Comptroller's Department

Financial Statements and Appended Notes Year 2004

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2004

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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, 2004 and 2003, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our 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, 2004 and 2003, and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Schedules A, B, and C have been prepared pursuant to the requirements of law and Port Authority bond resolutions and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. However, in our opinion, Schedules A, B, and C present fairly, in all material respects, the assets and liabilities of the Port Authority at December 31, 2004 and 2003, and the revenues and reserves for the years then ended in conformity with the accounting principles described in Note A-4.

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

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements and Schedules A, B, and C taken as a whole. The supplemental information presented in Schedules D, E, 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, E, F, and G has been subjected to the auditing procedures applied by us in the audit of the consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP

February 25, 2005

Member of
Deloitte Touche Tohmatsu

Management's Discussion and Analysis
Year ended December 31, 2004

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 corporate entities, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, and WTC Retail 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, 2004, with selected comparative information for the years ended December 31, 2003 and December 31, 2002. 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.

Financial Highlights

- The Port Authority continued to demonstrate financial resilience in 2004 with an increase in net assets of $152 million.

- Gross operating revenues of $2.9 billion increased by $101 million in 2004 compared to 2003.

- Operating expenses, excluding depreciation and amortization, totaled $2 billion in 2004, an increase of $62 million from 2003.

- Throughout 2004, the Port Authority continued to advance its capital improvement program, reflecting the agency's on-going efforts in enhancing its facilities and its commitment to the continued growth and development of the region. Capital expenditures totaled approximately $1.3 billion in 2004, while over $1 billion in work in progress, including costs associated with regional programs, was transferred to completed construction.

- Depreciation and amortization expense, which continues to grow in conjunction with the significant capital investment being made by the Port Authority, increased by $93 million in 2004 compared to 2003.

- In 2004, the Port Authority and the City of New York amended the lease agreement covering the Port Authority's operation of John F. Kennedy International Airport (JFK) and LaGuardia Airport (LGA) to provide for, among other matters, an extension of the agreement through December 31, 2050.

- In 2004, the Port Authority reached agreement with the airlines operating at JFK and LGA on a new framework by which flight fees paid by the airlines to the Port Authority for the design, construction, operation and maintenance of certain public aircraft facilities (PAF) are calculated. The underlying methodology for recovering costs related to the PAF remained essentially intact; however, modifications were made which impacted the calculation of costs for which the airlines are responsible. As a result of the changes in the flight fee methodology, total flight fees at JFK and LGA were $6 million lower in 2004 compared to 2003.

- During 2004, the Port Authority recorded $126 million in Passenger Facility Charges (PFCs) for capital improvements at JFK, LGA and Newark Liberty International Airport (EWR). In addition, the Port Authority also recorded $95 million in grants and contributions in aid of construction, including $43 million from the Federal Transit Administration (FTA) for the permanent World Trade Center (WTC) PATH Terminal.

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:

	2004	2003	2002
		(In thousands)	
ASSETS			
Current assets (including restricted assets)	**$ 2,936,548**	$ 2,548,295	$ 2,046,980
Noncurrent assets (including restricted assets)			
Facilities, net	**12,002,575**	11,403,696	10,077,080
Other noncurrent assets	**4,493,466**	4,927,291	4,778,952
Total assets	**19,432,589**	18,879,282	16,903,012
LIABILITIES			
Current liabilities	**2,127,129**	3,174,117	2,333,108
Noncurrent liabilities			
Bonds and other asset financing obligations	**8,301,375**	6,880,993	6,677,847
Other noncurrent liabilities	**2,050,218**	2,021,841	1,972,762
Total liabilities	**12,478,722**	12,076,951	10,983,717
NET ASSETS			
Invested in capital assets, net of related debt	**5,563,683**	5,397,959	4,492,027
Restricted	**14,651**	15,153	16,505
Unrestricted	**1,375,533**	1,389,219	1,410,763
Total net assets	**$ 6,953,867**	$ 6,802,331	$ 5,919,295

The Port Authority's financial position remained strong at December 31, 2004, with assets of $19.4 billion and liabilities of $12.5 billion. Investment in facilities, net of depreciation, increased $599 million from 2003. This amount includes both fully completed facilities and construction-in-progress.

At December 31, 2004, the Port Authority's current liabilities were $1 billion lower than the prior year. This decrease was primarily due to the successful conclusion of negotiations with the City of New York relating to the extension of the lease agreement covering JFK and LGA.

Net assets, which represent the residual interest in the Port Authority's assets after liabilities are deducted, approximately $7 billion at December 31, 2004, increased by $152 million from 2003.

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:

	2004	2003	2002
		(In thousands)	
Gross operating revenues	**$ 2,864,824**	$ 2,764,051	$ 2,670,583
Operating expenses	**(1,981,365)**	(1,919,251)	(1,886,190)
Depreciation and amortization	**(614,216)**	(521,098)	(435,246)
Net (expenses) recoverables related to the events of September 11, 2001	**(4,985)**	664,211	474,663
Income from operations	**264,258**	987,913	823,810
Net non-operating expenses	**(332,823)**	(277,820)	(238,913)
Net PFC and other contributions	**220,101**	172,943	155,065
Increase in net assets	**$ 151,536**	$ 883,036	$ 739,962

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:

	2004	2003	2002
	(In thousands)		
Gross operating revenues:			
Rentals	$ 877,306	$ 858,414	$ 832,527
Tolls and fares	788,333	758,326	774,337
Aviation fees	714,766	705,302	672,175
Parking and other	269,413	234,261	197,912
Utilities	121,436	112,555	97,184
Rentals - Special Project Bonds projects	93,570	95,193	96,448
Total	$ 2,864,824	$ 2,764,051	$ 2,670,583

Gross operating revenues totaled $2.9 billion through December 31, 2004, a $101 million increase over 2003. The increase in gross operating revenues is attributable to an increase in vehicular parking rates and activity levels at the airport public parking lots and the Port Authority Bus Terminal; higher toll revenues stemming from increased traffic at tunnel and bridge crossings; an increase in PATH revenues reflecting the full year impact of restored service to both the Exchange Place and WTC stations, which opened in June 2003 and November 2003, respectively; and higher rentals primarily due to escalations and new lease arrangements at Terminals A, B and C at EWR.

Expenses

A summary of operating expenses, including depreciation and amortization, follows:

	2004	2003	2002
	(In thousands)		
Operating expenses:			
Employee compensation, including benefits	$ 806,890	$ 769,711	$ 777,146
Contract services	545,404	543,927	622,781
Rents and amounts in-lieu-of taxes	252,658	237,014	140,614
Utilities	141,476	122,445	113,880
Materials, equipment and other	141,367	150,961	135,321
Interest on Special Project Bonds	93,570	95,193	96,448
Total operating expenses	1,981,365	1,919,251	1,886,190
Depreciation and amortization	614,216	521,098	435,246
Total	$ 2,595,581	$ 2,440,349	$ 2,321,436

Operating expenses, including depreciation and amortization, totaled $2.6 billion, through December 31, 2004, $155 million higher than 2003. The year-to-year increase in operating expenses is primarily due to the following:

- depreciation and amortization expense increased by $93 million in 2004 compared to 2003 primarily due to the full year impact of the placement into service of the temporary WTC PATH Station and JFK AirTrain at the end of 2003 and the accelerated retirement of the old ExpressRail Facility at the Elizabeth-Port Authority Marine Terminal. The higher depreciation expense associated with the temporary PATH station and JFK AirTrain was partially offset by a reduction in depreciation expense at both JFK and LGA stemming from the extension of the lease agreement with the City of New York for the operation of the New York Airports. The extension of the lease allowed for a lengthening of the period over which most assets were being depreciated, as asset lives were changed from life of lease to standard asset lives, which generally extended beyond the prior lease term. The change in asset lives reduced total depreciation expense at JFK and LGA by $137 million in 2004.

- employee compensation costs increased by $37 million in 2004 compared to 2003 mainly due to higher employee benefit costs, which were partially offset by a reduction in police overtime costs.

- utility costs increased by $19 million mainly due to higher electricity consumption reflecting the full year impact of the placement into service of the JFK AirTrain at the end of 2003.

- rents and amounts in-lieu-of taxes increased by $16 million primarily due to increased payments in-lieu-of taxes for the WTC site that result from an amended agreement entered into with the City of New York, which became effective on January 1, 2004.

Recoverables Related to the Events of September 11, 2001

	2004	2003	2002
		(In thousands)	
Recoverables	**$ -**	$ 682,232	$ 587,400
Expenses	**(4,985)**	(18,021)	(112,737)
Net (expenses) recoverables	**$ (4,985)**	$ 664,211	$ 474,663

As of December 31, 2004, cumulative insurance proceeds and payments from the Federal Emergency Management Agency (FEMA) recorded by the Port Authority totaled approximately $1.37 billion. Of this amount, $864 million has been recorded as revenue, $434 million has been applied to 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.

Non-operating Revenues and Expenses

	2004	2003	2002
		(In thousands)	
Non-operating revenues and (expenses):			
Income on investments	**$ 42,497**	$ 50,306	$ 67,898
Increase in fair value of investments	**16,550**	15,842	29,914
Interest expense in connection with bonds and other asset financing	**(391,870)**	(344,755)	(336,725)
Gain on disposition of assets	**-**	787	-
Net non-operating expenses	**$ (332,823)**	$ (277,820)	$ (238,913)

Financial expense of $392 million reflects an increase of $47 million from 2003, primarily due to increased interest expense attributable to higher balances on outstanding consolidated bonds and notes during 2004 compared to 2003. Financial income, which totaled $59 million in 2004, decreased by $7 million due to lower earnings on investments reflecting the impact of lower financial markets, and the fact that interest earnings on amounts receivable associated with the sale of the Vista Hotel ended in December 2003.

Passenger Facility Charges and Other Contributions

	2004	2003	2002
		(In thousands)	
Passenger Facility Charges	**$ 125,532**	$ 109,111	$ 110,471
Contributions in aid of construction	**81,173**	57,568	36,258
Grants	**13,396**	34,501	19,892
Regional ferry pass-through grant program payments	**-**	(28,237)	(11,556)
Net grants and contributions	**94,569**	63,832	44,594
Net PFC and other contributions	**$ 220,101**	$ 172,943	$ 155,065

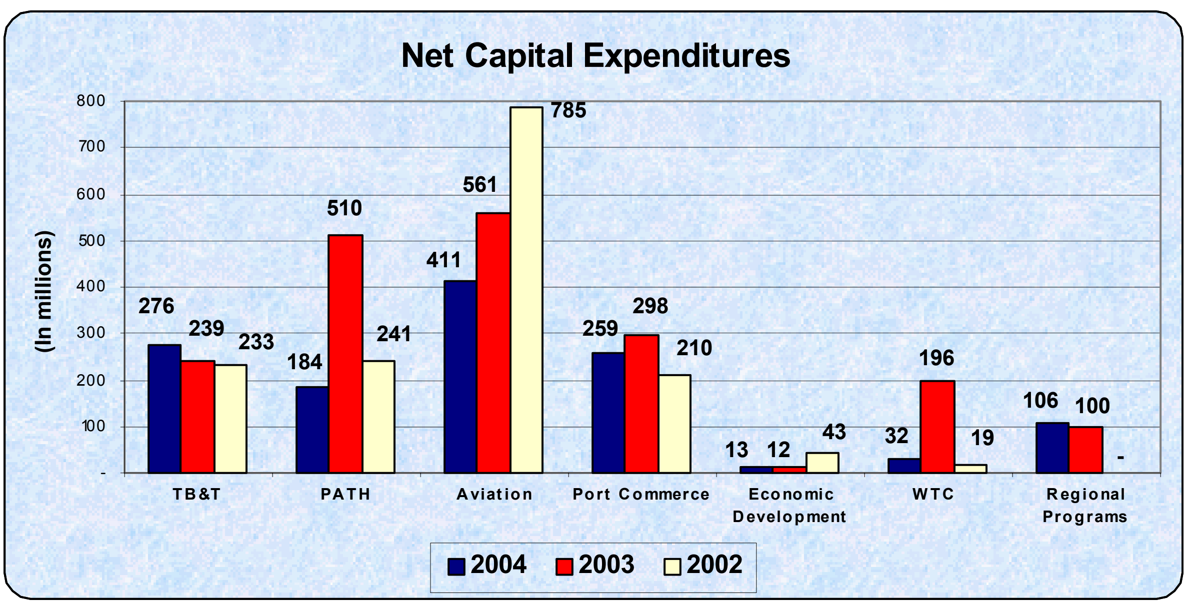
PFCs, contributions and grants provided by others to the Port Authority increased by approximately $47 million in 2004 from 2003, excluding the impact of regional ferry pass-through grant program payments. The increase was mainly due to increased passenger volume at the airports which resulted in higher PFC collections, an increase in capital expenditures on projects eligible for federal aid, and approximately $12 million in grants received from the Transportation Security Administration for implementing enhanced security measures at various ports in the bi-state region.

The program in which the Port Authority acted as a sponsoring agency for the pass through of FEMA funds to expand ferry service across the Hudson River to partially offset lost interstate mass transportation capacity between New York and New Jersey was effectively completed in December 2003.

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

Capital Construction

Port Authority expenditures and amounts accrued for capital construction projects totaled approximately $1.3 billion in 2004, $1.9 billion in 2003 and $1.5 billion in 2002. Following is a chart of net capital expenditures summarized by line of business:



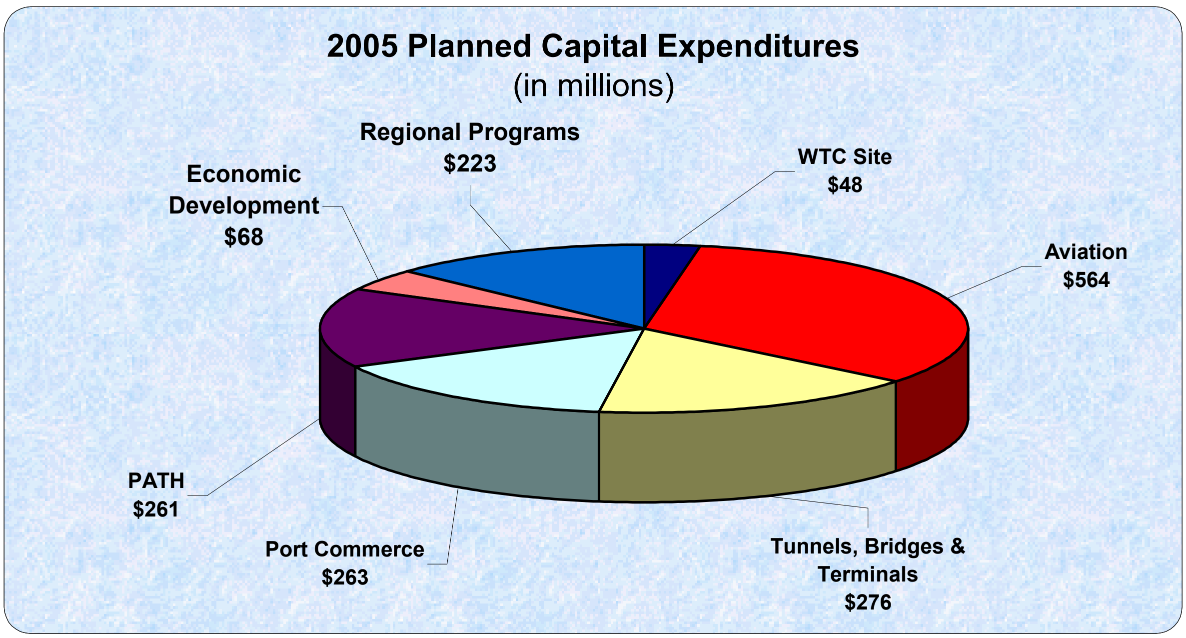
Net capital expenditures decreased by $635 million in 2004 when compared to 2003, primarily related to a decline in expenditures associated with PATH and the WTC. In 2003, capital expenditures included $400 million for construction costs associated with the restoration of the temporary WTC PATH Station, which was placed into service in

November 2003, and $140 million in connection with the purchase of the membership interest of the World Trade Center's retail net lessee, now known as WTC Retail LLC, from Westfield America, Inc.

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.

2005 Planned Capital Expenditures

In connection with the adoption of the 2005 Budget, the Port Authority's capital plan calls for total spending of approximately $1.7 billion in 2005 as depicted in the following chart:



Capital Financing and Debt Management

As of December 31, 2004, bonds and other asset financing obligations of the Port Authority totaled $9.6 billion, a $1.2 billion year to year increase.

During 2004, the Port Authority issued approximately $2.2 billion in new consolidated bonds and notes. Of this amount, $1.3 billion was used to fund capital construction projects and other operating obligations in connection with Port Authority facilities and $855 million was used to refund existing outstanding obligations.

Listed below is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority. The VSO long-term rating assigned by Standard & Poors was upgraded in 2004 to A+ from A-. All other ratings for the obligations outstanding in 2003 have remained the same for 2004. During 2004, Moody's and Fitch considered the Port Authority's outlook as stable.

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

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

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

Consolidated Statements of Net Assets

	December 31, 2004	2003
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 39,027**	$ 29,398
Investments	**2,584,548**	2,156,871
Current receivables, net	**214,812**	282,113
Other current assets	**83,510**	64,760
Restricted receivables in connection with Passenger Facility Charges	**14,651**	15,153
Total current assets	**2,936,548**	2,548,295
Noncurrent assets:		
Restricted cash	**9,737**	10,295
Investments	**709,217**	1,069,794
Other amounts receivable, net	**1,068,256**	1,036,473
Deferred charges and other noncurrent assets	**805,911**	952,491
Amounts receivable - Special Project Bond projects	**1,378,767**	1,404,074
Unamortized costs for regional programs	**521,578**	454,164
Facilities, net	**12,002,575**	11,403,696
Total noncurrent assets	**16,496,041**	16,330,987
Total assets	**19,432,589**	18,879,282
LIABILITIES		
Current liabilities:		
Accounts payable	**510,678**	525,829
Accrued interest and other current liabilities	**248,820**	1,077,225
Accrued payroll and other employee benefits	**86,513**	99,942
Current portion bonds and other asset financing obligations	**1,281,118**	1,471,121
Total current liabilities	**2,127,129**	3,174,117
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**591,661**	533,524
Other noncurrent liabilities	**79,790**	84,243
Amounts payable - Special Project Bonds	**1,378,767**	1,404,074
Bonds and other asset financing obligations	**8,301,375**	6,880,993
Total noncurrent liabilities	**10,351,593**	8,902,834
Total liabilities	**12,478,722**	12,076,951
NET ASSETS	**$ 6,953,867**	$ 6,802,331
Net assets are composed of:		
Invested in capital assets, net of related debt	**$ 5,563,683**	$ 5,397,959
Restricted	**14,651**	15,153
Unrestricted	**1,375,533**	1,389,219
Net assets	**$ 6,953,867**	$ 6,802,331

See Notes to Consolidated Financial Statements.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31, 2004	2003
	(In thousands)	
Gross operating revenues:		
Rentals	$ 877,306	$ 858,414
Tolls and fares	788,333	758,326
Aviation fees	714,766	705,302
Parking and other	269,413	234,261
Utilities	121,436	112,555
Rentals - Special Project Bond projects	93,570	95,193
Total gross operating revenues	2,864,824	2,764,051
Operating expenses:		
Employee compensation, including benefits	806,890	769,711
Contract services	545,404	543,927
Rents and amounts in-lieu-of taxes	252,658	237,014
Utilities	141,476	122,445
Materials, equipment and other	141,367	150,961
Interest on Special Project Bonds	93,570	95,193
Total operating expenses	1,981,365	1,919,251
Net (expenses) recoverables related to the events of September 11, 2001	(4,985)	664,211
Depreciation of facilities	(575,539)	(488,986)
Amortization of costs for regional programs	(38,677)	(32,112)
Income from operations	264,258	987,913
Non-operating revenues and (expenses):		
Income on investments	42,497	50,306
Net increase in fair value of investments	16,550	15,842
Interest expense in connection with bonds and other asset financing	(391,870)	(344,755)
Gain on disposition of assets	-	787
Net non-operating expenses	(332,823)	(277,820)
Passenger Facility Charges and other contributions		
Passenger Facility Charges	125,532	109,111
Contributions in aid of construction	81,173	57,568
Grants	13,396	34,501
Regional ferry pass-through grant program payments	-	(28,237)
Net PFC and other contributions	220,101	172,943
Increase in net assets	151,536	883,036
Net assets, January 1	6,802,331	5,919,295
Net assets, December 31	$ 6,953,867	$ 6,802,331

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Year ended December 31, 2004	2003
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	$ 2,814,829	$ 2,647,634
Cash received related to the events of September 11, 2001	-	683,749
Cash paid to municipalities	(1,100,063)	(136,684)
Cash paid to or on behalf of employees	(761,506)	(706,375)
Cash paid to suppliers	(706,667)	(885,650)
Cash payments related to the events of September 11, 2001	(3,467)	(21,427)
Net cash provided by operating activities	243,126	1,581,247
Cash flows from capital activities:		
Proceeds from sales of capital obligations	1,156,120	1,365,507
Principal paid on capital obligations	(332,682)	(887,729)
Proceeds from capital obligations issued for refunding purposes	1,854,753	2,078,996
Principal paid through capital obligations refundings	(1,854,753)	(2,078,996)
Interest paid on capital obligations	(402,139)	(385,755)
Investment in facilities and construction of capital assets	(1,114,789)	(1,513,037)
Financial income allocated to capital projects	1,962	1,380
Investment in regional programs	(106,091)	(100,166)
Proceeds from insurance related to WTC	1,253	-
Contributions in aid of construction	57,551	62,376
Subtotal	(738,815)	(1,457,424)
Cash flows from related financing activities:		
Interest paid on equipment notes	(763)	(1,083)
Principal paid on equipment notes	-	(45,300)
Proceeds from sale of non-capital financing obligations	402,615	-
Payments for Fund buy-out obligation	(35,211)	(35,213)
Proceeds from Passenger Facility Charges	126,034	110,463
Grants	16,863	34,501
Regional ferry pass-through grant program payments	-	(28,237)
Subtotal	509,538	35,131
Net cash used for capital and related financing activities	(229,277)	(1,422,293)
Cash flows from investing activities:		
Purchase of investment securities	(60,791,113)	(62,658,846)
Proceeds from maturity and sale of investment securities	60,746,162	62,441,602
Interest received on investment securities	31,284	31,563
Other interest income	8,889	16,495
Net cash (used for) provided by investing activities	(4,778)	(169,186)
Net increase (decrease) in cash	9,071	(10,232)
Cash at beginning of year	39,693	49,925
Cash at end of year	$ 48,764	$ 39,693

See Notes to Consolidated Financial Statements.

	Year ended December 31, 2004	2003
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 264,258**	$ 987,913
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**575,539**	488,986
Amortization of costs for regional programs	**38,677**	32,112
Amortization of other assets	**42,938**	35,267
Change in operating assets and operating liabilities:		
Decrease (increase) in receivables	**40,875**	(20,498)
Decrease (increase) in deferred charges and other assets	**99,101**	(46,060)
Decrease in payables	**(16,318)**	(10,361)
(Decrease) increase in other liabilities	**(846,652)**	51,131
Increase in accrued payroll, pension and other employee benefits	**44,708**	62,757
Total adjustments	**(21,132)**	593,334
Net cash provided by operating activities	**$ 243,126**	$ 1,581,247

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

4. Noncash capital financing activity:
Noncash activity of $73,785,000 in 2004 and $85,377,000 in 2003 includes amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds and amounts payable in connection with Special Project Bonds. Noncash capital financing did not include any activities that required a change in fair value.

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

1. Reporting Entity

a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the two States and consented to by the Congress of the United States. The Compact envisions the Port Authority as being financially self-sustaining. As such, 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 six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners; the actions the Commissioners take at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State.

c. The Audit Committee, which consists of four members of the Board of Commissioners, provides oversight of the quality and integrity of the accounting, auditing and financial reporting processes. The independent auditors are retained by and meet directly, on a regular basis, with the Audit Committee. The Audit Committee also reviews the performance and independence of the independent auditors, who are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The 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 corporate entities, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, and WTC Retail 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 such 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 amortized on a straight-line basis (see Note H). Certain operating costs, which provide benefits for periods exceeding one year, are deferred and amortized over the period benefited.

c. Cash consists of cash on hand and demand deposits.

d. Inventories are valued 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 ”Other noncurrent assets“ on the Consolidated Statements of Net Assets.

e. Operating revenues include rentals, tolls, fares, aviation fees, and other charges derived in connection with the use of and privileges granted at Port Authority facilities, and amounts received from operating grants. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, which include financial income, Passenger Facility Charges (PFCs), contributions in aid of construction, non-operating grants, and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant sponsor costs are reported as non-operating expenses.

f. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, the Port Authority has been authorized to impose $3 Passenger Facility Charges on enplaning passengers. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration approved airport-related projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and accrued as non-operating revenue when the passenger activity occurs and the fees are due from the air carriers (see Consolidated Statements of Revenues, Expenses and Changes in Net Assets and Schedule E). PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net" on the Consolidated Statements of Net Assets and Schedule F.

g. All Port Authority 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).

h. When issuing new debt for refunding purposes, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred and amortized using the effective interest 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.

i. Environmental costs, including costs associated with the Port Authority's dredging and disposal plan, are generally charged as an operating expense. However, such costs, when they result in the construction of a new asset or the improvement of an existing asset compared with its condition when it was constructed or acquired, are capitalized. Improved asset conditions include the extension of the useful life, increased capacity, and improvement of safety or efficiency.

j. The 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.

k. The 2003 consolidated financial statements contain the reclassification of certain amounts, which have been made in order to conform to the classifications in 2004.

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 legal requirements and Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

a. The revenues and expenses of facilities are accounted for in the operating fund. The financial resources expended for the construction or acquisition of major facilities or improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.

b. Consistent with Port Authority bond resolutions, PFCs are deferred until spent on approved project costs. Unspent PFC program amounts are a Port Authority liability, and are reflected as “Deferred income in connection with PFCs”. A reconciliation of revenues related to PFCs on the Consolidated Statements of Revenues, Expenses and Changes in Net Assets to deferred income in connection with PFCs on Schedule B – Assets and Liabilities follows:

	Year ended December 31,	
	2004	2003
	(In thousands)	
Passenger Facility Charges	**$ 125,532**	$ 109,111
Financial income, PFCs	**-**	4
Direct PFC project payments	**(126,034)**	(110,467)
PFC deferred income, January 1	**15,153**	16,505
PFC deferred income, December 31	**$ 14,651**	$ 15,153

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

d. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.

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

f. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Discounts and premiums are capitalized at issuance.

g. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from "Invested in facilities". However, in the event of the sale of assets removed from service or recovery of amounts related to assets destroyed or damaged, the amount of proceeds received from such sale or recovery is deducted from "Invested in facilities".

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

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

		Year ended December 31, 2004	2003
		(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets		**$ 151,536**	$ 883,036
Add:	Depreciation of facilities	**575,539**	488,986
	Amortization of costs for regional programs	**38,677**	32,112
	Amortization of discount and premium	**7,054**	7,728
		772,806	1,411,862
Less:	Debt maturities and retirements	**211,870**	698,280
	Call premiums on refunded bonds	**5,250**	839
	Repayment of capital asset obligations	**10,737**	6,329
	Debt retirement acceleration	**110,075**	183,120
	Change in appropriations for self-insurance	**(249)**	15,201
	Direct investment in facilities	**285,441**	542,260
	Gain on disposition of assets	**-**	787
	Passenger Facility Charges	**125,532**	109,111
	PFC income on investments (including net increase in fair value of investments)	**-**	4
		748,656	1,555,931
Increase (decrease) in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)		**$ 24,150**	$ (144,069)

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

	December 31, 2004	December 31, 2003
	(In thousands)	
Net assets reported on Consolidated Statements of Net Assets	**$ 6,953,867**	$ 6,802,331
Add: Accumulated depreciation of facilities	**6,135,605**	5,593,461
Accumulated retirements and gains and losses on disposal of invested in facilities	**1,597,214**	1,563,819
Cumulative amortization of costs for regional programs	**694,789**	656,112
Cumulative amortization of discount and premium	**56,832**	55,028
	15,438,307	14,670,751
Less: Deferred income in connection with PFCs	**14,651**	15,153
Net assets reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$ 15,423,656**	$14,655,598

Note B - Facilities

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers	Retirements	End of Year
			(In thousands)		
2004					
Capital assets not being depreciated:					
Land	$ 517,706	$ -	$ 141,750	$ -	$ 659,456
Construction in progress	1,753,575	1,174,418	(909,098)	-	2,018,895
Total capital assets not being depreciated	2,271,281	1,174,418	(767,348)	-	2,678,351
Other capital assets:					
Buildings, bridges, tunnels, other structures	5,578,692	-	250,663	(6,692)	5,822,663
Machinery and equipment	4,436,276	-	167,136	(15,752)	4,587,660
Runways, roadways and other paving	2,958,411	-	171,298	(7,379)	3,122,330
Utility infrastructure	1,752,497	-	178,251	(3,572)	1,927,176
Other capital assets	14,725,876	-	767,348	(33,395)	15,459,829
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,107,019	158,210	-	(6,692)	2,258,537
Machinery and equipment	1,517,662	236,119	-	(15,752)	1,738,029
Runways, roadways and other paving	1,135,783	116,827	-	(7,379)	1,245,231
Utility infrastructure	832,997	64,383	-	(3,572)	893,808
Accumulated depreciation	5,593,461	575,539	-	(33,395)	6,135,605
Total other capital assets, net	9,132,415	(575,539)	767,348	-	9,324,224
Facilities, net	$ 11,403,696	$ 598,879	$ -	$ -	$ 12,002,575
2003					
Capital assets not being depreciated:					
Land	$ 502,095	$ -	$ 15,611	$ -	$ 517,706
Construction in progress	3,053,281	1,815,602	(3,115,308)	-	1,753,575
Total capital assets not being depreciated	3,555,376	1,815,602	(3,099,697)	-	2,271,281
Other capital assets:					
Buildings, bridges, tunnels, other structures	4,479,493	-	1,120,749	(21,550)	5,578,692
Machinery and equipment	3,148,599	-	1,300,572	(12,895)	4,436,276
Runways, roadways and other paving	2,478,900	-	491,380	(11,869)	2,958,411
Utility infrastructure	1,573,682	-	186,996	(8,181)	1,752,497
Other capital assets	11,680,674	-	3,099,697	(54,495)	14,725,876
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	1,961,791	166,778	-	(21,550)	2,107,019
Machinery and equipment	1,397,433	133,124	-	(12,895)	1,517,662
Runways, roadways and other paving	1,030,533	117,119	-	(11,869)	1,135,783
Utility infrastructure	769,213	71,965	-	(8,181)	832,997
Accumulated depreciation	5,158,970	488,986	-	(54,495)	5,593,461
Total other capital assets, net	6,521,704	(488,986)	3,099,697	-	9,132,415
Facilities, net	$ 10,077,080	$ 1,326,616	$ -	$ -	$ 11,403,696

2. Net interest expense added to the cost of facilities was $61,999,000 in 2004 and $86,119,000 in 2003.

3. The extension of the lease agreement with the City of New York for Port Authority operation of JFK and LGA allowed for a lengthening of the period over which most assets were being depreciated, as asset lives were changed from life of lease to their standard asset lives, which generally extended beyond the prior lease term. The change in asset lives reduced depreciation expense at JFK and LGA by $137 million in 2004.

Note C - Cash and Investments

1. The components of cash and investments are:

	December 31, 2004	December 31, 2003
	(In thousands)	
CASH		
Cash on hand	**$ 1,948**	$ 1,960
Demand deposits	**46,816**	37,733
Total cash	**48,764**	39,693
Less restricted cash *	**9,737**	10,295
Unrestricted cash	**$ 39,027**	$ 29,398

	December 31, 2004	December 31, 2003
	(In thousands)	
INVESTMENTS AT FAIR VALUE		
United States Treasury notes	**$ 881,872**	$ 717,608
United States Treasury bills	**1,270,340**	1,462,552
United States government agency obligations	**287,809**	689,686
Commercial paper notes	**170,487**	107,987
United States Treasury obligations held pursuant to repurchase agreements	**499,440**	72,394
JFK International Air Terminal LLC obligations	**179,214**	172,514
Accrued interest receivable	**4,603**	3,924
Total investments	**3,293,765**	3,226,665
Less current investments	**2,584,548**	2,156,871
Noncurrent investments	**$ 709,217**	$ 1,069,794

* Primarily lessee security deposits.

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 $36,198,797 as of December 31, 2004. Of that amount, $34,082,081 was either secured through the FDIC or was fully collateralized by collateral held by a bank acting as the Port Authority's agent and held by such bank in the Port Authority's name. The balance of $2,116,716 was not collateralized.

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

Proceeds of "Bonds and other asset financing obligations" may be invested, on an interim basis, in conformance with applicable Federal law and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time accounts. The Consolidated Bond Reserve Fund and the General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund. Operating funds may presently be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises, investment grade negotiable certificates of deposit 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 the highest short-term rating (A-1, F-1, P-1), United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts with primary dealers in United States Treasury securities, and obligations of JFK International Air Terminal LLC (JFKIAT) for certain costs attributable to the completion of the passenger terminal project. The Board has from time to time authorized other investments of operating funds.

The passenger terminal lease with JFKIAT was amended during 2001 to provide for, among other items, the Port Authority to invest up to $180 million of operating funds to be used by JFKIAT for certain costs attributable to the completion of its passenger terminal project at John F. Kennedy International Airport (JFK). Payments by JFKIAT to the Port Authority on account of such investment (JFKIAT payment obligation) are to be made on a subordinated basis to certain other rental obligations of JFKIAT under such lease, including facility rental pledged to the payment of debt service on Special Project Bonds, Series 6 (see Note D-2). In 2002, the JFKIAT passenger terminal lease was further supplemented to provide for the deferral of approximately $11 million of JFKIAT payment obligations in 2003 resulting in an increase in the authorized amount of operating funds that could be invested in this project. In June 2004, JFKIAT failed to make certain payments due the Port Authority with respect to the Port Authority's investment of operating funds. The Port Authority's Board of Commissioners subsequently authorized a further amendment to the JFKIAT lease to permit JFKIAT to defer its 2004 payment obligations relating to the Port Authority's investment, to the extent net revenues from the operation of the terminal are not available to make such payments, to 2005. The Board further authorized the Port Authority to enter into a restructuring of JFKIAT's payments with respect to the Port Authority's investment taking into account JFKIAT's revenues from operations and the extension of the lease agreement with the City of New York with respect to the operation of JFK and LaGuardia Airport (LGA). JFKIAT's ability to meet its contractual commitments under the lease may be affected by trends in the airline industry which may have a negative effect on air traffic and revenues derived from the operation of the air terminal.

The Port Authority has entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. Although there were no investments in reverse repurchase agreements at December 31, 2004, during 2004, reverse repurchase agreements in effect at any one time ranged as high as $943,386,200. Repurchase agreements in effect at any one time during 2004 ranged as high as $1,298,097,200.

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, 2004		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$ 225,495	$ 7,914,538	$ 8,140,033
B. COMMERCIAL PAPER NOTES	280,315	-	280,315
C. VARIABLE RATE MASTER NOTES	130,990	-	130,990
D. VERSATILE STRUCTURE OBLIGATIONS	544,000	-	544,000
E. PORT AUTHORITY EQUIPMENT NOTES	65,105	-	65,105
F. FUND BUY-OUT OBLIGATION	35,213	386,837	422,050
	$ 1,281,118	$ 8,301,375	$ 9,582,493

	December 31, 2003		
	Current	Noncurrent	Total
		(In thousands)	
A. CONSOLIDATED BONDS AND NOTES	$ 420,420	$ 6,492,874	$ 6,913,294
B. COMMERCIAL PAPER NOTES	249,200	-	249,200
C. VARIABLE RATE MASTER NOTES	149,990	-	149,990
D. VERSATILE STRUCTURE OBLIGATIONS	554,500	-	554,500
E. PORT AUTHORITY EQUIPMENT NOTES	61,800	-	61,800
F. FUND BUY-OUT OBLIGATION	35,211	388,119	423,330
	$ 1,471,121	$ 6,880,993	$ 8,352,114

A. Consolidated Bonds and Notes

		Dec. 31, 2003	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2004
		(in thousands)			
Consolidated bonds					
Sixty-ninth series **(a)**	Due 2005-2011	$ 22,940	$ 1,595	$ 3,130	$ 21,405
Seventy-fourth series **(b)**	Due 2005-2014	30,221	2,122	1,785	30,558
Seventy-ninth series	6% due 2005	13,855	-	6,955	6,900
Eightieth series	6% due 2005	7,025	-	3,520	3,505
Eighty-fifth series	5%-5 3/8% due 2008-2028	98,000	-	-	98,000
Eighty-sixth series	4.9%-5.2% due 2005-2012	58,325	-	11,345	46,980
Eighty-eighth series	4.6%-4 3/4% due 2005-2008	54,070	-	13,885	40,185
Ninetieth series**	6 1/8% due 2005	16,125	-	7,825	8,300
Ninety-first series	4.7%-5.2% due 2004-2020	244,480	-	244,480	-
Ninety-second series	4 3/4%-5 5/8% due 2009-2029	90,680	-	90,680	-
Ninety-third series	6 1/8% due 2094	100,000	-	-	100,000
Ninety-fourth series	5.2%-6% due 2004-2017	95,655	-	95,655	-
Ninety-fifth series*	5 1/2%-6 1/8% due 2005-2029	95,000	-	95,000	-
Ninety-sixth series*	5.7%-6.6% due 2004-2023	97,475	-	97,475	-
Ninety-seventh series*	6%-7% due 2005-2023	98,100	-	2,100	96,000
Ninety-eighth series*	5.7%-6.2% due 2005-2015	100,000	-	-	100,000
Ninety-ninth series*	5 1/4%-6% due 2005-2015	86,000	-	5,040	80,960
One hundredth series	5 5/8%-5 3/4% due 2010-2030	135,000	-	-	135,000
One hundred first series*	5.2%-6% due 2005-2015	71,180	-	4,400	66,780
One hundred third series	4.8%-5 1/4% due 2005-2014	59,500	-	4,500	55,000
One hundred fourth series	4 3/4%-5.2% due 2011-2026	150,000	-	-	150,000
One hundred fifth series*	5.1%-6 1/4% due 2005-2016	110,420	-	6,615	103,805
One hundred sixth series*	5.4%-6% due 2005-2016	77,900	-	4,100	73,800
One hundred seventh series*	5 1/8%-6% due 2005-2016	100,000	-	5,485	94,515
One hundred eighth series*	4.9%-6% due 2005-2017	118,780	-	6,030	112,750
One hundred ninth series	5 3/8%-5 1/2% due 2012-2032	150,000	-	-	150,000
One hundred tenth series*	4.7%-5 3/8% due 2005-2017	79,590	-	3,985	75,605
One hundred eleventh series	5% due 2012-2032	100,000	-	-	100,000
One hundred twelfth series*	4 1/2%-5 1/4% due 2005-2018	124,530	-	5,785	118,745
One hundred thirteenth series	4 1/4%-4 3/4% due 2005-2013	90,750	-	15,000	75,750
One hundred fourteenth series	4 3/4%-5 1/2% due 2013-2033	100,000	-	-	100,000
One hundred fifteenth series	4.2%-4 3/8% due 2005-2008	35,000	-	7,000	28,000
One hundred sixteenth series	4 1/4%-5 1/4% due 2005-2033	450,000	-	-	450,000
One hundred seventeenth series*	4.15%-5 1/8% due 2005-2018	81,815	-	4,015	77,800
One hundred eighteenth series	4 3/8%-5.35% due 2005-2014	74,000	-	6,500	67,500
One hundred nineteenth series*	5%-5 7/8% due 2005-2019	261,170	-	10,980	250,190
One hundred twentieth series*	4 1/2%-6% due 2005-2035	270,470	-	10,840	259,630
One hundred twenty-first series	5%-5 1/2% due 2016-2035	200,000	-	-	200,000
One hundred twenty-second series*	5%-5 1/2% due 2005-2036	233,955	-	8,565	225,390
One hundred twenty-third series	4 3/4%-5% due 2017-2036	100,000	-	-	100,000
One hundred twenty-fourth series*	4 1/2%-5% due 2005-2036	283,770	-	8,855	274,915
One hundred twenty-fifth series	5% due 2018-2032	300,000	-	-	300,000
One hundred twenty-sixth series*	5%-5 1/2% due 2005-2037	290,080	-	10,135	279,945
One hundred twenty-seventh series*	4%-5 1/2% due 2005-2037	292,125	-	8,030	284,095
One hundred twenty-eighth series	4%-5% due 2007-2032	250,000	-	-	250,000
One hundred twenty-ninth series	2%-4% due 2005-2015	71,445	-	3,990	67,455
One hundred thirtieth series	1.45%-3 3/4% due 2005-2015	83,865	-	6,220	77,645
One hundred thirty-first series*	2%-5% due 2005-2033	500,000	-	8,015	491,985
One hundred thirty-second series	5% due 2024-2038	300,000	-	-	300,000
One hundred thirty-third series	1 1/4%-4.4% due 2005-2021	-	244,480	-	244,480
One hundred thirty-fourth series	4%-5% due 2009-2039	-	250,000	-	250,000
One hundred thirty-fifth series	4 1/2%-5% due 2024-2039	-	400,000	-	400,000
One hundred thirty-sixth series*	5%-5 1/2% due 2007-2034	-	350,000	-	350,000
One hundred thirty-seventh series*	4%-5 1/2% due 2005-2034	-	250,000	-	250,000
One hundred thirty-eighth series*	4%-5% due 2005-2034	-	350,000	-	350,000
Consolidated notes					
Series TT	3 5/8% due 2004	200,000	-	200,000	-
Series WW**	2.9% due 2006	-	200,000	-	200,000
Series XX**	3.3% due 2007	-	200,000	-	200,000
Consolidated bonds and notes pursuant to Port Authority bond resolutions **(c)**		7,053,296	$ 2,248,197	$ 1,027,920	8,273,573
Less unamortized discount and premium **(d)**		140,002			133,540
Consolidated bonds and notes		$ 6,913,294			$ 8,140,033

A. Consolidated Bonds and Notes (continued)

(a) Includes $7,154,000 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 2005 to 2011, in total aggregate maturity amounts of $25,905,000.

(b) Includes $11,665,000 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 2005 to 2014, in total aggregate maturity of $39,185,000.

(c) Debt service requirements to maturity for consolidated bonds and notes outstanding on December 31, 2004 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2005	$ 225,495	$ 401,632	$ 627,127
2006	430,100	389,913	820,013
2007	428,605	373,689	802,294
2008	232,065	358,381	590,446
2009	231,965	347,597	579,562
2010-2014	1,404,945	1,547,598	2,952,543
2015-2019	1,216,425	1,191,305	2,407,730
2020-2024	1,179,035	903,640	2,082,675
2025-2029	1,254,570	596,863	1,851,433
2030-2034	1,126,910	288,696	1,415,606
2035-2039	456,585	79,433	536,018
2040-2094***	100,000	308,496	408,496
	$ 8,286,700	$ 6,787,243	$ 15,073,943

***Debt service 2040-2094 reflects principal and interest payments associated with a single series of outstanding consolidated bonds.

Total principal of $8,286,700,000 shown above differs from the total consolidated bonds and notes pursuant to Port Authority bond resolutions of $8,273,573,000 because of differences in the par value at maturity of the capital appreciation bonds of $13,127,000.

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

Consolidated bonds and notes outstanding as of February 25, 2005 (pursuant to Port Authority bond resolutions) totaled $8,078,116,000.

The Board of Commissioners has authorized the issuance of consolidated bonds, one hundred thirty-ninth series through one hundred fifty-third series, in aggregate principal amount of up to $500 million of each series, and consolidated notes, Series YY, ZZ, AAA, BBB and CCC of up to $300 million in aggregate principal amount of each series.

During 2004, the Port Authority issued $724,975,000 and $130,000,000 of consolidated bonds and notes to refund outstanding consolidated bonds and notes, and outstanding Commercial Paper notes, respectively. Although the refundings resulted in an additional cash outlay of $9,862,000, the Port Authority in effect reduced its aggregate debt service payments by approximately $58,241,000 over the life of the refunded consolidated bonds and notes. The economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) is worth approximately $38,086,000 in present value savings to the Port Authority.

B. Commercial Paper Notes

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

	Dec. 31, 2003	Issued	Refunded/ Repaid	Dec. 31, 2004
		(In thousands)		
Series A*	$ 161,030	$ 679,315	$ 712,855	$ 127,490
Series B	88,170	481,815	417,160	152,825
	$ 249,200	$ 1,161,130	$ 1,130,015	$ 280,315

Interest rates for all commercial paper notes ranged from 0.91% to 1.87% in 2004.

As of February 25, 2005, commercial paper notes outstanding totaled $255,105,000.

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, 2003	Issued	Refunded/ Repaid	Dec. 31, 2004
		(In thousands)		
Agreements 1989-1995*	$ 69,900	$ -	$ -	$ 69,900
Agreements 1989-1998	80,090	-	19,000	61,090
	$ 149,990	$ -	$ 19,000	$ 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 or the Bond Market Association rate) as stated in each master note agreement, and ranged from 0.85% to 2.07% in 2004.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2004, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2005	$ -	$ 2,620	$ 2,620
2006	-	2,620	2,620
2007	-	2,620	2,620
2008	-	2,627	2,627
2009	-	2,620	2,620
2010-2014	13,090	13,114	26,204
2015-2019	30,000	8,976	38,976
2020-2024	68,000	7,142	75,142
2025	19,900	296	20,196
	$ 130,990	$ 42,635	$ 173,625

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, 2003	Issued	Refunded/ Repaid	Dec. 31, 2004
		(In thousands)		
Series 1R*, 4*, 6*	$ 277,800	$ -	$ 6,300	$ 271,500
Series 2, 3, 5	276,700	-	4,200	272,500
	$ 554,500	$ -	$ 10,500	$ 544,000

Variable interest rates, set daily by the remarketing agent for each series, ranged from 0.72% to 2.18% in 2004.

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2004, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2005	$ 11,900	$ 11,657	$ 23,557
2006	12,500	11,398	23,898
2007	14,000	11,124	25,124
2008	16,800	10,799	27,599
2009	24,000	10,411	34,411
2010-2014	144,200	43,529	187,729
2015-2019	175,600	26,155	201,755
2020-2024	113,700	9,990	123,690
2025-2028	31,300	1,475	32,775
	$ 544,000	$ 136,538	$ 680,538

The Port Authority has entered into a separate standby certificate purchase agreement pertaining to each series of versatile structure obligations with certain banks, which provide that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2004 in connection with the agreements were $1,459,569. No bank was required to purchase any of the obligations under the agreements in 2004 (see Note D-3).

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, 2003	Issued	Refunded/ Repaid	Dec. 31, 2004
		(In thousands)		
Notes 1997-2004*	$ 16,600	$ 3,540	$ 1,600	$ 18,540
Notes 1997-2004	45,200	15,665	14,300	46,565
	$ 61,800	$ 19,205	$ 15,900	$ 65,105

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.97% to 2.13% in 2004.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2004, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2005	$ 18,000	$ 1,324	$ 19,324
2006	-	971	971
2007	-	971	971
2008	27,900	674	28,574
2009	2,000	390	2,390
2010 - 2011	17,205	433	17,638
	$ 65,105	$ 4,763	$ 69,868

F. Fund Buy-Out Obligation

	Dec. 31, 2003	Accretion (a)	Refunded/ Repaid	Dec. 31, 2004
		(In thousands)		
Obligation outstanding	$ 423,330	$ 33,931	$ 35,211	$ 422,050

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

Payment requirements of the fund buy-out obligation outstanding on December 31, 2004 are as follows:

Year ending December 31:	**Payments** (In thousands)
2005	$ 35,213
2006	35,211
2007	43,216
2008	43,211
2009	43,211
2010-2014	240,061
2015-2019	262,060
2020-2021	106,816
	$ 808,999

As of February 25, 2005, the fund buy-out obligation outstanding totaled $427,395,000.

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, 2003	**Issued**	**Repaid/ Amortized**	**Dec. 31, 2004**
		(In thousands)		
Series 1R, Delta Air Lines, Inc. Project (a)				
6.95% term bonds, due 2008	$ 96,500	$ -	$ -	$ 96,500
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (b)*				
9%-9 1/8%, due 2005-2015	174,140	-	8,620	165,520
Less: unamortized discount and premium	5,796	-	486	5,310
Total - Series 2	168,344	-	8,134	160,210

D-2. Amounts Payable - Special Project Bonds (continued)

	Dec. 31, 2003	Issued	Repaid/ Amortized	Dec. 31, 2004
		(In thousands)		
Series 4, KIAC Partners Project (c)*				
6 3/4%-7% due 2005-2019	221,000	-	8,200	212,800
Less: unamortized discount and premium	3,015	-	191	2,824
Total - Series 4	217,985	-	8,009	209,976
Series 6, JFKIAT Project (d)*				
5 3/4%-7% due 2005-2025	928,600	-	9,500	919,100
Less: unamortized discount and premium	7,355	-	336	7,019
Total - Series 6	921,245	-	9,164	912,081
Amounts payable - special project bonds	$ 1,404,074	$ -	$ 25,307	$ 1,378,767

(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 (see Note C-3).

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

The notional amount of the swaps matches the principal amount of the associated debt. The Port Authority's swap agreements contain scheduled reductions to outstanding notional amounts to approximately follow scheduled reductions of the associated debt. The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2004, are as follows:

Associated Debt	Notional Amount	Execution Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating (a)
VSO 2	$ 85,760,000	10/13/1993	03/03/1994	6.875%	JJK (b)	($20,166,662)	07/01/2005	A+/Aa3/AA-
VSO 3	89,000,000	02/18/1993	07/15/1995	5.950%	JJK (b)	(17,011,250)	07/15/2005	A+/Aa3/AA-
VSO 4	100,000,000	02/24/1995	05/01/1996	5.570%	JJK (b)	(5,139,725)	05/01/2006	A+/Aa3/AA-
VSO 5	97,800,000	09/07/1995	08/01/1996	5.473%	BMA (c)	(5,428,648)	08/01/2006	A+/Aa3/AA-
Total	**$ 372,560,000**					**($47,746,285)**		

(a) Ratings supplied by Standard & Poor's/Moody's/Fitch Ratings.
(b) The JJ Kenny "High Grade" Index.
(c) The Bond Market Association Municipal Swap Index.

Debt service requirements of the underlying variable rate debt and net swap payments, valued for presentation purposes at the rate in effect on December 31, 2004, are shown below. As rates vary, variable rate debt interest payments and net swap payments will vary.

Year Ending December 31	Versatile Structure Obligations Principal	Versatile Structure Obligations Interest	Interest Rate Swaps, Net	Total
		(In thousands)		
2005	$ 7,500	$ 7,912	$14,483	$ 29,895
2006	7,900	5,552	10,371	23,823
2007	9,200	3,594	6,911	19,705
2008	9,600	3,507	6,522	19,629
2009	16,500	3,399	6,102	26,001
2010-2014	100,300	13,308	22,910	136,518
2015-2019	134,600	5,741	8,714	149,055
2020-2024	84,900	63	150	85,113
Total	$370,500	$43,076	$76,163	$489,739

Fair Value

Interest rates have declined since the inception of the swaps and therefore, all swaps had a negative fair value as of December 31, 2004. The negative fair values may be countered by reductions in total interest payments under the variable rate obligations, creating lower synthetic interest rates. Because interest rates on the Versatile Structure Obligations are reset on a daily basis, thereby reflecting market interest rates, the obligations do not have corresponding fair value increases. The fair values of the swaps were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk

As of December 31, 2004, the Port Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Port Authority would be exposed to credit risk in the amount of the swaps' fair value.

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

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, 2004, the variable market rates were 2.10%, 2.17%, 2.14% and 2.17%, whereas the swap rate indexes were 2.00% for the JJ Kenny "High Grade" Index and 1.99% for the Bond Market Association Municipal Swap Index.

Termination Risk

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

Rollover Risk

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

Associated Debt	**Associated Debt Maturity Date**	**Swap Termination Date**
VSO 2	5/1/2019	7/1/2005[d]
VSO 3	6/1/2020	7/15/2005[d]
VSO 4	4/1/2024	5/1/2006
VSO 5	8/1/2024	8/1/2006

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

Note E - Reserves

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which required the Port Authority to create the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2004, the General Reserve Fund balance was $1,068,790,285 and met the prescribed statutory amount.

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

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

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund. The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority’s obligations pertaining thereto. At December 31, 2004, 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 2004 and 2003, 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 costs of training and caring for explosive detection dogs. Amounts received in connection with this program were approximately $600,000 in each of the years 2004 and 2003.
- Transportation Security Administration (TSA) funds for airport screening – The TSA provided approximately $600,000 in 2004 and $9 million in 2003 to reimburse the Port Authority for costs primarily attributable to providing police personnel at the Port Authority's three major airports.
- New York State Emergency Management Office (NYSEMO) Equipment Replacement Program – The NYSEMO provided funds of approximately $2 million in 2004 for the replacement of various computer systems, software and other equipment for the Port Authority's emergency operations center.

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

2. Non-operating grants

- TSA Port Security Grant – The TSA provided approximately $12 million in 2004 and $2 million in 2003 to reimburse costs incurred by the Port Authority as a result of implementing enhanced security at various ports in the New York and New Jersey region.

3. Contributions In Aid of Construction

The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Funds provided by the Federal Transportation Administration for the restoration of the permanent World Trade Center PATH Terminal in 2004 and 2003 were approximately $43 million and $9 million, respectively. All other contributions (including amounts receivable) were approximately $38 million in 2004 and $49 million in 2003.

Note G - Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $833 million in 2004 and approximately $817 million in 2003.

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, 2004, 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, 2004 are:

Year ending December 31:	(In thousands)
2005	$ 640,352
2006	581,198
2007	567,301
2008	577,588
2009	558,722
Later years	100,848,696
Total future minimum rentals (a)	$103,773,857

(a) Includes future rentals of approximately $97.2 billion attributable to World Trade Center leases (see Note K).

3. Property leased from others

Rental expenses under leases, including payments to the cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of replacement office space due to the destruction of the World Trade Center, aggregated $245 million in 2004 and $240 million in 2003. Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2004 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)
2005	$ 211,310
2006	210,996
2007	210,854
2008	208,502
2009	208,581
2010-2014	1,030,995
2015-2019	892,743
2020-2024	823,680
2025-2029	819,072
2030-2034	807,500
2035-2065*	3,604,000
Total future minimum rent payments	$9,028,233

* Future minimum rent payments for the years 2035-2065 reflect payments associated with the City of New York and the City of Newark lease commitments.

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

The Port Authority operates JFK and LGA under a lease agreement with the City of New York entered into in 1947 and amended and supplemented from time to time thereafter.

On November 24, 2004, the City of New York and the Port Authority amended the lease agreement to provide for the extension, effective January 1, 2002, of the term of the lease to December 31, 2050. Upon execution of the lease extension, the Port Authority made a payment to the City of New York in the amount of approximately $780 million for rent accrued through November 24, 2004, together with interest on such amounts. The remaining minimum annual rental for 2004 was paid as a monthly installment. Thereafter, annual rentals, payable in monthly installments, will be equal to the greater of the minimum annual rental ($93.5 million, as adjusted from time to time) or 8% of the Port Authority's gross revenues from JFK and LGA. Gross revenues include all revenues arising out of JFK and LGA, excluding federal grants or any monies received as a result of any federal statute, regulation or policy, such as PFCs and amounts used for airport security. Beginning in 2007 and every 5 years thereafter, the minimum annual rental will be reset to equal 10% of average gross revenues at JFK and LGA over the prior 5-year period, so long as such adjustment does not result in a lower minimum annual rental than was payable for the prior 5-year period.

In October 2002, the Port Authority and the City of Newark entered into agreements pertaining to EWR and Port Newark, which among other things, provide for an extension of the expiration date of the lease for each facility from December 31, 2031 to December 31, 2065. The agreements also provide that, in light of the amendment of the lease with the City of New York relating to JFK and LGA, the City of Newark will have the right to amend the provisions of its lease with the Port Authority to conform to the terms agreed upon with the City of New York. The Port Authority has not recorded a liability for any additional rental payments because the agreement with the City of Newark has not been finalized and the amount of any additional payments has not been determined (see Note J).

Airlines operating at JFK, LGA and EWR are required to pay the Port Authority, as compensation for the Port Authority's ongoing design, construction, operation and maintenance of certain public aircraft facilities (PAF), a flight fee, which is calculated generally on the basis of the direct and allocated costs of operating and maintaining such public aircraft facilities and the weight of aircraft using the airport. The flight fee agreements covering JFK and LGA expired on December 31, 2003, and on December 1, 2004, the Port Authority and the airlines representing a majority of the traffic at JFK and LGA entered into new flight fee agreements, effective as of January 1, 2004 for a twenty-year term expiring on December 31, 2023. The underlying methodology for recovering costs related to the PAF at JFK and LGA remained essentially intact; however, modifications were made which impacted the calculation of costs for which the airlines are responsible. The agreement governing the calculation of flight fees for signatory airlines operating at EWR expires December 31, 2018.

Note H – Regional Programs

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

- **Regional Development Facility** – This facility was established in conjunction with a program of up to $250 million for transportation, economic development and infrastructure renewal projects authorized in connection with the Governors' Program of June 1983. Some of the projects in this program have been associated with other existing Port Authority facilities, while $139 million was associated with the Regional Development Facility.

- **Regional Economic Development Program** – This facility was authorized in 1989 in conjunction with a centralized program of up to $400 million for transportation, economic development and infrastructure renewal projects authorized pursuant to gubernatorial request. Some of the projects in this program have been associated with other existing Port Authority facilities, while $326 million was associated with the Regional Economic Development 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, which was authorized in 1980. Of the $102 million Port Authority's share, approximately $63 million of the total project cost was funded with moneys made available through the Regional Development Facility and the Regional Economic Development Program.

- **New Jersey Marine Development Program** – This program, authorized in 1989, was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey with a total cost of $27 million. As of December 31, 2004, projects totaling approximately $25 million have been associated with this program.

- **New York Transportation, Economic Development and Infrastructure Renewal Program** – This facility was authorized in 2000 in conjunction with a program of up to $250 million for transportation, economic development and infrastructure renewal projects in the State of New York to be designated by the Governor. As of December 31, 2004, projects totaling approximately $78 million have been associated with this program.

- **Regional Transportation Program** – This facility was authorized in 2002 in conjunction with a program to provide up to $500 million, with $250 million to be provided in each of the States of New York and New Jersey, for regional transportation initiatives to be designated by the respective Governor of each state. As of December 31, 2004, approximately $79 million has been associated with the Regional Transportation Program.

- **Hudson-Raritan Estuary Resources Program** – This facility was authorized in 2001 in conjunction with a program to acquire certain real property in the Port District area of the Hudson-Raritan Estuary, in support of the Port Authority's capital program. The property would be acquired in consultation with the Governor of the State in which the property is located together with the respective state natural resources agencies and environmental organizations. The cost of any real property to be acquired under this program will not exceed $60 million ($30 million allocated to each state). As of December 31, 2004, approximately $3 million has been associated with this program.

- **Regional Rail Freight Program** – This facility was authorized in 2001 to provide for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of rail freight projects to increase regional capacity. The Port Authority is authorized to provide up to $50 million, with $25 million designated for projects in each of the states by the respective governors. As of December 31, 2004, projects totaling approximately $43 million have been associated with this program.

As of December 31, 2004, $1.3 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, 2003	Project Expenditures	Amortization	Dec. 31, 2004
		(In thousands)		
Regional Development Facility	$ 78,621	$ -	$ 6,046	$ 72,575
Regional Economic Development Program	251,879	2,957	20,691	234,145
Oak Point Rail Freight Link	21,189	-	1,630	19,559
New Jersey Marine Development Program	10,700	167	833	10,034
New York Transportation, Economic Development and Infrastructure Renewal Program	35,997	36,083	3,465	68,615
Regional Transportation Program	49,565	27,885	4,109	73,341
Hudson – Raritan Estuary Resources Program	2	2,999	167	2,834
Regional Rail Freight Program	6,211	36,000	1,736	40,475
Total unamortized costs of regional programs	$454,164	$106,091	$38,677	$521,578

2. Bi-State Initiatives – From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2004, the Port Authority expended approximately $7 million on regional initiatives.

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

Note I - Pension Plans and Other Employee Benefits

1. Pension Plans

a. Generally, full-time employees of the Port Authority (but not its subsidiaries) are required to join one of two cost-sharing multiple-employer defined benefit pension plans, the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the "Retirement 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 2004 was approximately $565 million of which $376 million and $176 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)		
2004	$37,194	6.7%	$22,185	4.0%
2003	$27,548	5.3%	$11,818	2.2%
2002	$ 3,350	0.6%	$ 7,455	1.4%

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 2004.

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, NY 12236.

b. Employees of Port Authority Trans-Hudson Corporation (PATH) are not eligible to participate in the existing New York State Retirement System. PATH provides supplemental pension plans for most of its union employees. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 2004 for these employees was approximately $64 million. For the year 2004, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled approximately $4 million, which represented approximately 5.5% of the total PATH covered payroll for 2004. Contributions in 2003 and 2002 were approximately $4 million.

2. Other Employee Benefits

The Port Authority and PATH provide certain group health care, dental, vision and term life insurance benefits for active employees and for employees who have retired from the Port Authority or PATH (and for eligible dependents and survivors of active and retired employees). Contributions towards the costs of some of these benefits are required of certain participants. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH. The actuarially determined valuation of these benefits is reviewed annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents. As of December 31, 2004, the actuarially determined value of these benefits is approximately $969 million consisting of the following:

	Port Authority	PATH	Total
		(In millions)	
Retirees	$ 695	$ 71	$ 766
Active	187	16	203
Total	$ 882	$ 87	$ 969

The obligation accrued as of December 31, 2004 was approximately $586 million. The difference between the actuarial present value of future benefits for prior service and the amount accrued as of December 31, 2004 is being amortized over a 14 year period.

The cost of providing health care, dental, vision and life insurance benefits, not including the accrual for prior service costs, totaled approximately $158 million in 2004 and $135 million in 2003, of which $58 million in 2004 and $52 million in 2003 were the costs associated with providing these benefits to retired employees and their eligible dependents.

Note J – Commitments and Certain Charges to Operations

1. On December 9, 2004, the Board of Commissioners of the Port Authority adopted the annual budget for 2005. 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, 2004, the Port Authority had entered into various construction contracts totaling approximately $1.1 billion, which are expected to be completed within the next three years.

3. The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards.

Insurance coverage as of December 31, 2004 is as follows:

a. Property damage and loss of revenue insurance program:

	General Coverage (excluding terrorism)	**Terrorism Coverage**
Limits:	- $600 million, per occurrence, excess of deductible and self-insurance	- $25 million full terrorism coverage, per occurrence, excess of deductible and self-insurance - $525 million TRIA* coverage, per occurrence, and $75 million full terrorism coverage, per occurrence, in various layers, excess of $25 million full terrorism coverage
Deductible:	- $5 million per occurrence	- $5 million per occurrence
Self-Insurance:	- $25 million in the aggregate, excess of deductible - Upon sustaining $25 million in aggregate losses above the deductible, purchased coverage applies	- $25 million in the aggregate, excess of deductible - Upon sustaining $25 million in aggregate losses above the deductible, purchased coverage applies

b. Public liability insurance program:

1. Aviation facilities

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

2. Non-aviation facilities

	General Coverage (excluding terrorism)	Terrorism Coverage
Limits:	- $750 million per occurrence and in the aggregate, excess of deductible	- $50 million full terrorism coverage, per occurrence and in the aggregate, excess of deductible - $200 million TRIA* coverage, per occurrence and in the aggregate, excess of $50 million full terrorism coverage
Deductible:	- $5 million per occurrence	- $5 million per occurrence
Self-insurance:	- 20% of $25 million excess of deductible	- 20% of $25 million excess of deductible

*The Terrorism Risk Insurance Act of 2002

At December 31, 2003, public liability insurance totaled $1 billion per occurrence for aviation facilities and $750 million for non-aviation facilities per occurrence and in the aggregate.

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

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

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses and estimated recoveries. Changes in the liability amounts in 2004 and 2003 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2004	$ 8,654	$ 7,076	$ 8,314	$ 7,416
2003	$ 8,706	$ 4,727	$ 4,779	$ 8,654

4. The 2004 balance of "Other amounts receivable, net" on the Consolidated Statements of Net Assets consists of the anticipated recovery of $873 million net book value of various assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; $96 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; $23 million in insurance receivable for workers' compensation related to September 11, 2001; $5 million representing the balance due from Howland Hook Container Terminal, Inc. for the purchase of 7 cargo cranes; $8 million representing an advance to AirRail Transit Consortium for operating and maintenance work; and approximately $63 million in long-term receivables from Port Authority tenants. The Port Authority has contractual agreements to collect approximately $17 million of the "Other amounts receivable, net" balance during 2005.

5. Upon execution of the lease extension covering the Port Authority's operation of JFK and LGA, the Port Authority made a payment to the City of New York in the amount of approximately $780 million. Of the $780 million, $590 million is being amortized through 2050. Regarding the payment made to the City of New York, in 2003, the Port Authority recorded a liability of approximately $689 million, representing the lump sum payment of $500 million, the additional base rent payments of $90 million due the City for each of years 2002 and 2003, and interest expense on the additional 2002 and 2003 base rent amounts.

Additionally, under the terms of the October 2002 agreements between the City of Newark and the Port Authority pertaining to EWR and Port Newark, if the Port Authority enters into a new lease with the City of New York relative to JFK and LGA, the City of Newark will have the right to amend the provisions of its lease with the Port Authority to conform to the terms agreed upon with the City of New York. The Port Authority has not recorded a liability for any additional rental payments because the agreement with the City of Newark has not been finalized and the amount of any additional payments has not been determined (see Note G).

6. The City of New York commenced several actions, the first in 1999, in the Supreme Court of the State of New York alleging that the Port Authority breached its agreement to make payments in-lieu-of taxes (PILOT) with respect to the World Trade Center. On November 24, 2004, the Port Authority and the City of New York entered into an amended agreement with respect to PILOT for the World Trade Center. With the execution of this amended agreement, various disputes, litigated matters and other proceedings with the City of New York with respect to the methodology for the calculation, collection and payment of PILOT, real property taxes and other related matters have been resolved, and the Port Authority and the City of New York have executed stipulations discontinuing with prejudice all pending litigation with respect to such matters.

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

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

8. Employees of PATH are not eligible to participate in the existing New York State Retirement System. However, for PATH employees who are not covered by collective bargaining agreements, the Port Authority has recognized, as a matter of policy, an obligation to provide supplemental payments resulting in amounts generally comparable to benefits available to similarly situated Port Authority employees. Such payments for PATH exempt employees totaled approximately $2 million in both 2004 and 2003.

9. The 2004 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2003	Additions	Deductions	Dec. 31, 2004
	(In thousands)			
Workers' compensation liability	$ 43,480	$ 15,690	$ 15,858	$ 43,312
PATH exempt employee supplemental	19,217	3,123	2,146	20,194
Surety and security deposits	10,703	1,661	1,931	10,433
Claims liability	8,654	7,076	8,314	7,416
Other	17,748	1,477	2,834	16,391
Gross other liabilities	$ 99,802	$ 29,027	$ 31,083	97,746
Less current portion:				
Workers' compensation liability				15,858
PATH exempt employee supplemental				2,098
Total other noncurrent liabilities				$ 79,790

10. On December 31, 2003, the Port Authority and the Brooklyn Bridge Park Development Corporation (BBPDC) entered into a Memorandum of Understanding providing for the Port Authority to transfer its property rights in Piers 1, 2, 3 and 5 at the Brooklyn-Port Authority Marine Terminal to BBPDC, and to allocate approximately $85 million for the development of a park on such property, subject to completion of certain environmental reviews and completion of the planning and authorization necessary for the BBPDC to acquire the property. The net book value of the piers as of December 31, 2004 was approximately $20 million.

11. The liability for employee compensated absences at December 31, 2004 was approximately $14 million, an increase of approximately $1 million from December 31, 2003, primarily reflecting 2004 salary increases.

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

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

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

The terms of the net leases establish both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority. The net lessees obtained property damage and business interruption insurance in a combined single limit of approximately $3.5 billion per occurrence. Since the events of September 11, 2001, the insurance companies participating in this program have made advances of approximately $2.1 billion under the program. Approximately $1.6 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 this single purpose entity, which is now known as "WTC Retail LLC".

Future minimum rentals (see Note G) include rentals of approximately $97.2 billion attributable to the World Trade Center net leases described above. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the World Trade Center will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the outcome of certain pending and future litigation involving insurance and other matters, the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

Accounting

In 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. As of December 31, 2004, the remaining balance of $873 million of the receivable recognized in 2001 represents amounts at least equal to the presently expected value of the properties to be constructed by the net lessees at the World Trade Center site.

As of December 31, 2004, 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, $864 million has been recognized as revenue net of $434 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, 2004			2003
	Operating Fund	Reserve Funds	Combined Total	Combined Total
		(In thousands)		
Gross operating revenues :				
Rentals	$ 877,306	$ -	**$ 877,306**	$ 858,414
Tolls and fares	788,333	-	**788,333**	758,326
Aviation fees	714,766	-	**714,766**	705,302
Parking and other	269,413	-	**269,413**	234,261
Utilities	121,436	-	**121,436**	112,555
Rentals - Special Project Bond projects	93,570	-	**93,570**	95,193
Total gross operating revenues	2,864,824	-	**2,864,824**	2,764,051
Operating expenses:				
Employee compensation, including benefits	806,890	-	**806,890**	769,711
Contract services	545,404	-	**545,404**	543,927
Rents and amounts in-lieu-of taxes	252,658	-	**252,658**	237,014
Utilities	141,476	-	**141,476**	122,445
Materials, equipment and other	141,367	-	**141,367**	150,961
Interest on Special Project Bonds	93,570	-	**93,570**	95,193
Total operating expenses	1,981,365	-	**1,981,365**	1,919,251
Amounts in connection with operating asset obligations	(34,609)	-	**(34,609)**	(35,113)
Net (expenses) recoverables related to the events of September 11, 2001	(4,985)	-	**(4,985)**	664,211
Net operating revenues	843,865	-	**843,865**	1,473,898
Financial income :				
Income on investments	25,922	14,931	**40,853**	45,927
Net increase in fair value of investments	14,096	2,454	**16,550**	15,838
Contributions in aid of construction	81,173	-	**81,173**	57,568
Grants	13,396	-	**13,396**	34,501
Regional ferry pass-through grant program payments	-	-	**-**	(28,237)
Net revenues available for debt service and reserves	978,452	17,385	**995,837**	1,599,495
Debt service:				
Interest on bonds and other asset financing obligations	345,129	8,684	**353,813**	298,374
Debt maturities and retirements	211,870	-	**211,870**	698,280
Debt retirement acceleration	-	110,075	**110,075**	183,120
Repayment of asset financing obligations	-	10,737	**10,737**	6,329
Total debt service	556,999	129,496	**686,495**	1,186,103
Transfers to reserves	$ (421,453)	421,453	**-**	-
Revenues after debt service and transfers to reserves		309,342	**309,342**	413,392
Direct investment in facilities		(285,441)	**(285,441)**	(542,260)
Change in appropriations for self-insurance		249	**249**	(15,201)
Increase (decrease) in reserves		24,150	**24,150**	(144,069)
Reserve balances, January 1		1,573,046	**1,573,046**	1,717,115
Reserve balances, December 31		$ 1,597,196	**$ 1,597,196**	$ 1,573,046

See Notes to Consolidated Financial Statements.

Schedule B - Assets and Liabilities

(Pursuant to Port Authority bond resolutions)

	December 31, 2004				2003
	Operating Fund	Capital Fund	Reserve Funds	Combined Total	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 38,027	$ -	$ 1,000	**$ 39,027**	$ 29,398
Investments	726,671	678,077	1,179,800	**2,584,548**	2,156,871
Current receivables, net	214,812	-	-	**214,812**	282,113
Other current assets	64,940	18,570	-	**83,510**	64,760
Restricted receivables in connection with PFC projects	14,651	-	-	**14,651**	15,153
Total current assets	1,059,101	696,647	1,180,800	**2,936,548**	2,548,295
Noncurrent assets:					
Restricted cash	9,737	-	-	**9,737**	10,295
Investments	179,215	113,606	416,396	**709,217**	1,069,794
Other amounts receivable, net	83,408	984,848	-	**1,068,256**	1,036,473
Deferred charges and other noncurrent assets	805,977	15,692	-	**821,669**	968,657
Amounts receivable - Special Project Bond projects	-	1,378,767	-	**1,378,767**	1,404,074
Invested in facilities	-	21,141,528	-	**21,141,528**	19,866,282
Total noncurrent assets	1,078,337	23,634,441	416,396	**25,129,174**	24,355,575
Total assets	2,137,438	24,331,088	1,597,196	**28,065,722**	26,903,870
LIABILITIES					
Current liabilities:					
Accounts payable	180,208	330,470	-	**510,678**	525,829
Accrued interest and other current liabilities	231,605	17,215	-	**248,820**	1,077,225
Accrued payroll and other employee benefits	86,513	-	-	**86,513**	99,942
Deferred income in connection with PFCs	14,651	-	-	**14,651**	15,153
Current portion bonds and other asset financing obligations	100,318	1,180,800	-	**1,281,118**	1,471,121
Total current liabilities	613,295	1,528,485	-	**2,141,780**	3,189,270
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	591,661	-	-	**591,661**	533,524
Other noncurrent liabilities	76,533	3,257	-	**79,790**	84,243
Amounts payable - Special Project Bonds	-	1,393,920	-	**1,393,920**	1,420,240
Bonds and other asset financing obligations	786,837	7,648,078	-	**8,434,915**	7,020,995
Total noncurrent liabilities	1,455,031	9,045,255	-	**10,500,286**	9,059,002
Total liabilities	2,068,326	10,573,740	-	**12,642,066**	12,248,272
NET ASSETS	$ 69,112	$ 13,757,348	$ 1,597,196	**$ 15,423,656**	$ 14,655,598
Net assets are composed of:					
Facility infrastructure investment	$ -	$ 13,757,348	$ -	**$ 13,757,348**	$ 13,013,191
Reserves	-	-	1,597,196	**1,597,196**	1,573,046
Appropriated reserves for self-insurance	69,112	-	-	**69,112**	69,361
Net assets	$ 69,112	$ 13,757,348	$ 1,597,196	**$ 15,423,656**	$ 14,655,598

See Notes to Consolidated Financial Statements.

Schedule C - Analysis of Reserve Funds
(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2004			2003
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$ 948,902	$ 624,144	**$ 1,573,046**	$ 1,717,115
Transfers from operating fund *	119,888	318,950	**438,838**	609,701
	1,068,790 -	943,094 -	2,011,884	2,326,816
Applications:				
Repayment of asset financing obligations	-	10,737	**10,737**	6,329
Interest on asset financing obligations	-	8,684	**8,684**	6,860
Debt retirement acceleration	-	110,075	**110,075**	183,120
Direct investment in facilities	-	285,441	**285,441**	542,260
Self-insurance	-	(249)	**(249)**	15,201
Total applications	-	414,688	**414,688**	753,770
Balance, December 31	$ 1,068,790	$ 528,406	**$ 1,597,196**	$ 1,573,046

* Includes income on investments and fair market valuation adjustments of $17 million and $16 million for 2004 and 2003, respectively.

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION
For the year ended December 31, 2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
						(In thousands)				
REVENUES AND EXPENSES										
Gross operating revenues: (a)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,205,647	$ 2,154,120	$ 2,082,624
Rentals	**877,306**	858,414	832,527	976,054	1,218,093	1,119,719	1,335,837	-	-	-
Tolls and fares	**788,333**	758,326	774,337	750,782	616,722	595,691	585,264	-	-	-
Aviation fees	**714,766**	705,302	672,175	560,951	382,604	363,015	62,995	-	-	-
Parking and other fees	**269,413**	234,261	197,912	202,864	219,985	247,695	226,832	-	-	-
Utilities	**121,436**	112,555	97,184	126,956	113,054	123,356	52,109	-	-	-
Rentals associated with Special Project Bonds	**93,570**	95,193	96,448	97,195	97,870	98,036	98,165	-	-	-
Gross operating revenues	**2,864,824**	2,764,051	2,670,583	2,714,802	2,648,328	2,547,512	2,361,202	2,205,647	2,154,120	2,082,624
Operating expenses: (a)	**-**	-	-	-	-	-	-	1,461,264	1,469,309	1,469,881
Employee compensation, including benefits	**806,890**	769,711	777,146	654,074	648,171	630,752	616,405	-	-	-
Contract services	**545,404**	543,927	622,781	600,686	619,462	560,425	505,775	-	-	-
Rents and amounts in-lieu-of taxes	**252,658**	237,014	140,614	96,401	131,431	133,556	50,764	-	-	-
Utilities	**141,476**	122,445	113,880	140,436	142,261	131,717	130,794	-	-	-
Materials, equipment and other	**141,367**	150,961	135,321	157,004	133,166	122,778	167,355	-	-	-
Interest on Special Project Bonds	**93,570**	95,193	96,448	97,195	97,870	98,036	98,165	-	-	-
Operating expenses	**1,981,365**	1,919,251	1,886,190	1,745,796	1,772,361	1,677,264	1,569,258	1,461,264	1,469,309	1,469,881
Net (expenses) recoverables related to the events of September 11, 2001	**(4,985)**	664,211	474,663	(270,334)	-	-	-	-	-	-
Amounts in connection with operating asset obligations	**(34,609)**	(35,113)	(35,960)	(36,696)	(37,188)	(35,957)	(35,605)	(34,675)	(33,126)	(32,254)
Net operating revenues	**843,865**	1,473,898	1,223,096	661,976	838,779	834,291	756,339	709,708	651,685	580,489
Financial income	**57,403**	61,765	95,962	143,381	162,811	104,657	118,362	103,873	98,707	70,830
Grants and contributions in aid of construction, net	**94,569**	63,832	44,594	40,070	-	-	-	-	-	-
Gain on purchase of Port Authority bonds	**-**	-	-	-	-	-	-	11	-	439
Net amounts associated with the 1993 WTC bombing	**-**	-	-	-	-	-	-	29,450	-	-
Net revenues available for debt service and reserves	**995,837**	1,599,495	1,363,652	845,427	1,001,590	938,948	874,701	843,042	750,392	651,758
DEBT SERVICE - OPERATIONS										
Interest on bonds and other asset financing obligations	**(345,129)**	(291,514)	(282,635)	(266,944)	(318,912)	(323,954)	(310,107)	(291,765)	(292,987)	(266,903)
Times, interest earned (b)	**2.89**	5.49	4.82	3.17	3.14	2.90	2.82	2.89	2.56	2.44
Debt maturities and retirements	**(211,870)**	(698,280)	(181,250)	(171,340)	(158,435)	(138,225)	(123,395)	(105,450)	(87,443)	(86,865)
Times, debt service earned (b)	**1.79**	1.62	2.94	1.93	2.10	2.03	2.02	2.12	1.97	1.84
DEBT SERVICE - RESERVES										
Direct investment in facilities	**(285,441)**	(542,260)	(433,747)	(462,129)	(404,388)	(233,260)	(242,311)	(246,232)	(162,471)	(268,711)
Debt retirement acceleration	**(110,075)**	(183,120)	(283,502)	(25,000)	(60,000)	-	-	-	(100,000)	(112,680)
Application from PFC program	**-**	-	-	-	-	-	-	-	-	105,000
Change in appropriations for self-insurance	**249**	(15,201)	(19,017)	14,270	(5,101)	(4,247)	(3,785)	(3,749)	5,057	(3,444)
Interest on bonds and other asset financing obligations	**(8,684)**	(6,860)	(15,828)	(27,964)	-	-	-	-	-	-
Repayment of asset financing obligations	**(10,737)**	(6,329)	(5,863)	(6,390)	(10)	(172)	(757)	(395)	(780)	(878)
Net increase (decrease) in reserves	**24,150**	(144,069)	141,810	(100,070)	54,744	239,090	194,346	195,451	111,768	17,277
RESERVE BALANCES										
January 1	**1,573,046**	1,717,115	1,575,305	1,675,375	1,620,631	1,381,541	1,187,195	991,744	879,976	862,699
December 31	**$ 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	$ 879,976
Reserve fund balances represented by:										
General Reserve	**1,068,790**	948,902	907,075	880,041	848,095	839,671	823,581	754,619	618,960	605,167
Consolidated Bond Reserve	**528,406**	624,144	810,040	695,264	827,280	780,960	557,960	432,576	372,784	274,809
Total	**$ 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	$ 879,976

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

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

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Times interest earned	**2.90**	3.21	3.15	4.18	-	-	-	2.79	-	-
Times debt service earned	**1.80**	0.94	1.92	2.55	-	-	-	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 purposes only and is not intended to reflect specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

Schedule D - Selected Statistical Financial Data
(Continued)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
						(In thousands)				
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$ 8,273,573**	$ 7,053,296	$ 6,630,205	$ 6,092,735	$ 5,889,613	$ 5,916,804	$ 5,747,387	$ 5,077,133	$ 4,723,335	$ 4,795,207
Fund buy-out obligation	**422,050**	423,330	424,513	425,606	419,696	414,246	409,219	404,582	400,305	396,360
Amounts payable - Special Project Bonds	**1,393,920**	1,420,240	1,442,450	1,457,705	1,468,965	1,477,275	1,479,975	1,482,675	548,575	472,675
Variable rate master notes	**130,990**	149,990	149,990	214,990	214,990	215,990	215,990	202,900	233,000	308,000
Commercial paper notes	**280,315**	249,200	180,408	356,880	251,885	123,595	124,910	124,445	163,850	176,955
Versatile structure obligations	**544,000**	554,500	560,600	566,000	571,300	575,900	580,400	584,200	484,700	285,200
Port Authority equipment notes	**65,105**	61,800	107,100	112,100	84,200	87,150	87,150	74,838	36,138	13,638
Total obligations	**$ 11,109,953**	$ 9,912,356	$ 9,495,266	$ 9,226,016	$ 8,900,649	$ 8,810,960	$ 8,645,031	$ 7,950,773	$ 6,589,903	$ 6,448,035
INVESTED IN FACILITIES AT DECEMBER 31	**$ 21,141,528**	$ 19,866,282	$ 17,947,787	$ 16,425,060	$ 16,113,699	$ 14,910,982	$ 13,927,378	$ 13,069,084	$ 12,370,806	$ 11,752,783
DEBT RETIRED THROUGH INCOME:										
Annual	**$ 332,682**	$ 887,729	$ 470,615	$ 202,730	$ 218,445	$ 138,396	$ 124,153	$ 105,845	$ 188,223	$ 95,423
Cumulative	**$ 5,855,303**	$ 5,522,621	$ 4,634,892	$ 4,164,277	$ 3,961,547	$ 3,743,102	$ 3,604,706	$ 3,480,553	$ 3,374,708	$ 3,186,485

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

	Year ended December 31, 2004							2003
	Gross Operating Revenues	Operating Expenses(a)	Depreciation & Amortization	Income (Loss) from Operations	Interest & Other Expenses(b)	PFC Revenues & Grants	Net Income (Loss)	Net Income (Loss)
	(In thousands)							
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 328,128	$ 101,013	$ 32,354	$ 194,761	$ 19,565	$ 942	**$ 176,138**	$ 169,778
Holland Tunnel	88,105	70,312	9,893	7,900	13,913	-	**(6,013)**	966
Lincoln Tunnel	114,918	83,600	20,668	10,650	15,722	76	**(4,996)**	(6,554)
Bayonne Bridge	21,209	15,716	4,556	937	4,688	-	**(3,751)**	(4,393)
Goethals Bridge	83,860	22,020	6,372	55,468	8,398	-	**47,070**	53,406
Outerbridge Crossing	80,184	22,928	11,148	46,108	2,714	-	**43,394**	42,085
P. A. Bus Terminal	27,532	92,420	12,298	(77,186)	9,015	4,050	**(82,151)**	(74,485)
Subtotal - Tunnels, Bridges & Terminals	743,936	408,009	97,289	238,638	74,015	5,068	**169,691**	180,803
PATH	83,927	208,718	116,770	(241,561)	40,352	34,817	**(247,096)**	(205,726)
Journal Square Transportation Center	1,871	6,806	4,945	(9,880)	1,715	-	**(11,595)**	(11,825)
Subtotal - PATH	85,798	215,524	121,715	(251,441)	42,067	34,817	**(258,691)**	(217,551)
Ferry Service	621	2,354	158	(1,891)	1,062	-	**(2,953)**	(3,001)
Total Interstate Transportation Network	830,355	625,887	219,162	(14,694)	117,144	39,885	**(91,953)**	(39,749)
AIR TERMINALS								
LaGuardia	258,237	205,390	24,206	28,641	14,461	17,083	**31,263**	12,181
JFK International	753,558	566,895	81,659	105,004	52,783	14,821	**67,042**	67,713
Newark Liberty International	629,851	346,012	99,311	184,528	38,871	4,349	**150,006**	109,525
Teterboro	26,387	12,360	2,266	11,761	4,529	6,716	**13,948**	13,130
Heliport	1,825	2,502	701	(1,378)	26	-	**(1,404)**	(2,221)
Total Air Terminals	1,669,858	1,133,159	208,143	328,556	110,670	42,969	**260,855**	200,328
PORT COMMERCE								
Port Newark	64,407	45,904	14,184	4,319	13,108	-	**(8,789)**	(9,804)
Elizabeth Marine Terminal	57,237	30,235	28,673	(1,671)	29,254	11,715	**(19,210)**	3,419
Brooklyn	4,108	10,022	21,572	(27,486)	3,752	-	**(31,238)**	(37,309)
Red Hook	2,395	3,885	3,160	(4,650)	-	-	**(4,650)**	(5,665)
Howland Hook	4,870	6,627	4,464	(6,221)	14,626	-	**(20,847)**	(10,028)
Greenville Yard	294	3	-	291	-	-	**291**	291
Auto Marine	8,175	1,785	2,245	4,145	520	-	**3,625**	1,922
Total Port Commerce	141,486	98,461	74,298	(31,273)	61,260	11,715	**(80,818)**	(57,174)
ECONOMIC & WATERFRONT DEVELOPMENT								
Essex County Resource Recovery	62,527	64,297	1,412	(3,182)	3,942	-	**(7,124)**	(3,336)
Industrial Park at Elizabeth	863	115	208	540	96	-	**444**	187
Bathgate	4,125	1,315	1,444	1,366	195	-	**1,171**	(276)
Teleport	20,446	13,457	2,607	4,382	461	-	**3,921**	5,727
Newark Legal & Communications Center	3,401	1,397	3,554	(1,550)	515	-	**(2,065)**	(3,725)
Queens West	1,407	-	936	471	7,262	-	**(6,791)**	2,709
Hoboken South	7,421	33	3,579	3,809	1,147	-	**2,662**	1,115
Total Economic & Waterfront Development	100,190	80,614	13,740	5,836	13,618	-	**(7,782)**	2,401
WORLD TRADE CENTER								
World Trade Center	119,553	11,469	-	108,084	(8,469)	-	**116,553**	134,958
WTC Site	173	18,790	1,175	(19,792)	-	-	**(19,792)**	(22,901)
WTC Retail LLC	3,209	2,880	1,443	(1,114)	(191)	-	**(923)**	502
Total World Trade Center	122,935	33,139	2,618	87,178	(8,660)	-	**95,838**	112,559
Regional Programs	-	10,105	38,677	(48,782)	38,791	-	**(87,573)**	(89,956)
Net (expenses) recoverables related to the events of September 11, 2001	-	-	-	(4,985)	-	-	**(4,985)**	664,211
Total Port Authority Operations	2,864,824	1,981,365	556,638	321,836	332,823	94,569	**83,582**	792,620
PFC Program	-	-	57,578	(57,578)	-	125,532	**67,954**	90,416
Combined Total	$ 2,864,824	$ 1,981,365	$ 614,216	$ 264,258	$ 332,823	$ 220,101	**$ 151,536**	$ 883,036

(a) Amounts include all direct operating expenses and allocated expenses.
(b) Amounts include net interest expense (interest expense less financial income) 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, 2003 *	Net Capital Expenditures	Depreciation	Facilities, net Dec. 31, 2004
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 641,539	$ 70,608	$ 32,354	$ 679,793
Holland Tunnel	281,142	60,376	9,893	331,625
Lincoln Tunnel	465,209	57,332	20,668	501,873
Bayonne Bridge	131,385	17,188	4,556	144,017
Goethals Bridge	115,457	38,914	6,372	147,999
Outerbridge Crossing	122,488	4,707	11,148	116,047
P. A. Bus Terminal	312,531	26,637	12,298	326,870
Subtotal - Tunnels, Bridges & Terminals	2,069,751	275,762	97,289	2,248,224
PATH	971,395	103,606	46,253	1,028,748
Downtown Restoration Program	544,913	20,973	70,517	495,369
Permanent WTC PATH Terminal	10,634	51,058	-	61,692
Journal Square Transportation Center	80,378	8,917	4,945	84,350
Subtotal - PATH	1,607,320	184,554	121,715	1,670,159
Ferry Service	14,855	3,336	158	18,033
Total Interstate Transportation Network	3,691,926	463,652	219,162	3,936,416
AIR TERMINALS				
LaGuardia	483,450	72,013	24,206	531,257
JFK International	1,778,558	82,018	81,659	1,778,917
Newark Liberty International	1,976,499	104,080	99,311	1,981,268
Teterboro	50,947	26,433	2,266	75,114
Heliport	2,682	2	701	1,983
PFC Program	1,492,927	126,035	57,578	1,561,384
Total Air Terminals	5,785,063	410,581	265,721	5,929,923
PORT COMMERCE				
Port Newark	319,382	36,072	14,184	341,270
Elizabeth Marine Terminal	589,257	148,094	28,673	708,678
Brooklyn	109,388	11,761	21,572	99,577
Red Hook	67,067	254	3,160	64,161
Howland Hook	189,404	62,265	4,464	247,205
Auto Marine & Greenville Yards	48,824	223	2,245	46,802
Total Port Commerce	1,323,322	258,669	74,298	1,507,693
ECONOMIC & WATERFRONT DEVELOPMENT				
Essex County Resource Recovery	22,585	-	1,412	21,173
Industrial Park at Elizabeth	9,044	-	208	8,836
Bathgate	19,610	(103) **	1,444	18,063
Teleport	32,396	158	2,607	29,947
Newark Legal & Communications Center	51,610	-	3,554	48,056
Queens West	99,375	8,624	936	107,063
Hoboken South	77,723	837	3,579	74,981
Total Economic & Waterfront Development	312,343	9,516	13,740	308,119
WORLD TRADE CENTER				
World Trade Center	80,161	30	-	80,191
WTC Site	70,917	30,600	1,175	100,342
WTC Retail LLC	139,964	1,370	1,443	139,891
Total World Trade Center	291,042	32,000	2,618	320,424
FACILITIES, NET	$ 11,403,696	$ 1,174,418	$ 575,539	$ 12,002,575
REGIONAL PROGRAMS	$ 454,164	$ 106,091	$ 38,677	$ 521,578

* Dec. 31, 2003 Facilities, net for JFK and EWR was adjusted to exclude $216 million and $86 million, respectively, for PFC eligible costs for which PFC collections have yet to be received. These amounts were reclassified to the PFC Program.

** Includes adjustments for prior period costs.

Schedule G - Facility Traffic*

TUNNELS AND BRIDGES

(Eastbound Traffic)	2004	2003
All Crossings		
Automobiles	115,219,000	112,869,000
Buses	3,123,000	3,041,000
Trucks	8,205,000	7,910,000
Total vehicles	126,547,000	123,820,000
George Washington Bridge		
Automobiles	49,377,000	48,354,000
Buses	606,000	594,000
Trucks	4,219,000	4,023,000
Total vehicles	54,202,000	52,971,000
Lincoln Tunnel		
Automobiles	18,541,000	18,120,000
Buses	2,051,000	1,973,000
Trucks	1,141,000	985,000
Total vehicles	21,733,000	21,078,000
Holland Tunnel		
Automobiles	16,353,000	15,790,000
Buses	221,000	232,000
Trucks	389,000	544,000
Total vehicles	16,963,000	16,566,000
Staten Island Bridges		
Automobiles	30,948,000	30,605,000
Buses	245,000	242,000
Trucks	2,456,000	2,358,000
Total vehicles	33,649,000	33,205,000
Cumulative PA Investment in Tunnels and Bridges (In thousands)	$ 2,877,063	$ 2,633,246

PATH

	2004	2003
Total passengers	57,768,000	47,920,000
Passenger weekday average	194,000	160,000
Cumulative PA Investment in PATH (In thousands)	$ 2,343,740	$ 2,170,285

MARINE TERMINALS

	2004	2003
All Terminals		
Containers	2,401,042	2,231,931
General cargo (a) (Metric tons)	25,474,164	23,538,926
New Jersey Marine Terminals		
Containers	2,084,590	1,903,367
New York Marine Terminals		
Containers	316,452	328,564
Cumulative PA Investment in Marine Terminals (In thousands)	$ 2,338,597	$ 2,078,759

AIR TERMINALS

	2004	2003
Totals at the Three Major Airports		
Plane movements	1,112,800	1,020,000
Passenger traffic	93,823,100	83,669,800
Cargo-tons	2,796,900	2,722,800
Revenue mail-tons	194,200	188,400
John F. Kennedy International Airport		
Plane movements	308,400	268,400
Passenger traffic		
Domestic	20,088,400	16,436,900
International	17,429,700	15,299,600
Cargo-tons	1,787,500	1,734,900
LaGuardia Airport		
Plane movements	383,000	360,000
Passenger traffic		
Domestic	23,119,300	21,435,300
International	1,295,600	1,047,500
Cargo-tons	14,100	12,300
Newark Liberty International Airport		
Plane movements	421,400	391,600
Passenger traffic		
Domestic	23,040,100	21,781,900
International	8,850,000	7,668,600
Cargo-tons	995,300	975,600
Cumulative PA Investment in Air Terminals (In thousands)	$ 9,863,413	$ 9,454,165

TERMINALS

	2004	2003
All Bus Facilities		
Passengers	70,687,400	69,427,600
Bus movements	3,528,800	3,446,700
Port Authority Bus Terminal		
Passengers	56,335,000	55,925,000
Bus movements	2,253,400	2,237,000
George Washington Bridge Bus Station		
Passengers	7,394,400	6,817,600
Bus movements	332,400	303,700
PATH Journal Square Transportation Center Bus Station		
Passengers	6,958,000	6,685,000
Bus movements	943,000	906,000
Cumulative PA Investment in Bus Facilities (In thousands)	$ 735,604	$ 698,449

	2004	2003
Total Port Authority Cumulative Invested in facilities, including the above (In thousands)	$ 21,141,528	$ 19,866,282

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

* Some 2003 numbers reflect revised data.

THE PORT AUTHORITY OF NY & NJ