THE PORT AUTHORITY OF NY & NJ

Where we've been, and where we're going

Annual Report 2006

Comprehensive Annual Financial Report for the Year Ended December 31, 2006

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THE PORT AUTHORITY OF NY & NJ

Look what we're doing.

225 Park Avenue South, New York, NY 10003

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The Port Authority of New York & New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2006
Prepared by the Public Affairs and Comptroller's departments of
The Port Authority of New York & New Jersey
225 Park Avenue South, New York, NY 10003-1604

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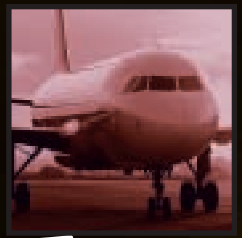
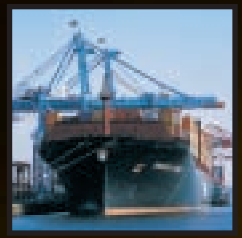
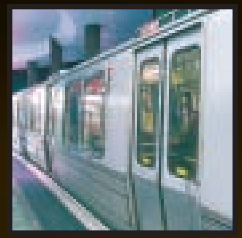
Table Of Contents


Mission

To identify and meet the critical transportation and infrastructure needs of the bistate region's businesses, residents and visitors: providing the highest quality, most efficient transportation and port commerce facilities and services that move people and goods within the region, providing access to the rest of the nation and to the world, while strengthening the economic competitiveness of the New York-New Jersey Metropolitan Region.

The Port Authority of New York & New Jersey Facilities

The Port Authority of New York & New Jersey operates many of the busiest and most important transportation links in the region. The Port Authority's facilities and services include:

Aviation
John F. Kennedy International Airport
LaGuardia Airport
Newark Liberty International Airport
Teterboro Airport
Downtown Manhattan Heliport

Tunnels, Bridges & Terminals
Bayonne Bridge
Goethals Bridge
George Washington Bridge
George Washington Bridge Bus Station
Holland Tunnel
Lincoln Tunnel
Outerbridge Crossing
Port Authority Bus Terminal

Port Commerce
Auto Marine Terminal
Brooklyn-Port Authority Marine Terminal
Elizabeth-Port Authority Marine Terminal
Howland Hook Marine Terminal
Port Newark

Port Authority Trans-Hudson
Journal Square Transportation Center
PATH Rail Transit System

Real Estate & Development
Bathgate Industrial Park
Essex County Resource Recovery Facility
Ferry Transportation
Industrial Park at Elizabeth
The Legal Center
The Teleport
Waterfront Development
- Queens West Waterfront Development
- The South Waterfront at Hoboken

The World Trade Center Site

International Business Development
Representatives in Hong Kong, London, Shanghai, Tokyo

Area	3,900 square miles
Population	17.1 million (estimate for 2006)
Labor Force	8.4 million (average for 2006)
Total Wage & Salary Jobs	7.9 million (average for 2006)
Total Personal Income	$836 billion (estimate for 2006)

The New York-New Jersey Region

The New York-New Jersey Metropolitan Region, one of the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Staten Island and The Bronx; the four suburban New York counties of Nassau, Rockland, Suffolk and Westchester; and the eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union.

(For detailed statistical and demographic information on the region, see Page 90 in the Financial Section of this report)

The Honorable Eliot Spitzer
Governor, State of New York

The Honorable Jon S. Corzine
Governor, State of New Jersey

Dear Governors:

In compliance with the Port Compact of 1921, we are pleased to submit to you, and the legislatures of New York and New Jersey, the 2006 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey.

This was an important year for the Port Authority. We looked back and reflected on some of the achievements of our organization by celebrating the 75th anniversaries of the George Washington and Bayonne bridges and the 50th anniversary of the birth of containerization at Port Newark.

We also looked ahead – toward the rebuilding of Lower Manhattan at The World Trade Center site and other landmark projects, such as the Trans-Hudson Express Tunnel. Like our achievements of 50 and 75 years ago, our new generation of transportation-related investments will help ensure that the New York-New Jersey region is ready and able to meet the challenges that lie ahead.

Based on our *Strategic Plan*, published at the end of 2005, the Board of Commissioners adopted a 10-year capital program in 2006. The capital plan outlines more than $26.1 billion in transportation and regional development investments, pledging unprecedented public resources for landmark projects. This capital plan is a clear demonstration of the Port Authority's continued commitment to the region's growth and prosperity.

Chief among the capital plan's projects is the rebuilding of The World Trade Center site, where, after the Port Authority led efforts to negotiate a comprehensive new framework with leaseholder Silverstein Properties, Inc., and the City of New York for roles and responsibilities at the site, we began to show visible progress in the rebuilding effort. The plan also directly targets the problem of congestion — in the skies and on the roads and rails — by investing in solutions that will add capacity to our critical transportation systems and help move people and goods faster and more efficiently. The anticipated addition of Stewart International Airport will help us accommodate the growing demand for air services; the number of passengers traveling through the Port Authority's aviation network crossed the 100-million-passenger threshold in 2006 for the first time ever. Initiatives like the Trans-Hudson Express Tunnel will help the Port Authority and its regional partners provide additional capacity to meet the anticipated population growth in and demand for rail travel to and from New Jersey and the west side of Manhattan. And at our port facilities, the agency has made significant investments in ExpressRail, allowing for more cargo to be transported by rail and removing 500,000 truck trips annually from state and local roads.

Our commitment to regional growth and prosperity also encompasses our most important priority — security. In 2006, we invested more than $600 million on security at our facilities, bringing the total spent since September 11, 2001, to nearly $3 billion. This investment in people, training and systems represents our effort to do everything possible to ensure the safety and security of our customers.

We recognize that serving the public trust requires a fresh approach to the ways we conduct our day-to-day business. In 2006, our Board made a pledge to provide even greater public access and transparency in the work that we do. This has resulted in more open public meetings and greater public access to our decision-making processes. The enormity of the tasks ahead requires the Port Authority to engender public trust and confidence, and we will continue to work hard to do so.

We are proud of the progress we made in 2006, and, under your leadership and with your support, we will be able to realize our vision for the region's future.

Very truly yours,

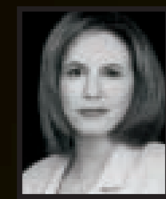
Anthony R. Coscia
Chairman
April 25, 2007


Anthony R. Coscia
Partner
Windels Marx Lane
& Mittendorf, LLP


Charles A. Gargano

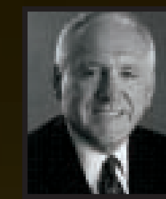

Bruce A. Blakeman
Member
Abrams, Fensterman,
Fensterman, Eisman,
Greenberg, Formato
& Einiger, LLP

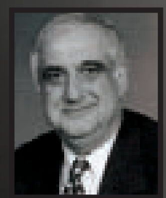

Michael J. Chasanoff
Managing Partner
Chasanoff Properties


Christine A. Ferer
Chairman and CEO
Vidicom/Citybuzz


Angelo J. Genova
Senior Partner
Genova, Burns & Vernoia


David S. Mack
Senior Partner
The Mack Company


Raymond M. Pocino
V.P./Eastern Regional
Manager
Laborers Intl. Union of N.A.


Anthony J. Sartor
President & COO
KeySpan Services, Inc.

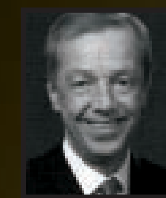

Henry R. Silverman
Chairman & CEO
Realogy Corporation


Jack G. Sinagra
Executive V.P.
Turtle & Hughes Inc.


David S. Steiner
Chairman
Steiner Equities
Group, LLC


Kenneth J. Ringler Jr.[1]
Executive Director


Anthony E. Shorris[2]
Executive Director


James P. Fox
First Deputy
Executive Director

Board of Commissioners

Board of Commissioners

Anthony R. Coscia, Chairman
Charles A. Gargano, Vice Chairman

Bruce A. Blakeman
Michael J. Chasanoff
Christine A. Ferer
Angelo J. Genova
David S. Mack
Raymond M. Pocino
Anthony J. Sartor
Henry R. Silverman
Jack G. Sinagra
David S. Steiner

Anthony E. Shorris, Executive Director
James P. Fox, First Deputy Executive Director

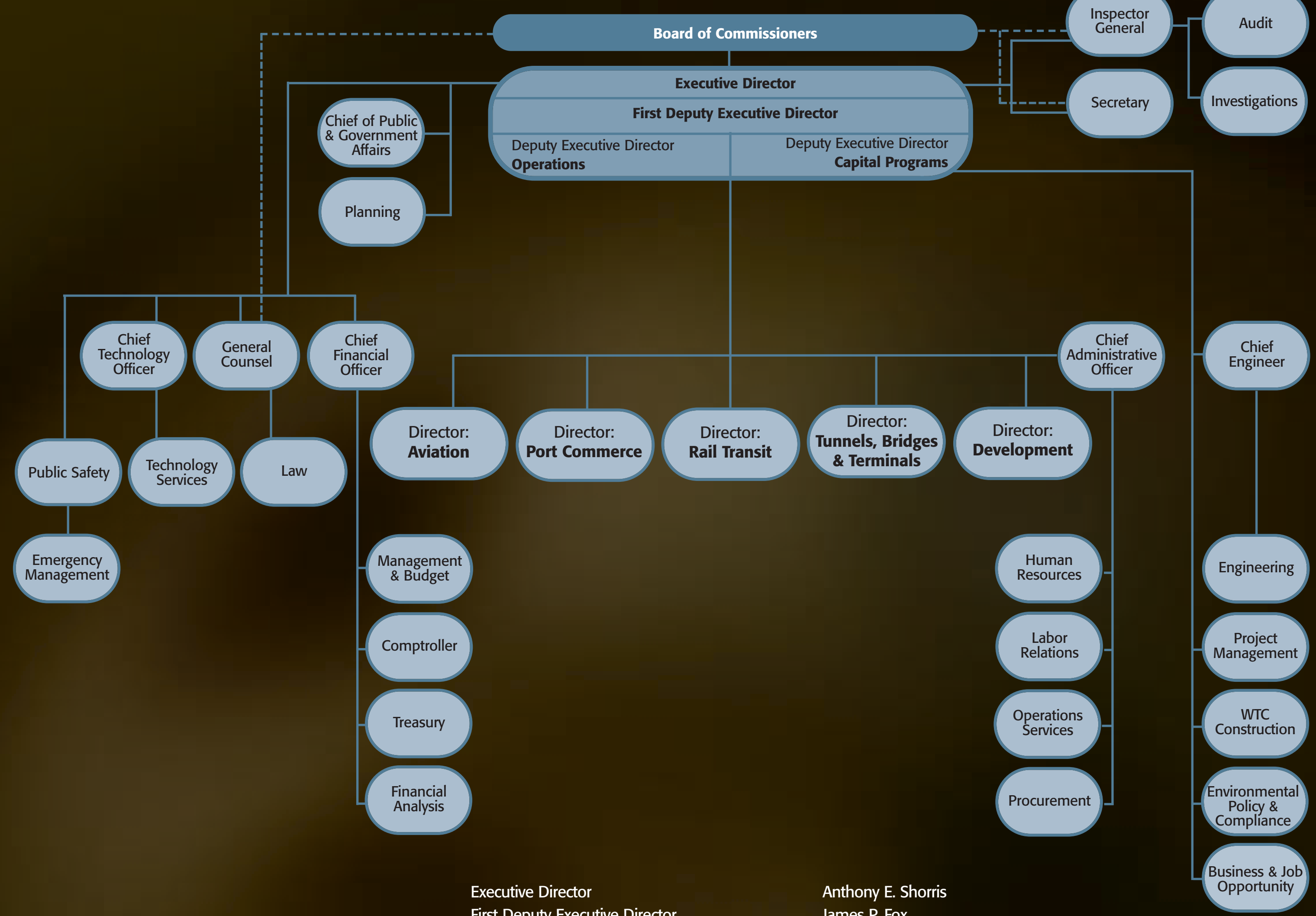
[1] Kenneth J. Ringler Jr. served as Executive Director through Jan. 3, 2007
[2] Anthony E. Shorris was appointed Executive Director effective Jan. 4, 2007

Origins of The Port Authority of New York and New Jersey The Port Authority was established by Compact between the two states on April 30, 1921, as the first interstate agency created under the clause of the United States Constitution permitting compacts between states with the consent of Congress. The Compact also created the Port District, an area of about 1,500 square miles in both states, centering about New York Harbor. Over the years, the mandate of the agency has developed to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise or to be attempted by either state alone: modern wharfage for the harbor shared by the two states, tunnel and bridge connections between the states, terminal and transportation facilities and, in general, trade and transportation projects to promote the region's economic well-being.

Governance of the Port Authority The Governor of each state appoints six members of the agency's Board of Commissioners, for overlapping six-year terms; each appointment is subject to the approval of the respective state senate. Commissioners serve as public officials without remuneration. The Governors retain the right to veto the actions of the Commissioners from their respective state.

An Executive Director, appointed by the Board of Commissioners, is responsible for managing the operation of the Port Authority in a manner consistent with the agency's policies, as established by the Board.

The Port Authority undertakes projects and activities in accordance with the Port Compact of 1921 and amendatory and supplemental bistate legislation.



Officers and Directors

Effective March 19, 2007

Executive Director	Anthony E. Shorris
First Deputy Executive Director	James P. Fox
Deputy Executive Director for Operations	Ernesto L. Butcher
Deputy Executive Director for Capital Programs	William Goldstein
General Counsel	Darrell Buchbinder
Chief Administrative Officer	Louis J. LaCapra
Chief Engineer	Francis J. Lombardi
Chief Financial Officer	A. Paul Blanco
Chief of Public & Government Affairs	Stephen Sigmund
Chief Technology Officer	----------
Audit	John D. Brill
Aviation	William R. DeCota
Comptroller	Michael G. Fabiano
Development	Michael B. Francois
Engineering	Peter Zipf
Financial Analysis	----------
Government & Community Affairs	Shawn K. Laurenti
Human Resources	Rosetta Jannotto, Acting
Inspector General	Robert E. Van Etten
Labor Relations	Paul D. Segalini
Management & Budget	Michael G. Massiah
Office of Emergency Management	John P. Paczkowski
Office of Business & Job Opportunity	Lash Green
Office of Environmental Policy & Compliance	Christopher Zeppie
Office of Investigations	Michael Nestor
Office of the Secretary	Karen E. Eastman
Operations Services	Alan I. Rhome
Planning	----------
Port Commerce	Richard M. Larrabee
Procurement	Andrea Roitman
Project Management	John J. Drobny
Public Affairs	John J. McCarthy
Public Safety	Samuel J. Plumeri Jr.
Rail Transit	Michael P. DePallo
Treasury	Anne Marie Mulligan
Tunnels, Bridges & Terminals	Victoria Cross Kelly
WTC Construction	Steven P. Plate

THE PORT AUTHORITY OF NY & NJ

225 Park Avenue South, New York, NY 10003

Letter from the Executive Director

The Port Authority of New York and New Jersey is at a pivotal moment in its history. An agency created to move goods, and that came into its own moving people, must now define itself in an era dependent on the movement of ideas.

As it plays out, this shift may bring transformational change to the agency in the way that our entry into aviation and rail transportation fundamentally altered the nature of our work in the past. But much of the challenge of this last year and the years ahead inheres in doing what we've always done, but faster and more efficiently than ever. The information economy demands transportation infrastructure as seamless and user-friendly as the cutting edge technology driving its growth.

For this reason, the Port Authority has already committed to an array of projects that will provide the first significant enhancements to our regional transportation system's capacity in more than a quarter century. With both our Strategic Plan and our 10-year, $26.1 billion capital plan in place, we are ready to begin a period of intense investment.

In many ways, the last year set the stage for our foreseeable future. Not only did we lay out our strategic and capital plans, we also began real work on some of the projects that will occupy us in the coming years. After many false starts, the redevelopment at The World Trade Center site showed tremendous progress under Port Authority leadership. Plans to purchase Stewart International Airport came into focus. And the structure of our partnership with New Jersey Transit to build the Trans-Hudson Express Tunnel began to take shape.

As we approach this work, we have three specific priorities in mind – priorities built on the momentum we generated last year with the introduction of our five campaigns. First, *safety* is our watchword. This means shielding our patrons and regional assets from natural and man-made disasters as well as more routine incidents. Second, increasing *opportunity* is at the core of all our operations. We have a responsibility to both grow the regional economy and improve access to it for those most in need. And third, the need for *sustainability* informs our decision-making at every level. As operators of much of the region's transportation infrastructure, we are important stewards of our environment, and we must act accordingly.

In advancing these priorities, we will renew our emphasis on the two pillars of the agency's strength: its financial and human *capacity* and its insistence on the highest *quality* in both customer service and architectural design. We are building the future of our region, and so we must make sure that we are up to the task in every respect.

This annual report details the breadth of our operations and outlines the challenges that lie ahead as we work to provide safe and reliable transportation facilities and services to our customers. With the support of our Governors, our Board of Commissioners, and the citizens of our two states, the staff of the Port Authority is well prepared to meet these challenges. Our world may be in flux, but the unwavering professionalism and commitment to public service that has always been the hallmark of the Port Authority staff will allow us to evolve with the times as we have throughout our history. At this pivotal moment – which I would like to think of as in many ways our moment – the Port Authority stands ready to drive economic growth and broad-based prosperity throughout the New York-New Jersey region.

Sincerely,

Anthony E. Shorris
Executive Director
April 25, 2007

It was a year of new beginnings, achievements and reflections for The Port Authority of New York and New Jersey in 2006.

After reaching agreements that clarified responsibilities for the rebuilding of The World Trade Center site, the agency began construction work on several key elements of the project.

The agency celebrated the 75th anniversaries of two of its most iconic achievements, the George Washington and Bayonne bridges, and the 50th anniversary of the dawn of containerization in ocean shipping at Port Newark. These celebrations were reminders of the spirit that has driven the agency through more than eight decades of work serving the New York-New Jersey region.

The agency also looked forward to the significant trade and transportation challenges that the New York-New Jersey region faces in the decades ahead. Inspired by its *Strategic Plan for Regional Prosperity* issued at the end of 2005, the agency formulated a milestone, 10-year capital investment plan, a blueprint for more than $26.1 billion worth of regional investments that will enable New York and New Jersey to sustain the spectacular economic growth projected over the next decade and beyond.

The Port Authority also took steps to provide even greater public access to its policy and decision-making processes and continued to demonstrate its commitment to transportation and economic development that respects the environment.

Ongoing construction at JFK Terminal 5: The state-of-the-art terminal, to be completed in 2008, is a joint commitment by the Port Authority and JetBlue Airways and will create capacity for up to 20 million customers per year.

Investing in the Region

In 2006, the Port Authority spent more than $1.6 billion on its capital investment program. This included maintaining and upgrading the agency's existing facilities, building new infrastructure to support changing trade and transportation needs, enhancing the security of our transportation systems (see Securing Our Facilities, Page 24), and planning and implementing projects designed to help the agency and the region meet the transportation challenges of tomorrow.

In December 2006, the Authority's Board of Commissioners approved a historic 10-year, $26.1 billion capital plan that returns the agency to its roots: making landmark investments in transportation infrastructure, meeting commitments to rebuild and improve facilities, and providing a capital investment strategy for the future. It also commits the agency to partnerships for building major generation-defining projects that will shape the future of the region.

Preparing for the Future

In October, the Board of Commissioners authorized up to $2 billion to support the construction of the Trans-Hudson Express Tunnel project and began working with NJ Transit to examine and coordinate engineering and construction responsibilities. The Trans-Hudson Express Tunnel will create an additional passenger rail tunnel connecting New York City to rail lines serving New Jersey, and Rockland and Orange counties in New York. The project will include the expansion of New York's Penn Station beneath 34th Street in Manhattan.

With regional demand for air travel robust and expected to continue to grow strongly in the future – 40 percent more air passengers are projected to be using the region's airports by 2020 – there is a clear need for additional regional air capacity to serve the New York-New Jersey market. To relieve congestion and prepare for this growth, the Port Authority Board authorized the Executive Director to review the possibility of acquiring the lease to operate Stewart International Airport in Orange County, N.Y.

At John F. Kennedy International Airport, work on the first phase of construction necessary to accommodate the Airbus A380, a new larger aircraft that will require expansion of runways and taxiways, moved toward completion. JFK Airport was scheduled to welcome the first test flight of an A380 into the United States in early 2007.

At our tunnels, bridges and terminals, the agency completed a feasibility assessment for the Lincoln Tunnel's Exclusive Bus Lane to explore alternatives to expand the capacity of the nation's first contra-flow bus lane. The assessment provided a prioritized list of operational and physical alternatives designed to ensure the reliability of bus transit access to midtown Manhattan. The bus lane serves an average of 61,000 bus passengers daily.

The Port Authority also entered into negotiations to facilitate redevelopment of the George Washington Bridge Bus Station. The goal is to renovate and expand the facility and enhance retail and transit operations to improve both customer and bus services. The redevelopment also will bring new construction and permanent jobs to the community and new retail to the surrounding neighborhood.

Ferry service plays a major role in providing commuters with additional travel options. In 2006 the Port Authority finalized an agreement with New York Water Taxi to initiate service in 2007 between the City of Yonkers and Lower Manhattan. Under its Regional Ferry Program, the Port Authority has provided $2 million to pay for a portion of the rehabilitation of the Yonkers pier. Other projects include new ferry landings in Edgewater, N.J., and in cooperation with the City of New York, at West 125th Street. A permanent five-slip Battery Park City Ferry Terminal is scheduled for completion in late 2007. The agency also committed $43 million to NJ Transit for the rehabilitation of the historic Hoboken Ferry Terminal.

PATH is working to replace its entire fleet of rail cars with the new PA5 models. The first cars are expected to begin service in 2009 and the $499 million project will be complete by 2011.

Building New Infrastructure

At JFK Airport, construction continued on Terminal 5, the home of JetBlue Airways, to be completed in 2008. Part of this project includes preserving the architectural beauty of the landmarked Eero Saarinen-designed former TWA terminal that is incorporated into the design of the new facility.

The Port Authority completed a feasibility study to determine how to expand capacity of the Lincoln Tunnel's Exclusive Bus Lane (XBL). The contra-flow lane currently handles more than 1,700 buses per day.

JFK Airport's Red Garage opened in November, just in time for Thanksgiving. The garage, adjacent to the new American Airlines Terminal, provides over 1,900 additional parking spaces for short-term parking patrons.

Newark Liberty International Airport moved forward on a $279.2 million investment to modernize Terminal B, the main international gateway at the airport. The program, which will transform Terminal B from a two- to a three-level operation, includes new and expanded ticketing areas and passenger screening points, a new domestic baggage claim area and rehabilitation of two main electrical substations.

The Port Authority bolstered its efforts to provide additional capacity at the region's marine terminals with $200 million in capital expenditures for landside infrastructure and channel deepening. This included $67 million for a series of freight rail projects that will enable shippers to move more containers to and from the port by rail.

Channel and berth deepening continued with the completion of a 45-foot berth at the Howland Hook Marine Terminal and the 41-foot deepening of the Arthur Kill Channel. In addition, the Port Authority strengthened and upgraded 900 feet of wharf to prepare for the development of a fourth 50-foot berth at Maher Terminals in Elizabeth, N.J., and started construction on a third 50-foot berth at the APM Terminal, also in Elizabeth.

Work continued on the Harbor Navigation Project, which will deepen the key access channels in New York Harbor to 50 feet by 2014. The project is managed by the U.S. Army Corps of Engineers and sponsored and funded locally by the Port Authority. Contracts have been awarded for work in Newark Bay and the Kill Van Kull.

Maintaining and Upgrading Existing Facilities

The Port Authority operates a broad range of transportation facilities throughout the region. Ensuring the safety and reliability of these systems is the agency's top priority. Each year the Port Authority commits a significant portion of its capital investments to upgrade existing facilities, including system and structural replacements, and to maintain them in a state of good repair.

In 2006, one of the most significant of these projects was the rehabilitation of the roadway deck on the Goethals Bridge. Rehabilitation of the concrete deck, including steel framing elements, replacement of roadway joints and substandard barriers and a new wearing surface, was designed to extend the useful life of the bridge by seven to 10 years. This roadway work was substantially completed in 2006.

At the region's airports, the Port Authority continued to install Engineered Materials Arrestor System (EMAS) arrestor beds on runways. Installation of an EMAS at Teterboro Airport was completed in October 2006, providing a level of safety equivalent to the full 1,000 feet of runway safety overrun area recommended by the Federal Aviation Administration. EMAS has previously been installed on runways at JFK and LaGuardia airports, and plans are under way for additional installations at JFK, Newark Liberty and Teterboro airports. This is part of a continuing series of runway safety area projects scheduled for the Port Authority's airports over the next five to eight years.

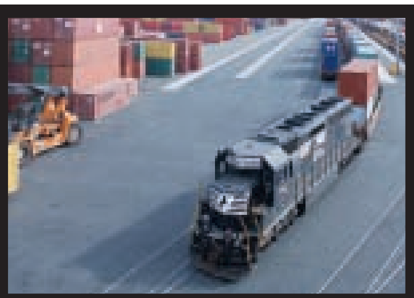
In early 2006, the Port Authority announced an agreement with Orion Bus Company for the purchase of 51 transit coaches for use at JFK, LaGuardia and Newark Liberty airports at a cost of $21 million. This purchase will modernize the fleet of buses that provides transportation for travelers and employees between terminals and parking lots. This purchase includes 30 modern, cleaner diesel buses and 21 fuel-efficient, low-emission hybrid diesel-electric vehicles, seven for each airport. The buses will be put into service beginning in 2007.

The Port Authority completed a $62 million repainting project at the George Washington Bridge. The existing lead-based paint was removed from the upper New York-side tower, and from the upper and lower New Jersey-side towers. Approximately 2.5 million square feet of the bridge surfaces were repainted using a new paint system that included application of a zinc primer, epoxy intermediate coat and a urethane finish.

Also, at the Outerbridge Crossing, the Port Authority completed an $18 million repainting project using the same lead removal and painting system. The paint on both bridges is expected to last 25 years with moderate maintenance.

Intelligent Transportation Systems (ITS) projects were complete in 2006 at the Holland and Lincoln tunnels. ITS allows the Port Authority to track real-time traffic conditions to provide information to drivers that will help them make better travel decisions.

On the PATH rail system, the Port Authority completed the first phase of a signal system upgrade. When completed, the signal upgrade will allow PATH to run more trains during peak travel times by decreasing the headways between trains. PATH completed the design review and other preliminary work on a $499 million project that will replace the entire fleet of rail cars with a new fleet of modern PA5 rail cars. The first cars



At the seaport, the Port Authority continued to expand its rail infrastructure in order to move more cargo to and from the port by rail. The Port Authority purchased 51 buses (right) in 2006 for use at the region's airports. The buses will begin service in early 2007.

will be put into service in early 2008, and the entire new fleet will be in operation by 2011.

PATH has increased its Heavy Maintenance and Cleaning Program, which is designed to maintain the reliability and state of good repair of the current rail cars until the new PA5 cars are delivered. The maintenance program's focus is on overhaul and, when necessary, replacement of mechanical and electrical systems.

Throughout the PATH system, the Port Authority upgraded and improved tracks and rights-of-way, including the installation of more than 8,000 feet of continuous welded steel rail in 2006, upgrading switches and installing concrete rail ties in selected locations, to provide more efficient, reliable and comfortable service.

Rebuilding The World Trade Center Site

In 2006, the Port Authority reached agreements with several key stakeholders in the redevelopment of The World Trade Center site, paving the way for significant progress. This expanded the Port Authority's role in the redevelopment and represented a commitment on the part of all the stakeholders in the project to rebuild the entire site quickly and comprehensively. An initial agreement was reached in April and formalized in November with the execution of more than 100 documents between the Port Authority, the owner of the original 16-acre WTC site, and stakeholders in the redevelopment project. Other major agreements were reached in 2006 to advance construction of the transportation and Memorial components of the WTC Site Master Plan.

As a result of the agreements, the Port Authority assumed responsibility for the development and management of the Freedom Tower, the iconic 1,776-foot-tall building at the northwest corner of the site. The Freedom Tower, scheduled to open in 2012, will have 2.6 million square feet of space and will include an observation deck, a skyline restaurant and broadcast facilities. Private developer Silverstein Properties will build Towers 2, 3 and 4 along the east side of the site bordering Church Street, with scheduled completion dates beginning in 2012. These towers will feature more than 6 million square feet of office space. The Port Authority will develop Tower 5, with some 1.3 million square feet of space, south of the original WTC site, and also will develop a retail complex of some 500,000 square feet. The Port Authority will also be responsible for common infrastructure at the site.

In May 2006, the Port Authority executed a Construction Agreement with the Federal Transit Administration (FTA) which is providing more than $1.9 billion in federal funding for the WTC Transportation Hub. In July 2006, the Port Authority entered into an agreement with the WTC Memorial Foundation and other stakeholders to manage construction of the Memorial and related projects.

With the agreements in place, construction work at the site accelerated throughout the year. At the Transportation Hub, which will serve as the primary gateway to Lower Manhattan, work was already under way on foundations and support structures. The hub will be the Downtown terminus for the Port Authority's PATH service and will connect to 13 New York City Subway lines and Hudson River ferry services via climate-controlled pedestrian corridors. These connections will allow passengers to move between the WTC site and the World Financial Center on the Hudson River to the Fulton Street Transit Center, currently under construction by the Metropolitan Transportation Authority, to the east.

Construction of major components of The World Trade Center site is under way, including the Transportation Hub, Memorial and Freedom Tower. The redevelopment of the 16-acre complex will be a key component in revitalizing Lower Manhattan.

The Port Authority also assumed responsibility for construction of the Memorial and Museum. In 2006, the agency worked closely with the WTC Memorial Foundation to establish a project scope and budget for the World Trade Center Memorial, Memorial Museum and the Visitor Orientation and Education Center. By the end of the year, installations of foundations were under way, while final design work for the project was being completed.

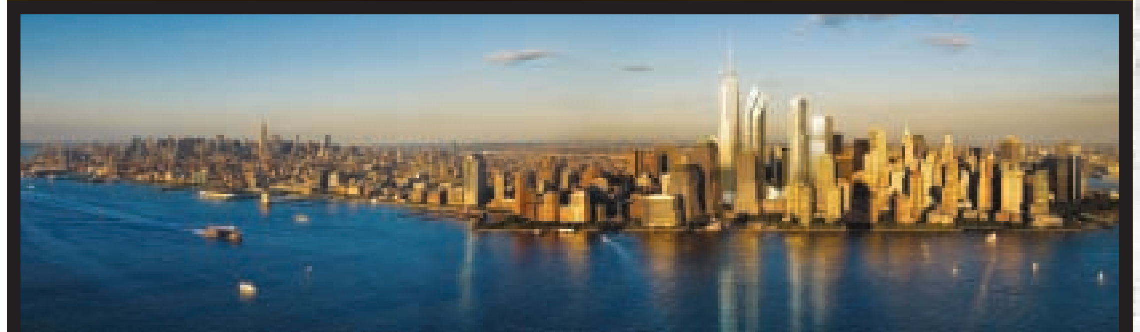
The agency also advanced plans for the WTC Vehicular Security Center and Tour Bus Parking Facility, which will minimize disruption to street traffic and strengthen security for the complex.

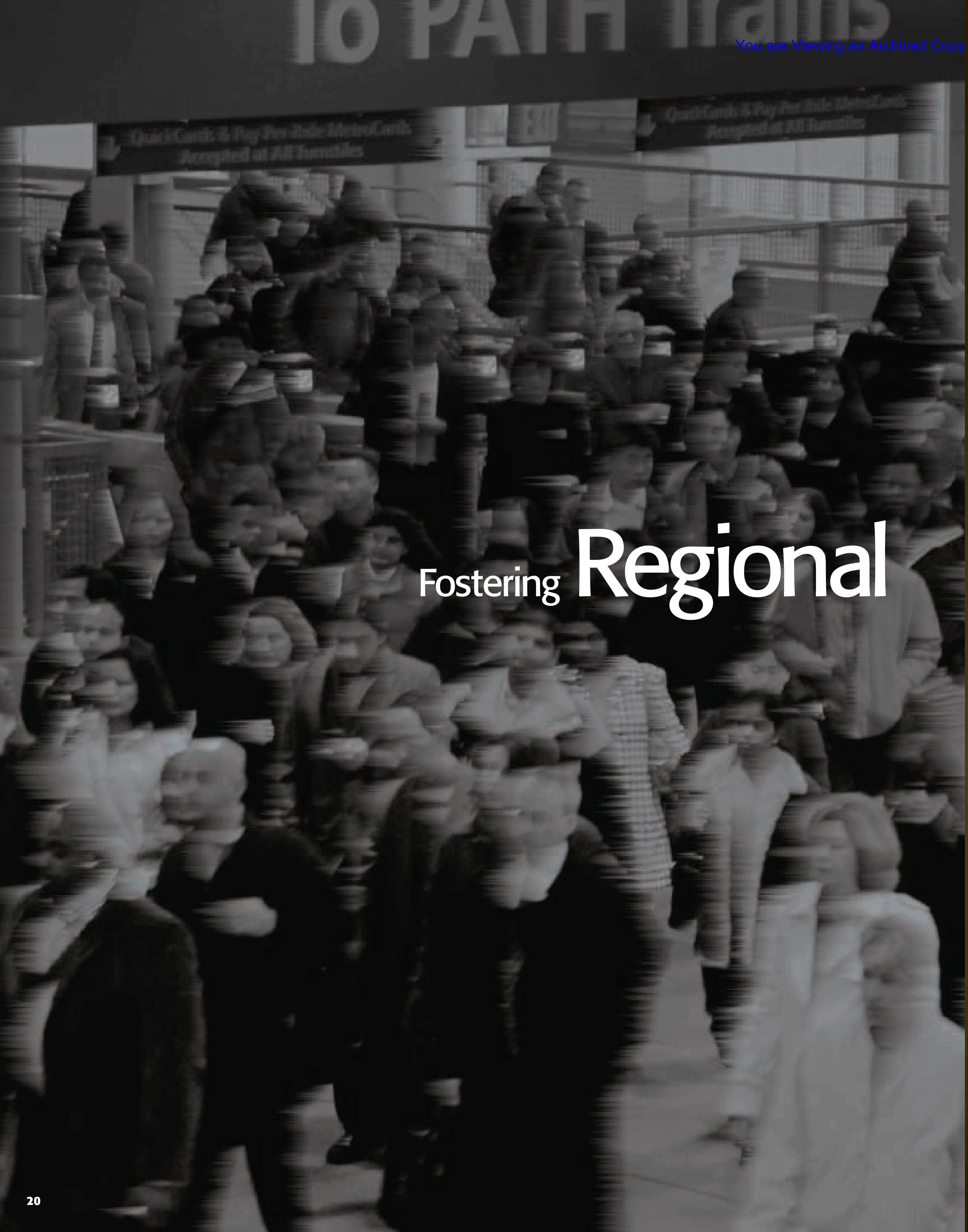
Along the east side of the site, where Towers 2, 3 and 4 will be built, the agency began critical infrastructure work. This new foundation work is expected to be complete in 2008.

In December 2006, the first structural steel for The Freedom Tower was installed at the site. These beams contained handwritten messages from the families of victims of the September 11, 2001, terrorist attacks on The World Trade Center, as well as from construction workers and others. The foundation work for the Freedom Tower will continue throughout 2007 and is expected to rise above street level in early 2008.

The redevelopment of The World Trade Center site will help the region address and better manage growth, create construction jobs during the rebuilding project and generate permanent retail and office jobs after the projects are completed.

The design of The World Trade Center site represents the consensus of several regional stakeholders. The site's redevelopment saw progress in 2006, and fulfills a key role in the agency's long-term vision for the region.





Fostering Regional Opportunity

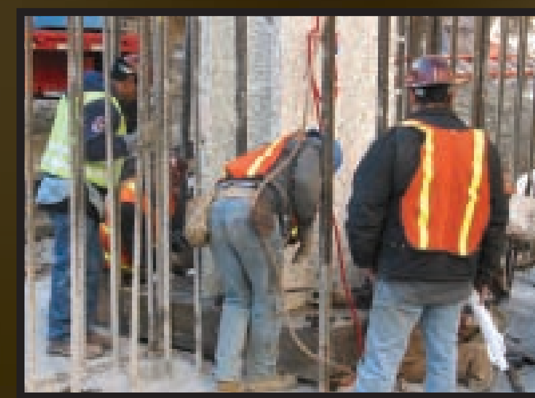
The New York-New Jersey region relies on the Port Authority to provide safe, efficient and high-quality transportation services – services that support a Gross Regional Product of more than $900 billion.

The Port Authority's role goes beyond developing and managing infrastructure. It is one of the nation's premier agencies for economic development. Overall, Port Authority businesses directly support more than 500,000 regional jobs that produce $26 billion in annual wages and $65 billion in annual economic activity.

All three airports operated above pre-September 11, 2001, levels, and cumulatively, the region's airports exceeded the 100 million annual air passenger mark for the first time. A total of 104.1 million passengers used JFK, LaGuardia and Newark Liberty airports during 2006, up 4.2 percent over 2005, an increase of nearly four times the national average. Although JFK Airport set a new regional record of 42.6 million passengers, Newark Liberty was the fastest-growing airport with 35.6 million passengers, a 7.8 percent increase over 2005. LaGuardia Airport handled 25.8 million passengers, essentially equal to 2005.

In 2006, the airports reached additional service and lease commitments with commercial and cargo airline partners, including US Airways, Evergreen Airlines, Silverjet, L'Avion, Jet Airways, Japan Airlines and North American Airlines, as well as Enterprise Rent-A-Car. Negotiations continued with DHL for a site lease and development of a major cargo center at JFK Airport.

The Port Authority's AirTrain services to and from JFK and Newark Liberty airports set annual passenger records last year, showing increases of more than 15 percent on AirTrain JFK, and more than 8 percent on AirTrain Newark. Nearly 4 million paid riders used AirTrain JFK in 2006 to connect between JFK Airport's passenger terminals and mass transit systems operated by New York City Transit and the Long Island Rail Road. AirTrain Newark, which links Newark Liberty to the Northeast Corridor Rail Line served by NJ Transit and Amtrak, handled nearly 1.6 million paid passengers in 2006. Both systems also served tens of thousands of daily riders who use the rail systems for free travel between passenger terminals, parking lots and rental car areas.


During 2006, construction work accelerated at The World Trade Center site. The rebuilding of the site will create approximately 10,000 construction-related jobs in the region over the next several years.

The region's strong economic performance in 2006 was reflected in the record traffic levels at the interstate tunnels and bridges. Eastbound traffic at the Port Authority's vehicular crossings reached a new high in 2006 with an increase of 1.2 million vehicles, up 1 percent over 2005 levels. Overall eastbound vehicular traffic totaled 127 million vehicles, which broke the record set in 2004 by nearly 500,000 vehicles. Traffic was up 1.3 percent at the

AirTrain Newark reached a new record with nearly 1.6 million passengers, more than an 8 percent increase from 2005. Overall, 2006 was an excellent year for the Port Authority's airport systems, setting a new record of 104.1 million passengers.

The Port of New York and New Jersey set a new containerized cargo record last year, handling in excess of 5 million container units. An economic engine for the region, seaport facilities support more than 230,000 jobs that generate $13.6 billion in annual wages.

Holland and Lincoln tunnels and up 1.2 percent at the George Washington Bridge. Due to a loss of traffic caused by the eastbound nighttime closures at the Goethals Bridge from March through November for the deck rehabilitation project, activity at the Staten Island Bridges was 0.1 percent below 2005.

A record number of *E-ZPass*℠ transactions helped ensure efficient movement of traffic through the toll plazas. The Port Authority's off-peak toll discounts have helped increase travel in non-peak hours, ensuring that the infrastructure is used productively to move customers throughout the day.

The Port Authority's commitment to mass transit is evident in the record number of buses that used the Lincoln Tunnel's Exclusive Bus Lane (XBL) in 2006. The single lane averaged more than 1,730 buses each weekday morning. The 61,000 bus riders who use the lane each day represent more than 80 percent of all 6-10 a.m. trips made through the Lincoln Tunnel.

The PATH system posted a 10.2 percent increase in passenger trips during 2006, with nearly 67 million passengers using the system, up from 60.8 million in 2005. The weekday daily average rose 10.1 percent in 2006 to 227,114 passengers, compared with 206,274 daily passengers in 2005. The World Trade Center Station gained 8.8 percent in traffic with more than 12.1 million passenger trips in 2006, up from 11.1 million in 2005.

After opening a temporary PATH terminal at the WTC site in 2003, the agency has seen an overall improvement in the commuter service it provides to Lower Manhattan. Prior to September 11, 2001, the PATH WTC Station served approximately 45,000 daily riders. When the temporary station reopened, approximately 20,000 commuters returned, and over the past three years daily ridership has grown steadily, and now stands at more than 45,000. A permanent WTC PATH Station, now under construction as part of the WTC Transportation Hub, will have a capacity to serve 80,000 daily PATH riders and accommodate millions of annual visitors who will travel to The World Trade Center complex.

The Port of New York and New Jersey has steadily set cargo records in past years as demand has grown, fueled by a continuing increase in Asian trade. The Port set a new containerized cargo record last year, handling in excess of 5 million container units (Twenty-Foot Equivalent Units, or TEUs) in 2006.

Rail cargo movements at the port rose 12 percent in 2006. The Port's ExpressRail terminals handled 339,000 cargo container lifts in 2006, an increase of more than 35,000 over the previous record of 303,032 in 2005. In the past seven years, the number of containers transported by rail at the Port of New York and New Jersey has grown by 113 percent. The total volume now handled by ExpressRail effectively eliminates more than 500,000 truck trips annually from state and local roads.

The region's air cargo business experienced a remarkable turnaround in the second half of the year and turned original projections of a negative 1.5 percent growth into a year-end flat level of growth of 0.08 percent. In spite of this year's improvements, both domestic and international cargo levels remain 8.7 percent below 2001 levels at 2.69 million tons.

The Asia-Pacific region was the only regional block whose level exceeded pre-September 11, 2001, levels. Stronger economic growth is expected to propel cargo levels beyond pre-2001 levels of 2.95 million tons by 2010.

The economy of Lower Manhattan has now made a significant comeback, topping pre-September 11, 2001, levels for the first time, according to a downtown economic index released by Pace University. On an average weekday in 2006, approximately 400 construction workers were working at the WTC site. Going forward, the rebuilding of The World Trade Center will create approximately 10,000 construction-related jobs and is expected to generate $3.7 billion per year in direct economic activity.

Seaport facilities are also a key economic engine for the region, supporting 232,910 jobs that generate $13.6 billion in annual wages and more than $2.1 billion in annual tax revenues for state and local governments.

The Port Authority-administered Foreign-Trade Zone (FTZ) No. 49, centered around the New Jersey Marine Terminals facilities, helped support approximately 9,800 jobs in the region. Last year, the agency added a 407-acre site in South Kearny, an area that includes 5.5 million square feet of distribution and other space, to FTZ No. 49 as a subzone. The Port Authority, in partnership with the New Jersey Economic Development Authority, continued to promote the Portfields Initiative, a project designed to help private developers, communities and others to transform underutilized and brownfield sites into productive properties. As a result, in 2006 Foreign-Trade Zone subzone status was extended to two New Jersey firms, Portfields participants, to help expand their businesses and add jobs.

The Port Authority's bridges, tunnels and bus terminals support 4,500 jobs, $240 million in wages and $900 million in sales. The George Washington Bridge Bus Station redevelopment will bring new sales tax revenue, new retail and jobs to the growing Washington Heights neighborhood.

The Port Authority has a long-standing commitment to support minority, woman-owned and small businesses (M/W/SBEs) through initiatives designed to help local economies and strengthen communities. In February 2006, the Port Authority's Mentor-Protégé Program graduated its second class. The program provides a unique growth opportunity to certified M/W/SBEs by matching them with well-established firms to gain crucial industry exposure. The objective is to increase the pool of Port Authority-certified M/W/SBEs capable of bidding successfully on larger construction contracts.

To encourage M/W/SBE participation in the redevelopment of The World Trade Center, the Port Authority and several partners hosted The World Trade Center Transportation Hub M/W/SBE and General Subcontractors' Conference. More than 300 contractors attended the conference and heard presentations on topics such as contracting, pre-qualification, certification, insurance and bonding requirements.

Port Authority M/W/SBE programs have received public and private sector recognition for creating economic opportunity for underrepresented constituencies in the region. Contract awards to local, minority and woman-owned businesses, through Port Authority and tenant efforts, represent 16 percent of all contract awards, totaling $134 million. Over the past five-year period, M/W/SBEs have received approximately $947 million in contracts.

Securing Our Facilities

The Port Authority operates some of the busiest and most recognizable transportation facilities in the United States. They provide critical transportation services for the people of the New York-New Jersey region and the entire nation, as well as providing gateways to the world. The safety and security of our transportation network and our customers remain our top priority.

The Port Authority continued to make record investments in security initiatives. In 2006, $616 million in capital and operating expenses were allocated toward security, bringing the total spent since September 11, 2001, to nearly $3 billion. The agency continued to work with federal and state law enforcement and transportation agencies to continually assess risk and vulnerability as well as strengthen structures, enhance screening, and monitor and upgrade evacuation and planning procedures.

Maintaining the strength and training of the 1,600 officers in the Port Authority Police Department is crucial to protecting the commerce of the New York-New Jersey region. In 2006, the department added 50 new officers, and Emergency Services and K-9 units were enhanced. The Port Authority Police Academy provided more than 100,000 hours of additional training to officers in a variety of specialized areas.

On PATH, the Port Authority partnered with the Department of Homeland Security on a two-phase explosives-detection equipment testing exercise at the Exchange Place PATH Station.

At the airports, the agency began construction on a $62.6 million Police Crisis Command Center and Aircraft Rescue and Firefighting Facility at LaGuardia Airport in October. It will accommodate a high-tech police command center, state-of-the-art emergency response vehicles and advanced surveillance systems to enhance airport safety and security.

In partnership with the Transportation Security Administration (TSA), the Port Authority successfully launched a pilot program at Newark Liberty Airport using biometric fingerprint technology to enhance the Computerized Access Control Security System. By implementing this system and complying with the TSA's Transportation Worker Identification Credential (TWIC) standards, the agency and the Port Authority's airports are at the forefront of the industry.

The Port Authority invested more than $600 million in security in 2006. These efforts combine proven, ongoing programs, like inspections at bridge and tunnel crossings (left) with newer developments that employ advanced technologies and are used in coordination with federal, state and local law enforcement agencies. In July, the Port Authority hosted a federal Department of Homeland Security test (right) of an explosives-detection scanner at PATH's Exchange Place Station.

At JFK Airport, the Port Authority began an $11.6 million construction program to install a Variable Message Sign management system at and around the facility. The system will advise the public of critical warnings and give directions during high security alert conditions.

At all the airports, the Port Authority began work on the deployment of intrusion detection systems. The systems will provide detection, surveillance and situational awareness for police and security personnel at the airports. The agency also upgraded surveillance equipment at Newark Liberty and JFK airports that will allow greater monitoring of airport perimeters.

Port security is a regional and national concern. Responding to a need for continuing leadership on this issue, the Port Authority established a Port Security Task Force in March 2006. The task force, a nonpartisan group of government and business officials, was formed to generate public discussion of port and cargo security matters and to provide recommendations that address current gaps in port and supply-chain security.

In December, the panel issued its initial recommendations, highlighting the need for mandatory cargo security standards, the appointment of a national official in charge of port security issues, and a port user fee to help offset escalating port security expenses. The task force identified other areas in need of attention, including the continued development of the TWIC program, to provide a uniform credential for port workers who need access to restricted areas of port facilities.

The Port Authority was awarded $11.6 million under the Department of Homeland Security's Infrastructure Protection Program for Port Security. The funding included $8.9 million to implement the TWIC/Access Control System, and $2.6 million to enhance port surveillance systems. This was part of $25.7 million in funds awarded to entities in the Port of New York and New Jersey. It was the single largest grant award in the country under this federal program.

The Port Authority continued its participation in the federally funded Operation Safe Commerce (OSC) program, a public/private initiative to identify and test potential solutions to secure the transportation of intermodal containerized cargo. OSC efforts include testing the effectiveness of a container security device and its related business processes in the movement of more than 300 ocean containers from Germany, Jordan and Pakistan.

Serving the Public Trust

The Port Authority took decisive steps in 2006 to improve public confidence in its governance by making more of its decision-making processes transparent to the public. With the agency about to embark on an unprecedented era of capital investments, including landmark construction projects that involve an array of public and private partners throughout the region, the agency affirmed that public confidence in its operations and decision-making is essential to bring these visions to reality.

As a result, the Board of Commissioners approved a series of measures that allow the public to access the Board's agendas and action items well in advance of its meetings. There are expanded opportunities for the public to speak at Board meetings and comment upon specific items. Board meetings are now available in real time via Web casts, and committee meetings, now open to the public, will be available for viewing on the Web as well.

In the same spirit, the agency continued to expand its customer service and community programs and maintained a series of programs and activities that demonstrate its commitment to protecting and restoring the environment of the New York-New Jersey region.

Providing Customer Service

Throughout the agency, the Port Authority continued to build on the success of the Customer Care initiative. First introduced in 2005, the program was designed to enhance customer service for patrons who use the airports, bus terminals, PATH, tunnels, bridges and the seaport. In 2006, the program was expanded to include front-line staff and business partners at all facilities by providing the tools to deliver excellent customer service to the millions of customers who use Port Authority facilities annually.

In 2006, J.D. Power & Associates recognized LaGuardia Airport as having the highest overall passenger satisfaction score in its Airport Satisfaction Index Study. In addition, the American Association of Airport Executives selected LaGuardia Airport from among all large commercial airports in the United States to receive the Balchen/Post Award for excellence in the performance of snow and ice control for the 2006 winter season.

Continuing to build on its commitment to increased customer services, the Port Authority has expanded its Customer Care initiative to include more training for front-line staff and business partners at all facilities.

At the seaport, the agency completed its second Container Terminal Customer Satisfaction Study, focusing on the level of service that ocean carriers, trucking companies, shippers and other service providers receive from the Port's container terminals. The study will help the agency target future investments to meet customer needs and expectations.

The Shop&Ride campaign was launched in 2006 to promote a variety of shops and services available at the Port Authority Bus Terminal and to attract a wider market.

The Port Authority continued to reevaluate and monitor its customer service standards. The agency added 22 Temporary Passenger Information Agents (PIAs) at PATH stations and terminals during peak periods and on weekends. The PIAs provide more personalized service to customers and have significantly improved PATH's ability to assist customers during service changes and disruptions.

At the busy Port Authority Bus Terminal, the agency modified 112 gates to accommodate passengers with disabilities, enhancing them to meet the standards of the Americans with Disabilities Act. The Port Authority also introduced the Shop&Ride℠ campaign, designed to promote the variety of shops and services available at the facility and to attract a wider market. Food and beverage offerings available to bus terminal customers were enhanced with the opening of a juice bar and a French bistro-style restaurant.

The agency improved parking revenue control systems at all three airports, using a new system that photographs license plates at parking lot entrances and exits, and matches the vehicle with the ticket issued upon entry and presented upon exit. This technology ensures proper fee charges and allows for unstaffed exit lanes and faster processing. When fully implemented, the system is expected to reduce a significant portion of parking lot labor costs.

The Port Authority expanded its automated external defibrillator (AED) program in 2006 by adding 1,200 new AEDs for use at facilities. This 10-year-old program provides immediate assistance to victims of sudden cardiac arrest until emergency medical services arrive. All members of the Port Authority Police Department are trained to operate the equipment, and since 1997 nearly 1,000 Port Authority civilian employees have been trained to operate AEDs.

At the Port of New York and New Jersey, the agency established the Port Productivity and Efficiency Roundtable, bringing together 20 major industry stakeholders to review port-related infrastructure and logistics processes. The roundtable established investment priorities for the Port Authority's 10-year port capital plan, and also targeted short- and medium-term processes or technological improvements that can make the seaport a more efficient and productive link in the logistics chain.

Another productivity improvement at the seaport was the inauguration of the Virtual Container Yard (VCY) Demonstration Project. The project will introduce a computer-based transaction system that facilitates more efficient transfers of marine containers at off-port locations. The VCY system has the potential to eliminate approximately 1,100 truck trips to the port each day.

The Port Authority's Congestion Pricing Program for the bridge and tunnel crossings celebrated its fifth anniversary of off-peak toll discounts in 2006. Evaluation and monitoring of the program indicate meaningful and sustained traffic shifts after five years during weekday peak travel hours.

Building on that success, the Port Authority continued to implement *E-ZPass* improvements. Two highway-speed *E-ZPass* lanes were installed at the Outerbridge Crossing, which reduced toll plaza delays and traffic congestion and improved travel time reliability for customers. In 2006, more than 71 percent of all transactions at Port Authority crossings were paid with *E-ZPass.*

Building and Operating Sustainable Transportation Systems

The Port Authority's commitment to sustainable growth recognizes the need for leadership to balance environmental stewardship and economic development goals.

The agency began implementing the new Administrative Policy for Sustainable Design, a guideline to reduce environmental impacts and improve resource conservation in new and renovated buildings and facilities. The guidelines also benefit the region's economy by encouraging the use of locally manufactured materials and by supporting renewable energy and clean technologies.

As part of the agency's continuing effort to protect Jamaica Bay's ecosystem adjacent to JFK Airport, the Port Authority authorized the transfer of $600,000 to help fund restoration projects in the bay. The agency has been an active participant in helping to shape a plan for Jamaica Bay's future by partnering with environmentalists to work on water quality improvement and wetlands protection initiatives.

In 2006, the Port Authority authorized $37 million in additional funding to soundproof 21 schools in New York and New Jersey as part of the 23-year-old program to help local schools affected by aircraft noise. Soundproofing has been proven to cut perceived aircraft noise levels in half. Since the inception of the program, the Port Authority has committed $356.3 million to soundproof 77 schools in both states.

As the local sponsor of the Army Corps of Engineers' project to deepen key harbor channels to 50 feet, the Port Authority is required to fund projects that will offset the additional emissions that the project will generate in the region's environment. The agency has been working with the Staten Island Ferry and regional tugboat operators to improve emissions from their vessels. Engine modifications on two Staten Island ferries and engine replacements for nine harbor marine vessels resulted in air emission reductions of over 444 tons of nitrogen oxide in 2006. The project will continue with work on another four vessels and may be expanded to include three private ferries operating out of Bridgeport, Connecticut.

Similarly, the Port Authority has been working with the Army Corps on projects designed to mitigate the effects of the deepening project on wetlands adjacent to the shipping channels. Mitigation work was completed on more than 77 acres of wetland projects in New York and New Jersey. Projects included the Woodbridge and Medwick Park sites in New Jersey, the Brooklyn Union Gas site in Staten Island and Elders Point in Jamaica Bay.

To offset the environmental impact on air quality of the 50-foot harbor deepening program, the Port Authority has funded engine modification for two Staten Island ferry boats and nine tug vessels operating in the region.

The Port Authority is participating, through financial and substantive support, in the Army Corps of Engineers' Hudson-Raritan Estuary Ecosystem Restoration Study that will result in the completion of the Comprehensive Restoration Plan. The plan will identify sites, opportunities and potential partnerships for restoration in the estuary. The Port Authority also worked with the Army Corps to inform stakeholders and the public and to encourage their participation.

In 2006, the Port Authority acquired two properties in Staten Island and one in Secaucus, N.J., as part of the continuing Hudson-Raritan Estuary Resource Program. The program, authorized by the Board of Commissioners in 2001, provided $60 million – $30 million each for New York and New Jersey – for the acquisition of land that will preserve critical habitats and waterfront areas for public use.

The Port Authority continued to work on programs at its facilities to reduce overall energy consumption and operating costs. Program initiatives include the replacement of lighting, mechanical or HVAC systems in five buildings at JFK Airport. All told, these initiatives garner $1.3 million in annual energy savings. Other energy efforts include installation of energy-efficient emergency power generators at the Staten Island Bridges to further enable participation in the New York State Energy Conservation Load Shed Program. Also, an administration building was constructed at the Elizabeth-Port Authority Marine Terminal incorporating energy-efficient materials and environmentally friendly natural lighting.

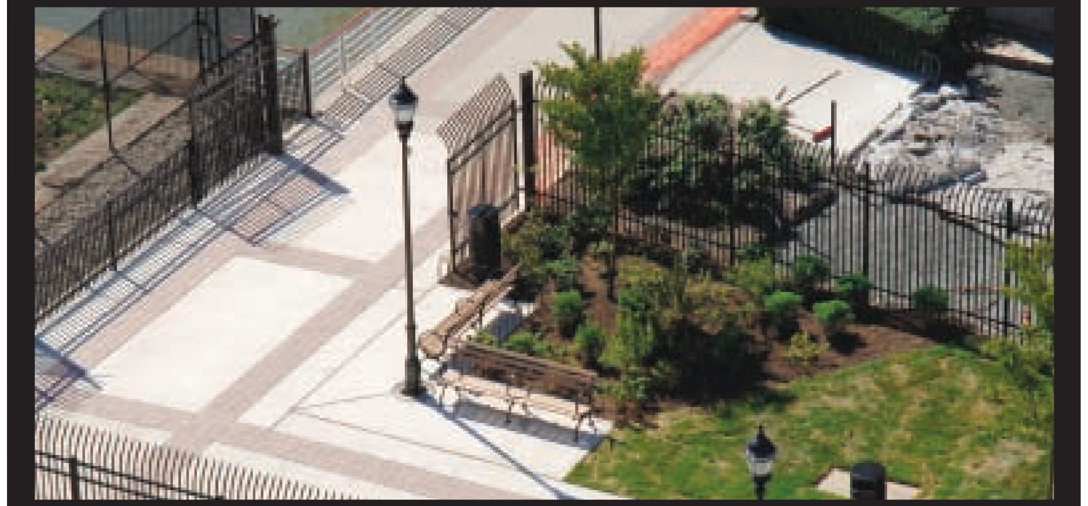
The agency expanded its program of environmentally responsible "clean fleet" operations by continuing the introduction of biodiesel, a clean motor fuel, at most Port Authority facilities. The agency's clean fleet consumed more than 164,800 gallons of biodiesel motor fuel. The agency has also increased the number of alternatively fueled vehicles and hybrid-electric vehicles in its fleet.

The Port Authority reached an agreement with the New York Power Authority, the New York State Energy Research and Development Authority, and the World Trade Center Memorial Foundation to make additional environmental and energy commitments to the Freedom Tower and other public facilities at The World Trade Center site. These include 1.2 megawatts of fuel capacity in each of Towers 1 through 4 and the purchase of up to 93,000 megawatt-hours annually of renewable energy attributes from wind energy facilities in upstate New York. Many Environmental Performance Commitments (EPCs) have been included in contracts for redevelopment work at the WTC site.

In 2006, the Port Authority completed construction of an efficient, cost-effective and environmentally friendly aircraft de-icing system at JFK International Airport. The de-icing system is housed in a large tentlike facility to accommodate larger aircraft and uses clean-burning natural gas to melt snow and ice from the surfaces of aircraft. This system reduces the amount of glycol-based fluids used at the airport.

The Port Authority continues to partner with federal, state and local agencies and environmental and biodiversity organizations to track and prevent bird and waterfowl hazards. Programs include the Laughing Gull Nest Survey at JFK Airport, which yielded some biological discoveries benefiting the scientific community about breeding, mortality and population distribution, and the Geese Study at JFK and LaGuardia airports that involved five other agencies in Canada.

The Port Authority completed work on a waterfront promenade alongside the Holland Tunnel Land Ventilation Building in Jersey City.



Serving the Community

The Port Authority's facilities and activities have an impact on communities, both large and small, throughout the New York-New Jersey region. The agency takes seriously its responsibility to be a good neighbor and a good corporate citizen.

At Teterboro Airport, in response to local community concerns about aircraft noise and safety, the Port Authority participated in an effort to balance community interests with the operational needs of the airport. The Teterboro Working Group has formulated airport flight reduction and enhanced safety strategies. In October 2006, the Port Authority and the major users of Teterboro Airport announced voluntary flight restrictions to reduce operations. This effort was achieved through the building of a proactive membership with Teterboro Airport's fixed-base operators, airport users and tenants, and national and local aviation industry associations.

Work was completed for the expansion of the Hudson River Waterfront Walkway alongside the Holland Tunnel Land Ventilation Building property in Jersey City to create a waterfront promenade and public park area. The project completes a section of the 18.5-mile regional Hudson River Waterfront Walkway from Bayonne to the George Washington Bridge, providing new public access to the waterfront.

In support of the agency's ongoing good neighbor policy, the Port Authority worked with the Newark Mayor's Office of Employment & Training and the New York-based After-School Corporation, part of the City of New York Department of Youth and Community Development, to provide summer opportunities to seven high school students from communities in New Jersey and New York.

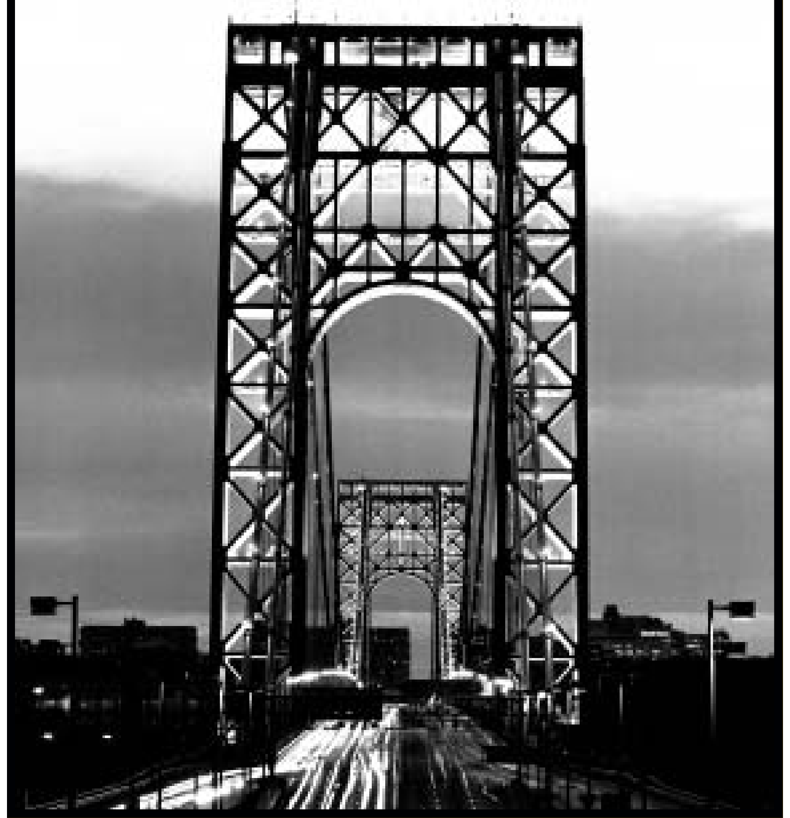
Port Authority programs like the Architecture, Construction and Engineering (ACE) Mentor Program continued to expand, reaching new inner city high school students in the bistate area. Last year, 14 staff members volunteered their time as mentors to youths from 10 high schools to promote careers in architecture, engineering, construction and project management.

Additionally, Port Authority engineers partnered with two local high schools to mentor students participating in the FIRST Robotics Competition. The program is designed to challenge young people intellectually by discovering cutting-edge engineering technologies.

PATH's Annual Holiday Poster contest, an initiative showcasing the artwork of Jersey City Public Schools students, yielded hundreds of submissions. The students' work was recognized at a December 2006 ceremony honoring the first-place winner and two runners-up.

As part of the Local Assistance Program, the Port Authority prepared the space program requirements, a prototype site, capital project budget and a preliminary timeline for the relocation of the Children's Museum of the Arts to a larger facility to accommodate future needs. This effort enabled the Children's Museum of the Arts to receive a $100,000 planning grant from the Lower Manhattan Development Corporation's Cultural Enhancement Fund.

The City of New York's Aviation High School, based at JFK Airport, provides students with training toward careers in the aviation industry.



The George Washington Bridge, which marked 75 years of service in October 2006, continues to play a critical role in our region's transportation network.

The Bayonne Bridge, an architectural landmark, celebrated its 75th anniversary in November 2006.

Celebrating Our History

The Port Authority celebrated several milestones in 2006: the 75th anniversaries of the George Washington and Bayonne bridges, and the 50th anniversary of the birth of port "containerization" at Port Newark.

The bridges, which opened to the public in the autumn of 1931, are considered engineering masterpieces. Today, the George Washington and Bayonne bridges are critical links in the region's transportation network, handling more than 113 million vehicles in 2006. They are also essential parts of the communities they serve, bringing thousands of jobs and millions of dollars in economic activity to New Jersey, Manhattan and Staten Island communities by facilitating the movement of the commuters, visitors and travelers who greatly contribute to the economic health of the region.

The 75th anniversary commemorations included extensive community involvement. Working with local community groups, the Port Authority produced exhibits and newspaper advertisements showcasing childrens' artwork from the host communities of these two facilities.

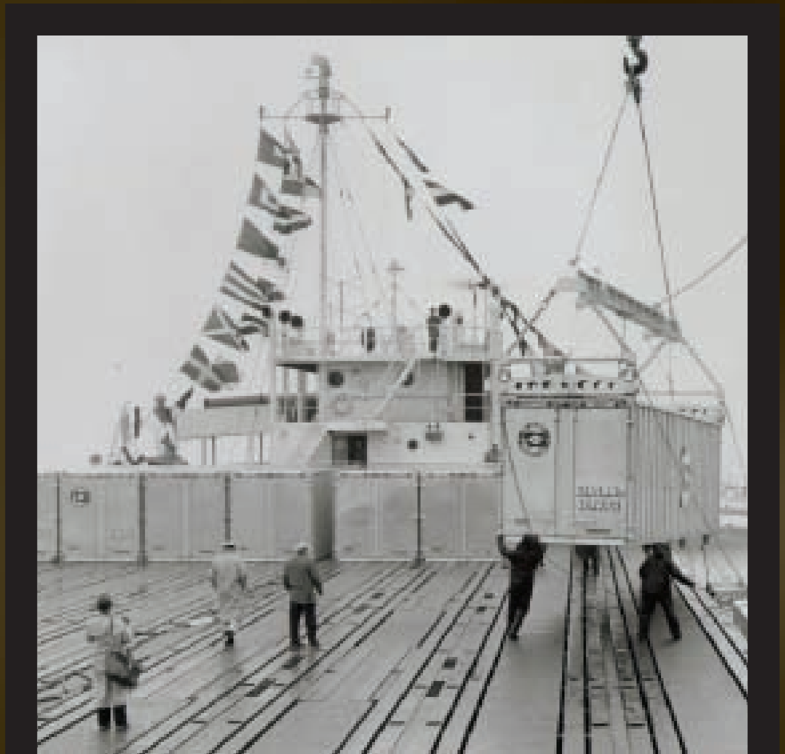
The dawn of port containerization in April 1956 drew considerably less fanfare than did the opening of bridges, tunnels and airports in their time, but the first sailing of the *Ideal X*, a converted oil tanker with a few dozen truck trailers severed from their chassis and placed on its deck for a trip between Port Newark and Houston, Texas, marked the beginning of a revolution. Containerization, the brainchild of Malcom McLean, the founder of shipping company Sea-Land Service, changed the landscape of port cities around the world and launched an almost unimaginable expansion of global trade. It also required an entirely new model of seaport infrastructure. The Port Authority, with Sea-Land, was a pioneer in the development of this new type of seaport with the opening in 1962 of the Elizabeth-Port Authority Marine Terminal.

On April 25, 2006, one day shy of the 50th anniversary of the birth of containerization, the Port Authority and more than 100 guests gathered to commemorate the sailing of the *Ideal X* and celebrate the Port of New York and New Jersey's success. Today, the port is the premier shipping destination on the East Coast and one of the busiest ports in the country.

These anniversaries were a reminder of the Port Authority's contributions to the region over the past 85 years. They also reflect the commitment of the agency to the future. As the agency moves into a new era of investment and building for the New York-New Jersey region, it will be guided by the history and importance that these achievements represent.

New Jersey Governor Jon Corzine joins a group of fourth-grade students from communities around the George Washington Bridge who designed "birthday cards to the bridge" as part of the 75th anniversary celebration.

The sailing of the *Ideal X* from Port Newark in 1956 launched the concept of modern containerization and facilitated the growth of the Port of New York and New Jersey.



THE PORT AUTHORITY OF NY & NJ

225 Park Avenue South, New York, NY 10003

**To The Board of Commissioners of
The Port Authority of New York & New Jersey**

The Consolidated Financial Statements of The Port Authority of New York and New Jersey (including its wholly owned entities) as of and for the years ended December 31, 2006, and December 31, 2005, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Consolidated Financial Statements rests with management of the Port Authority. Management's Discussion and Analysis (MD&A) of the Port Authority's financial performance and activity provides a narrative introduction, overview and analysis to accompany the Consolidated Financial Statements and is supplemental information that is required by the Governmental Accounting Standards Board. Schedules A, B and C have been prepared in accordance with 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 (GAAP). Schedules D, E, F and G include other supplementary information presented for purposes of additional analysis and are not a required part of the Consolidated Financial Statements. To the best of my knowledge and belief, such financial and other information, including the summary of significant accounting policies described in Note A of the Consolidated Financial Statements, is accurate in all material respects and is reported in a manner designed to present fairly the Port Authority's net assets, changes in net assets, and cash flows in conformity with GAAP.

On the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements in accordance with GAAP.

A firm of independent auditors is retained each year to conduct an audit of the Consolidated Financial Statements in accordance with auditing standards generally accepted in the United States of America. The goal of the independent audit is to provide reasonable assurance that these Statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the Consolidated Financial Statements, an assessment of the accounting principles used and significant estimates made by management, as well as the overall presentation of the Statements. In planning and performing their audit, the independent auditors gave consideration to the Port Authority's comprehensive framework of internal controls in order to determine auditing procedures for the purpose of expressing an opinion on the Consolidated Financial Statements. The independent auditors' report is presented as the first component in the financial section following this letter.

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the auditors' report and the audited financial statements.

Profile of the Port Authority

The Port Authority is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, which was established in 1921 to provide transportation, terminal and other facilities of commerce within the Port District, an area of about 1,500 square miles in both states centering about New York Harbor. The Port Authority raises the funds necessary for the improvement, construction or acquisition of its facilities generally upon the basis of its own credit. It has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

The Port Authority maintains an infrastructure of financial systems to record the financial results of operations and provide an audit trail to be used in a review of accountability.

The financial planning process integrates an annual budget process with multiyear forecasting projections. Through the budget process, staff identifies strategic, financial and operational issues that affect resource allocations; sets forth an expenditure plan for the year that balances priorities across all agency lines of operation; and provides alternate financial scenarios of proposed operating and financial arrangements and their impact on the agency's financial position. Each new budget is separately considered and approved by the Board of Commissioners, although such approval does not in itself authorize specific expenditures, which are authorized from time to time by, or as contemplated by, other specific actions of the Board of Commissioners.

The approved budget becomes a mechanism that facilitates the systematic review of program expenditures to ensure that they are made consistent with statutory, contractual and other commitments of the agency, the policies and financial decisions of the Board of Commissioners, and the requirements of the By-Laws of the Port Authority. Forecasting models are used to assess the agency's projected long-range financial condition; determine the financial feasibility of future capital investment; and perform financial tests to measure fiscal risk and to ensure the organization's integrity in the credit markets. This comprehensive approach to planning, budgeting and forecasting enables the agency to identify, track and take corrective action with respect to the funding requirements needed to deliver the projects and services that the Port Authority provides.

Regional Economic Condition and Outlook

The New York and New Jersey regional economy expanded geographically and across industries in 2006. The region added 87,800 jobs in 2006, for a 1.1 percent growth rate. The regional unemployment rate for the year fell to 4.7 percent. This region's accelerated growth took place within the context of a national economy that was hobbled by a marked slowdown in housing construction throughout the year and declining housing prices in the latter part of the year. However, even with the second-half slowdown, U.S. Gross Domestic Product grew by an estimated annual rate of 3.3 percent in 2006, akin to the pace of growth in 2005. In 2006, the nation added almost 2.5 million new jobs, for an increase of 1.8 percent. The national unemployment rate continued to fall, dropping to 4.6 percent, from 5.1 percent the previous year. While economic risks and uncertainties have increased at this point in the economic cycle, it appears that the U.S. economy will navigate through the current slowdown to avoid a recession. Equity markets gained strength in 2006. Wall Street firms added 9,500 jobs and posted large profits and bonus payouts. This bodes well for the region in 2007, as much of last year's bonus money will be spent locally. As a consequence, regional real estate prices should be steadied, and many other sectors of the economy should feel a boost.

The region's strong economic performance in 2006 was rooted in a buoyant New York City economy — which accounted for 70 percent of the region's new jobs — as well as improved economic performance in the eight-county New Jersey subregion and the four-county New York suburbs. One of the most striking indicators for 2006 was New York City's unemployment rate, which fell below 5 percent as compared with the previous low of 5.8 percent during the peak of the City's employment cycle in 2000. Another noteworthy aspect of the 2006 regional expansion was that all industries except manufacturing added jobs. The construction industry withstood the slowdown in residential construction as major office construction projects and infrastructure work picked up the slack. In fact, the region added more than 12,000 construction jobs, a very large increase by historical standards. Professional and Business Services, which include accountants, architects, engineers, lawyers, computers systems designers and management consultants — and are traditionally leaders of growth — expanded sharply, adding almost 24,000 jobs. The region's aging population also required more health care services, as reflected in the addition of 26,000 more jobs to that sector. With an estimated 44 million visitors coming to New York City last year, the Leisure and Hospitality sector continued to grow robustly, adding 10,700 jobs. Hotel occupancy rates in New York City exceeded 85 percent, on average, for the year, and prices rose 11.6 percent, to average $271 a room per night. The region's inflation rate dropped slightly to 3.8 percent but remained above the nation's 3.2 percent rate. The region was adversely affected by housing cost inflation, which registered at 5.1 percent, and energy cost inflation, at 10 percent.

The region's trade — exports and imports combined — totaled $316 billion in 2006, up 10.3 percent from the previous year. Notwithstanding a continuing drop-off in manufacturing, exports handled through Port Authority gateway facilities advanced 17 percent, to $106 billion, and reflect the improved competitiveness of U.S. exports in global markets. For the year, exports from New Jersey expanded 28 percent, to $27 billion; New York exports grew by 13.6 percent, to $57 billion. The improvement in exports was an additional component to the diversification of the region's expansion.

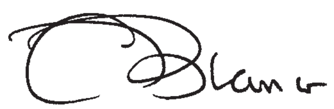
Changes in Port Authority activity levels reflected these improved economic conditions. Air passenger traffic at the three major airports was approximately 104.1 million in 2006, an increase of approximately 4.3 million passengers, or 4.3 percent above 2005 levels. Port general cargo volumes reached 31.2 million metric tons in 2006, an increase of approximately 10.1 percent over the 28.1 million metric tons reported in 2005. Eastbound vehicular volumes at the bridges and tunnels reached 127 million, a slight increase from 2005 levels. PATH volumes increased by approximately 6 million passengers in 2006, a 10.2 percent increase from 2005 levels.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. This was the tewnty-second consecutive year that the Port Authority achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must also satisfy both GAAP and applicable legal requirements.

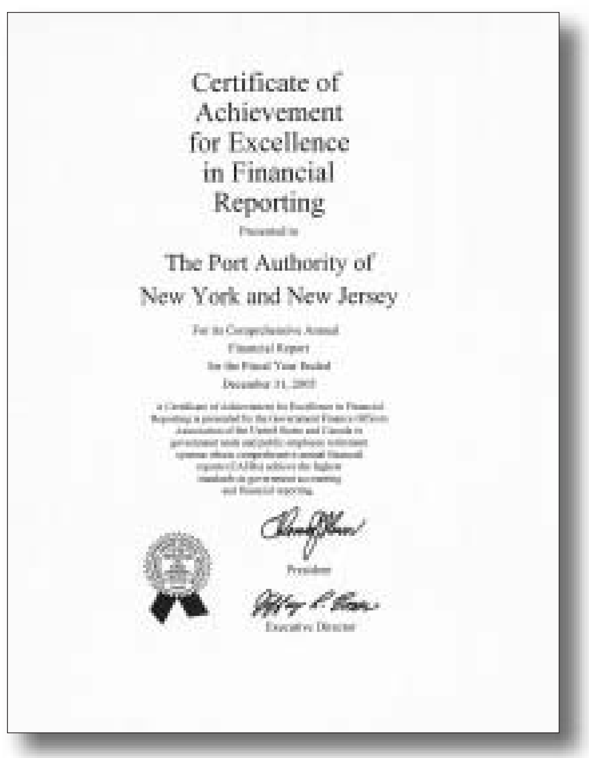
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

February 23, 2007



A. Paul Blanco
Chief Financial Officer

For the twenty-second consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 2005 Comprehensive Annual Financial Report.


Certificate of Achievement for Excellence in Financial Reporting

The Port Authority of New York and New Jersey

Financial Section

The Port Authority of New York & New Jersey
Annual Financial Report for the Year Ended December 31, 2006
Prepared by the Comptroller's Department

THE PORT AUTHORITY OF NY & NJ

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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, as of December 31, 2006 and 2005, 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 these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules, 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 audits provide 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, 2006 and 2005, 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.

As discussed in Note I to the consolidated financial statements, in 2006 the Port Authority changed its method of accounting for postemployment benefits to conform to GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

As described in Note A-4 to the consolidated financial statements, the Port Authority has prepared the accompanying Schedules A, B, and C on a comprehensive basis of accounting in accordance with Port Authority bond resolutions, which differs in some respects from accounting principles that are generally accepted in the United States of America. The differences between Schedules A, B, and C and the consolidated financial statements are also described in Note A-4.

As such, in our opinion, because of the effects of the differences between the two bases of accounting referred to in the preceding paragraph, Schedules A, B, and C do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the assets and liabilities of the Port Authority at December 31, 2006 and 2005, or its revenues and reserves for the years then ended.

Member of
Deloitte Touche Tohmatsu

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, 2006 and 2005, and its revenue and reserves for the years then ended, in accordance with the requirements of Port Authority bond resolutions as 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-1, D-2, D-3, D-4, E, F, and G 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-1, D-2, D-3, D-4, E, F, and G has been subjected to the auditing procedures applied in our audits 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 23, 2007

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey and its wholly owned entities, Port Authority Trans-Hudson Corporation, the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, WTC Retail LLC, Port District Capital Projects LLC, Port Authority Insurance Captive Entity LLC and 1 World Trade Center LLC (all collectively referred to as the Port Authority), is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2006, with selected comparative information for the years ended December 31, 2005 and December 31, 2004. This section has been prepared by management of the Port Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Overview of 2006 Financial Results

Port Authority net assets increased by $519 million in 2006, reflecting continued growth in passenger and activity levels at Port Authority facilities, ongoing efforts to hold the line on operating expenses, and increased revenues attributable to grants, other contributions and insurance.

Gross operating revenues exceeded $3 billion in 2006, representing a $38 million increase over 2005. The increase was primarily due to higher revenues from public parking operations at LaGuardia Airport (LGA), John F. Kennedy International Airport (JFK) and Newark Liberty International Airport (EWR), higher rent payments from the World Trade Center (WTC) net lessees, and increased revenues from fixed rentals at LGA, JFK, the New Jersey marine terminals, and the cruise ship terminal at the Brooklyn-Port Authority Marine Terminal (BPAMT). Toll revenues from tunnel and bridge crossings, Port Authority Trans-Hudson Corporation (PATH) fare revenues and JFK and EWR AirTrain revenues were also higher, reflecting increased activity levels. Partially offsetting these increases were lower revenues from airline cost recovery agreements.

Operating and maintenance expenses totaled $2.1 billion in 2006, which was $25 million higher than 2005. The increase was primarily due to higher consultant costs related to negotiations under the conceptual framework for the redevelopment of the WTC site, increased insurance expense for property damage and loss of revenue insurance coverage, transferring certain capital costs to operating expense reflecting changes in project priorities, and higher rental expense primarily associated with the Port Authority's lease with the City of Newark covering the operation of EWR and Port Newark (PN). These increases were partially offset by lower employee benefits costs stemming from the adoption of a new accounting standard which changed the methodology for measuring the actuarial liability for postemployment benefit expenses.

Depreciation and amortization expense increased by $37 million in 2006 compared to 2005, primarily reflecting the full year impact of the accelerated retirement of the book value of the existing PATH rail car fleet, which commenced in July 2005 in anticipation of phasing the new PATH rail cars into service beginning in 2009; increased investment in regional programs; and the full year impact of transferring $1.1 billion of construction in progress to completed construction in 2005.

Non-operating revenues consisting of financial income, PFCs, other contributions and insurance increased by $412 million in 2006 compared to 2005.

Financial expense increased $32 million, reflecting higher average balances of outstanding consolidated bonds and notes in 2006 compared to 2005.

Other Activities

- The Port Authority's ongoing commitment to the growth and development of the region continued to be demonstrated in 2006 through the significant capital investment that was made. Capital expenditures totaled approximately $1.6 billion in 2006, while over $1 billion of capital construction, including costs associated with regional programs, was transferred to completed construction.
- The Board of Commissioners approved a 10-year, $26.1 billion capital plan that returns the Port Authority to historic investments in transportation infrastructure, meets commitments to rebuilding and improving facilities, and provides a capital investment strategy for the future. Highlights of the plan include $8 billion for the reconstruction of the WTC site, $4 billion for regional transportation projects, including $2 billion toward the construction of a second commuter rail tunnel under the Hudson River, and $3.9 billion to expand and modernize JFK, EWR and LGA.
- In 2006, the Board of Commissioners approved the conceptual framework for the redevelopment of the office and retail components of the WTC site (see Note K). The conceptual framework provided for the Port Authority to acquire the net lessee of the Freedom Tower and Tower 5 and for this wholly owned PA entity to develop such towers. The Silverstein net lessees will develop Towers 2, 3 and 4. The retail components of the WTC will be developed by WTC Retail LLC, a wholly owned entity of the Port Authority.

- JFK, EWR and LGA achieved record passenger levels in 2006, exceeding the 100 million mark. As in 2005, this milestone represents more passengers handled than any other airport system in the nation.
- In an effort to expand regional airport capacity, the Port Authority has authorized acquisition of the operating lease for Stewart International Airport in New Windsor, New York for $78.5 million. Subject to the satisfaction of certain conditions, including the passage of legislation by the State of New Jersey (comparable to legislation adopted in the State of New York in 1967), required approvals by the Federal Aviation Administration and Transportation Security Administration, approval of the assignment of the lease by the New York State Department of Transportation, and third party consents, the Port Authority expects to take over management of Stewart International Airport by October 2007.
- The Port Authority has entered into negotiations with the City of New York for sale to the City of the Port Authority's portions of the Queens West Waterfront Development site. The proposed sale provides for the City to pay $100 million to the Port Authority and to fund the remaining unpaid balance of the Port Authority's commitment to developing the site, which totals approximately $46 million.
- In October 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity LLC (PAICE), for the purpose of insuring certain risk exposures of the Port Authority. PAICE is authorized to transact insurance business in connection with workers' compensation, general liability, builders' risk, property risks, and for property and losses arising from acts of terrorism subject to the Terrorism Risk Insurance Extension Act of 2005.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Port Authority's basic financial statements, including the notes to the consolidated financial statements, financial schedules pursuant to Port Authority bond resolutions, and statistical and other supplemental information. The basic financial statements, which are included in the Financial Section of this report, comprise the following: the Consolidated Statements of Net Assets, the Consolidated Statements of Revenues, Expenses and Changes in Net Assets, the Consolidated Statements of Cash Flows, and the Notes to the Consolidated Financial Statements.

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 of its assets and liabilities. Net assets represent the difference between total assets and total liabilities. A summarized comparison of the Port Authority's assets, liabilities, and net assets follows:

	2006	2005	2004
		(In thousands)	
ASSETS			
Current assets (including restricted assets)	**$ 3,645,073**	$ 2,668,453	$ 2,936,548
Noncurrent assets (including restricted assets)			
Facilities, net	**13,354,591**	12,578,111	12,002,575
Other noncurrent assets	**4,760,668**	4,539,803	4,493,466
Total assets	**21,760,332**	19,786,367	19,432,589
LIABILITIES			
Current liabilities	**2,934,266**	2,386,153	2,127,129
Noncurrent liabilities			
Bonds and other asset financing obligations	**9,137,305**	8,204,548	8,301,375
Other noncurrent liabilities	**2,054,358**	2,079,893	2,050,218
Total liabilities	**14,125,929**	12,670,594	12,478,722
NET ASSETS			
Invested in capital assets, net of related debt	**5,877,708**	5,725,929	5,563,683
Restricted	**208,771**	17,916	14,651
Unrestricted	**1,547,924**	1,371,928	1,375,533
Total net assets	**$ 7,634,403**	$ 7,115,773	$ 6,953,867

The Port Authority's financial position remained strong at December 31, 2006, with assets of $21.8 billion and liabilities of $14.1 billion. Facilities, net increased by $776 million from 2005. This amount includes both completed facilities and construction in progress.

Net assets totaled approximately $7.6 billion at December 31, 2006, an increase of approximately $519 million over 2005. Invested in capital assets, net of related debt, which totaled $5.9 billion at December 31, 2006, represents the largest of the three components of Port Authority net assets and comprises investment in capital assets (e.g. land, buildings, improvements and equipment), less the related outstanding indebtedness used to acquire those capital assets. Net assets reported as restricted due to constraints imposed by agreements or legislation totaled $209 million, comprising $185 million in insurance proceeds, which are restricted to business interruption obligations and redevelopment expenditures of 1 WTC LLC, the net lessee of the Freedom Tower and Tower 5, and WTC Retail LLC, the net lessee of the WTC's retail components, and $24 million in PFCs restricted for use on projects or expenditures eligible for the application of PFCs. The balance of net assets at December 31, 2006 totaling $1.5 billion is unrestricted and may be used to meet ongoing Port Authority obligations.

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:

	2006	2005	2004
		(In thousands)	
Gross operating revenues	**$3,038,538**	$3,000,693	$2,864,824
Operating expenses	**(2,112,624)**	(2,087,918)	(1,981,365)
Depreciation and amortization	**(724,259)**	(686,728)	(614,216)
Expenses related to the events of September 11, 2001	**(2,069)**	(3,358)	(4,985)
Income from operations	**199,586**	222,689	264,258
Net non-operating expenses	**(319,907)**	(316,810)	(332,823)
Contributions, PFCs and grants	**638,951**	256,027	220,101
Increase in net assets	**$ 518,630**	$ 161,906	$ 151,536

Additional information on facility operating results can be found in Schedule E located in the Statistical and Other Supplemental Information section of this report.

Revenues

A summary of gross operating revenues follows:

	2006	2005	2004
		(In thousands)	
Gross operating revenues:			
Rentals	**$ 952,431**	$ 928,395	$ 877,306
Tolls and fares	**798,682**	787,381	788,333
Aviation fees	**717,631**	748,811	714,766
Parking and other	**334,088**	296,663	269,413
Utilities	**146,822**	147,795	121,436
Rentals - Special Project Bonds Projects	**88,884**	91,648	93,570
Total	**$3,038,538**	$3,000,693	$ 2,864,824

2006 vs. 2005

Gross operating revenues exceeded $3 billion for the year-ended December 31, 2006, which is $38 million higher than 2005. The year-to-year increase in operating revenues is primarily due to the following:

- Parking and other revenues were higher by $37 million in 2006 compared to 2005 primarily due to increased vehicular parking activity at the three major airports and the full year impact of a parking rate increase that went into effect in 2005. Revenues were also higher as a result of increased activity and higher rates associated with Express Rail service at PN and the Elizabeth-Port Authority Marine Terminal (EPAMT).

- Rental revenues increased $24 million year to year primarily due to higher rent payments from the WTC net lessees, rent escalations and new lease agreements with major tenants at LGA, JFK, PN and the EPAMT, and the commencement of rental payments related to the cruise ship terminal at the BPAMT.
- Revenues from tolls and fares were approximately $11 million higher in 2006 compared to 2005. Toll revenues were $8 million higher year to year due to an increase in vehicular activity at the tunnel and bridge crossings and higher fees from E-ZPass violations. PATH fares were higher by $3 million due to increased ridership levels.
- Aviation fees decreased by $31 million year to year reflecting lower revenues from cost recovery agreements with the airlines operating at LGA, JFK and EWR. This decrease was partially offset by additional revenues resulting from increased ridership levels on the EWR and JFK AirTrain Systems.

2005 vs. 2004

Gross operating revenues totaled $3 billion for the year-ended December 31, 2005, which is $136 million higher than 2004. The year-to-year increase in operating revenues is primarily due to the following:

- Rental revenues were higher by $51 million in 2005 compared to 2004 stemming from an overall increase in agency-wide advertising revenues, increased rentals under the leases for major tenants at the EPAMT, PN and Terminal 4 at JFK, and increased activity-based rentals primarily from aircraft service companies and consumer service tenants.
- Aviation fees increased by $34 million year to year reflecting higher revenues from cost recovery agreements with the airlines operating at LGA, JFK and EWR.
- Parking and other revenues were $27 million higher in 2005 compared to 2004 primarily due to increased vehicular parking activity at the three major airports and higher vehicular parking rates.
- Utility revenues increased by $26 million in 2005 compared to 2004 mainly due to increased electricity consumption at JFK.
- Revenues from PATH fares were $4 million higher in 2005 compared to 2004 reflecting increased ridership levels. Offsetting this increase, however, was lower toll revenues of $4 million mainly due to lower vehicular activity at the tunnel and bridge crossings. Vehicular activity was negatively impacted by several factors including winter snowstorms in the first quarter of the year, and a spike in fuel prices resulting from Hurricane Katrina as well as continued higher fuel and energy prices which impacted discretionary travel.

Expenses

A summary of operating expenses follows:

	2006	2005	2004
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 840,640**	$ 870,784	$ 806,890
Contract services	**590,197**	564,332	545,404
Rents and amounts in-lieu-of taxes	**254,178**	243,411	252,658
Materials, equipment and other	**187,996**	168,139	141,367
Utilities	**150,729**	149,604	141,476
Interest on Special Project Bonds	**88,884**	91,648	93,570
Total	**$2,112,624**	$2,087,918	$1,981,365

2006 vs. 2005

Operating expenses totaled $2.1 billion in 2006, which is $25 million higher than 2005. The year-to-year increase in operating expenses is primarily due to the following:

- Contract service costs increased by $26 million primarily due to increased consultant costs related to negotiations under the conceptual framework for the redevelopment of the office and retail components of the WTC site. The increase was partially offset by a decrease in costs associated with facility maintenance programs and a reduction in the utilization of job shopper services throughout the agency.
- Costs for materials, equipment and other items increased by $20 million in 2006 compared to 2005 due to increased premiums associated with higher coverage limits for property damage and loss of revenue insurance coverage. Further contributing to the year-to-year increase

was the transfer of certain costs from capital to operating accounts for projects that were abandoned due to changing priorities or for engineering and design work related to alternative analyses for projects other than the alternative selected.

- Rents and amounts in-lieu-of taxes increased by $11 million in 2006 compared to 2005 primarily due to higher rent payments to the City of Newark covering the operation of EWR and PN, and an increase in payments in-lieu-of taxes to the City of New York for the WTC site.
- Employee compensation costs decreased by $30 million in 2006 compared to 2005 primarily due to the recognition of reduced postemployment benefit costs stemming from the adoption of a new accounting standard, and a reduction in prescription drug expenses as a result of the Port Authority receiving payments under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

2005 vs. 2004

Operating expenses were less than $2.1 billion through December 31, 2005, which is $106 million higher than 2004. The year-to-year increase in operating expenses is primarily due to the following:

- Employee compensation costs increased by $64 million in 2005 compared to 2004 mainly due to higher police and security costs resulting from heightened security levels at Port Authority facilities and higher employee benefits costs.
- Materials, equipment and other costs increased by $27 million mainly due to a loss attributable to the valuation adjustment associated with the acquisition of property adjacent to the EPAMT from the City of Elizabeth.
- Contract service costs increased by $19 million primarily due to maintenance dredging at the New Jersey Marine Terminals, and higher costs associated with the operation of the container barge at the Red Hook Container Terminal.

Depreciation and Amortization

A summary of depreciation and amortization expenses follows:

	2006	2005	2004
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$674,940**	$643,732	$575,539
Amortization of regional programs	**49,319**	42,996	38,677
Total	**$724,259**	$686,728	$614,216

2006 vs. 2005

Depreciation and amortization expense totaled $724 million in 2006, which is $37 million higher than 2005. The year-to-year increase is primarily due to the full year impact of the accelerated retirement of the book value of the existing PATH rail car fleet, which commenced in July 2005 in anticipation of phasing the new PATH rail cars into service beginning in 2009; increased investment in regional programs; the full year impact of transferring $1.1 billion of construction in progress to completed construction in 2005; and the additional depreciation expense related to the $1 billion in transfers which were completed in 2006.

2005 vs. 2004

Depreciation and amortization expense totaled $687 million in 2005, which is $73 million higher than 2004. The year-to-year increase is primarily due to the accelerated retirement of investment at the Red Hook Container Terminal and Brooklyn Piers in anticipation of the transfer of these assets to the City of New York; the full year impact of transferring over $1 billion of construction in progress to completed construction in 2004; and the additional depreciation expense related to the $1.1 billion in transfers which were completed in 2005.

Non-operating Revenues and Expenses

	2006	2005	2004
		(In thousands)	
Non-operating revenues and (expenses):			
Interest income	**$ 90,759**	$ 60,629	$ 42,497
Net increase in fair value of investments	**47,209**	44,950	16,550
Interest expense in connection with bonds and other asset financing	**(454,134)**	(422,334)	(391,870)
Net loss on disposition of assets	**(3,741)**	(55)	–
Net non-operating expenses	**$(319,907)**	$(316,810)	$(332,823)

2006 vs. 2005

Financial income totaled $138 million in 2006, an increase of $32 million over 2005. The year-to-year increase is primarily due to higher interest rates and higher market valuation adjustments on investment securities, offset by a $23 million decline stemming from a mark to market valuation of three outstanding interest rate exchange contracts that were entered into on a forward basis anticipating the future issuance of three series of versatile structure obligations. Financial expense of $454 million increased by $32 million from 2005, primarily reflecting higher average balances of outstanding consolidated bonds and notes in 2006 compared to 2005.

2005 vs. 2004

Financial income, which totaled $106 million, increased $47 million year to year primarily due to an increase in investment income due to higher interest rates and higher market valuation adjustments on securities. Financial expense of $422 million increased by $30 million from 2004 primarily reflecting higher average balances of outstanding consolidated bonds and notes in 2005 compared to 2004.

Passenger Facility Charges and Other Contributions

	2006	2005	2004
		(In thousands)	
Passenger Facility Charges	**$192,509**	$134,429	$125,532
Contributions in aid of construction	**250,904**	107,262	81,173
1 WTC/WTC Retail insurance proceeds	**184,901**	—	—
Grants	**17,469**	14,336	13,396
Pass-through grant program payments	**(6,832)**	—	—
Net PFCs and other contributions	**$638,951**	$256,027	$220,101

2006 vs. 2005

PFCs, grants and other contributions totaled $639 million in 2006, which is $383 million higher than 2005. The increase reflects the recognition of approximately $185 million in insurance proceeds that is restricted to business interruption and redevelopment costs of 1 WTC LLC and WTC Retail LLC, higher capital expenditures on projects eligible for federal funding under the Airport Improvement Program and from the Federal Transit Administration (FTA), and higher PFC collections resulting from an increase in the PFC imposed on enplaned passengers from $3.00 to $4.50, which went into effect April 1, 2006.

2005 vs. 2004

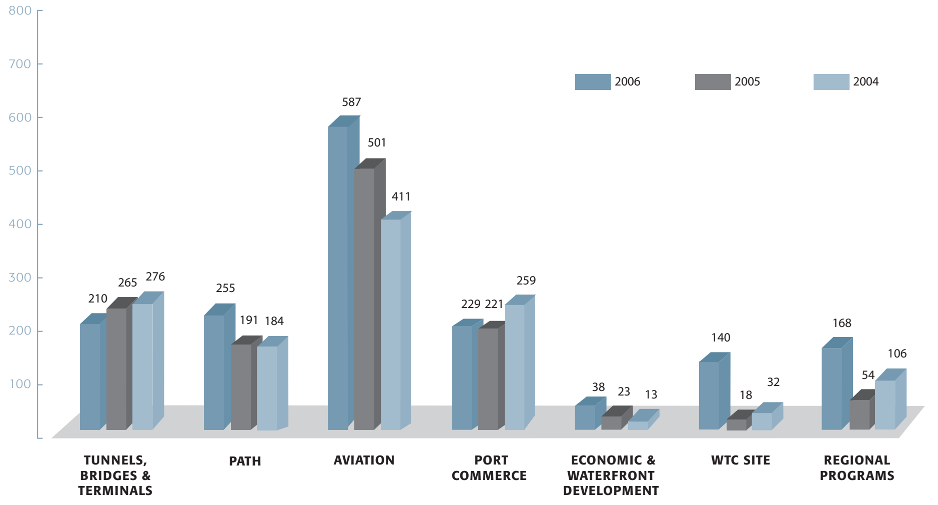
PFCs, contributions and grants provided by others to the Port Authority totaled $256 million in 2005, an increase of $36 million from 2004. The increase was mainly due to higher capital expenditures on projects eligible for federal funding under the Airport Improvement Program and increased PFC collections resulting from higher passenger volume at the airports.

Additional information related to grants and contributions can be found in Note F to the consolidated financial statements.

Capital Construction Activities

Port Authority expenditures for capital construction projects, including amounts accrued, totaled approximately $1.6 billion in 2006, $1.3 billion in 2005 and $1.3 billion in 2004. Following is a chart of net capital expenditures for the last three years summarized by line of business:

Net Capital Expenditures
(In millions)



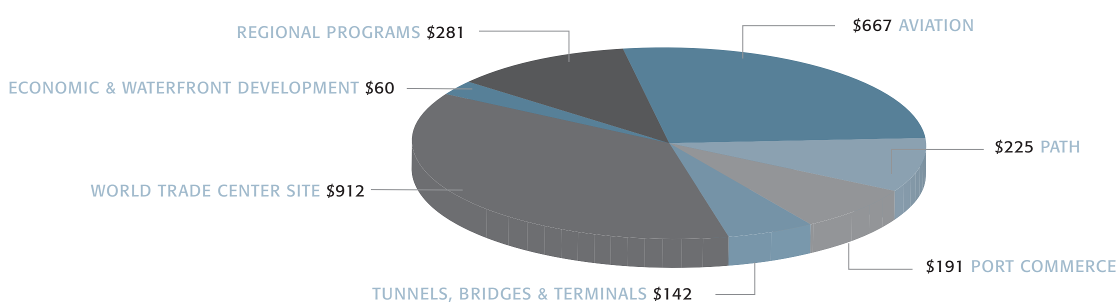
Funding sources for the $1.6 billion spent by the Port Authority on capital investment in 2006 were as follows: $1 billion was funded with proceeds derived from the issuance of capital obligations; $101 million was funded by FTA contributions in aid of construction; $96 million was funded through Federal Aviation Administration (FAA) grants; PFCs accounted for $37 million; and the balance of approximately $366 million was paid from Port Authority funds and other contributions.

Additional capital investment information on Port Authority facilities can be found in Note B to the consolidated financial statements and in Schedule F located in the Statistical and Other Supplemental Information section of this report.

2007 Planned Capital Expenditures

In connection with the adoption of the 2007 Budget, the Port Authority's capital plan calls for total spending of approximately $2.5 billion in 2007 as depicted in the following chart:

2007 Planned Capital Expenditures
(In millions)



Capital Construction Activities

Port Authority expenditures for capital construction projects, including amounts accrued, totaled approximately $1.6 billion in 2006, $1.3 billion in 2005 and $1.3 billion in 2004. Following is a chart of net capital expenditures for the last three years summarized by line of business:

Funding sources for the $1.6 billion spent by the Port Authority on capital investment in 2006 were as follows: $1 billion was funded with proceeds derived from the issuance of capital obligations; $101 million was funded by FTA contributions in aid of construction; $96 million was funded through Federal Aviation Administration (FAA) grants; PFCs accounted for $37 million; and the balance of approximately $366 million was paid from Port Authority funds and other contributions.

Additional capital investment information on Port Authority facilities can be found in Note B to the consolidated financial statements and in Schedule F located in the Statistical and Other Supplemental Information section of this report.

2007 Planned Capital Expenditures

In connection with the adoption of the 2007 Budget, the Port Authority's capital plan calls for total spending of approximately $2.5 billion in 2007 as depicted in the following chart:

Major elements of the 2007 Capital Plan include continuing:

- Construction of the World Trade Center Transportation Hub, including the permanent WTC PATH Terminal, the Freedom Tower, the WTC Memorial, and WTC Site Infrastructure
- Construction of a new passenger terminal at JFK
- Redevelopment of Terminal B at EWR
- Procurement of 340 new PATH rail cars
- Modernization of the Goethals Bridge and Deck Rehabilitation Program
- Construction of an expanded ExpressRail facility at the EPAMT
- Planning and Site Acquisition for THE (Trans-Hudson Express) Tunnel
- North Roadway Capacity Improvements at the EPAMT

Capital Financing and Debt Management

As of December 31, 2006, bonds and other asset financing obligations of the Port Authority exceeded $11 billion.

During 2006, the Port Authority issued over $2 billion in consolidated bonds and notes. Of this amount, $1.3 billion was allocated to fund capital construction projects, $468 million was used to refund existing outstanding obligations in 2006 and $309 million will be used to refund existing obligations in 2007.

Listed below is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority. All ratings for the obligations outstanding in 2005 have remained the same for 2006. During 2006, Moody's, Standard and Poor'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+	F1+	MIG1
Commercial Paper	A-1+	F1+	P-1
VSO Short Term	A-1+	F1+	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 consolidated financial statements.

Consolidated Statements of Net Assets

	December 31, 2006	2005
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 58,705**	$ 42,891
Restricted cash	**184,901**	–
Investments	**2,870,257**	2,190,485
Current receivables, net	**303,347**	268,869
Other current assets	**203,993**	148,292
Restricted receivables — Passenger Facility Charges	**23,870**	17,916
Total current assets	**3,645,073**	2,668,453
Noncurrent assets:		
Restricted cash	**9,310**	9,321
Investments	**823,479**	817,220
Other amounts receivable, net	**936,473**	1,054,465
Deferred charges and other noncurrent assets	**1,042,242**	786,313
Amounts receivable — Special Project Bonds Projects	**1,297,974**	1,340,286
Unamortized costs for regional programs	**651,190**	532,198
Facilities, net	**13,354,591**	12,578,111
Total noncurrent assets	**18,115,259**	17,117,914
Total assets	**21,760,332**	19,786,367
LIABILITIES		
Current liabilities:		
Accounts payable	**627,460**	603,931
Accrued interest and other current liabilities	**322,758**	255,650
Accrued payroll and other employee benefits	**89,517**	87,796
Current portion bonds and other asset financing obligations	**1,894,531**	1,438,776
Total current liabilities	**2,934,266**	2,386,153
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**639,376**	655,805
Other noncurrent liabilities	**117,008**	83,802
Amounts payable – Special Project Bonds	**1,297,974**	1,340,286
Bonds and other asset financing obligations	**9,137,305**	8,204,548
Total noncurrent liabilities	**11,191,663**	10,284,441
Total liabilities	**14,125,929**	12,670,594
NET ASSETS	**$ 7,634,403**	$ 7,115,773
Net assets are composed of:		
Invested in capital assets, net of related debt	**$ 5,877,708**	$ 5,725,929
Restricted;		
1 WTC/WTC Retail insurance proceeds	**184,901**	–
Passenger Facility Charges	**23,870**	17,916
Unrestricted	**1,547,924**	1,371,928
Net assets	**$ 7,634,403**	$ 7,115,773

See Notes to Consolidated Financial Statements.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31,	
	2006	2005
	(in thousands)	
Gross operating revenues:		
Rentals	**$ 952,431**	$ 928,395
Tolls and fares	**798,682**	787,381
Aviation fees	**717,631**	748,811
Parking and other	**334,088**	296,663
Utilities	**146,822**	147,795
Rentals — Special Project Bonds Projects	**88,884**	91,648
Total gross operating revenues	**3,038,538**	3,000,693
Operating expenses:		
Employee compensation, including benefits	**840,640**	870,784
Contract services	**590,197**	564,332
Rents and amounts in-lieu-of taxes	**254,178**	243,411
Materials, equipment and other	**187,996**	168,139
Utilities	**150,729**	149,604
Interest on Special Project Bonds	**88,884**	91,648
Total operating expenses	**2,112,624**	2,087,918
Expenses related to the events of September 11, 2001	**2,069**	3,358
Depreciation of facilities	**674,940**	643,732
Amortization of costs for regional programs	**49,319**	42,996
Income from operations	**199,586**	222,689
Non-operating revenues and (expenses):		
Interest income	**90,759**	60,629
Net increase in fair value of investments	**47,209**	44,950
Interest expense in connection with bonds and other asset financing	**(454,134)**	(422,334)
Net loss on disposition of assets	**(3,741)**	(55)
Net non-operating expenses	**(319,907)**	(316,810)
Contributions, Passenger Facility Charges and Grants:		
Contributions in aid of construction	**250,904**	107,262
Passenger Facility Charges	**192,509**	134,429
1 WTC/WTC Retail insurance proceeds	**184,901**	—
Grants	**17,469**	14,336
Pass-through grant program payments	**(6,832)**	—
Total contributions, passenger facility charges and grants	**638,951**	256,027
Increase in net assets	**518,630**	161,906
Net assets, January 1	**7,115,773**	6,953,867
Net assets, December 31	**$7,634,403**	$7,115,773

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Year ended December 31, 2006	2005
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 2,964,626**	$ 2,836,479
Cash paid to suppliers	**(1,081,788)**	(826,594)
Cash paid to or on behalf of employees	**(854,441)**	(804,289)
Cash paid to municipalities	**(251,424)**	(243,532)
Cash payments related to the events of September 11, 2001	**(2,823)**	(3,109)
Net cash provided by operating activities	**774,150**	958,955
Cash flows from noncapital financing activities:		
Proceeds from insurance related to WTC	**189,741**	1,920
Proceeds from sale of noncapital financing obligations	**46,388**	–
Proceeds from noncapital obligations issued for refunding purposes	**150,000**	–
Principal paid through noncapital obligations refundings	**(150,000)**	–
Principal paid on noncapital financing obligations	**(50,000)**	(18,000)
Payments for Fund buy-out obligation	**(35,211)**	(35,213)
Interest paid on noncapital financing obligations	**(15,800)**	(14,013)
Net cash provided by (used for) noncapital financing activities	**135,118**	(65,306)
Cash flows from capital and related financing activities:		
Proceeds from sales of capital obligations	**1,702,251**	294,589
Principal paid on capital obligations	**(314,144)**	(217,425)
Proceeds from capital obligations issued for refunding purposes	**2,079,201**	2,238,310
Principal paid through capital obligations refundings	**(2,079,201)**	(2,238,310)
Interest paid on capital obligations	**(434,465)**	(441,176)
Investment in facilities and construction of capital assets	**(1,383,495)**	(1,136,608)
Financial income allocated to capital projects	**7,127**	5,189
Investment in regional programs	**(168,311)**	(53,616)
Proceeds from disposition of assets	**4,050**	481
Proceeds from Passenger Facility Charges	**186,555**	131,164
Contributions in aid of construction	**212,092**	115,588
Grants	**16,636**	14,588
Net cash used for capital and related financing activities	**(171,704)**	(1,287,226)
Cash flows from investing activities:		
Purchase of investment securities	**(40,121,598)**	(44,502,671)
Proceeds from maturity and sale of investment securities	**39,501,709**	44,844,137
Interest received on investment securities	**71,680**	43,280
Other interest income received	**11,349**	12,279
Net cash (used for) provided by investing activities	**(536,860)**	397,025
Net increase in cash	**200,704**	3,448
Cash at beginning of year	**52,212**	48,764
Cash at end of year	**$ 252,916**	$ 52,212

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
(continued)

		Year ended December 31,
	2006	2005
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 199,586**	$ 222,689
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**674,940**	643,732
Amortization of costs for regional programs	**49,319**	42,996
Amortization of other assets	**53,069**	38,657
Change in operating assets and operating liabilities:		
Decrease (increase) in receivables	**14,759**	(63,984)
Increase in deferred charges and other assets	**(250,530)**	(43,163)
Increase in payables	**19,796**	38,320
Increase in other liabilities	**27,919**	14,281
(Decrease) increase in accrued payroll, pension and other employee benefits	**(14,708)**	65,427
Total adjustments	**574,564**	736,266
Net cash provided by operating activities	**$ 774,150**	$ 958,955

3. Capital obligations:

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

4. Noncash Investing, Capital and Financing Activities:

Noncash activity of $51,878,000 in 2006 and $55,934,000 in 2005 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.

See Notes to Consolidated Financial Statements.

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, consented to by the Congress of the United States. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation 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 fixed 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 Audit Committee retains the independent auditors and reviews their performance and independence. The independent auditors 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 Audit Committee meets directly, on a regular basis, with the independent auditors, the law firm retained to address certain Audit Committee matters, and management of the Port Authority. The Chair of the Audit Committee periodically advises the Board of Commissioners on the activities of the Committee.

d. The consolidated financial statements and schedules include the accounts of The Port Authority of New York and New Jersey and its wholly owned entities, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, WTC Retail LLC, Port District Capital Projects LLC, Port Authority Insurance Captive Entity LLC and 1 World Trade Center LLC (all collectively referred to as the Port Authority).

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 accordance with the Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting,* the Port Authority follows the pronouncements of the GASB in its accounting and financial reporting. Also, in accordance with GASB Statement No. 20, 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 guidance.

3. Significant Accounting Policies

a. Facilities are carried at cost. The costs for facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the capital project is completed and ready for its intended use. Generally, costs in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future accounting periods or are expected to prolong the service lives of assets beyond their originally assigned lives are capitalized (see Note B). 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).

b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see Note B). 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 and 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 deferred and amortized on a straight-line basis over the period benefited up to a maximum of 15 years (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 short term cash equivalents.

d. Restricted cash is primarily comprised of insurance proceeds of 1 WTC LLC and WTC Retail LLC, which are restricted to business interruption obligations and redevelopment expenditures of these entities.

e. Inventories are valued using an average cost method which prices items on the basis of the average cost of all similar goods remaining in stock. Inventory is reported as a component of "Deferred charges and other noncurrent assets" on the Consolidated Statements of Net Assets.

f. 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 reimbursed for operating activities. 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, insurance proceeds 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 program payment costs are reported as non-operating expenses.

g. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Port Authority had been authorized to impose a $3 Passenger Facility Charge on enplaned passengers. In January 2006, the Port Authority received approval to increase the PFC imposed on enplaned passengers from $3.00 to $4.50, effective April 1, 2006. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and accrued as non-operating revenue when the passenger activity occurs and the fees are due from the air carriers. PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net".

h. All Port Authority investment values which are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority uses a variety of financial instruments to assist in the management of its financing and investment objectives, and 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).

i. 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 using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

j. 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.

k. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

l. The 2005 consolidated financial statements contain the reclassification of certain amounts, which have been made in order to conform to the classifications in 2006.

4. Reconciliation of the Consolidated Financial 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 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. 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.

c. 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.

d. Capital costs for regional programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.

e. 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.

f. 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 Net Assets to Schedule B and the Consolidated Statements of Revenues, Expenses and Changes in Net Assets to Schedule A follows:

Consolidated Statements of Net Assets to Schedule B – Assets and Liabilities

	December 31, 2006	2005
	(In thousands)	
Net assets reported on Consolidated Statements of Net Assets	**$ 7,634,403**	$ 7,115,773
Add: Accumulated depreciation of facilities	**7,349,308**	6,761,162
Accumulated retirements and gains and losses on disposal of invested in facilities	**1,705,979**	1,615,444
Cumulative amortization of costs for regional programs	**787,104**	737,785
Cumulative amortization of discount and premium	**59,071**	56,438
	17,535,865	16,286,602
Less: Deferred income – 1 WTC/WTC Retail insurance proceeds	**184,901**	–
Deferred income in connection with Passenger Facility Charges	**23,870**	17,916
Net assets reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$17,327,094**	$16,268,686

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

	Year ended December 31, 2006	2005
	(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets	**$ 518,630**	$ 161,906
Add: Depreciation of facilities	**674,940**	643,732
Allocated Passenger Facility Charges	**186,555**	113,649
Amortization of costs for regional programs	**49,319**	42,996
Amortization of discount and premium	**5,813**	6,535
Loss on disposition of assets	**3,741**	55
	1,438,998	968,873
Less: Debt maturities and retirements	**254,210**	205,220
Call premiums on refunded bonds	**3,180**	6,929
Repayment of asset financing obligations	**109,934**	12,205
Change in appropriations for self-insurance	**4,968**	5,325
Direct investment in facilities	**490,750**	626,813
Passenger Facility Charges	**192,509**	134,429
1 WTC/WTC Retail insurance proceeds	**184,901**	–
	1,240,452	990,921
Increase (decrease) in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)	**$ 198,546**	$ (22,048)

Note B — Facilities

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers	Retirements*	End of Year
			(In thousands)		
2006					
Capital assets not being depreciated:					
Land	$ 678,542	$ –	$ 34,116	$ (6,864)	$ 705,794
Construction in progress	2,166,858	1,459,211	(848,525)	–	2,777,544
Total capital assets not being depreciated	2,845,400	1,459,211	(814,409)	(6,864)	3,483,338
Other capital assets:					
Buildings, bridges, tunnels, other structures	6,093,318	–	262,652	(74,894)	6,281,076
Machinery and equipment	4,868,270	–	227,358	(1,535)	5,094,093
Runways, roadways and other paving	3,409,414	–	128,895	(5,020)	3,533,289
Utility infrastructure	2,122,871	–	195,504	(6,272)	2,312,103
Other capital assets	16,493,873	–	814,409	(87,721)	17,220,561
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,434,111	178,046	–	(73,967)	2,538,190
Machinery and equipment	1,982,747	270,339	–	(1,535)	2,251,551
Runways, roadways and other paving	1,377,600	138,959	–	(5,020)	1,511,539
Utility infrastructure	966,704	87,596	–	(6,272)	1,048,028
Accumulated depreciation	6,761,162	674,940	–	(86,794)	7,349,308
Total other capital assets, net	9,732,711	(674,940)	814,409	(927)	9,871,253
Facilities, net	$12,578,111	$ 784,271	$ –	$ (7,791)	$13,354,591
2005					
Capital assets not being depreciated:					
Land	$ 659,456	$ –	$ 19,086	$ –	$ 678,542
Construction in progress	2,018,895	1,219,804	(1,071,841)	–	2,166,858
Total capital assets not being depreciated	2,678,351	1,219,804	(1,052,755)	–	2,845,400
Other capital assets:					
Buildings, bridges, tunnels, other structures	5,822,663	–	272,637	(1,982)	6,093,318
Machinery and equipment	4,587,660	–	295,490	(14,880)	4,868,270
Runways, roadways and other paving	3,122,330	–	287,788	(704)	3,409,414
Utility infrastructure	1,927,176	–	196,840	(1,145)	2,122,871
Other capital assets	15,459,829	–	1,052,755	(18,711)	16,493,873
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,258,537	177,556	–	(1,982)	2,434,111
Machinery and equipment	1,738,029	259,062	–	(14,344)	1,982,747
Runways, roadways and other paving	1,245,231	133,073	–	(704)	1,377,600
Utility infrastructure	893,808	74,041	–	(1,145)	966,704
Accumulated depreciation	6,135,605	643,732	–	(18,175)	6,761,162
Total other capital assets, net	9,324,224	(643,732)	1,052,755	(536)	9,732,711
Facilities, net	$12,002,575	$ 576,072	$ –	$ (536)	$12,578,111

* Retirements include approximately $7.8 million and $536,000 for the unamortized investment associated with asset dispositions which took place in 2006 and 2005, respectively.

2. Net interest expense added to the cost of facilities was approximately $54 million in each of the years 2006 and 2005.

3. As of December 31, 2006, approximately $16 million in projects have been suspended pending determination of their continued viability.

4. During 2006, depreciation was accelerated for certain additional assets. The impact on depreciation for the machinery, equipment, paving, and utility infrastructure assets totaled $4.5 million.

Note C — Cash and Investments

1. The components of cash and investments are:

	December 31, 2006	December 31, 2005
	(In thousands)	
CASH		
Cash on hand	**$ 1,588**	$ 1,945
Cash equivalents	**251,328**	50,267
Total cash	**252,916**	52,212
Less restricted cash	**194,211**	9,321
Unrestricted cash	**$ 58,705**	$ 42,891

	December 31, 2006	December 31, 2005
	(In thousands)	
INVESTMENTS AT FAIR VALUE		
United States Treasury notes	**$1,262,275**	$1,099,011
United States Treasury bills	**1,412,628**	389,605
United States government agency obligations	**387,048**	521,578
Commercial paper notes	**171,972**	246,234
United States Treasury obligations held pursuant to repurchase agreements	**275,648**	565,152
JFK International Air Terminal LLC obligations	**171,425**	178,215
Accrued interest receivable	**12,740**	7,910
Total investments	**3,693,736**	3,007,705
Less current investments	**2,870,257**	2,190,485
Noncurrent investments	**$ 823,479**	$ 817,220

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 approximately $54 million as of December 31, 2006. Of that amount, approximately $51 million 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 approximately $3 million was not collateralized. In addition, approximately $185 million related to insurance proceeds for 1 WTC LLC and WTC Retail LLC is being held by a third party escrow agent.

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 laws 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. Consolidated Bond Reserve Fund and 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 be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms, investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets, commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts that are limited to $50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities, and certain unrated obligations of JFK International Air Terminal LLC (JFKIAT) (presently comprising approximately 4.7% of total Port Authority investments at December 31, 2006) for certain costs attributable to the completion of the JFKIAT passenger terminal. The Board has from time to time authorized other investments of operating funds.

It is the general policy of the Port Authority to limit exposure to declines in fair market values by limiting the weighted average maturity of the investment portfolio to less than two years. Extending the weighted average maturity beyond two years requires explicit written approval of the Chief Financial Officer. Committee on Finance authorization is required to extend the weighted average maturity beyond five years. Following is the fair value and weighted average maturity of investments held by the Port Authority at December 31, 2006:

Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$1,262,275	402
United States Treasury bills	1,412,628	55
United States government agency obligations	387,048	17
Commercial paper notes	171,972	3
United States Treasury obligations held pursuant to repurchase agreements	275,648	2
JFK International Air Terminal LLC obligations	171,425	6,699
Total fair value of investments	$3,680,996	
Portfolio weighted average maturity		472

Port Authority investments in United States government agency obligations at December 31, 2006 were held in the Federal Home Loan Banks, rated P-1 by Moody's Investors Service and A-1+ by Standard & Poor's.

Port Authority investments in commercial paper notes at December 31, 2006 were rated P-1 by Moody's Investors Service and A-1+ by Standard & Poor's.

The Port Authority has, from time to time, 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. There were no investments in reverse repurchase agreements at December 31, 2006.

Note D — Outstanding Obligations and Financing

D-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, 2006		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$ 836,525	$8,761,366	$ 9,597,891
B. COMMERCIAL PAPER NOTES	270,740	—	270,740
C. VARIABLE RATE MASTER NOTES	130,990	—	130,990
D. VERSATILE STRUCTURE OBLIGATIONS	519,600	—	519,600
E. PORT AUTHORITY EQUIPMENT NOTES	93,460	—	93,460
F. FUND BUY-OUT OBLIGATION	43,216	375,939	419,155
	$1,894,531	$9,137,305	$11,031,836

	December 31, 2005		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$ 411,275	$7,819,099	$ 8,230,374
B. COMMERCIAL PAPER NOTES	282,095	—	282,095
C. VARIABLE RATE MASTER NOTES	130,990	—	130,990
D. VERSATILE STRUCTURE OBLIGATIONS	532,100	—	532,100
E. PORT AUTHORITY EQUIPMENT NOTES	47,105	—	47,105
F. FUND BUY-OUT OBLIGATION	35,211	385,449	420,660
	$1,438,776	$8,204,548	$ 9,643,324

A. Consolidated Bonds and Notes

		Dec. 31, 2005	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2006
			(In thousands)		
Consolidated bonds					
Sixty-ninth series (a)	Due 2007-2011	$ 19,682	$ 1,021	$ 3,300	$ 17,403
Seventy-fourth series (b)	Due 2007-2014	30,672	1,654	4,155	28,171
Eighty-fifth series	5%-5.375% due 2008-2028	98,000	–	–	98,000
Eighty-sixth series	5.1%-5.2% due 2007-2012	35,800	–	10,805	24,995
Eighty-eighth series	4.7%-4.75% due 2007-2008	26,425	–	13,645	12,780
Ninety-third series	6.125% due 2094	100,000	–	–	100,000
One hundred third series	5%-5.25% due 2007-2014	53,000	–	5,125	47,875
One hundred fourth series	4.75%-5.2% due 2011-2026	150,000	–	150,000	–
One hundred fifth series*	5.25%-6.25% due 2006-2016	100,305	–	100,305	–
One hundred sixth series*	5.5%-6% due 2006-2016	72,300	–	72,300	–
One hundred seventh series*	5.125%-5.375% due 2007	88,750	–	6,065	82,685
One hundred eighth series*	5.3%-6% due 2007-2017	106,440	–	6,610	99,830
One hundred ninth series	5.375%-5.5% due 2012-2032	150,000	–	–	150,000
One hundred tenth series*	4.8%-5.375% due 2007-2017	71,420	–	4,395	67,025
One hundred eleventh series	5% due 2012-2032	100,000	–	–	100,000
One hundred thirteenth series	4.375%-4.75% due 2007-2013	60,750	–	15,000	45,750
One hundred fifteenth series	4.375% due 2007-2008	21,000	–	7,000	14,000
One hundred sixteenth series	4.25%-5.25% due 2007-2033	444,735	–	7,320	437,415
One hundred seventeenth series*	4.25%-5.125% due 2007-2018	73,630	–	4,335	69,295
One hundred eighteenth series	4.75%-5.35% due 2007-2014	60,750	–	6,750	54,000
One hundred nineteenth series*	5%-5.875% due 2007	238,705	–	12,025	226,680
One hundred twentieth series*	4.75%-6% due 2007-2035	248,290	–	11,865	236,425
One hundred twenty-first series	5%-5.5% due 2016-2035	200,000	–	–	200,000
One hundred twenty-second series*	5%-5.5% due 2007-2036	216,435	–	9,370	207,065
One hundred twenty-third series	4.75%-5% due 2017-2036	100,000	–	–	100,000
One hundred twenty-fourth series*	4%-5% due 2007-2036	265,745	–	9,515	256,230
One hundred twenty-fifth series	5% due 2018-2032	300,000	–	–	300,000
One hundred twenty-sixth series*	5%-5.5% due 2007-2037	269,520	–	10,765	258,755
One hundred twenty-seventh series*	4%-5.5% due 2007-2037	275,870	–	8,465	267,405
One hundred twenty-eighth series	4%-5% due 2007-2032	250,000	–	–	250,000
One hundred twenty-ninth series	2.625%-4% due 2007-2015	63,365	–	5,205	58,160
One hundred thirtieth series	2.1%-3.75% due 2007-2015	71,360	–	6,370	64,990
One hundred thirty-first series*	4.625%-5% due 2007-2033	483,870	–	8,225	475,645
One hundred thirty-second series	5% due 2024-2038	300,000	–	–	300,000
One hundred thirty-third series	1.875%-4.4% due 2007-2021	235,930	–	11,610	224,320
One hundred thirty-fourth series	4%-5% due 2009-2039	250,000	–	–	250,000
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000	–	–	400,000
One hundred thirty-sixth series*	5%-5.5% due 2007-2034	350,000	–	–	350,000
One hundred thirty-seventh series*	4%-5.5% due 2007-2034	247,195	–	2,960	244,235
One hundred thirty-eighth series*	4%-5% due 2007-2034	348,700	–	1,400	347,300
One hundred thirty-ninth series*	3.5%-5% due 2007-2025	200,000	–	7,330	192,670
One hundred fortieth series	4.125%-5% due 2016-2035	400,000	–	–	400,000
One hundred forty-first series*	4.5%-5% due 2016-2035	350,000	–	–	350,000
One hundred forty-second series	4%-5% due 2015-2036	–	350,000	–	350,000
One hundred forty-third series*	5% due 2016-2036	–	500,000	–	500,000
One hundred forty-fourth series	4.25%-5% due 2026-2035	–	300,000	–	300,000
One hundred forty-fifth series**	5.75% due 2027-2032	–	250,000	–	250,000
One hundred forty-sixth series*	4.25%-5% due 2016-2036	–	500,000	–	500,000
Consolidated notes					
Series WW**	2.9% due 2006	200,000	–	200,000	–
Series XX**	3.3% due 2007	200,000	–	–	200,000
Series YY**	5.5% due 2007	–	150,000	–	150,000
Consolidated bonds and notes pursuant to Port Authority bond resolutions (d)		8,328,644	$2,052,675	$722,215	9,659,104
Less unamortized discount and premium (c)		98,270			61,213
Consolidated bonds and notes		$8,230,374			$9,597,891

A. Consolidated Bonds and Notes (continued)

(a) Includes $5,072,000 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 2007 to 2011, in total aggregate maturity amounts of $19,620,000.

(b) Includes $9,348,000 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 2007 to 2014, in total aggregate maturity amounts of $33,245,000.

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

(d) Debt service requirements to maturity for consolidated bonds and notes outstanding on December 31, 2006 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2007	$ 546,155	$ 465,368	$ 1,011,523
2008	197,370	446,765	644,135
2009	194,735	438,082	632,817
2010	207,085	429,239	636,324
2011	215,660	419,494	635,154
2012-2016	1,219,670	1,928,052	3,147,722
2017-2021	1,412,360	1,601,335	3,013,695
2022-2026	1,705,195	1,228,865	2,934,060
2027-2031	2,075,260	766,667	2,841,927
2032-2036	1,583,825	262,831	1,846,656
2037-2041	209,080	44,339	253,419
2042-2094***	100,000	296,246	396,246
	$9,666,395	$8,327,283	$17,993,678

***Debt service 2042-2094 reflects principal and interest payments associated with a single series of outstanding consolidated bonds.

Total principal of $9,666,395,000 shown above differs from the total Consolidated bonds and notes pursuant to Port Authority bond resolutions of $9,659,104,000 because of differences in the par value at maturity of the capital appreciation bonds of $7,291,000.

As of December 31, 2006, the Board of Commissioners had authorized the issuance of consolidated bonds, one hundred forty-seventh series through one hundred fifty-third series, in the aggregate principal amount of up to $500 million of each series, and consolidated notes, Series, ZZ, AAA, BBB and CCC, of up to $300 million in aggregate principal amount of each series.

During 2006, the Port Authority used the proceeds of consolidated bonds to refund $468 million and $190 million of consolidated bonds and commercial paper notes, respectively. In 2007, the Port Authority will refund $309 million in consolidated bonds (one hundred seventh and one hundred nineteenth series) with proceeds from the one hundred forty-sixth series, which closed on December 20, 2006. Maturities of certain of the refunding series of consolidated bonds were extended to match the weighted average maturity of the financed assets as a result of the agreement to extend the airport lease with the City of New York. While the Port Authority increased its aggregate debt service payments by approximately $116 million over the life of the refunded consolidated bonds, 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) totaled approximately $12 million in present value savings to the Port Authority.

Consolidated bonds and notes outstanding as of February 23, 2007 (pursuant to Port Authority bond resolutions) totaled $9,357,030,000.

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, 2010. 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, 2005	Issued	Refunded/ Repaid	Dec. 31, 2006
		(In thousands)		
Series A*	$ 88,520	$ 962,615	$ 938,570	$112,565
Series B	193,575	884,660	920,060	158,175
	$282,095	$1,847,275	$1,858,630	$270,740

Interest rates for all commercial paper notes ranged from 3% to 3.75% in 2006.

Of the $1.9 billion in commercial paper notes refunded/repaid in 2006, $190 million was refunded with the proceeds of bonds issued in 2006 and $99 million was repaid with PFC proceeds.

As of February 23, 2007, commercial paper notes outstanding totaled $293,800,000.

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, 2005	Issued	Refunded/ Repaid	Dec. 31, 2006
		(In thousands)		
Agreements 1989 -1995*	$ 69,900	$ —	$ —	$ 69,900
Agreements 1989 -1998	61,090	—	—	61,090
	$130,990	$ —	$ —	$130,990

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 Asset Management or the Bond Market Association rate) as stated in each master note agreement, and ranged from 2.98% to 4.05% in 2006.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2006, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2007	$ –	$ 5,238	$ 5,238
2008	–	5,252	5,252
2009	–	5,238	5,238
2010	–	5,238	5,238
2011	–	5,238	5,238
2012-2016	13,090	25,096	38,186
2017-2021	65,000	19,756	84,756
2022-2025	52,900	3,130	56,030
	$130,990	$74,186	$205,176

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, 2005	Issued	Refunded/ Repaid	Dec. 31, 2006
		(In thousands)		
Series 1R*, 4*, 6*	$265,000	$ —	$ 6,900	$258,100
Series 2, 3, 5	267,100	—	5,600	261,500
	$532,100	$ —	$12,500	$519,600

Variable interest rates, set daily by the remarketing agent for each series, ranged from 2.52% to 4.01% in 2006.

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2006, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2007	$ 14,000	$ 20,268	$ 34,268
2008	16,800	19,677	36,477
2009	24,000	18,970	42,970
2010	25,300	18,019	43,319
2011	27,600	17,013	44,613
2012-2016	161,100	67,537	228,637
2017-2021	150,800	34,206	185,006
2022-2026	83,400	10,265	93,665
2027-2028	16,600	726	17,326
	$519,600	$206,681	$726,281

The Port Authority has entered into a separate standby certificate purchase agreement pertaining to each series of versatile structure obligations with certain banks, which provides 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 2006 in connection with the agreements were approximately $1 million. No bank was required to purchase any of the obligations under the agreements in 2006.

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, 2005	Issued	Refunded/ Repaid	Dec. 31, 2006
		(In thousands)		
Notes 2001, 2004, 2006*	$ 15,040	$ 2,765	$ –	$ 17,805
Notes 2002, 2004, 2006	32,065	43,590	–	75,655
	$ 47,105	$46,355	$ –	$ 93,460

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 2.95% to 4.08% in 2006.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2006, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2007	$ —	$ 3,706	$ 3,706
2008	27,900	3,135	31,035
2009	2,000	2,588	4,588
2010	11,840	2,477	14,317
2011	30,485	1,560	32,045
2012-2013	21,235	838	22,073
	$93,460	$14,304	$107,764

The Port Authority has entered into agreements with the purchasers of the notes stating that on seven days notice on any business day during the term of the agreements, the Port Authority may pre-pay in whole, or, from time to time, in part, without penalty or premium, the outstanding principal amount of the notes. Also, the purchasers can tender the notes back to the remarketing agent on seven days notice, in whole and not in part. In the event that the remarketing agent cannot resell the notes, notice shall be given by the remarketing agent to the Port Authority requesting the Port Authority to pay the purchase price of the notes.

The Port Authority issued equipment notes totaling $46 million in 2006. The notes were used to finance certain purchases of operating equipment such as computers, office equipment, and emergency response vehicles over the expected economic life of the assets. These notes range in maturity from five to seven years and were privately placed by Roosevelt & Cross, Inc., the remarketing agent, and were purchased by the following: Centennial New York Tax Exempt Trust, Fidelity New York/New Jersey Municipal Money Market Fund, Federated New York/New Jersey Municipal Cash Trust and USAA New York Money Market Fund.

F. Fund Buy-Out Obligation

	Dec. 31, 2005	Accretion (a)	Refunded/ Repaid	Dec. 31, 2006
		(In thousands)		
Obligation outstanding	$420,660	$33,706	$35,211	$419,155

(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, including the implicit interest cost, on December 31, 2006 are as follows:

Year ending December 31:	Payments
	(In thousands)
2007	$ 43,216
2008	43,211
2009	43,211
2010	43,211
2011	43,211
2012-2016	256,062
2017-2021	266,453
	$738,575

As of February 23, 2007, the fund buy-out obligation outstanding totaled $424,263,000.

D-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, 2005	Issued	Repaid/ Amortized	Dec. 31, 2006
		(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%-9⅛%, due 2007-2015	156,125	—	10,245	145,880
Less: unamortized discount and premium	4,823	—	486	4,337
Total — Series 2	151,302	—	9,759	141,543
Series 4, KIAC Partners Project (c)*				
6¾%-7% due 2007-2019	204,200	—	9,000	195,200
Less: unamortized discount and premium	2,632	—	191	2,441
Total — Series 4	201,568	—	8,809	192,759
Series 6, JFKIAT Project (d)*				
5¾%-7% due 2007-2025	897,600	—	24,080	873,520
Less: unamortized discount and premium	6,684	—	336	6,348
Total — Series 6	890,916	—	23,744	867,172
Amounts payable – special project bonds	$1,340,286	$ —	$42,312	$1,297,974

(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 LGA 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 LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. 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 JFK, 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, JFKIAT Project, were issued in connection with a project that includes the development and construction of a new passenger terminal at JFK.

D-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 has five pay-fixed, receive-variable interest rate swaps outstanding. Two of the swaps are matched against a versatile structure obligation (see Note D-1), 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.

Three of these interest rate swaps were entered into on a forward basis to be effective proximate to the anticipated future issuance of three series of versatile structure obligations to be used to refund outstanding high-coupon fixed rate debt. The swaps were entered into to protect against the potential of rising interest rates between the execution date and the effective date in order to preserve the net present value savings of the bond refundings associated with each swap transaction. The Port Authority's financial management program provides for the Port Authority to enter into interest rate swaps for the purpose of managing and controlling interest rate risk in connection with Port Authority obligations designated at the time of entering into interest rate swap transactions. The notional amounts of the swaps will match 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, 2006, are as follows:

Associated Debt	Notional Amount	Execution Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Ratings of the Counterparty or its Credit Support Provider (a)
VSO 2	$ 83,000,000	10/13/1993	3/3/1994	6.3200%	BMA (b)	$(15,063,541)	5/1/2019	AA-/Aa3/AA-
VSO 3	83,000,000	2/18/1993	7/15/1995	5.9370%	BMA	(11,777,600)	6/1/2020	AA-/Aa3/AA-
Proposed VSO Series 9 (Hedge)	224,000,000	6/15/2006	10/15/2007	3.9461%	70% of one-month LIBOR(c)	(8,166,625)	10/1/2035	AA/Aa2/AA+
Proposed VSO Series 10 (Hedge)	187,100,000	6/15/2006	7/15/2008	3.9550%	70% of one-month LIBOR	(6,506,013)	7/1/2036	AA/Aa2/AA
Proposed VSO Series 11 (Hedge)	236,100,000	6/15/2006	8/1/2008	3.9525%	70% of one-month LIBOR	(8,783,123)	8/1/2038	AA-/Aa2/AA
Total	$813,200,000					$(50,296,902)		

(a) Ratings supplied by Standard & Poor's/Moody's Investor Service/Fitch Ratings respectively.
(b) The Bond Market Association Municipal Swap Index.
(c) London Interbank Offered Rate.

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, 2006, are shown below. As rates vary, variable rate debt interest payments and net swap payments will vary.

	Versatile Structure Obligations			
Year ending December 31:	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
		(In thousands)		
2007	$ 4,000	$ 6,549	$ 3,629	$ 14,178
2008	4,000	6,393	3,554	13,947
2009	10,500	6,198	3,416	20,114
2010	10,900	5,787	3,198	19,885
2011	12,300	5,358	2,936	20,594
2012-2016	69,100	19,240	10,258	98,598
2017-2021	57,900	4,843	2,097	64,840
Total	$168,700	$54,368	$29,088	$252,156

Fair Value

Interest rates have declined since the inception of each of the Port Authority's outstanding swaps and, therefore, all swaps had a negative fair value as of December 31, 2006. The negative fair values may be offset by reductions in total interest payments under the variable rate obligations, creating lower synthetic interest rates. Because interest rates on the outstanding related 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, 2006, 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 outstanding swap agreements require that if the outstanding ratings of the Port Authority or the counterparty, or its credit support provider, falls to a certain level, the party whose rating falls is required to post collateral with a third-party custodian to secure its termination payments above certain threshold amounts. Full collateralization of the fair value of the swaps are required should the Port Authority's highest credit rating fall below Baa1, as issued by Moody's Investors Service, or BBB+, as issued by Standard & Poor's. Full collateralization of the fair value of the swaps are required should the counterparty's, or its credit support provider's, highest credit rating fall below A1, as issued by Moody's Investor, or A+, as issued by Standard & Poor's Ratings. Collateral on all swaps shall consist of direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America (including cash). All of the swap agreements provide that an early termination date may be designated if an event of default occurs. Of the five swap transactions currently outstanding, two swaps, approximating 20% of the notional amount of swaps outstanding, are held with one counterparty, while the remaining transactions are held by three different counterparties.

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, 2006, the variable market rates were 3.88% and 3.90%, whereas the swap rate index was 3.91% 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. Additionally, the Port Authority has the sole option to terminate, cancel or cash settle any of the swaps, in whole or in part, at its discretion. 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. Currently, there are no swaps exposed to rollover risk. However, if a swap were terminated prior to the maturity of the associated debt, the Port Authority would not realize the synthetic rate offered by the swap on the underlying issue.

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, 2006, the General Reserve Fund balance was $1,198,499,397 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, variable rate master notes, and Interest Rate Exchange Contracts (swaps) executed after 2005), 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, Interest Rate Exchange Contracts (swaps) executed prior to 2005, 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, 2006, 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 2006 and 2005, 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 to offset the operating costs of training and caring for explosive detection dogs. Amounts received in connection with this program were approximately $900,000 in 2006 and $800,000 in 2005.
- Transportation Security Administration (TSA) Airport Screening Program – The TSA provided approximately $593,000 in 2006 and $700,000 in 2005 to reimburse the Port Authority for operating costs incurred by Port Authority police personnel involved with the airport screening program at the Port Authority's three major airports.

Amounts received 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

- Subsequent to September 11, 2001, the Port Authority entered into various agreements with federal and state agencies for programs associated with security related projects through which the Port Authority was reimbursed for incurred expenses. Amounts for such projects in 2006 and 2005 were approximately $37 million and $27 million, respectively.
- The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Amounts from the FTA for the WTC Transportation Hub, including the restoration of the permanent WTC PATH Terminal, in 2006 and 2005 were approximately $137 million and $40 million, respectively. Amounts from the FAA under the Airport Improvement Program in 2006 and 2005 were approximately $70 million and $45 million, respectively. All other contributions in aid of construction (including amounts receivable) totaled approximately $18 million in 2006 and $9 million in 2005.

Note G — Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $876 million in 2006 and approximately $844 million in 2005.

2. Property held for lease

The Port Authority has 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, 2006, 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, 2006 are:

Year ending December 31:	(In thousands)
2007	$ 755,174
2008	721,097
2009	705,359
2010	687,232
2011	663,134
Later years	100,002,973
Total future minimum rentals (a)	$103,534,969

(a) Includes future rentals of approximately $95.3 billion attributable to World Trade Center leases (see Note K) and approximately $943 million for leases associated with Delta Air Lines, Inc., Northwest Airlines Corporation and Calpine Corporation, each of which filed for bankruptcy protection in 2005 under Chapter 11 of the United States Bankruptcy Code.

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 million in 2006 and $233 million in 2005.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2006 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)
2007	$ 228,932
2008	228,437
2009	228,791
2010	229,146
2011	226,388
2012-2016	1,081,303
2017-2021	899,456
2022-2026	885,294
2027-2031	875,455
2032-2065*	4,151,000
Total future minimum rent payments	$9,034,202

* Future minimum rent payments for the years 2032-2065 reflect payments associated with the City of New York and the City of Newark lease commitments.

Note H — Regional Programs

1. At the request of the Governors of the States of New York and New Jersey, the Port Authority participates in certain programs that are deemed essential to the continued economic viability of the two states and the region. These programs, which are generally non-revenue producing to the Port Authority, are addressed by the Port Authority in its budget and business planning process in the context of the Port Authority's overall financial capacity. To the extent not otherwise a part of existing Port Authority facilities, these projects are effectuated through additional Port Authority facilities established solely for these purposes. The Port Authority does not expect to derive any revenues from the regional development facilities described below.

- **Regional Development Facility –** This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that $250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2006, approximately $244 million has been expended on projects approved under this program.
- **Regional Economic Development Program –** This facility is to be comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. As of December 31, 2006, approximately $397 million has been spent on projects authorized under this program.
- **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. As of December 31, 2006, the Port Authority has provided approximately $102 million for this rail project, of which approximately $63 million was made available through the Regional Development Facility and the Regional Economic Development Program.
- **New Jersey Marine Development Program –** This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed $27 million. All funds under this program have been fully allocated to various projects.
- **New York Transportation, Economic Development and Infrastructure Renewal Program –** This facility was established to provide up to $250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2006, $209 million has been spent on projects associated with this program.
- **Regional Transportation Program –** This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. As of December 31, 2006, approximately $117 million has been expended under this program.
- **Hudson-Raritan Estuary Resources Program –** This facility was established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority's

capital program. The cost of real property acquired under this program is not to exceed $60 million. As of December 31, 2006, $8 million has been expended under this program.

- **Regional Rail Freight Program –** This facility provides 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 certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to $50 million. As of December 31, 2006, approximately $48 million has been expended on projects authorized under this program.

- **Meadowlands Passenger Rail Facility –** This facility, which will link New Jersey Transit's (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, will encourage greater use of PATH service since NJT plans to run shuttle service at peak times from Hoboken to the facility. The improved level of passenger rail service provided by the facility will also serve to ease traffic congestion on the Port Authority's interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to $150 million towards the project's capital costs. As of December 31, 2006, approximately $35 million has been expended under this program.

As of December 31, 2006, a total of $1.6 billion has been expended for regional programs. Costs for these 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, 2005	Project Expenditures	Amortization	Dec. 31, 2006
		(In thousands)		
Regional Development Facility	$ 66,528	$ 34	$ 6,047	$ 60,515
Regional Economic Development Program	221,655	–	19,883	201,772
Oak Point Rail Freight Link	17,929	–	1,630	16,299
New Jersey Marine Development Program	9,199	–	835	8,364
New York Transportation, Economic Development and Infrastructure Renewal Program	98,809	95,100	10,513	183,396
Regional Transportation Program	77,497	28,323	6,201	99,619
Hudson-Raritan Estuary Resources Program	2,939	4,419	378	6,980
Regional Rail Freight Program	37,642	5,500	3,048	40,094
Meadowlands Passenger Rail Facility	–	34,935	784	34,151
Total unamortized costs of regional programs	$532,198	$168,311	$49,319	$651,190

2. Bi-State Initiatives – From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2006, the Port Authority expended approximately $13 million on regional initiatives, bringing the total amount spent to date to $64 million.

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 among 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 wholly owned entities) 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 System". 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 System provides 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 2006 was approximately $565 million of which $373 million and $185 million represent the cost for employees covered by ERS and PFRS, respectively.

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

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		($ In thousands)		
2006	$37,193	6.7%	$31,210	5.6%
2005	$41,374	7.4%	$32,975	5.9%
2004	$37,194	6.7%	$22,185	4.0%

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

Employee contributions of approximately $8 million to the ERS represented 1.5% of the total Port Authority covered payroll in 2006.

The Annual Report of the New York State and Local Retirement System, which provides details on valuation methods and ten year historical trend information, is available from the Comptroller of the State of New York, 110 State Street, Albany, New York 12236.

b. Employees of Port Authority Trans-Hudson Corporation (PATH) are not eligible to participate in the existing New York State Retirement System. PATH contributes to 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 2006 for these employees was approximately $66 million. For the year 2006, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled approximately $4 million, which represented approximately 5.4% of the total PATH covered payroll for 2006. Contributions in each of 2005 and 2004 were also approximately $4 million.

c. Presently, none of the other wholly owned entities have employees.

2. Other Employee Benefits

Benefit Plans

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for active and retired employees of the Port Authority and PATH (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as "participants." Contributions toward the costs of some of these benefits are required of certain participants. These contributions generally range from 10% to 50% of the Port Authority's or PATH's cost of the benefit and depend on a number of factors, including status of the participant (active employee, retiree, or dependent), type of benefit, hire date, years of service, and retirement date. 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.

The Port Authority implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* in 2006. In accordance with these Statements, the Port Authority, in December 2006, began funding of an employee benefits trust which will provide funding for retiree health, prescription, dental, vision and life insurance coverage and other non-pension postemployment benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the benefit plans as described by the Port Authority and PATH to participants, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future, including future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2006 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions included a 5.25% investment rate of return, representing the yield expected on Port Authority investments to be used for payment of benefits. An annual medical healthcare cost trend rate of 8.0% in 2006, with a gradual decline to an ultimate rate of 4.5% in 2010, and a dental benefits trend rate of 4.5% per year were used to project future costs.

Other Postemployment Benefit Costs and Obligations

The annual non-pension postemployment benefit (OPEB) cost is actuarially determined in accordance with the parameters of GASB Statement No. 45, which also forms the basis for calculating the annual required contribution (ARC) for the Port Authority and PATH. The ARC represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year amortization of the difference between the actuarial accrued liability and amounts previously recognized. The Port Authority has been recognizing OPEB costs since 1985. The following reflects the components of the 2006 annual OPEB cost, amounts paid, and changes to the net accrued OPEB obligation:

	(In millions)
Normal actuarial cost	$ 30.5
Amortization cost	65.1
ARC	95.6
OPEB payments	(70.6)
Increase in net OPEB obligation	25.0
Net accrued OPEB obligation as of 12/31/05	650.1
OPEB obligation as of 12/31/06	675.1
Trust Fund contribution	(40.0)
Net accrued OPEB obligation as of 12/31/06	$635.1

As of January 1, 2006, the actuarially determined liability for these benefits totaled approximately $1.7 billion, including the $650 million transition liability reflected at December 31, 2005 for amounts recognized in prior periods on a basis consistent with the requirements of GASB Statement No. 45. The difference between the actuarial liability of $1.7 billion and the transition liability of $650 million is being amortized over a 30-year period.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved, effective January 1, 2006. During 2006, the Port Authority received approximately $4 million from the CMS as a Medicare Part D Plan sponsor, which was considered in the actuarial valuation of the liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2006 and the two preceding years, which reflect 13-year and 14-year amortization periods, respectively, were as follows:

Year	ARC	OPEB Payments As a % of ARC	Net Accrued OPEB Obligation
		($ In thousands)	
2006	$ 95,548	74%	$635,066
2005	$129,100	50%	$650,127
2004	$117,100	50%	$585,917

Funding Status

As of January 1, 2006, the most recent actuarial valuation date, the plans continued to be pay-as-you-go. On December 28, 2006, the Port Authority contributed $40 million towards an employee benefits trust.

The actuarial accrued liability for benefits for the three most recent valuation dates, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded actuarial liability to covered payroll follows:

Valuation Date	Actuarial Accrued Benefit Liability	Covered Payroll for Active Employees Covered by the Plans	Ratio of the Unfunded Actuarial Liability to Covered Payroll
	($ In millions)		
1/1/2006	$1,673	$631	265%
1/1/2005	$1,099	$650	169%
1/1/2004	$ 969	$629	154%

Note J — Commitments and Certain Charges to Operations

1. On December 14, 2006, the Board of Commissioners of the Port Authority adopted the annual budget for 2007. 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 consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2006, the Port Authority had entered into various construction contracts totaling approximately $2.5 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. In view of the current state of the insurance industry, availability of coverage may be constrained and premium costs may increase substantially for available coverage in connection with the Port Authority's periodic renewal of its insurance programs. While premium levels began rising before September 11, 2001, since that date, coverage under the Port Authority's insurance programs has generally decreased while premium costs have generally increased, reflecting recent trends in the insurance industry.

a. Property damage and loss of revenue insurance program:

The Port Authority's property damage and loss of revenue insurance program, which was renewed effective June 1, 2006 and expires on June 1, 2007, provides for coverage as follows:

General Coverage (Excluding Terrorism)

$600 million of purchased coverage

$600 million of purchased coverage per occurrence

$25 million in the aggregate self-insurance after which purchased coverage applies

$5 million per occurrence deductible

Terrorism Coverage

$28.25 million purchased coverage excess above $375 million

$28.25 million TRIA* Coverage | $96.75 million Self-Insurance

$32.5 million purchased coverage excess above $250 million

$32.5 million TRIA Coverage | $92.5 million Self-Insurance

$64.25 million purchased coverage excess above $125 million

$14.5 million TRIA Coverage | $49.75 million Full Coverage | $60.75 million Self-Insurance

$75 million purchased coverage excess above $50 million

$14.38 million TRIA Coverage | $60.62 million Full Coverage

$50 million purchased coverage

$2.5 million TRIA Coverage | $47.5 million Full Coverage

$250 million of purchased coverage per occurrence

$25 million in the aggregate self-insurance after which purchased coverage applies

$5 million per occurrence deductible

Wind Coverage
(Sub-Limit to Property – General Coverage)

$23.25 million purchased coverage excess above $375 million		$250 million of purchased coverage per occurrence
$23.25 million Wind Coverage	$101.75 million Self-Insurance	
$37.5 million purchased coverage excess above $250 million		
$37.5 million Wind Coverage	$87.5 million Self-Insurance	
$64.25 million purchased coverage excess above $125 million		
$64.25 million Wind Coverage	$60.75 million Self-Insurance	
$75 million purchased coverage excess above $50 million		
$75 million Wind Coverage		
$50 million purchased coverage		
$50 million Wind Coverage		

$25 million in the aggregate self-insurance after which purchased coverage applies
$5 million per occurrence deductible

b. Public liability insurance program:

(1) Aviation facilities

The Port Authority's public liability insurance program for aviation facilities, which was renewed effective October 27, 2006 and expires on October 27, 2007, provides for coverage as follows:

General Coverage (Excluding Terrorism)	**Terrorism Coverage**
$1.25 billion per occurrence and in the aggregate of purchased coverage	$1.25 billion aviation war risk** per occurrence and in the aggregate of purchased coverage
$5 million per occurrence deductible	$5 million per occurrence deductible

(2) Non-Aviation facilities

The Port Authority's public liability insurance program for "non-aviation" facilities, which was renewed effective October 27, 2006 and which expires on October 27, 2007, provides for coverage as follows:

General Coverage
(Excluding Terrorism)

$800 million excess above $20 million of purchased coverage		$820 million of purchased coverage per occurrence
$25 million of coverage		
$20 million of purchased coverage	$5 million Self-Insurance	

$5 million per occurrence deductible

Terrorism Coverage (Foreign)

$100 million TRIA* excess above $150 million of purchased coverage (PAICE)

$100 million TRIA excess above $50 million of purchased coverage (PAICE)

$25 million TRIA excess above $25 million of purchased coverage (PAICE)

$25 million purchased TRIA coverage (PAICE)

$250 million of purchased coverage per occurrence

$5 million per occurrence deductible

Terrorism Coverage (Domestic)

$50 million purchased coverage excess above $85 million of purchased coverage

$100 million excess above $65 million of purchased coverage

$20 million purchased coverage | $80 million Self-Insurance

$100 million excess above $45 million of purchased coverage

$20 million purchased coverage | $80 million Self-Insurance

$25 million purchased coverage excess above $20 million of purchased coverage

$25 million of coverage

$20 million purchased coverage | $5 million Self-Insurance

$135 million of purchased coverage per occurrence

$5 million per occurrence deductible

*The Terrorism Risk Insurance Act of 2002 (TRIA) generally defines an "act of terrorism" to include any act, certified by the Secretary of the Treasury and concurred by the Secretary of State and the Attorney General of the United States, that is violent or dangerous to human life, property or infrastructure, which occurs in the United States or to certain property outside the United States (including aircraft) and which was committed on behalf of a foreign person or interest as part of an effort to coerce the civilian population of the United States or the policy or conduct of the Federal government. The Terrorism Risk Insurance Extension Act of 2005 amending TRIA, extended the program from December 31, 2005 through December 31, 2007.

**Aviation war risks generally include war, hijacking and other perils, both domestically and internationally.

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

4. 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. As of December 31, 2006, approximately $79 million constituted appropriated reserves for self-insurance in the operating fund.

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 2006 and 2005 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2006	$8,801	$10,095	$4,246	$14,650
2005	$7,416	$ 5,424	$4,039	$ 8,801

5. On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity LLC (PAICE), for the purpose of insuring certain risk exposures of the Port Authority and its wholly owned entities. Under its Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business in connection with workers' compensation, general liability, builders' risk, property and foreign terrorism insurance coverages for the Port Authority and its wholly owned entities, until April 30, 2007, at which time PAICE will seek to renew the Certificate of Authority annually. As of December 31, 2006, $250 million of insurance coverage is being provided by PAICE with respect to foreign terrorism coverage under the non-aviation portion of the Port Authority's public liability insurance program and the first $1 million in coverage under the Workers' Compensation and Builders' Risk portion of the Port Authority's Master Contractor's Insurance Program.

Reserve for losses – Insurance Claims

The liability for unpaid losses and loss adjustment expenses includes case basis estimates of reported losses, and a provision for incurred but not reported losses (IBNR), calculated based upon loss projections utilizing actuarial studies of the insured's historical experience and industry data. In establishing its aggregate liability for losses and loss adjustment expenses, PAICE utilizes the findings of an independent consulting actuary. The management of PAICE, based on an actuarial analysis, believes that its aggregate reserve for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses. However, because of the relatively short history of PAICE's operations and the limited population of insured risks, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

6. The 2006 balance of "Other amounts receivable, net" on the Consolidated Statements of Net Assets consists of the anticipated recovery of the approximately $771 million net book value of various assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; approximately $69 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; approximately $53 million in long-term receivables from Port Authority tenants; approximately $32 million and $1 million in insurance receivables for workers' compensation related to September 11, 2001 and the 1993 World Trade Center bombing, respectively; approximately $4 million representing an advance to AirRail Transit Consortium for operating and maintenance work; approximately $4 million representing the balance due from Howland Hook Container Terminal, Inc. for the purchase of 7 cargo cranes; and a $1 million advance payment to the City of Yonkers Industrial Development Agency for the development of ferry service in the City of Yonkers.

7. On January 19, 2006, in connection with the October 2002 extension of the lease between the Port Authority and the City of Newark pertaining to the operation of EWR and PN, the Port Authority and City of Newark agreed to conform certain terms of the lease with the lease relating to the New York City Airports (in connection with the Most Favored Nation Provision of the lease extension). The Port Authority is to make additional rental payments, during the period 2006 to 2010, in the total aggregate amount of $400 million. Additional rental payments made in 2006 totaled $240 million. In addition, the Port Authority will also make certain capital expenditures at EWR and/or PN in the total aggregate amount of $50 million over the same period.

8. 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 has been 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. Along with the execution of the amended agreement between the City of Newark and the Port Authority covering EWR and PN, the City and the Port Authority have entered into a settlement agreement whereby the City has agreed to restore the Newark Legal and Communications Center's tax-exempt status. It is presently anticipated that the City and the Port Authority will enter into further agreements with respect to continuing payments pertaining to the tax-exempt status of the facility.

9. For PATH employees who are not covered by collective bargaining agreements (PATH exempt employees), 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 approximately $3 million in 2006 and $2 million in 2005.

10. The 2006 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2005	Additions	Deductions	Dec. 31, 2006
		(In thousands)		
Workers' compensation liability	$ 45,412	$24,974	$20,401	$ 49,985
PATH exempt employees supplemental	21,263	3,515	2,610	22,168
Surety and security deposits	9,772	811	964	9,619
Claims liability	8,801	10,095	4,246	14,650
Contractors Insurance Program—WTC	—	19,639	—	19,639
PAICE — Equity	—	8,000	—	8,000
Other	19,933	3,153	7,175	15,911
Gross other liabilities	$105,181	$70,187	$35,396	139,972
Less current portion:				
Workers' compensation liability				20,401
PATH exempt employees supplemental				2,563
Total other noncurrent liabilities				$117,008

11. 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. On May 22, 2006, title to the piers was transferred to the BBPDC. The book value of the piers at the time of transfer, which was approximately $8 million, was recorded as a loss. In addition, as of December 31, 2006, in excess of more than $8 million of the aforementioned $85 million allocation has been provided toward the design and development of the park.

12. During 2006, $25 million in expenditures previously included in Facilities, net were determined to represent costs for projects at various Port Authority facilities that will not proceed forward to completion, or for preliminary engineering and design work related to alternative analyses no longer considered viable for ongoing projects. As a result, these charges were transferred to operating expense.

13. During 2006, the Port Authority provided termination benefits, including severance payments based primarily on years of service and continued limited access to health, dental and life insurance, to 28 employees. Port Authority costs and related cost savings totaled approximately $1 million and $3 million, respectively, in 2006 for this voluntary severance program. As of December 31, 2006, all severance amounts were provided to such terminated employees.

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. In connection with the implementation of the conceptual framework described below, these net leases, and various related agreements, were supplemented and amended, as of November 16, 2006.

The terms of the original net leases established 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 $2.5 billion under the program. Approximately $2.1 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 as well as certain of their World Trade Center redevelopment expenses. The Port Authority now owns 100% of the membership interest in and is the sole managing member of the retail net lessee, a single purpose entity, which is now known as WTC Retail LLC.

On September 21, 2006, the Port Authority Board of Commissioners approved the conceptual framework for the redevelopment of the office and retail components of the World Trade Center site. In connection with the implementation of the conceptual framework, the Port Authority acquired, as of November 16, 2006, the office net lessee, 1 World Trade Center LLC, of the Freedom Tower and Tower 5, comprising, in the aggregate, approximately 3.8 million square feet of office space. The other office net lessees, the Silverstein net lessees, will develop Tower 2, Tower 3 and Tower 4, comprising, in the aggregate, approximately 6.2 million square feet of office space. The agreements also provide for a development schedule for Towers 2, 3 and 4, the allocation of certain insurance proceeds and common infrastructure costs, and certain adjustments to rent, as well as the use of New York Liberty Bond financing (allocations were made by the State of New York on July 14, 2006 and by the New York City Industrial Development Agency on July 11, 2006, totaling $2.593 billion for the development of Towers 2, 3 and 4 and $702 million for the development of the Freedom Tower and the retail components of the World Trade Center site).

Under the agreements, the Port Authority shall turn over the sites for Towers 3 and 4 to the respective net lessees thereof by December 31, 2007, and the site for Tower 2 to its net lessee by June 30, 2008, in each case, except for certain retained parcels. The retained parcels will be turned over to the respective net lessees by the Port Authority, with respect to the site for Tower 4 on June 30, 2008 and with respect to sites for Towers 2 and 3 by December 31, 2008. In the event that the Port Authority fails to meet any of the turnover dates, as adjusted for "unavoidable delay" (generally, certain events outside the control of the Port Authority, including fault of other parties and breaches of the various agreements that have an impact on the construction schedule), the Port Authority will be obligated to pay liquidated damages in the total cumulative amount of $300,000 per day until all turnover failures are cured. Any liquidated damages received by the Silverstein net lessees will be applied by the Silverstein net lessees to project costs for Towers 2, 3 and 4. The agreements also provide that Towers 2, 3 and 4 are to be constructed by the respective Silverstein net lessee thereof so that substantial completion is achieved on or before December 31, 2011 with respect to Towers 3 and 4, and June 30, 2012 with respect to Tower 2, in each case subject to a one-year extension at the option of the respective Silverstein net lessee. These completion dates are subject to "unavoidable delay," generally, certain events outside the control of a Silverstein net lessee, including Port Authority fault and breaches of the various agreements that have an impact on the construction schedule. Additionally, the Port Authority has the right to foreclose upon the membership interests and certain cash proceeds of the Silverstein net lessees of Towers 2, 3 and 4, in the event that any Silverstein net lessee fails to substantially complete its Tower by the applicable completion date, as extended by "unavoidable delay," subject to certain rights of the net lessees to cure any such default and other procedural requirements.

Future minimum rentals (see Note G) include rentals of approximately $95.3 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. In connection with the recovery for and redevelopment of certain assets comprising the World Trade Center, such receivable has been reduced to approximately $771 million on the Port Authority's financial statements for the year ended December 31, 2006.

As of December 31, 2006, 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, $858 million has been recognized as revenue net of $440 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, 2006			2005
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)	
Gross operating revenues:				
Rentals	$ 952,431	$ –	**$ 952,431**	$ 928,395
Tolls and fares	798,682	–	**798,682**	787,381
Aviation fees	717,631	–	**717,631**	748,811
Parking and other	334,088	–	**334,088**	296,663
Utilities	146,822	–	**146,822**	147,795
Rentals – Special Project Bonds Projects	88,884	–	**88,884**	91,648
Total gross operating revenues	3,038,538	–	**3,038,538**	3,000,693
Operating expenses:				
Employee compensation, including benefits	840,640	–	**840,640**	870,784
Contract services	590,197	–	**590,197**	564,332
Rents and amounts in-lieu-of taxes	254,178	–	**254,178**	243,411
Materials, equipment and other	187,996	–	**187,996**	168,139
Utilities	150,729	–	**150,729**	149,604
Interest on Special Project Bonds	88,884	–	**88,884**	91,648
Total operating expenses	2,112,624	–	**2,112,624**	2,087,918
Amounts in connection with operating asset obligations	42,391	–	**42,391**	48,008
Expenses related to the events of September 11, 2001	2,069	–	**2,069**	3,358
Net operating revenues	881,454	–	**881,454**	861,409
Financial income:				
Interest income	39,597	48,000	**87,597**	58,622
Net increase in fair value of investments	38,788	8,421	**47,209**	44,950
Contributions in aid of construction	250,904	–	**250,904**	107,262
Allocated Passenger Facility Charges	186,555	–	**186,555**	113,649
Grants	17,469	–	**17,469**	14,336
Pass-through grant program payments	(6,832)	–	**(6,832)**	–
Net revenues available for debt service and reserves	1,407,935	56,421	**1,464,356**	1,200,228
Debt service:				
Interest on bonds and other asset financing obligations	379,361	26,587	**405,948**	372,713
Debt maturities and retirements	254,210	–	**254,210**	205,220
Repayment of asset financing obligations	–	109,934	**109,934**	12,205
Total debt service	633,571	136,521	**770,092**	590,138
Transfers to reserves	$ (774,364)	774,364	**–**	–
Revenues after debt service and transfers to reserves		694,264	**694,264**	610,090
Direct investment in facilities		(490,750)	**(490,750)**	(626,813)
Change in appropriations for self-insurance		(4,968)	**(4,968)**	(5,325)
Increase (decrease) in reserves		198,546	**198,546**	(22,048)
Reserve balances, January 1		1,575,148	**1,575,148**	1,597,196
Reserve balances, December 31		$1,773,694	**$1,773,694**	$1,575,148

See Notes to Consolidated Financial Statements.

Schedule B – Assets and Liabilities

(Pursuant to Port Authority bond resolutions)

	December 31, 2006				2005
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 57,705	$ –	$ 1,000	**$ 58,705**	$ 42,891
1 WTC/WTC Retail insurance proceeds	184,901	–	–	**184,901**	–
Investments	668,903	794,499	1,406,855	**2,870,257**	2,190,485
Current receivables, net	251,567	51,780	–	**303,347**	268,869
Other current assets	71,206	132,787	–	**203,993**	148,292
Restricted receivables – Passenger Facility Charges	23,870	–	–	**23,870**	17,916
Total current assets	1,258,152	979,066	1,407,855	**3,645,073**	2,668,453
Noncurrent assets:					
Restricted cash	9,310	–	–	**9,310**	9,321
Investments	171,425	286,215	365,839	**823,479**	817,220
Other amounts receivable, net	68,826	867,647	–	**936,473**	1,054,465
Deferred charges and other noncurrent assets	1,041,855	13,580	–	**1,055,435**	800,767
Amounts receivable – Special Project Bonds Projects	–	1,297,974	–	**1,297,974**	1,340,286
Invested in facilities	–	23,968,389	–	**23,968,389**	22,379,093
Total noncurrent assets	1,291,416	26,433,805	365,839	**28,091,060**	26,401,152
Total assets	2,549,568	27,412,871	1,773,694	**31,736,133**	29,069,605
LIABILITIES					
Current liabilities:					
Accounts payable	238,323	389,137	–	**627,460**	603,931
Accrued interest and other current liabilities	286,310	36,448	–	**322,758**	255,650
Accrued payroll and other employee benefits	89,517	–	–	**89,517**	87,796
Deferred income – 1 WTC/WTC Retail insurance proceeds	184,901	–	–	**184,901**	–
Deferred income in connection with PFCs	23,870	–	–	**23,870**	17,916
Current portion bonds and other asset financing obligations	486,676	1,407,855	–	**1,894,531**	1,438,776
Total current liabilities	1,309,597	1,833,440	–	**3,143,037**	2,404,069
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	639,376	–	–	**639,376**	655,805
Other noncurrent liabilities	95,251	21,757	–	**117,008**	83,802
Amounts payable – Special Project Bonds	–	1,311,100	–	**1,311,100**	1,354,425
Bonds and other asset financing obligations	375,939	8,822,579	–	**9,198,518**	8,302,818
Total noncurrent liabilities	1,110,566	10,155,436	–	**11,266,002**	10,396,850
Total liabilities	2,420,163	11,988,876	–	**14,409,039**	12,800,919
NET ASSETS	$ 129,405	$15,423,995	$1,773,694	**$17,327,094**	$16,268,686
Net assets are composed of:					
Facility infrastructure investment	$ 50,000	$15,423,995	$ –	**$15,473,995**	$ 14,619,101
Reserves	–	–	1,773,694	**1,773,694**	1,575,148
Appropriated reserves for self-insurance	79,405	–	–	**79,405**	74,437
Net Assets	$ 129,405	$15,423,995	$1,773,694	**$17,327,094**	$16,268,686

See Notes to Consolidated Financial Statements.

Schedule C – Analysis of Reserve Funds

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2006			2005
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$1,068,790	$ 506,358	**$1,575,148**	$1,597,196
Increase in reserve funds *	129,709	701,076	**830,785**	639,940
	1,198,499	1,207,434	**2,405,933**	2,237,136
Applications:				
Repayment of asset financing obligations	–	109,934	**109,934**	12,205
Interest on asset financing obligations	–	26,587	**26,587**	17,645
Direct investment in facilities	–	490,750	**490,750**	626,813
Self-insurance	–	4,968	**4,968**	5,325
Total applications	–	632,239	**632,239**	661,988
Balance, December 31	$1,198,499	$ 575,195	**$1,773,694**	$1,575,148

* Consists of net transfers from operating fund and income on investments, including fair market valuation adjustments of $8 million and $19 million for 2006 and 2005, respectively.

See Notes to Consolidated Financial Statements.

Statistical & Other Supplemental Information

For the Year Ended December 31, 2006

THE PORT AUTHORITY OF NY & NJ

Statistical Section

The Statistical Section presents additional information as a context for further understanding the information in the financial statements, note disclosures and schedules. The information contained in this section is unaudited.

Financial Trends – Schedule D-1

Trend information is provided to help the reader understand how the Port Authority's financial performance and fiscal health has changed over time.

Debt Capacity – Schedule D-2

The Port Authority has several forms of outstanding obligations (see Note – D).

Information on Port Authority revenues, outstanding obligations, debt service, and reserves is included here for statistical purposes (more detailed information about the various kinds of debt instruments used by the Port Authority can be found in Note D and the reserve funds are described in Note E). Debt limitations — including in some cases limits on total authorized amounts or requirements for the issuance of additional bonds — may be found in the various resolutions establishing and authorizing such obligations.

Demographic and Economic Information – Schedule D-3

This schedule offers demographic and economic indicators to provide a better understanding of the environment within which the Port Authority's financial activities take place.

Operating Information – Schedule D-4

Operating and service data is provided to help the reader understand how the information in the Port Authority's financial report relates to the services it provides and the activities it performs.

Schedule D-1 — Selected Statistical Financial Trends Data

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
		(In thousands)								
Net Assets are composed of: (a)										
Invested in capital assets net of related debt	**$5,877,708**	$5,725,929	$5,563,683	$5,397,959	$4,492,027	$3,814,967	$ —	$ —	$ —	$ —
Restricted	**208,771**	17,916	14,651	15,153	16,505	245,319	—	—	—	—
Unrestricted	**1,547,924**	1,371,928	1,375,533	1,389,219	1,410,763	1,119,047	—	—	—	—
Net Assets	**$7,634,403**	$7,115,773	$6,953,867	$6,802,331	$5,919,295	$5,179,333	$4,963,571	$4,554,976	$4,185,183	$3,848,863
Revenues, Expenses and Changes in Net Assets: (b)										
Gross operating revenues										
Rentals	**$ 952,431**	$ 928,395	$ 877,306	$ 858,414	$ 832,527	$ 976,054	$1,218,093	$1,119,719	$1,335,837	$ —
Tolls and Fares	**798,682**	787,381	788,333	758,326	774,337	750,782	616,722	595,691	585,264	—
Aviation Fees	**717,631**	748,811	714,766	705,302	672,175	560,951	382,604	363,015	62,995	—
Parking and other fees	**334,088**	296,663	269,413	234,261	197,912	202,864	219,985	247,695	226,832	—
Utilities	**146,822**	147,795	121,436	112,555	97,184	126,956	113,054	123,356	52,109	—
Rentals associated with Special Project Bonds	**88,884**	91,648	93,570	95,193	96,448	97,195	97,870	98,036	98,165	—
Gross operating revenues	**3,038,538**	3,000,693	2,864,824	2,764,051	2,670,583	2,714,802	2,648,328	2,547,512	2,361,202	2,205,647
Operating expenses:										
Employee compensation, including benefits	**840,640**	870,784	806,890	769,711	777,146	654,074	648,171	630,752	616,405	—
Contract services	**590,197**	564,332	545,404	543,927	622,781	600,686	619,462	560,425	505,775	—
Rents and amounts in-lieu-of taxes	**254,178**	243,411	252,658	237,014	140,614	96,401	131,431	133,556	50,764	—
Materials, equipment and other	**187,996**	168,139	141,367	150,961	135,321	157,004	133,166	122,778	167,355	—
Utilities	**150,729**	149,604	141,476	122,445	113,880	140,436	142,261	131,717	130,794	—
Interest on Special Project Bonds	**88,884**	91,648	93,570	95,193	96,448	97,195	97,870	98,036	98,165	—
Operating expenses	**2,112,624**	2,087,918	1,981,365	1,919,251	1,886,190	1,745,796	1,772,361	1,677,264	1,569,258	1,461,264
Net (expenses) recoverables related to the events of September 11, 2001	**(2,069)**	(3,358)	(4,985)	664,211	474,663	(270,334)	—	—	—	—
Depreciation of facilities	**(674,940)**	(643,732)	(575,539)	(488,986)	(406,484)	(422,739)	(410,936)	(400,103)	(375,126)	(350,465)
Amortization of costs for regional programs	**(49,319)**	(42,996)	(38,677)	(32,112)	(28,762)	(20,014)	(19,749)	(19,468)	(20,612)	(36,185)
Net amounts associated with the 1993 WTC bombing	**—**	—	—	—	—	—	—	—	—	29,450
Income from operations	**199,586**	222,689	264,258	987,913	823,810	255,919	445,282	450,677	396,206	357,733
Income on investments (including fair value adjustment)	**137,968**	105,579	59,047	66,148	97,812	144,618	167,028	117,584	143,139	122,558
Interest expense on bonds and other asset financing	**(454,134)**	(422,334)	(391,870)	(344,755)	(336,725)	(338,332)	(361,912)	(368,701)	(352,863)	(334,381)
Loss/gain on disposition of assets	**(3,741)**	(55)	—	787	—	—	1,620	(1,377)	(172)	(257)
Contributions in aid of construction	**250,904**	107,262	81,173	57,568	36,258	40,070	—	—	—	—
Passenger Facility Charges	**192,509**	134,429	125,532	109,111	110,471	113,487	120,404	115,837	113,020	107,345
1 WTC/WTC Retail insurance proceeds	**184,901**	—	—	—	—	—	—	—	—	—
Grants	**17,469**	14,336	13,396	34,501	19,892	—	—	—	—	—
Capital funding provided by others	**—**	—	—	—	—	—	36,173	55,773	36,990	27,892
Pass-through grant program payments	**(6,832)**	—	—	(28,237)	(11,556)	—	—	—	—	—
Increase in net assets December 31,	**$ 518,630**	$ 161,906	$ 151,536	$ 883,036	$ 739,962	$ 215,762	$ 408,595	$ 369,793	$ 336,320	$ 280,890

(a) Data not available for classifying net assets prior to the implementation of GASB Statement No. 34 for year 2001.

(b) Data not available for categorizing operating revenues and expenses for year 1997.

Schedule D-2 — Selected Statistical Debt Capacity Data

(In thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Gross Operating Revenues	**$ 3,038,538**	$ 3,000,693	$ 2,864,824	$2,764,051	$2,670,583	$2,714,802	$2,648,328	$ 2,547,512	$ 2,361,202	$2,205,647
Operating expenses	**(2,112,624)**	(2,087,918)	(1,981,365)	(1,919,251)	(1,886,190)	(1,745,796)	(1,772,361)	(1,677,264)	(1,569,258)	(1,461,264)
Net (expenses) recoverables related to the events of September 11, 2001	**(2,069)**	(3,358)	(4,985)	664,211	474,663	(270,334)	—	—	—	—
Amounts in connection with operating asset obligations	**(42,391)**	(48,008)	(34,609)	(35,113)	(35,960)	(36,696)	(37,188)	(35,957)	(35,605)	(34,675)
Net operating revenues	**881,454**	861,409	843,865	1,473,898	1,223,096	661,976	838,779	834,291	756,339	709,708
Financial income (including gain on purchase of Port Authority bonds)	**134,806**	103,572	57,403	61,765	95,962	143,381	162,811	104,657	118,362	103,884
Grants and contributions in aid-of-construction, net	**261,541**	121,598	94,569	63,832	44,594	40,070	—	—	—	—
Allocated Passenger Facility Charges	**186,555**	113,649	—	—	—	—	—	—	—	—
Net amounts associated with the 1993 WTC Bombing	**—**	—	—	—	—	—	—	—	—	29,450
Net Revenues available for debt service and reserves	**1,464,356**	1,200,228	995,837	1,599,495	1,363,652	845,427	1,001,590	938,948	874,701	843,042
DEBT SERVICE — OPERATIONS										
Interest on bonds and other asset financing obligations	**(379,361)**	(355,068)	(345,129)	(291,514)	(282,635)	(266,944)	(318,912)	(323,954)	(310,107)	(291,765)
Times, interest earned (a)	**3.86**	3.38	2.89	5.49	4.82	3.17	3.14	2.90	2.82	2.89
Debt maturities and retirements	**(254,210)**	(205,220)	(211,870)	(698,280)	(181,250)	(171,340)	(158,435)	(138,225)	(123,395)	(105,450)
Times, debt service earned (a)	**2.31**	2.14	1.79	1.62	2.94	1.93	2.10	2.03	2.02	2.12
DEBT SERVICE — RESERVES										
Direct investment in facilities	**(490,750)**	(626,813)	(285,441)	(542,260)	(433,747)	(462,129)	(404,388)	(233,260)	(242,311)	(246,232)
Debt retirement acceleration	**—**	—	(110,075)	(183,120)	(283,502)	(25,000)	(60,000)	—	—	—
Change in appropriations for self-insurance	**(4,968)**	(5,325)	249	(15,201)	(19,017)	14,270	(5,101)	(4,247)	(3,785)	(3,749)
Interest on bonds and other asset financing obligations	**(26,587)**	(17,645)	(8,684)	(6,860)	(15,828)	(27,964)	—	—	—	—
Repayment of asset financing obligations	**(109,934)**	(12,205)	(10,737)	(6,329)	(5,863)	(6,390)	(10)	(172)	(757)	(395)
Net increase (decrease) in reserves	**198,546**	(22,048)	24,150	(144,069)	141,810	(100,070)	54,744	239,090	194,346	195,451
RESERVE BALANCES										
January 1	**1,575,148**	1,597,196	1,573,046	1,717,115	1,575,305	1,675,375	1,620,631	1,381,541	1,187,195	991,744
December 31	**$ 1,773,694**	$ 1,575,148	$ 1,597,196	$1,573,046	$ 1,717,115	$1,575,305	$1,675,375	$1,620,631	$ 1,381,541	$ 1,187,195
Reserve funds balances represented by:										
General Reserve	**1,198,499**	1,068,790	1,068,790	948,902	907,075	880,041	848,095	839,671	823,581	754,619
Consolidated Bond Reserve	**575,195**	506,358	528,406	624,144	810,040	695,264	827,280	780,960	557,960	432,576
Total	**$ 1,773,694**	$ 1,575,148	$ 1,597,196	$1,573,046	$ 1,717,115	$1,575,305	$1,675,375	$1,620,631	$ 1,381,541	$ 1,187,195
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$ 9,659,104**	$ 8,328,644	$ 8,273,573	$ 7,053,296	$6,630,205	$6,092,735	$5,889,613	$5,916,804	$ 5,747,387	$ 5,077,133
Fund Buy-out obligation	**419,155**	420,660	422,050	423,330	424,513	425,606	419,696	414,246	409,219	404,582
Amounts payable — Special Project Bonds	**1,311,100**	1,354,425	1,393,920	1,420,240	1,442,450	1,457,705	1,468,965	1,477,275	1,479,975	1,482,675
Variable rate master notes	**130,990**	130,990	130,990	149,990	149,990	214,990	214,990	215,990	215,990	202,900
Commercial paper notes	**270,740**	282,095	280,315	249,200	180,408	356,880	251,885	123,595	124,910	124,445
Versatile structure obligations	**519,600**	532,100	544,000	554,500	560,600	566,000	571,300	575,900	580,400	584,200
Port Authority equipment notes	**93,460**	47,105	65,105	61,800	107,100	112,100	84,200	87,150	87,150	74,838
Total obligations	**$12,404,149**	$11,096,019	$11,109,953	$9,912,356	$9,495,266	$9,226,016	$8,900,649	$8,810,960	$8,645,031	$ 7,950,773
DEBT RETIRED THROUGH INCOME:										
Annual	**$ 364,144**	$ 217,425	$ 332,682	$ 887,729	$ 470,615	$ 202,730	$ 218,445	$ 138,396	$ 124,153	$ 105,845
Cumulative	**$ 6,436,872**	$ 6,072,728	$ 5,855,303	$5,522,621	$4,634,892	$4,164,277	$3,961,547	$3,743,102	$3,604,706	$3,480,553
(a) Debt service ratios excluding net (expenses) recoverables related to the events of September 11, 2001 and net amounts associated with the 1993 Bombing are as follows:										
Times, interest earned	**3.87**	3.39	2.90	3.21	3.15	4.18	3.14	2.90	2.82	2.79
Times, debt service earned	**2.31**	2.15	1.80	0.94	1.92	2.55	2.10	2.03	2.02	2.05

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

Schedule D-3 – Selected Statistical Demographic and Economic Data

The New York-New Jersey Metropolitan Region, one of the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Staten Island and The Bronx; the four suburban counties of Nassau, Rockland, Suffolk and Westchester; and the eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union. The following demographic information is provided for this seventeen county region that comprise approximately 3,900 square miles.

	Population (2)	Total Personal Income (3)	Per-capita Personal Income (2) (3)	Employment (4)	Unemployment Rate (5)
	(In thousands)				
2006 (1)	**17,124**	**$835,673,100**	**$48.80**	**7,866.8**	**4.70%**
2005 (1)	17,112	$781,340,980	$45.66	7,798.3	5.00%
2004	17,131	$744,638,756	$43.47	7,739.2	5.80%
2003	17,076	$696,914,946	$40.81	7,714.2	6.70%
2002	17,015	$687,559,899	$40.41	7,743.0	6.60%
2001	16,936	$690,877,666	$40.79	7,887.6	5.00%
2000	16,789	$674,214,026	$40.16	7,959.5	4.60%
1999	16,674	$622,227,216	$37.32	7,757.6	5.30%
1998	16,510	$593,738,796	$35.96	7,545.6	5.70%
1997	16,358	$554,999,568	$33.93	7,373.4	6.80%

Leading employment by major industries (% of total) (5) (6)

	2006	1997
Education & Health Services	**16.7%**	14.8%
Government	**15.2%**	15.1%
Professional & Business Services	**14.8%**	14.2%
Retail Trade	**10.1%**	9.9%
Financial Activities	**9.4%**	10.0%
Leisure & Hospitality	**7.4%**	6.5%
Manufacturing	**5.5%**	8.7%
Wholesale Trade	**5.1%**	5.6%
Other Services	**4.6%**	3.9%
Construction	**4.1%**	3.3%
TWU*	**3.7%**	4.3%
Information	**3.4%**	3.7%

(1) Source – Employment data for 2006 is preliminary and subject to revision.
(2) Source – US Census Bureau, years 1997-2004, 2005-2006 data estimate by Global Insight
(3) Source – US Bureau of Economic Analysis, years 1997-2004, 2005-2006 data estimate by Global Insight
(4) Source – New York and New Jersey Departments of Labor, years 1997-2006
(5) Source – US Bureau of Labor Statistics, years 1997-2006
(6) Employment by major industries are provided by the New York and New Jersey Departments of Labor by labor areas and include a limited number of locales immediately surrounding the 17-county New York-New Jersey region. These labor areas consist of 23 counties in the metropolitan area. The Port Authority's 17-county region comprises approximately 93% of the employment in the larger 23-county region. The inclusion of these areas is not expected to impact labor employment by industry. The presentation of the region's labor by industry for years 2006 and 1997 provides additional historical perspective on the Region's labor force that primarily comprises the Port Authority's customer base. Industry definitions can be found at the US Department of Labor Statistics website at www.bls.gov/bls/naics.htm.

* Transportation and Warehousing, and Utilities Industry

Schedule D-4 — Selected Statistical Operating Data

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Authorized Port Authority staffing levels:										
Tunnels, Bridges and Terminals	**938**	1,010	1,039	1,023	1,034	1,058	1,030	1,056	1,070	1,126
PATH	**1,080**	1,089	1,092	1,093	1,095	1,072	1,000	1,016	1,054	1,071
Port Commerce facilities	**175**	183	187	191	192	193	173	181	184	241
Air Terminal facilities	**953**	989	999	999	997	998	934	959	952	947
Other operational and support activities(a)	**2,259**	2,382	2,403	2,409	2,418	2,447	2,402	2,436	2,513	2,553
Subtotal	**5,405**	5,653	5,720	5,715	5,736	5,768	5,539	5,648	5,773	5,938
Public Safety and Security	**1,776**	1,541	1,547	1,519	1,499	1,425	1,375	1,371	1,382	1,368
Total	**7,181**	7,194	7,267	7,234	7,235	7,193	6,914	7,019	7,155	7,306
Facility Traffic and Other Indicators:					(In thousands)					
INTERSTATE TRANSPORTATION NETWORK										
Tunnels and Bridges (Total Eastbound Traffic)										
George Washington Bridge	**54,265**	53,612	54,202	52,971	54,674	53,467	54,327	53,601	52,353	50,518
Lincoln Tunnel	**21,933**	21,794	21,733	21,078	20,931	20,987	22,005	21,610	21,162	20,669
Holland Tunnel	**17,365**	16,982	16,963	16,566	15,764	14,616	17,797	17,555	17,308	17,045
Staten Island Bridges	**33,457**	33,479	33,649	33,205	33,875	32,812	32,194	31,554	30,601	29,771
Total vehicles	**127,020**	125,867	126,547	123,820	125,244	121,882	126,323	124,320	121,424	118,003
Automobiles	**115,506**	114,481	115,219	112,869	114,005	110,753	115,149	113,479	110,981	108,030
Buses	**3,140**	3,137	3,123	3,041	3,121	2,842	2,571	2,626	2,510	2,395
Trucks	**8,374**	8,249	8,205	7,910	8,118	8,287	8,603	8,215	7,933	7,578
Total vehicles	**127,020**	125,867	126,547	123,820	125,244	121,882	126,323	124,320	121,424	118,003
Bus Facility Terminals										
Bus facilities passengers	**72,731**	69,060	69,871	69,428	69,236	71,560	71,360	71,464	68,895	69,380
Bus movements	**3,394**	3,346	3,426	3,447	3,561	3,515	3,532	3,312	3,533	3,547
PATH										
Total Passengers	**66,966**	60,787	57,725	47,920	51,920	69,791	74,087	67,332	64,992	62,200
Passenger weekday average	**227**	206	194	160	174	241	255	232	223	215
Total Interstate Transportation Network Net Capital Expenditures	**$491,269**	$471,306	$463,652	$751,509	$474,978	$ 198,725	$209,567	$184,578	$163,074	$209,191
PORT COMMERCE										
Containers in twenty foot equivalent units (TEU)	**5,015**	4,793	4,478	4,068	3,749	3,316	3,051	2,829	2,466	2,457
International waterborne vehicles	**725**	625	670	608	634	611	668	517	461	454
Waterborne bulk commodities (in metric tons) (in thousands)	**6**	5	5	3	2	4	3	3	3	4
Total Port Commerce Net Capital Expenditures	**$228,873**	$220,545	$258,669	$298,162	$209,942	$ 97,151	$105,959	$ 65,164	$ 86,640	$ 78,481
THREE MAJOR AIR TERMINALS										
John F. Kennedy International Airport total passengers	**42,630**	40,892	37,517	31,737	29,939	29,351	32,828	31,708	31,044	31,357
LaGuardia Airport total passengers	**25,810**	25,889	24,452	22,483	21,987	22,525	25,360	23,927	22,850	21,608
Newark Liberty International Airport total passengers	**35,692**	33,078	31,908	29,451	29,221	31,100	34,189	33,623	32,631	30,916
Total passengers	**104,132**	99,859	93,877	83,671	81,147	82,976	92,377	89,258	86,525	83,881
Domestic passengers	**73,163**	70,223	66,329	59,655	57,320	58,225	63,962	62,161	60,841	59,514
International passengers	**30,969**	29,636	27,548	24,016	23,827	24,751	28,415	27,097	25,684	24,367
Total passengers	**104,132**	99,859	93,877	83,671	81,147	82,976	92,377	89,258	86,525	83,881
Total Cargo-tons	**2,697**	2,695	2,799	2,723	2,583	2,451	2,955	2,859	2,731	2,789
Revenue Mail-tons	**194**	180	194	188	147	239	322	331	320	291
Total Plane Movements	**1,222**	1,191	1,156	1,020	1,056	1,101	1,179	1,164	1,157	1,171
Total Air Terminals Net Capital Expenditures	**$587,265**	$501,476	$410,581	$560,695	$784,711	$1,043,477	$811,742	$644,893	$473,491	$322,083

(a) Includes staff such as, engineering, finance, human resources, legal, technical services and other support activities in departments that provide assistance to the different Port Authority lines of business.

Prior years' comparative data includes the reclassification of certain amounts, which have been made to conform to the classifications reported in the current year.

Schedule E – Information on Port Authority Operations

	Year ended December 31, 2006							2005
	Gross Operating Revenues	**Operating Expenses(a)**	**Depreciation & Amortization**	**Income (Loss) from Operations**	**Interest & Other Expenses(b)**	**PFCs, Grants & Other**	**Net Income (Loss)**	Net Income (Loss)
				(In thousands)				
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 330,007	$ 110,223	$ 32,344	$ 187,440	$ 15,194	$ 3,480	**$175,726**	$166,028
Holland Tunnel	87,621	72,372	15,950	(701)	7,678	429	**(7,950)**	(7,919)
Lincoln Tunnel	117,408	89,803	31,743	(4,138)	10,150	807	**(13,481)**	(11,759)
Bayonne Bridge	23,469	16,914	5,494	1,061	4,110	124	**(2,925)**	(7,822)
Goethals Bridge	78,244	22,618	7,377	48,249	3,108	131	**45,272**	50,609
Outerbridge Crossing	83,565	21,102	11,116	51,347	3,251	124	**48,220**	44,507
P. A. Bus Terminal	29,881	85,564	16,027	(71,710)	8,823	8,982	**(71,551)**	(68,050)
Subtotal – Tunnels, Bridges & Terminals	750,195	418,596	120,051	211,548	52,314	14,077	**173,311**	165,594
PATH	90,335	226,833	140,987	(277,485)	38,479	139,533	**(176,431)**	(254,665)
Journal Square Transportation Center	2,114	6,158	4,846	(8,890)	2,043	–	**(10,933)**	(12,635)
Subtotal – PATH	92,449	232,991	145,833	(286,375)	40,522	139,533	**(187,364)**	(267,300)
Ferry Service	131	9,800	216	(9,885)	209	–	**(10,094)**	(2,321)
Total Interstate Transportation Network	842,775	661,387	266,100	(84,712)	93,045	153,610	**(24,147)**	(104,027)
AIR TERMINALS								
LaGuardia	281,511	216,644	28,064	36,803	18,403	15,344	**33,744**	36,609
JFK International	798,150	576,169	89,887	132,094	57,381	41,213	**115,926**	111,417
Newark Liberty International	665,431	372,632	102,000	190,799	55,317	27,835	**163,317**	142,941
Teterboro	29,861	15,658	5,161	9,042	1,508	13,860	**21,394**	25,891
Heliport	2,101	2,533	701	(1,133)	28	–	**(1,161)**	(1,511)
Total Air Terminals	1,777,054	1,183,636	225,813	367,605	132,637	98,252	**333,220**	315,347
PORT COMMERCE								
Port Newark	76,863	62,747	17,341	(3,225)	9,537	405	**(12,357)**	(7,446)
Elizabeth Marine Terminal	72,382	22,795	26,673	22,914	20,097	6,090	**8,907**	(14,377)
Brooklyn	4,368	9,962	24,387	(29,981)	10,184	646	**(39,519)**	(40,708)
Red Hook	2,107	2,671	24,269	(24,833)	–	(1)	**(24,834)**	(28,519)
Howland Hook	7,258	9,350	10,148	(12,240)	6,320	–	**(18,560)**	(13,260)
Greenville Yard	280	3	–	277	–	–	**277**	267
Auto Marine	7,359	1,843	2,145	3,371	1,337	–	**2,034**	2,345
Total Port Commerce	170,617	109,371	104,963	(43,717)	47,475	7,140	**(84,052)**	(101,698)
ECONOMIC & WATERFRONT DEVELOPMENT								
Essex County Resource Recovery	73,385	60,430	1,412	11,543	(2,704)	–	**14,247**	1,149
Industrial Park at Elizabeth	964	175	208	581	279	–	**302**	186
Bathgate	4,075	1,878	1,507	690	491	–	**199**	(338)
Teleport	11,060	9,584	2,513	(1,037)	790	–	**(1,827)**	(1,860)
Newark Legal & Communications Center	3,482	1,510	3,159	(1,187)	1,349	–	**(2,536)**	(2,781)
Queens West	975	28	936	11	1,480	–	**(1,469)**	(1,506)
Hoboken South	5,473	22	1,331	4,120	2,109	–	**2,011**	1,638
Total Economic & Waterfront Development	99,414	73,627	11,066	14,721	3,794	–	**10,927**	(3,512)
WORLD TRADE CENTER								
World Trade Center	134,619	16,976	–	117,643	(14,344)	–	**131,987**	112,994
WTC Freedom Tower	3,011	3,011	–	–	–	145,411	**145,411**	–
WTC Tower 5	51	51	–	–	–	–	**–**	–
WTC Site	326	41,567	2,033	(43,274)	–	2,539	**(40,735)**	(18,906)
WTC Retail LLC	10,131	10,075	1,443	(1,387)	(1,362)	39,490	**39,465**	(1,296)
Total World Trade Center	148,138	71,680	3,476	72,982	(15,706)	187,440	**276,128**	92,792
PA Insurance Captive Entity LLC	540	130	–	410	(94)	–	**504**	–
Regional Programs	–	12,793	49,319	(62,112)	50,982	–	**(113,094)**	(101,699)
Expenses related to the events of September 11, 2001	–	–	–	(2,069)	–	–	**(2,069)**	(3,358)
Total Port Authority Operations	3,038,538	2,112,624	660,737	263,108	312,133	446,442	**397,417**	93,845
PFC Program	–	–	63,522	(63,522)	7,774	192,509	**121,213**	68,061
Combined Total	$3,038,538	$2,112,624	$724,259	$199,586	$319,907	$638,951	**$518,630**	$161,906

(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 Dec. 31, 2005	Net Capital Expenditures	Depreciation **	Facilities, net Dec. 31, 2006
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 716,448	$ 56,872	$ 32,344	$ 740,976
Holland Tunnel	353,478	19,958	15,950	357,486
Lincoln Tunnel	514,108	15,697	31,778	498,027
Bayonne Bridge	151,189	20,589	5,494	166,284
Goethals Bridge	183,573	44,709	7,377	220,905
Outerbridge Crossing	118,424	12,859	11,116	120,167
P. A. Bus Terminal	363,484	39,661	16,027	387,118
Subtotal — Tunnels, Bridges & Terminals	2,400,704	210,345	120,086	2,490,963
PATH	1,104,542	117,840	70,965	1,151,417
Downtown Restoration Program	422,082	(37)*	70,022	352,023
Permanent WTC PATH Terminal	113,153	130,756	—	243,909
Journal Square Transportation Center	86,554	6,695	4,846	88,403
Subtotal — PATH	1,726,331	255,254	145,833	1,835,752
Ferry Service	33,033	25,670	216	58,487
Total Interstate Transportation Network	4,160,068	491,269	266,135	4,385,202
AIR TERMINALS				
LaGuardia	580,487	41,009	28,064	593,432
JFK International	1,929,989	351,792	89,887	2,191,894
Newark Liberty International	1,968,631	98,080	102,000	1,964,711
Teterboro	118,270	31,964	5,161	145,073
Heliport	1,437	118	701	854
PFC Program	1,551,510	64,302	63,522	1,552,290
Total Air Terminals	6,150,324	587,265	289,335	6,448,254
PORT COMMERCE				
Port Newark	360,934	45,961	17,341	389,554
Elizabeth Marine Terminal	771,656	108,338	26,673	853,321
Brooklyn	74,719	3,377	32,143	45,953
Red Hook	42,119	(89)*	24,269	17,761
Howland Hook	333,598	71,339	10,148	394,789
Auto Marine & Greenville Yard	44,866	(53)*	2,145	42,668
Total Port Commerce	1,627,892	228,873	112,719	1,744,046
ECONOMIC & WATERFRONT DEVELOPMENT				
Essex County Resource Recovery	19,761	—	1,412	18,349
Industrial Park at Elizabeth	8,628	—	208	8,420
Bathgate	16,469	—	1,507	14,962
Teleport	27,570	72	2,513	25,129
Newark Legal & Communications Center	44,895	—	3,159	41,736
Queens West	112,985	11,949	936	123,998
Hoboken South	74,691	311	1,331	73,671
Total Economic & Waterfront Development	304,999	12,332	11,066	306,265
WORLD TRADE CENTER				
World Trade Center	80,194	48	—	80,242
WTC Site	114,132	39,041	2,033	151,140
WTC Retail LLC	140,502	3,924	1,443	142,983
WTC Freedom Tower	—	96,459	—	96,459
Total World Trade Center	334,828	139,472	3,476	470,824
FACILITIES, NET	$12,578,111	$1,459,211	$682,731	$13,354,591
REGIONAL PROGRAMS	$ 532,198	$ 168,311	$ 49,319	$ 651,190

* Includes adjustments for prior period costs.

** Depreciation includes the book value of assets disposed of in 2006 (see Note B).

Schedule G – Facility Traffic*

TUNNELS AND BRIDGES (Eastbound Traffic)	2006	2005
All Crossings		
Automobiles	**115,506,000**	114,481,000
Buses	**3,140,000**	3,137,000
Trucks	**8,374,000**	8,249,000
Total vehicles	**127,020,000**	125,867,000
George Washington Bridge		
Automobiles	**49,342,000**	48,786,000
Buses	**588,000**	587,000
Trucks	**4,335,000**	4,239,000
Total vehicles	**54,265,000**	53,612,000
Lincoln Tunnel		
Automobiles	**18,481,000**	18,352,000
Buses	**2,069,000**	2,062,000
Trucks	**1,383,000**	1,380,000
Total vehicles	**21,933,000**	21,794,000
Holland Tunnel		
Automobiles	**17,026,000**	16,643,000
Buses	**244,000**	238,000
Trucks	**95,000**	101,000
Total vehicles	**17,365,000**	16,982,000
Staten Island Bridges		
Automobiles	**30,657,000**	30,700,000
Buses	**239,000**	250,000
Trucks	**2,561,000**	2,529,000
Total vehicles	**33,457,000**	33,479,000

PATH	2006	2005
Total passengers	**66,966,000**	60,787,000
Passenger weekday average	**227,000**	206,000

MARINE TERMINALS	2006	2005
All Terminals		
Containers	**2,991,084**	2,800,007
General cargo (a) (Metric tons)	**31,225,000**	28,132,000
Containers in twenty foot equivalent units (TEU)	**5,015**	4,793
International waterborne vehicles	**725**	625
Waterborne bulk commodities (in metric tons) (in thousands)	**6**	5
New Jersey Marine Terminals		
Containers	**2,611,608**	2,477,729
New York Marine Terminals		
Containers	**379,476**	322,278

AIR TERMINALS	2006	2005
Totals at the Three Major Airports		
Plane movements	**1,222,392**	1,191,153
Passengers	**104,131,749**	99,859,648
Cargo-tons	**2,696,541**	2,694,707
Revenue mail-tons	**194,099**	180,384
John F. Kennedy International Airport		
Plane movements	**378,329**	349,778
Passengers	**42,629,410**	40,891,785
Domestic	**23,003,499**	22,091,554
International	**19,625,911**	18,800,231
Cargo-tons	**1,704,200**	1,721,098
LaGuardia Airport		
Plane movements	**399,821**	405,175
Passengers	**25,810,452**	25,889,390
Domestic	**24,496,831**	24,418,261
International	**1,313,621**	1,471,129
Cargo-tons	**13,998**	16,006
Newark Liberty International Airport		
Plane movements	**444,242**	436,200
Passengers	**35,691,887**	33,078,473
Domestic	**25,662,797**	23,713,468
International	**10,029,090**	9,365,005
Cargo-tons	**978,343**	957,603

TERMINALS	2006	2005
All Bus Facilities		
Passengers	**72,731,000**	69,060,000
Bus movements	**3,394,000**	3,346,000
Port Authority Bus Terminal		
Passengers	**59,187,000**	56,652,000
Bus movements	**2,192,000**	2,144,000
George Washington Bridge Bus Station		
Passengers	**5,222,000**	5,271,000
Bus movements	**309,000**	313,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**8,322,000**	7,137,000
Bus movements	**893,000**	889,000

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

* Some 2005 and 2006 numbers reflect revised and estimated data, respectively.


NEW JERSEY
BERGEN
ESSEX
HUDSON
UNION
STATEN ISLAND
NEW YORK
BRONX
MANHATTAN
QUEENS
BROOKLYN
WESTCHESTER CO.
NEW YORK CITY
NASSAU CO.
LONG ISLAND SOUND
HUDSON RIVER
Harlem River
EAST RIVER
Passaic River
Hackensack
Eastchester Bay
Manhasset Bay
Little Neck Bay
Flushing Bay
NEWARK BAY
UPPER NEW YORK BAY
LOWER NEW YORK BAY
JAMAICA BAY
ATLANTIC OCEAN
RARITAN BAY
Raritan River
Rahway River
Arthur Kill
Kill van Kull
The Narrows
Rockaway Inlet
GEORGE WASHINGTON BRIDGE
G.W. BRIDGE BUS STATION
TETERBORO AIRPORT
BATHGATE INDUSTRIAL PARK
OAK POINT RAIL FREIGHT LINK
LAGUARDIA AIRPORT
ESSEX CO. RESOURCE RECOVERY FACILITY
THE SOUTH WATERFRONT
LINCOLN TUNNEL
PORT AUTHORITY BUS TERMINAL
PATH RAIL TRANSIT SYSTEM
JOURNAL SQUARE TRANSPORTATION CENTER
PATH
QUEENS WEST WATERFRONT DEVELOPMENT
NEWARK LEGAL CENTER
PORT NEWARK
HOLLAND TUNNEL
NEWARK LIBERTY INTERNAT'L AIRPORT
FERRY TRANSPORTATION
THE WORLD TRADE CENTER SITE
AIRTRAIN JFK
AIRTRAIN NEWARK
DOWNTOWN MANHATTAN HELIPORT
STATUE OF LIBERTY
AUTO MARINE TERMINAL
BROOKLYN MARINE TERMINAL
JOHN F. KENNEDY INTERNAT'L AIRPORT
ELIZABETH INDUSTRIAL PARK
RED HOOK CONTAINER TERMINAL
ELIZABETH-PORT AUTHORITY MARINE TERMINAL
BAYONNE BRIDGE
GOETHALS BRIDGE
HOWLAND HOOK MARINE TERMINAL
THE TELEPORT
OUTERBRIDGE CROSSING
NEW YORK
NEW JERSEY
0 5 MILES
0 5 KILOMETERS
N
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