(898)
Newark Legal & Communications Center	3,363	1,390	3,781	(1,808)	1,917	-	(3,725)	(4,522)
Queens West	4,605	-	887	3,718	1,009	-	2,709	(1,756)
Hoboken South	5,166	8	1,468	3,690	2,575	-	1,115	2,694
Total Economic & Waterfront Development	97,451	79,341	11,726	6,384	4,069	86	2,401	(8,047)
WORLD TRADE CENTER								
World Trade Center	124,906	3,660	-	121,246	(13,712)	-	134,958	147,028
WTC Site	433	22,534	800	(22,901)	-	-	(22,901)	(9,245)
WTC Retail LLC	540	2	36	502	-	-	502	-
Total World Trade Center	125,879	26,196	836	98,847	(13,712)	-	112,559	137,783
Regional Programs	-	9,058	32,112	(41,170)	48,786	-	(89,956)	(102,400)
Net recoverables related to the events of September 11, 2001	-	-	-	664,211	-	-	664,211	474,663
Total Port Authority Operations	2,764,051	1,919,251	502,399	1,006,612	277,824	63,832	792,620	652,849
PFC Program	-	-	18,699	(18,699)	(4)	109,111	90,416	87,113
Combined Total	\$ 2,764,051	\$ 1,919,251	\$ 521,098	\$ 987,913	\$ 277,820	\$ 172,943	\$ 883,036	\$ 739,962

(a) Amounts include all direct operating expenses and allocated expenses.

(b) Amounts include net interest (interest expense less financial income) expense and gain or loss generated by the disposition of assets, if any.

Schedule F - Information on Port Authority Capital Program Components

	Facilities, net 12/31/2002	Net Capital Expenditures	Depreciation	Facilities, net 12/31/2003
(In thousands)				
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	\$ 612,471	\$ 57,682	\$ 28,614	\$ 641,539
Holland Tunnel	243,233	47,375	9,466	281,142
Lincoln Tunnel	429,334	55,160	19,285	465,209
Bayonne Bridge	117,618	18,127	4,360	131,385
Goethals Bridge	95,413	26,261	6,217	115,457
Outerbridge Crossing	126,212	7,470	11,194	122,488
P. A. Bus Terminal	297,544	27,060	12,073	312,531
Subtotal - Tunnels, Bridges & Terminals	1,921,825	239,135	91,209	2,069,751
PATH	913,944	100,942	43,491	971,395
Downtown Restoration Program	156,655	394,571	6,313	544,913
Permanent WTC PATH Terminal	-	10,634	-	10,634
Journal Square Transportation Center	81,478	3,817	4,917	80,378
Subtotal - PATH	1,152,077	509,964	54,721	1,607,320
Ferry Service	12,603	2,410	158	14,855
Total Interstate Transportation Network	3,086,505	751,509	146,088	3,691,926
AIR TERMINALS				
LaGuardia	466,607	58,991	42,148	483,450
JFK International	1,918,737	183,955	108,356	1,994,336
Newark Liberty International	1,962,056	197,870	97,041	2,062,885
Teterboro	43,049	9,413	1,515	50,947
Heliport	3,383	-	701	2,682
PFC Program	1,098,996	110,466	18,699	1,190,763
Total Air Terminals	5,492,828	560,695	268,460	5,785,063
PORT COMMERCE				
Port Newark	269,227	64,065	13,910	319,382
Elizabeth Marine Terminal	456,943	150,876	18,562	589,257
Brooklyn	118,533	11,562	20,707	109,388
Red Hook	56,803	13,254	2,990	67,067
Howland Hook	134,494	58,371	3,461	189,404
Auto Marine & Greenville Yards	51,036	34	2,246	48,824
Total Port Commerce	1,087,036	298,162	61,876	1,323,322
ECONOMIC & WATERFRONT DEVELOPMENT				
Essex County Resource Recovery	23,926	79	1,420	22,585
Industrial Park at Elizabeth	9,252	-	208	9,044
Bathgate	21,204	(5)	1,589	19,610
Teleport	34,288	481	2,373	32,396
Newark Legal & Communications Center	55,391	-	3,781	51,610
Queens West	92,631	7,631	887	99,375
Hoboken South	77,723	1,468	1,468	77,723
Total Economic & Waterfront Development	314,415	9,654	11,726	312,343
WORLD TRADE CENTER				
World Trade Center	80,161	-	-	80,161
WTC Site	16,135	55,582	800	70,917
WTC Retail LLC	-	140,000	36	139,964
Total World Trade Center	96,296	195,582	836	291,042
FACILITIES, NET	\$ 10,077,080	\$ 1,815,602	\$ 488,986	\$ 11,403,696
REGIONAL PROGRAMS	\$ 386,110	\$ 100,166	\$ 32,112	\$ 454,164

Facility Traffic*

TUNNELS AND BRIDGES

(Eastbound Traffic)	2003	2002
All Crossings		
Automobiles	112,869,000	114,005,000
Buses	3,041,000	3,121,000
Trucks	7,910,000	8,118,000
Total vehicles	123,820,000	125,244,000
George Washington Bridge		
Automobiles	48,354,000	49,921,000
Buses	594,000	598,000
Trucks	4,023,000	4,155,000
Total vehicles	52,971,000	54,674,000
Lincoln Tunnel		
Automobiles	18,120,000	17,750,000
Buses	1,973,000	2,042,000
Trucks	985,000	1,139,000
Total vehicles	21,078,000	20,931,000
Holland Tunnel		
Automobiles	15,790,000	15,227,000
Buses	232,000	213,000
Trucks	544,000	324,000
Total vehicles	16,566,000	15,764,000
Staten Island Bridges		
Automobiles	30,605,000	31,107,000
Buses	242,000	268,000
Trucks	2,358,000	2,500,000
Total vehicles	33,205,000	33,875,000
Cumulative PA Investment in Tunnels and Bridges		
(In thousands)	\$ 2,633,246	\$ 2,424,316

PATH

	2003	2002
Total passengers	47,890,000	51,920,000
Passenger weekday average	160,000	174,000
Cumulative PA Investment in PATH		
(In thousands)	\$ 2,170,285	\$ 1,663,593

MARINE TERMINALS

	2003	2002
All Terminals		
Containers	2,231,931	2,143,827
General cargo (a)		
(Metric tons)	23,539,000	21,633,000
New Jersey Marine Terminals		
Containers	1,903,367	1,802,809
New York Marine Terminals		
Containers	328,564	341,018
Cumulative PA Investment in Marine Terminals		
(In thousands)	\$ 2,078,759	\$ 1,845,964

AIR TERMINALS

	2003	2002
Totals at the Three Major Airports		
Plane movements	1,061,000	1,055,900
Passenger traffic	83,646,500	81,146,700
Cargo-tons	2,612,200	2,582,600
Revenue mail-tons	176,775	147,108
John F. Kennedy International Airport		
Plane movements	280,300	287,700
Passenger traffic		
Domestic	16,434,700	14,602,900
International	15,300,200	15,336,300
Cargo-tons	1,709,200	1,664,700
LaGuardia Airport		
Plane movements	375,000	362,400
Passenger traffic		
Domestic	21,435,200	20,869,600
International	1,047,500	1,117,100
Cargo-tons	12,300	11,700
Newark Liberty International Airport		
Plane movements	405,700	405,800
Passenger traffic		
Domestic	21,760,300	21,847,800
International	7,668,600	7,373,000
Cargo-tons	890,700	906,200
Cumulative PA Investment in Air Terminals		
(In thousands)	\$ 9,454,165	\$ 8,891,298

TERMINALS

	2003	2002
All Bus Facilities		
Passengers	69,036,000	69,235,600
Bus movements	3,462,000	3,560,550
Port Authority Bus Terminal		
Passengers	56,300,000	56,576,600
Bus movements	2,165,000	2,263,000
George Washington Bridge Bus Station		
Passengers	4,900,000	5,059,000
Bus movements	235,000	244,550
PATH Journal Square Transportation Center Bus Station		
Passengers	7,836,000	7,600,000
Bus movements	1,062,000	1,053,000
Cumulative PA Investment in Bus Facilities		
(In thousands)	\$ 698,449	\$ 633,961
	2003	2002
Total Port Authority Cumulative Invested in facilities, including the above		
(In thousands)	\$ 19,866,282	\$ 17,947,787

(a) International oceanborne general cargo as recorded in the New York - New Jersey Customs District.

* Some 2002 numbers reflect revised data.