THE PORT AUTHORITY OF NY & NJ

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

Auto Marine Terminal
Brooklyn Piers/Red Hook Container Terminal
Elizabeth-Port Authority Marine Terminal
Howland Hook Marine Terminal
Port Newark

Look what we're doing.
Annual Report 2005

The Legal Center
The Teleport
Ferry Transportation
Essex County Resource Recovery
Bathgate Industrial Park
Industrial Park at Elizabeth
Queens West Waterfront Development
South Waterfront at Hoboken
World Trade Center Site

PATH Rail Transit System
Journal Square Transportation Center

George Washington Bridge
George Washington Bridge Bus Station
Lincoln Tunnel
Port Authority Bus Terminal
Holland Tunnel
Bayonne Bridge
Goethals Bridge
Outerbridge Crossing

Comprehensive Annual Financial Report for the Year Ended December 31, 2005

The Port Authority of New York & New Jersey
Comprehensive Annual Financial Report for the Year Ended December 31, 2005
Prepared by the Public Affairs and Comptroller's Departments of
The Port Authority of New York and New Jersey

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Financial Section

Mission

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

The Port Authority of New York & New Jersey Facilities

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

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

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

Port Commerce
Auto Marine Terminal
Brooklyn Piers/Red Hook Container Terminal
Elizabeth-Port Authority Marine Terminal
Howland Hook Marine Terminal
Port Newark

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

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

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

The New York-New Jersey Region

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

Area	3,900 Square Miles
Population	17.1 Million (estimate for 2004)
Labor Force	8.3 Million (average for 2005)
Total Wage & Salary Jobs	7.8 Million (average for 2005)
Total Personal Income	$785 Billion (estimate for 2005)

The Honorable George E. Pataki
Governor, State of New York

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

Dear Governors:

In compliance with the Port Compact of 1921, we are pleased to submit to you, and the legislatures of New York and New Jersey, the 2005 Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey.

Throughout its more than eight decades of existence, this Authority has been called upon to provide vision and leadership for the transportation and trade needs of the New York/New Jersey region. And it has answered that call – whether it was in constructing the tunnels and bridges that linked the two states in the earliest days of the automobile, building a regional airport network at the dawn of commercial air travel, or designing and developing innovative seaport infrastructure that helped launch the containerization revolution in ocean shipping.

In 2005, with our region confronting a new set of transportation and commercial challenges, we answered the call to leadership once again. Together with elected and other officials from the federal government, both states and the City of New York, we broke ground in September for the new World Trade Center Transportation Hub, which will provide the most comprehensive link of transportation modes in the history of Lower Manhattan. Further, it will spur transit-based development and play a key role in the revitalization of the Downtown community and economy.

We also demonstrated leadership in releasing The Port Authority's Strategic Plan, Transportation for Regional Prosperity. *The plan identifies critical regional transportation needs and outlines a 10-year investment plan to ensure the continuing strength of the New York/New Jersey economy, developed in cooperation with our regional transportation partners, planners and public and private organizations. It contains a list of potential capital investments for 2006-2015 while establishing a framework for setting priorities among proposed projects. We're committed to building partnerships to create solutions to meet the transportation challenges of tomorrow.*

The agency's mission encompasses much more than planning and investment. It is called to operate a vast network of transportation facilities, safely and securely, for the more than 430 million customers who use our facilities each year. Through a staff-led initiative, the Authority realigned some of its operations to achieve significant cost reductions in 2005 and expects to achieve additional savings in the years ahead. We are investing in new levels of security for all our facilities – adding both people and new technologies to our security efforts – while continuing to invest in essential state-of-good-repair projects.

We believe in being a good neighbor, too, and, through a variety of small business development programs, environmental initiatives, and other community contributions, the agency is demonstrating its commitment to the region.

We're proud of the achievements that the Authority has accomplished in 2005, and look forward to working with you under your leadership to build upon these successes in the future.

Very truly yours,

Anthony R. Coscia, Chairman

Charles A. Gargano, Vice Chairman

Board of Commissioners

Origins of the Port Authority

The Port Authority of New York and New Jersey was established on April 30, 1921. It was the first interstate agency ever created under a clause of the Constitution permitting compacts between states with Congressional consent. The agency's area of jurisdiction was called the Port District, a bistate region generally within 25 miles of the Statue of Liberty. The mandate of the agency was to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise or to be attempted by either state alone: a modern wharfage for the harbor shared by the two states, tunnel and bridge connections between the states and, in general, trade and transportation projects to promote the region's economic well-being.

Governance of the Port Authority

The Governor of each state appoints six Commissioners to the agency's Board of Commissioners, each appointment subject to the approval of the respective state senate. The twelve Commissioners serve as public officials without remuneration. The Governors retain the right to veto the actions of the Commissioners. Within the Port District, the Port Authority undertakes projects and activities in accordance with the Port Compact of 1921 and amendatory and supplemental bistate legislation. The Board of Commissioners appoints an Executive Director to effect its policies and manage day-to-day operations.

Board of Commissioners

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

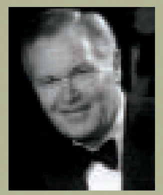
Bruce A. Blakeman	Michael J. Chasanoff
Christine A. Ferer	Angelo J. Genova
David S. Mack	Raymond M. Pocino
Anthony J. Sartor	Henry R. Silverman
Jack G. Sinagra	David S. Steiner

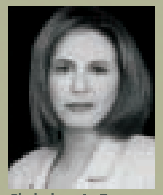
Kenneth J. Ringler Jr., Executive Director
James P. Fox, Deputy Executive Director

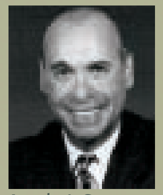

Anthony R. Coscia
Partner
Windels Marx Lane
& Mittendorf, LLP


Charles A. Gargano
Chairman & CEO
Empire State
Development Corp.

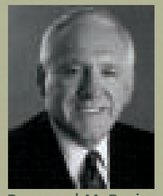

Bruce A. Blakeman
Partner
Robert M. Blakeman &
Associates

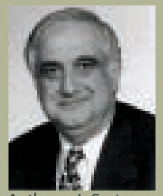

Michael J. Chasanoff
Managing Partner
Chasanoff Properties


Christine A. Ferer
Owner
Applevision/Vidicom


Angelo J. Genova
Senior Partner
Genova, Burns & Vernoia


David S. Mack
Senior Partner
The Mack Company


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


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

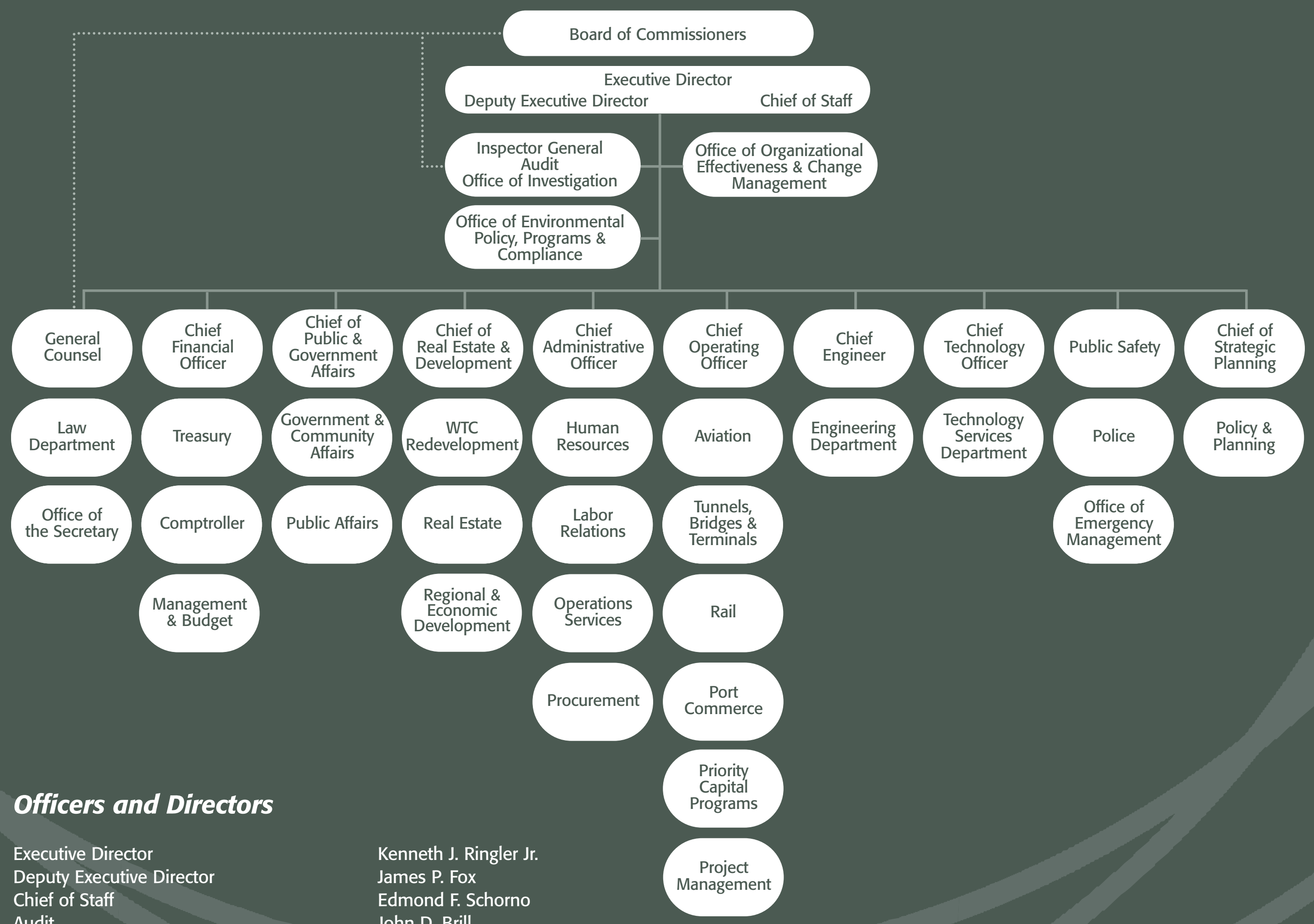

Henry R. Silverman
Chairman & CEO
Cendant Corporation


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


David S. Steiner
Chairman
Steiner Equities Group, LLC


Kenneth J. Ringler Jr.
Executive Director


James P. Fox
Deputy Executive Director



Officers and Directors

Executive Director	Kenneth J. Ringler Jr.
Deputy Executive Director	James P. Fox
Chief of Staff	Edmond F. Schorno
Audit	John D. Brill
Aviation	William R. DeCota
Chief Administrative Officer	Louis J. LaCapra
Chief Engineer	Francis J. Lombardi
Chief Financial Officer	A. Paul Blanco
Chief Operating Officer	Ernesto L. Butcher
Chief of Public & Government Affairs	Kayla M. Bergeron
Chief of Real Estate & Development	Michael B. Francois
Chief of Strategic Planning	Robert F. Lurie
Chief Technology Officer	Gregory G. Burnham
Deputy Chief Financial Officer/Comptroller	Michael G. Fabiano
General Counsel	Darrell Buchbinder
Government & Community Affairs	Shawn K. Laurenti
Human Resources	–
Inspector General	Robert E. Van Etten
Labor Relations	Paul D. Segalini
Management & Budget	Michael G. Massiah
Office of Emergency Management	John P. Paczkowski
Office of Environmental Policy, Programs & Compliance	Christopher Zeppie
Office of Investigation	Michael Nestor
Office of Regional & Economic Development	Wilfred Chabrier
Office of Organizational Effectiveness & Change Management	Michael G. Massiah
Office of the Secretary	Karen E. Eastman
Operations Services	Alan I. Rhome
Policy & Planning	Cruz C. Russell
Port Commerce	Richard M. Larrabee
Priority Capital Programs	Steven P. Plate
Procurement	Andrea Roitman
Project Management	John J. Drobny
Public Affairs	John J. McCarthy
Public Safety	Samuel J. Plumeri Jr.
Rail	Michael P. DePallo
Real Estate	Francis A. DiMola
Treasury	Anne Marie Mulligan
Tunnels, Bridges & Terminals	Victoria Cross Kelly
World Trade Center Redevelopment	–

As of March 3, 2006

Letter from the Executive Director

An important measure of any public agency's performance is its commitment to the people it serves. In 2005, under the leadership of the Governors of our two states and our Board of Commissioners, The Port Authority of New York and New Jersey demonstrated its commitment to plan, invest, build, and operate transportation systems that enabled our region to prosper.

The New York-New Jersey metropolis is built upon, and defined by, movement. People and goods move on a scale that makes our region, collectively, one of the most complex human enterprises on the face of the earth. This isn't accomplished with infrastructure alone. Ultimately, we rely on people to manage and operate our systems, safely and securely, for the benefit of all our customers.

That's one of the reasons we launched our Customer Care program in 2005 – a rededication of our commitment as an agency to the needs of the hundreds of millions of people who use the region's airports, the bus terminal and station, the tunnels and bridges, the PATH system, or who ship through our seaport – and by doing so, help make our region work. Through this program, the Port Authority is expanding training and programs for our front-line transportation workers, improving customer communications, and providing other support to help customers use our systems more effectively and safely.

Our commitment to our customers' and employees' safety, and the overall security of our transportation systems, has never been higher – and that's the way it should be. In 2005, we began installing hundreds of new closed-circuit security cameras at all of our facilities and adding officers to our police force. We continued installing new, state-of-the-art detection equipment, improving integrated police communications systems, and strengthening perimeter security and access controls throughout our facilities.

We completed several key capital investment initiatives in 2005: the deepening of key shipping channels in the harbor to 45 feet in partnership with the Army Corps of Engineers, the opening of a new Grove Street entrance on the PATH system, and the first phase rehabilitation of the Goethals Bridge deck. And we began work on many others: groundbreaking for The World Trade Center Transportation Hub, the construction of a new jetBlue terminal at John F. Kennedy International Airport and the award of a $499 million contract to replace the entire fleet of PATH rail cars by 2011.

The Port Authority is also committed to easing congestion and finding more efficient ways to help people move through the transportation systems we operate. We installed E-ZPass Express, a high-speed automated toll collection system, at the Outerbridge Crossing and we're continuing to work toward the rollout of SmartLink,[sm] a regional transportation fare smart card. Through our expedited effort to build a comprehensive ExpressRail System, and to expand ship-to-rail transfer capacity in our region, we're increasing the share of port cargo that moves to and from our region by rail.

These few examples illustrate the integrity and dedication that the people of the Port Authority bring to their work each day. The report that follows provides much more detail on these activities and, most importantly, the difference our collective efforts make in the social and economic lives of the people we serve.

Sincerely,

Kenneth J. Ringler Jr., Executive Director

April 26, 2006

Year in Review

In 2005, The Port Authority of New York and New Jersey faced the day-to-day challenges of operating the region's trade and transportation infrastructure, while undertaking the long-term challenge of working with its partners to provide a vision to meet the transportation needs of our two states. Under the guidance of New York Governor George E. Pataki, Governor Richard J. Codey of New Jersey, and the agency's Board of Commissioners, the Port Authority worked to fulfill its mission.

The Authority launched several initiatives designed to enhance the safety and security of its customers and combat congestion – while operating its broad range of transportation infrastructure as efficiently as possible. The Agency oversaw a $1.3 billion capital investment program in 2005 that included efforts to increase the capacity of the region's transportation network, and state-of-good-repair and rehabilitation projects to ensure the structural integrity, safety and efficiency of the Agency's existing assets. The Port Authority rededicated itself to customer service, launching the Customer Care Program which provides expanded resources for front line employees to better serve our customers. The Port Authority's regional airport system posted record passenger volume in 2005 and regional oceanborne cargo volumes also surpassed previous records. The Port Authority worked to increase the economic benefits of the region's trade and transportation network and, at the same time, continued to expand environmental programs and initiatives at its facilities. And, the Agency continued to be an active supporter of community activities throughout the region and a leader in developing successful small business growth programs.

The Authority's 10-year Strategic Plan, *Transportation for Regional Prosperity*, creates a framework for meeting the transportation challenges of strong regional growth projected over the decades ahead. This strategic investment plan, with its commitment to an unprecedented level of cooperation and collaboration among the region's transportation partners, will meet tomorrow's growing commuting, travel and business needs.

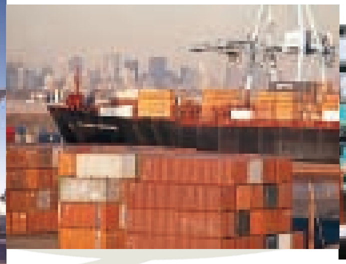
By undertaking the initiatives needed to ensure future growth and prosperity, and operating and maintaining our existing infrastructure safely, securely and efficiently, the Port Authority will continue to demonstrate leadership and commitment to the bistate region.

The Port Authority's airports served a record of nearly 100 million customers in 2005. Kennedy International led the way with 41 million passengers.

By participating in programs such as Operation Safe Commerce, the Port Authority is working to enhance the security of the international supply chain of which the Port of New York and New Jersey is a vital part.

The Port Authority Police have a unique range of duties, including specialized training in Hazmat, traffic control, criminal investigation, and emergency first response.

The Port Authority's commitment to the safety and security of its customers and employees has been bolstered by the installation of more cameras and other security technology at all of its facilities.



The Port Authority authorized a $219 million initiative to strengthen security systems at the region's airports.

The Transportation Security Administration implemented pilot testing of CT Scanning technology at Newark Liberty International Airport in 2005 to provide additional security for baggage screening.

Working with other agencies and police forces, the Port Authority is sharing expertise and technology to help ensure the safety and security for all those who use the region's transportation systems.

Building and Operating a Safe, Secure and Efficient Bistate Transportation Network

The Port Authority's commitment to the New York/New Jersey region is manifested in the operation of its transportation systems – the trans-Hudson bridge and tunnel network, the region's airports, the PATH rail rapid-transit system between New York and New Jersey, and the region's seaport and air cargo facilities. The Port Authority has taken the lead in enhancing security at these facilities while striving to combat congestion and working to make these facilities operate as efficiently as they can.

At the region's airports, the Port Authority authorized a $219 million initiative designed to strengthen security systems and standards that are already among the highest in the world. The program includes $80 million for state-of-the-art perimeter intrusion detection systems; $14 million for expanded closed-circuit television systems; $6 million to enhance computerized access control systems using biometrics for employee identification; and improving surveillance technology for overall facility security. The security enhancement effort also includes a program to physically "harden" the perimeters, guard posts, terminal and other facility areas with barriers and other devices.

At Newark Liberty International Airport, the Port Authority, in conjunction with the federal Transportation Security Administration (TSA), deployed Computed Tomography (CT) Scanning technology programs on a pilot basis as part of Continental Airlines' baggage screening, an innovation that allows more extensive analysis of the contents of a bag. Newark Liberty is one of the first airports in the country to feature the CT scanning devices. The Port Authority airports also served as initial national test sites for the TSA's new "puffer" portals that provide extra screening for explosives. After successful tests, several of these machines have been deployed permanently at the region's airports.

At the seaport, the Port Authority successfully completed Phase II of the federally funded Operation Safe Commerce supply chain security project – resulting in the award of an additional $5.2 million grant. The Port neared completion on a series of physical security projects at the marine terminals, including new fencing, guard rails, security guard booths and increased lighting.

The Port Authority's commitment to safety and security is integrated into all of the Agency's operations. The Port Authority's Public Safety Department (PSD) and the Office of Emergency Management (OEM) are in regular contact with the local, state and federal public safety agencies, and as a result of these relationships, are among the first to receive information about an emergency. Integrated communications between PSD and OEM, channeled to contacts in every Port Authority facility, have been developed to distribute notification of emergencies, information updates and advice and consultation. PSD and OEM have developed thorough evacuation plans, reinforced by regular drills that include contingency plans for emergency scenarios.

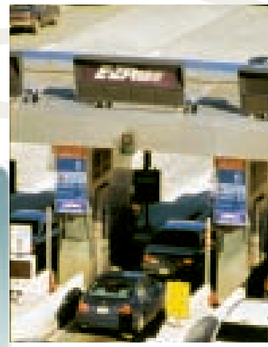
In keeping with its priority of providing a safe and secure environment for its customers, the Port Authority has worked to ensure that its facilities adhere to the highest safety standards. At Teterboro Airport, the Port Authority is installing arrestor beds to safely stop aircraft overruns. The arrestor beds, constructed from aerated cement blocks, are designed to crumble under the weight of an aircraft and stop it safely and quickly in the event it overruns a runway. The technology, known as the Engineered Materials Arresting System, was pioneered by the Port Authority, the Federal Aviation Administration, and the contractor who owns the patent, ESCO.

At LaGuardia Airport, 7,000 feet of runway was rehabilitated, including a repaving of Runway 13-31 and an upgrading of its electrical system, to ensure that the airport continues to function safely and smoothly. At Kennedy International Airport, $2.1 million has been allocated to increase roadway safety and improve vehicular traffic flow at various locations throughout the airport, making it more convenient for the more than 40 million passengers a year who use the airport. In a record-breaking year where nearly 100 million passengers passed through the region's airports, the Authority moved ahead aggressively to upgrade roadways, taxiways, runways, parking and terminals.

The Port Authority is working with the region's two largest public transit agencies, New York's Metropolitan Transportation Authority (MTA) and NJ Transit, to develop a single fare card that could be used on all of the region's transit systems. SmartLink[sm] is a fare card embedded with a microchip that is designed for use on subway, bus and rail lines. The Port Authority, the MTA and NJ Transit signed a memorandum of understanding in 2005 that enables the agencies to work on common standards, payment mechanisms and potential revenue opportunities that may be generated from the use of these smart cards.

As part of an ongoing program to improve customer service at all PATH facilities, the Port Authority opened a second entrance/exit at the Grove Street Station in Jersey City. Also, under a program to increase capacity at all PATH facilities, new fare collection turnstiles were installed to enable customers to pay their fares with an MTA New York City Transit MetroCard, a PATH QuickCard or, in the future, SmartLink cards. The combination of SmartLink and turnstile initiatives will expand the range of payment options, speed trips and improve daily travel for Port Authority customers, as well as enhance regional economic growth.

In 2005, the Outerbridge Crossing became the first bridge in the New York-New Jersey region to offer E-ZPass Express – a high-speed toll plaza collection system that allows E-ZPass customers to pay tolls while traveling at 45 miles per hour. The system can process up to 1,800 vehicles per hour,



New York Gov. George Pataki joined Port Authority and Staten Island officials in July to break ground for the ExpressRail Staten Island intermodal rail terminal that will provide freight rail services to Howland Hook Marine Terminal.

At Kennedy International, $2.1 million was allocated to increase roadway safety and improve vehicular traffic flow.

The Outerbridge Crossing became the first bridge in the region to offer E-ZPass Express, a high-speed automated toll collection system.

SmartLink[sm] is a regional fare collection card that is being tested on the PATH system.

a huge service improvement for the 16 million customers who use the crossing annually.

The Port Authority accelerated the overall development of its ExpressRail System for the Port of New York and New Jersey. The ExpressRail System is a set of freight rail investments that will link seaport facilities more efficiently in Staten Island, Elizabeth and Newark with the inland freight railroads. This program is helping shippers move a greater percentage of their oceanborne cargo to and from the seaport by rail instead of by over-the-road trucking. The Board of Commissioners authorized a series of actions that will allow several critical elements of the rail program to be completed in 2007 and 2008, two years earlier than previously projected.

As part of the Port Authority's commitment to its customers and stakeholders, the agency undertook a staff-led effort, beginning in 2004, to re-examine its work practices with an eye toward improving the efficiency of its operations and organizing itself to meet the challenges that are facing the Authority in the years ahead. Working through the Office of Organizational Effectiveness and Change Management (OECM), the Port Authority was able to implement programs that will ultimately save more than $100 million per year in the agency's budget.

All of the agency's project management functions were united into a new Project Management Department, eliminating redundant resource efforts, and the Lincoln Tunnel and the Port Authority Bus Terminal were placed under a single management structure to streamline resource utilization. The overall Port Authority workforce was reduced by more than 540 positions with additional changes including the individual review of professional and




(Three left photos above)
Artist renderings of the interior of The World Trade Center Transportation Hub.

(Right photo above)
In September, New York Gov. George Pataki (center) and federal Transportation Secretary Norman Mineta (left) joined architect Santiago Calatrava and his daughter in releasing two doves, which symbolize the inspiration for Calatrava's design for the Hub.

(Center spread photo)
A rendering of the exterior of Santiago Calatrava's design for The World Trade Center Transportation Hub. Construction began with the groundbreaking ceremony in September. The Hub is expected to open in 2009.

administrative staffing needs. OECM worked with Human Resources to develop new approaches for training and development of administrative staff.

In an effort to raise revenue to help pay for important transportation projects, and to bring creative and innovative advertising concepts to its world-renowned airports, tunnels, bridges, bus terminals and PATH system, the Port Authority contracted with marketing and sponsorship agencies to expand its advertising revenue program into new and nontraditional media. With high profile facilities that serve millions of passengers each year in one of the world's largest and most affluent markets, the Port Authority is in a position to reap significantly higher revenues from these non-traditional sources. The new partner agencies are expected to begin implementing these revenue enhancement programs in 2006.

The Port Authority is also working to enhance the rental income from retail establishments at its passenger facilities. Through partnering with a retail consultant, the Port Authority has identified opportunities to create up to 600,000 square feet of incremental retail space at its facilities over the next several years.

Investing in the Transportation and Trade Needs of Today and Tomorrow

In 2005, the Port Authority invested $1.3 billion in a variety of capital projects designed to maintain and improve its network of transportation assets, enhance the security of the region's transportation system, improve traffic flow, and meet the needs of the future. This work included state-of-good-repair projects that daily evidence the Port Authority's commitment to running safe and secure facilities, the rehabilitation of existing facilities and work on new projects.

The year marked the launch of construction for the spectacular World Trade Center Transportation Hub in Lower Manhattan. The Hub, which ultimately will replace the temporary PATH WTC Station, will link PATH with downtown subway lines via underground passageways, as well as the World Financial Center Ferry Terminal via a West Street underpass. The Transportation Hub, designed by world-renowned architect Santiago Calatrava and being funded by the Federal Transit Administration, will improve Lower Manhattan's transportation network and assist in its economic recovery. The project, expected to be operational in 2009, will generate more than $650 million in annual wages and salaries and thousands of construction-related jobs that will greatly help the downtown area. This new, iconic transportation facility, including new retail amenities, will provide customers with a quicker, more convenient way to connect between transportation systems. It is projected to serve some 80,000 PATH customers each day. Ultimately, this Hub will connect a quarter of a million people using all modes each day.

In keeping with its commitment to enhance the regional transportation system, the Port Authority contracted with Kawasaki Rail Car Inc. on a $499 million program to build a new fleet of PATH rail cars to replace the system's aging 340-car fleet. New designs for cars were unveiled in October and the entire project is expected to be complete in 2011. The new cars will have three-door sets on each side to allow for faster loading and unloading; on-board video; closed-circuit television recording capability; improved lighting, air conditioning and heating; prerecorded station announcements; better signage; and the capability for passengers to communicate with the crew.

In addition to the new cars and signals, PATH will make renovations to its Harrison Car Maintenance Facility – including maintenance equipment and shops – and undertake preliminary work on a new signal system. This program is the largest single investment in the rapid-transit system since the Port Authority acquired the Hudson and Manhattan Railroad in 1962. The new cars and The WTC Transportation Hub are part of a $3.1 billion investment in PATH, either completed or planned, since 9/11.

At John F. Kennedy International Airport, construction has already begun on a spectacular new terminal that will house jetBlue's New York operation. The new 640,000-square foot terminal will feature 26 gates and 11 hardstand positions. It is being built by the Port Authority and jetBlue on a 72-acre tract in Kennedy International's Central Terminal Area. It's designed to connect with Terminal 5, the world-famous, landmarked Eero Saarinen-designed terminal that dates back to 1962. jetBlue, Kennedy International's busiest carrier with nearly 10 million annual passengers, will operate the new terminal, scheduled for completion in 2009, under a 34-year lease with the Port Authority. The investment also includes a new parking garage with a capacity of more than 1,700, a new bridge connecting the nearby AirTrain JFK station with the new terminal, plus new roadways and related infrastructure. The construction of this terminal ushers in a new era for Kennedy Airport, and complements the airport's great legacy as the nation's premier international gateway. jetBlue also initiated service at Newark Liberty Airport in 2005.

In May 2005, the Port Authority and the U.S. Army Corps of Engineers marked the completion of a project that had begun in 1999 to deepen key harbor access channels from 40 to 45 feet. The deepening of the Kill Van Kull and Newark Bay channels has already enabled larger ships to call on the container terminals at Port Newark/Elizabeth. The Port Authority provided the local share of the funding, 35 percent, and the federal government funded the remainder. The $360 million project was completed almost $300 million under budget and three years ahead of schedule.

On the heels of this successful investment, the Army Corps and the Port Authority began a much larger project to deepen all of the key cargo channels in the harbor to a depth of 50 feet, allowing for the largest ships to deliver goods to the region more efficiently through the Port of New York and New Jersey.

Delivering Customer Service

As part of its ongoing commitment to improve the quality of service to customers, the Port Authority launched the Customer Care Program – a campaign designed to enhance the level of customer care the agency provides to patrons who use the airports, bus terminals, PATH, and tunnels and bridges. The $6 million initial investment includes: providing all customer care representatives with standard uniforms and training; installing a permanent GPS bus tracking system at Newark Liberty Airport to provide customers with real-time information on the location of their shuttle bus; adding 49 customer care representatives; integrating communications through better wayfinding signs and equipment; and installing customer interactive kiosks at the Port Authority Bus Terminal.

The enhanced Customer Care program will expand the agency's commitment to the public across many services, including those provided by customer care representatives, restroom attendants, ground transportation counters, tunnel and bridge agents, real-time traffic information at the George Washington Bridge and vehicle assistance in airport parking lots.

This focus on the customer will help make sure the Authority is providing the best possible service to millions of travelers who use Port Authority facilities.

For their success in providing an outstanding retail experience, both Newark Liberty and Kennedy airports have been recognized for excellence in airport concessions over the past year. Newark Liberty's Terminal C was honored with a first-place award for Best Retail/Specialty Program. Shops, restaurants and terminals at the airport – once again – captured top honors in the prestigious Airport Revenue News' Best Concessions annual competition. In the past five years, Port Authority airports have won a combined 26 first place prizes in the annual competition, which is judged by aviation experts.

Kennedy Airport's Terminal 4 was presented with an award for Most Innovative Concession for its "Christmas in New York" shop in the 2005 Airport Concessions Contest, sponsored by the Airports Council International-North America, the leading U.S. airport trade group.

A public-private multi-billion dollar redevelopment program spearheaded by the Port Authority has delivered extensive improvements to enhance customer service at Kennedy, Newark Liberty and LaGuardia airports. In addition to the new and revamped concessions, the program also features redeveloped passenger terminals; rail connections to mass transit with AirTrain JFK and AirTrain Newark; efficient roadway designs; award-winning signage; new parking garages and much more.






(Left photo, opposite page) Both Kennedy and Newark Liberty airports were recognized for excellence in concessions during 2005.

Executive Director Kenneth Ringler (photo second from the left, opposite page) helped mark the beginning of construction for a new jetBlue Terminal (artist's rendering, second from the right, opposite page) at Kennedy International Airport.

PATH is acquiring an entire new fleet of 340 rail cars. The new design for the cars (right photo, opposite page) was unveiled in October.

Through the new Customer Care program (photos, right and left, this page), the Port Authority is providing its front line transportation workers with new resources and technologies to serve the 430 million customers who use its facilities each year.

Chairman Anthony Coscia (center photo, this page) presided over a dedication ceremony in May to mark the completion of the deepening of the Kill Van Kull and Newark Bay channels to a depth of 45 feet.

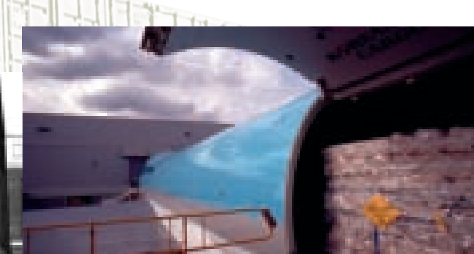
Fostering the Needs of the Region's Economy

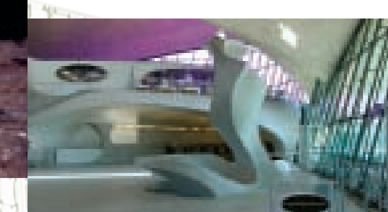
The Port Authority's airports set an all-time record for passenger traffic in 2005 by posting a 6 percent increase over 2004 figures. With nearly 100 million passengers using the regional airport system, the Port Authority's airports handled more passengers than any other airport system in the nation.

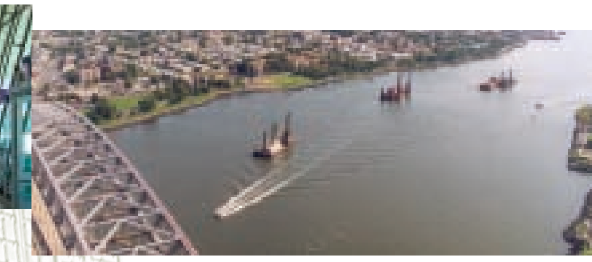
Kennedy led the way with nearly 41 million passengers in 2005, while Newark Liberty handled more than 33 million passengers, and LaGuardia served approximately 26 million passengers.

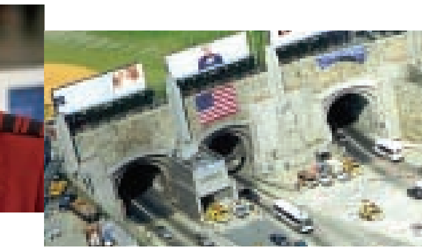
These record-setting passenger totals are the main reason our airports contribute in such a positive way to the regional economy. Through the Air Services Development offices and the Council for Airport Opportunity, airport operations helped generate jobs and more business for the community. A recent analysis showed that the Port Authority's airports support nearly 500,000 jobs and generate $20 billion in wages, as well as $57 billion in annual economic activity.

The PATH system posted a 5.3 percent increase in passenger trips during 2005. Nearly 60.8 million passengers used PATH in 2005, up from 57.7 million in 2004. The average weekday passenger volume on PATH rose to 206,000 in 2005 from 194,000 in 2004.









New Jersey Gov. Richard Codey (left photo, this page) announced the annual trade statistics for The Port of New York and New Jersey. In 2005, the seaport once again achieved record cargo volumes. The deepening of key shipping channels (second from the left, opposite page) to a depth of 50 feet, now under way, will enable the port to continue to grow with the demands of the global economy.

Air cargo (right photo, this page) is a key element of the Port Authority's trade infrastructure. In 2005, the regional airport system handled more than 2.7 million tons of cargo.

Crossings at the Port Authority's tunnels and bridges totaled 125.9 million in 2005. (right photo, opposite page)

Vehicle traffic at the Port Authority's Tunnels and Bridges declined by 0.5 percent in 2005. Eastbound crossings at the bridges and tunnels totaled 125.9 million vehicles, down from 2004's volume of 126.5 million vehicles. The George Washington Bridge was the busiest of the crossings, with a volume of 53.6 million vehicles in 2005. The Lincoln Tunnel handled 21.8 million vehicles, a slight increase over 2004, while the Holland Tunnel accommodated nearly 17 million vehicles, also a slight increase. The Staten Island Bridges – the Goethals and Bayonne bridges and the Outerbridge Crossing – recorded a total of 33.5 million vehicle crossings in 2005.

At the seaport, the region continued to see a dramatic rise in Asian cargo that drove an overall increase in oceanborne cargo. Container unit volumes rose 7 percent during the year, with a total of 4,792,922 twenty-foot-equivalent (TEU) container units moving through the Port during this period. The market value of all cargo handled at the Port increased 15.6 percent, rising to a total of $132.4 billion. Total export general cargo tonnage rose 14.4 percent, while import tonnage increased by 9 percent over 2004 volumes.

Last year, the Port's on-dock rail business at the ExpressRail Elizabeth and ExpressRail Newark operations set a new record with 303,032 container lifts, a 6.9 percent increase over 2004. ExpressRail Elizabeth handled almost 250,000 lifts, breaking the previous year's record by 4 percent, and ExpressRail Newark moved 53,647 containers, a 22.7 percent increase from 2004.

The region's steady growth in jobs and economic activity benefits from the success of the Port of New York and New Jersey. A recent study showed that port-related activity resulted in nearly $2 billion in state and local tax revenues in the region. Cargo activity at the Port supports 232,900 regional jobs, including positions for dockworkers, truck drivers, freight forwarders, distribution center workers and others.

Due to the imposition of fuel surcharges, our region's air cargo volumes declined a bit in 2005 to a total of 2,721,000 tons, from 2004's level of 2,799,000 tons. The outlook for air cargo remains uncertain because oil prices remain high. However, the common forces that drive domestic air cargo, consumer demand and business investment, are both rising. As a result, the Port Authority is hopeful that air cargo growth will be positive in 2006.

Protecting the Environment and Contributing to the Community

The Port Authority recognizes that stewardship also requires leadership – a commitment to be a good citizen of the region and a good neighbor to the people and communities in which it operates. A key element of that commitment means protecting and preserving the environment.

In May 2005, the Port Authority awarded a three-year contract to monitor underground storage tanks at Newark Liberty in compliance with new regulations from the State of New Jersey. This program will involve monthly inspections of the tank leak detection systems to ensure that the systems are operating, and that no leaks have occurred. Both the Underground Storage Tank Compliance Program and the database will be models for similar programs at other PA facilities.

A record $48 million to provide quieter classrooms in 30 schools in New York and New Jersey was authorized by the Board of Commissioners as part of a continuing 23-year-old program to soundproof all local schools affected by aircraft noise. This program, which is funded by the Port Authority and the Federal Aviation Administration, provides a significantly quieter environment that is crucial to advancing the students' education. Soundproofing has been proven to cut perceived aircraft noise levels in half.

Through 2005, the Port Authority committed $319 million to soundproof 77 schools in New York and New Jersey of which 50 schools have now been completed. Construction was completed at eight schools and nine more finished the design process in 2005.

At the seaport, the Port Authority has been working on implementing an Environmental Management System (EMS) at its public berths and maintenance shops and for its dredging operations. EMS provides a systematic framework for managing environmental responsibilities and ensuring compliance with environmental regulations. When fully implemented, the EMS will continually reduce the environmental impact of our operations, as well as prevent pollution, conserve natural resources and energy, reduce hazardous substances and minimize waste.

The seaport's Green Practice Task Force, composed of Port Authority staff and marine terminal tenants, completed the update of the 2002 Cargo Handling Equipment (CHE) air emission inventory. The update indicated that, as a result of voluntary CHE fleet-modernization, 2004 air emissions were reduced 30 percent or more across the full spectrum of pollutants. The reductions were achieved despite a 19 percent increase in the amount of container handling equipment operating in the port, a 5 percent increase in operating hours and 25 percent growth in container volume. The Green Practice Task Force earned the 2005 American Association of Port Authorities' Environmental Improvement Award.

Work was completed on retrofitting the engine of a Staten Island Ferry boat, the *Alice Austen*, and the Port Authority completed engine conversions on six tugboats operating in New York Harbor. These programs were part of the Authority's commitment to offset emissions generated by the Joint Port Authority/Army Corps of Engineers' 50-foot Harbor Deepening Program. As a result, the Port Authority reduced Nitrogen Oxide (NOx) emissions by more than the required amount to fully offset the discharges generated by the dredging operations.

Under the Hudson-Raritan Estuary Resource Acquisition Program, the agency purchased two properties in New Jersey and one in New York during 2005. This program, authorized by the Port Authority's Board of Commissioners in 2001, set aside $60 million – $30 million for each state– for the acquisition of land to preserve critical habitats and waterfront areas for public use. Through 2005, the Port Authority has spent approximately $3 million under this program.

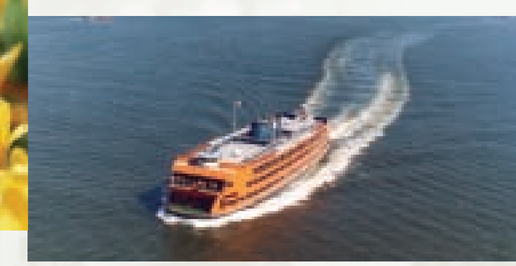
The Authority also expanded its environmentally responsible "clean fleet" program in 2005 by adding 41 alternatively fueled vehicles to the fleet and by consuming approximately 152,000 gallons of bio-diesel motor fuel – the equivalent of 67 additional clean fleet vehicle credits. The Authority's automotive fleet was ranked among the Top 100 of all U.S. government and private fleets by Automotive Fleet magazine.

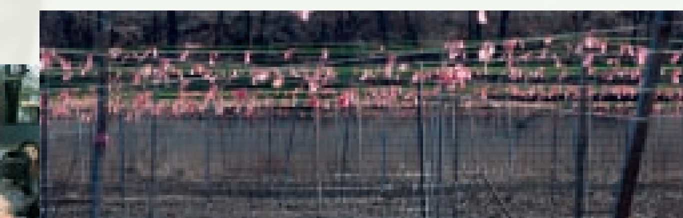
The Port Authority expanded its "clean fleet" program in 2005 by adding 41 alternatively fueled vehicles to its fleet and by using higher levels of bio-diesel motor fuel.

School children from local communites display holiday posters on PATH trains.

The Port Authority sponsors job fairs at its airports to encourage young people from the local community to explore job opportunities with businesses associated with the aviation industry.

To offset increased air emissions resulting from the 50-foot Harbor Deepening Program, the Port Authority has completed retrofitting of a Staten Island ferry boat with a cleaner engine and has converted the engines of six tug boats operating in the harbor so that they, too, will run cleaner.





The Port Authority has co-sponsored wetlands restoration projects in Staten Island and New Jersey. With the Harbor Deepening Program affecting some wetlands in the harbor estuary, the Army Corps and the Port Authority are re-establishing native plant species elsewhere in the region.

The Port Authority also worked to support many local programs designed to build stronger-communities and business opportunities throughout the region. The Authority manages several other programs designed specifically to support students, citizens and small businesses in our neighboring communities.

For example, the first class of the Mentor-Protégé Program "graduated" in 2005. This program is designed to increase the number of Port Authority-certified Minority and Woman-Owned Business Enterprises (M/WBEs) who are qualified to bid successfully on larger construction contracts with the Port Authority and other public and private organizations.

During the course of the three-year program, established mentor firms shared business and construction expertise with the protégés, who received advice on strategic tools to speed the growth of their businesses while gaining critical industry exposure. More contracts and jobs are generated as a result of this program for M/WBEs.

Looking to the Future

The New York-New Jersey region is among the greatest economic systems in the world and the Port Authority is working with its transportation partners to keep it that way. To give this vibrant region the transportation infrastructure it needs to adapt to projected unprecedented growth, the leadership of this region will be planning for growth that is estimated to add 1.6 million people to the regional population and 1.4 million more jobs by 2020. Projections are that air travel will increase by 40 percent; PATH passenger trips will increase by 60 percent; and cargo moving through the seaport will double by 2020. This dramatic increase will in turn create an enormous strain on existing transportation infrastructure before capacity is reached. Increasing capacity will require many years of careful planning and construction.

More jobs in the region will be service-based. In this new economy, the role of transportation in moving and connecting people will be even more important in New York and New Jersey than it is today. The Port Authority is working to prepare for these developments. *The Port Authority's Strategic Plan, Transportation for Regional Prosperity*, published in December 2005, provides a 10-year look at the transportation challenges facing the region, and offers a proactive, integrated approach to building a sophisticated transportation infrastructure for our future.

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

The Consolidated Financial Statements of The Port Authority of New York and New Jersey (including its wholly owned corporate entities) as of and for the years ended December 31, 2005 and December 31, 2004, are enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in the Consolidated Financial Statements rests with management of the Port Authority. Management's Discussion and Analysis (MD&A) of the Port Authority's financial performance and activity provides a narrative introduction, overview, and analysis to accompany the Consolidated Financial Statements and is supplemental information that is required by the Governmental Accounting Standards Board. Schedules A, B, and C have been prepared 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 (GAAP). Schedules D, E, F, and G include other supplementary information presented for purposes of additional analysis, and are not a required part of the Consolidated Financial Statements. To the best of my knowledge and belief, such financial and other information set forth in the Consolidated Financial Statements is accurate in all material respects and is reported in a manner designed to present fairly the Port Authority's net assets, changes in net assets, and cash flows in conformity with GAAP.

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

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

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

Profile of the Port Authority

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

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

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

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

Regional Economic Condition and Outlook

The New York and New Jersey regional economic expansion gained momentum in 2005, adding more than 59,000 new jobs and extending the recovery to an increasing number of sectors. The region's growth was within the context of a national economy that once again demonstrated remarkable resilience notwithstanding record oil prices, two major hurricanes, and eight increases in the Federal funds rate. The U.S. Gross Domestic Product grew by an estimated 3.5 percent in 2005, an excellent performance considering the external shocks to the economy. The national economy added 2.0 million jobs in 2005, for a growth rate of 1.5 percent. This compares to the 1.1 percent job growth in the previous year. Concomitantly, the national unemployment rate fell to 5.1 percent, compared to 5.5 percent in 2004. Crude oil prices approached $70 per barrel at the end of August, spiking as a result of production shutdowns brought on by hurricane Katrina, and closed the year at $61 per barrel. Higher energy costs led to a jump to 3.4 percent in the U.S. inflation rate, up from 2.7 percent in 2004. Equity markets rose modestly in 2005. Nonetheless, the securities industry had strong revenue and profit growth and paid out an estimated $21.5 billion in bonuses in 2005, a record for the industry. Wall Street added more than 6,000 jobs in 2005. This bodes well for the regional economy as last year's Wall Street bonus money will be spent, much of it locally, during 2006.

The New York and New Jersey regional economy posted a solid year of growth. The increases were notable in many sectors: record tourism, robust construction, including housing, a strengthening office market, and new contributions from industries that had been lagging. The 17-county metropolitan area added 59,000 jobs in 2005, a 0.8 percent growth rate compared to 2004. Growth was highly concentrated in the core, with New York City accounting for 80 percent of the region's job growth. The financial sector and professional and business services are now making much more significant contributions to the economy, joining tourism, education, and health services, the industries that have previously led the recovery. New York City's economy was clearly aided by tourism with the region receiving an all-time record high of roughly 41 million visitors during 2005. An estimated 8.25 million visitors came to New York City in November and December alone, providing one of the best holiday seasons ever. Hotel occupancies averaged 85.5 percent, up from 82.4 percent in 2004. The tight hotel market drove prices up 15.6 percent, to an average $243 dollars per night. Construction activities in the region also increased markedly. Construction starts exceeded $25 billion in 2005, up 22.5 percent over 2004.

Changes in Port Authority activity levels reflected these improved economic conditions. Air passenger traffic at the three major airports was approximately 99.8 million in 2005, an increase of approximately 5.9 million passengers, or 6.3 percent above 2004 levels. Port general cargo volumes reached 28.1 million metric tons in 2005, an increase of approximately 10 percent over the 25.5 million volumes reported in 2004. Eastbound vehicular volumes at the bridges and tunnels reached 126 million, a slight decline from 2004 levels, but still an impressive performance given losses in traffic volume due to winter storms, record rainfall in October, and significantly higher gasoline prices in 2005. PATH volumes increased by approximately 3 million passengers in 2005, a 5.3 percent increase from 2004 levels.

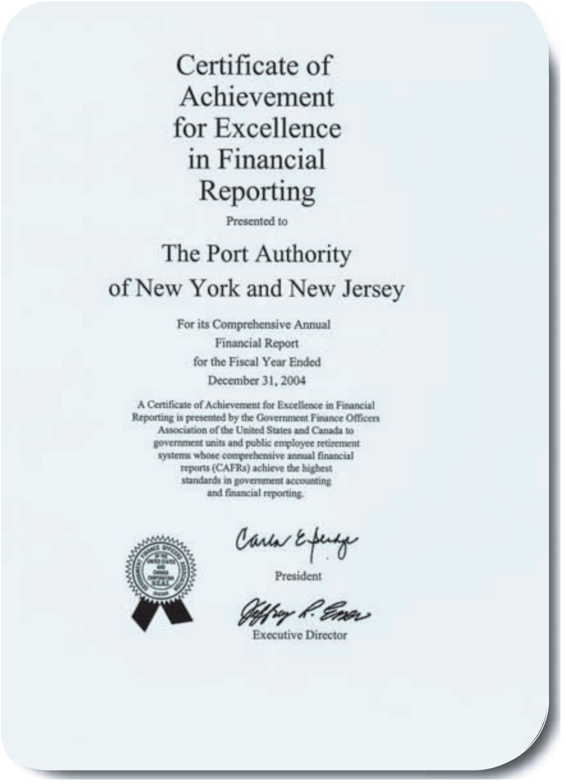
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004. This was the twenty-first consecutive year that the Port Authority achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must also satisfy both GAAP and applicable legal requirements.

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

February 24, 2006

A. Paul Blanco
Chief Financial Officer


Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Port Authority of New York and New Jersey

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

For the twenty-first consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 2004 Comprehensive Annual Financial Report.

Financial Section

The Port Authority of New York and New Jersey Annual Report for the year ended December 31, 2005

Prepared by the Comptroller's Department

THE PORT AUTHORITY OF NY & NJ

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of net assets of The Port Authority of New York and New Jersey, as of December 31, 2005 and 2004, and the related consolidated statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. We also audited the financial information included in Schedules A, B and C. These consolidated financial statements and schedules are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net assets of the Port Authority as of December 31, 2005 and 2004, 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, 2005 and 2004, 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 in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP

February 24, 2006

Member of
Deloitte Touche Tohmatsu

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, WTC Retail LLC, and Port District Capital Projects 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, 2005, with selected comparative information for the years ended December 31, 2004 and December 31, 2003. This section has been prepared by management of the Port Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Overview of 2005 Financial Results

The Port Authority continued to demonstrate financial resilience in 2005 with an increase in net assets of $162 million.

Gross operating revenues totaled $3 billion in 2005, representing a $136 million increase over 2004. The increase was primarily due to higher revenues from fixed and activity-based rentals at the three major airports and the New Jersey Marine Terminals, higher revenues from cost recovery agreements with the airlines, and increased revenues from public parking operations at the three major airports. Revenues from the PATH System were also higher in 2005 compared to 2004 reflecting increased ridership levels. However, this increase was offset by lower toll revenues mainly due to lower vehicular activity at the tunnel and bridge crossings resulting from the impact of several winter snowstorms and higher fuel prices.

Operating and maintenance expenses, including amortization and depreciation, totaled $2.8 billion in 2005, which was $179 million higher than 2004. The increase comprised primarily higher depreciation expense of $68 million and higher employee compensation costs of $64 million due to higher police and security costs resulting from heightened security levels at Port Authority facilities and higher employee benefits costs.

Financial income increased by $47 million in 2005 compared to 2004 primarily due to higher interest rates and higher market valuation adjustments on investment securities, while higher average balances on outstanding consolidated bonds and notes resulted in financial expense increasing by $30 million year to year.

Passenger Facility Charges (PFCs), contributions and grants provided by others to the Port Authority increased by $36 million in 2005 compared to 2004 reflecting an increase in capital expenditures on projects eligible for federal funding, primarily under the Airport Improvement Program, and increased PFC collections resulting from higher passenger volume at the three major airports.

Other Activities

- The Port Authority's ongoing commitment to the growth and development of the region continued to be demonstrated in 2005 through the significant capital investment that was made. Capital expenditures totaled approximately $1.3 billion in 2005, while over $1.1 billion of capital construction, including costs associated with regional programs, was transferred to completed construction.
- In keeping with the Port Authority's continued investment in the region, a number of significant initiatives commenced in 2005 including the groundbreaking for the World Trade Center Transportation Hub, procurement of a new fleet of PATH rail cars, and approval for the construction of a new passenger terminal at John F. Kennedy International Airport (JFK).
- JFK, Newark Liberty International Airport (EWR) and LaGuardia Airport (LGA) handled nearly 100 million passengers in 2005, which are more passengers handled than any other airport system in the nation.
- In September 2005, Delta Air Lines, Inc. and Northwest Airlines Corporation filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. Delta and Northwest operate passenger flights from JFK, EWR and LGA, as well as certain aircraft maintenance, cargo and hangar facilities at these airports, and both airlines are continuing to operate under the protection of Chapter 11.
- In December 2005, Calpine KIA, Inc., Aviation Funding Corp. and KIAC Partners, which own and operate the central heating and refrigeration plant, thermal distribution system and cogeneration plant (the Cogeneration Facility) at JFK, filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. Certain capital costs of the Cogeneration Facility were provided through Port Authority Special Project Bonds, and operation of the facility is continuing under the protection of Chapter 11.
- In connection with the October 2002 extension of the lease between the Port Authority and the City of Newark (Newark) pertaining to the operation of EWR and Port Newark which, among other things, provided for an extension of the expiration date of the lease for each facility from December 31, 2031 to December 31, 2065, the Port Authority and Newark have concluded discussions to conform certain terms to the lease relating to the New York City Airports (in connection with the Most Favored Nation provision of the lease extension). The Port Authority is to make additional rental payments during the period 2006 to 2010 in the total aggregate amount of $400 million. The Port Authority will also make certain capital expenditures at EWR and/or Port Newark in the total aggregate amount of $50 million over the same period.
- The Port Authority received approval from the Federal Aviation Administration (FAA) to increase Passenger Facility Charge collections from $3.00 per enplaned passenger to $4.50 effective April 1, 2006.

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:

	2005	2004	2003
		(In thousands)	
ASSETS			
Current assets (including restricted assets)	**$ 2,668,453**	$ 2,936,548	$ 2,548,295
Noncurrent assets (including restricted assets)			
Facilities, net	**12,578,111**	12,002,575	11,403,696
Other noncurrent assets	**4,539,803**	4,493,466	4,927,291
Total assets	**19,786,367**	19,432,589	18,879,282
LIABILITIES			
Current liabilities	**2,386,153**	2,127,129	3,174,117
Noncurrent liabilities			
Bonds and other asset financing obligations	**8,204,548**	8,301,375	6,880,993
Other noncurrent liabilities	**2,079,893**	2,050,218	2,021,841
Total liabilities	**$12,670,594**	12,478,722	12,076,951
NET ASSETS			
Invested in capital assets, net of related debt	**5,725,929**	5,563,683	5,397,959
Restricted	**17,916**	14,651	15,153
Unrestricted	**1,371,928**	1,375,533	1,389,219
Total net assets	**$ 7,115,773**	$ 6,953,867	$ 6,802,331

The Port Authority's financial position remained strong at December 31, 2005, with assets of $19.8 billion and liabilities of $12.7 billion. Investment in facilities, net of depreciation, increased $576 million from 2004. This amount includes both completed facilities and construction in progress.

Net assets totaled approximately $7.1 billion at December 31, 2005, an increase of $162 million over 2004.

Invested in capital assets, net of related debt, which totaled $5.7 billion at December 31, 2005, represents the largest of the three components of Port Authority net assets and comprises its investment in capital assets (e.g. land, buildings, improvements and equipment), less the related outstanding indebtedness used to acquire those capital assets. Net assets reported as restricted due to constraints imposed by third parties or enabling legislation totaled $18 million and represent PFCs restricted for use on projects or expenditures eligible for the application of PFCs. The balance of net assets at December 31, 2005 totaling $1.4 billion is unrestricted and may be used to meet ongoing Port Authority obligations.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

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

	2005	2004	2003
		(In thousands)	
Gross operating revenues	**$ 3,000,693**	$ 2,864,824	$ 2,764,051
Operating expenses	**(2,087,918)**	(1,981,365)	(1,919,251)
Depreciation and amortization	**(686,728)**	(614,216)	(521,098)
Net (expenses) recoverables related to the events of September 11, 2001	**(3,358)**	(4,985)	664,211
Income from operations	**222,689**	264,258	987,913
Net non-operating expenses	**(316,810)**	(332,823)	(277,820)
Net PFCs and other contributions	**256,027**	220,101	172,943
Increase in net assets	**$ 161,906**	$ 151,536	$ 883,036

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:

	2005	2004	2003
		(In thousands)	
Gross operating revenues:			
Rentals	**$ 928,395**	$ 877,306	$ 858,414
Tolls and fares	**787,381**	788,333	758,326
Aviation fees	**748,811**	714,766	705,302
Parking and other	**296,663**	269,413	234,261
Utilities	**147,795**	121,436	112,555
Rentals - Special Project Bonds Projects	**91,648**	93,570	95,193
Total	**$3,000,693**	$2,864,824	$2,764,051

2005 vs 2004

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

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

2004 vs 2003

Gross operating revenues totaled $2.9 billion through December 31, 2004, a $101 million increase from 2003. The increase in gross operating revenues was primarily attributable to the following:

- An increase in vehicular parking rates and activity levels at the airport public parking lots and the Port Authority Bus Terminal resulted in parking revenues being $35 million higher in 2004 than 2003.
- Tolls and fares were $30 million higher in 2004 than 2003 stemming from increased traffic at certain tunnel and bridge crossings, and an increase in PATH revenues reflecting the full year impact of restored service to both the Exchange Place and World Trade Center (WTC) stations, which opened in June 2003 and November 2003, respectively.
- Rental revenues were $19 million higher year to year 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:

	2005	2004	2003
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 870,784**	$ 806,890	$ 769,711
Contract services	**564,332**	545,404	543,927
Rents and amounts in-lieu-of taxes	**243,411**	252,658	237,014
Materials, equipment and other	**168,139**	141,367	150,961
Utilities	**149,604**	141,476	122,445
Interest on Special Project Bonds	**91,648**	93,570	95,193
Total operating expenses	**2,087,918**	1,981,365	1,919,251
Depreciation and amortization	**686,728**	614,216	521,098
Total	**$2,774,646**	$2,595,581	$2,440,349

2005 vs 2004

Operating expenses, including depreciation and amortization, totaled $2.8 billion through December 31, 2005, which is $179 million higher than 2004. The year-to-year increase in operating expenses is primarily due to the following:

- Depreciation and amortization expense increased by $73 million primarily reflecting the accelerated retirement of investment at the Red Hook Container Terminal and Brooklyn Piers in anticipation of the transfer of these assets to the City of New York; the full year impact of transferring over $1 billion of construction in progress to completed construction in 2004; and the additional depreciation expense related to the $1.1 billion in transfers which were completed in 2005.
- Employee compensation costs increased by $64 million in 2005 compared to 2004 mainly due to higher police and security costs resulting from heightened security levels at Port Authority facilities and higher employee benefits costs.
- Materials, equipment and other costs increased by $27 million mainly due to a loss attributable to the valuation adjustment associated with the acquisition of property adjacent to the EPAMT from the City of Elizabeth.
- Contract service costs increased by $19 million primarily due to maintenance dredging at the New Jersey Marine Terminals, and higher costs associated with the operation of the container barge at the Red Hook Container Terminal.

2004 vs 2003

Operating expenses, including depreciation and amortization, totaled $2.6 billion through December 31, 2004, $155 million higher than 2003. The increase in operating expenses was 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 the JFK AirTrain at the end of 2003 and the accelerated retirement of the old ExpressRail facility at the EPAMT. The higher depreciation expense associated with the temporary WTC PATH station and the 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.
- Employee compensation costs increased by $37 million in 2004 compared to 2003 mainly due to higher employee benefits 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 resulted 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

	2005	2004	2003
		(In thousands)	
Recoverables	**$ —**	$ —	$ 682,232
Expenses	**(3,358)**	(4,985)	(18,021)
Net (expenses) recoverables	**$ (3,358)**	$ (4,985)	$ 664,211

As of December 31, 2005, 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, $860 million has been recorded as revenue, $438 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

	2005	2004	2003
		(In thousands)	
Non-operating revenues and (expenses):			
Income on investments	**$ 60,629**	$ 42,497	$ 50,306
Increase in fair value of investments	**44,950**	16,550	15,842
Interest expense in connection with bonds and other asset financing	**(422,334)**	(391,870)	(344,755)
(Loss) gain on disposition of assets	**(55)**	—	787
Net non-operating expenses	**$(316,810)**	$(332,823)	$(277,820)

2005 vs 2004

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

2004 vs 2003

Financial expense of $392 million reflects an increase of $47 million from 2003, primarily due to increased interest expense attributable to higher average 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

	2005	2004	2003
		(In thousands)	
Passenger Facility Charges	**$ 134,429**	$ 125,532	$ 109,111
Contributions in aid of construction	**107,262**	81,173	57,568
Grants	**14,336**	13,396	34,501
Regional ferry pass-through grant program payments	**—**	—	(28,237)
Net grants and contributions	**121,598**	94,569	63,832
Net PFCs and other contributions	**$ 256,027**	$ 220,101	$ 172,943

2005 vs 2004

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

2004 vs 2003

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 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 funding, and $12 million in grants received from the Transportation Security Administration for implementing enhanced security measures at various ports in the bi-state region.

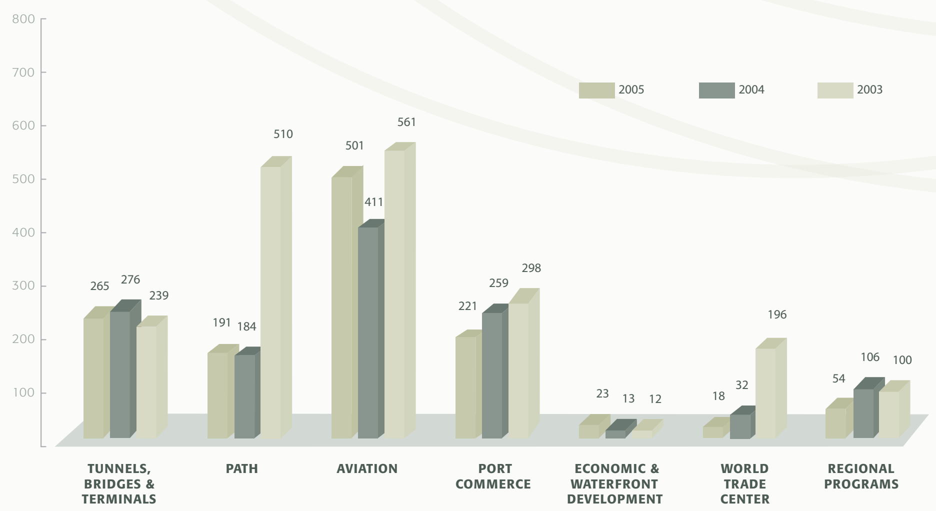
The program in which the Port Authority acted as a sponsoring agency for the pass through of FEMA funds to expand ferry service across the Hudson River to partially offset lost interstate mass transportation capacity between New York and New Jersey was effectively completed in December 2003.

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

Capital Construction Activities

Port Authority expenditures for capital construction projects, including amounts accrued, totaled approximately $1.3 billion in 2005, $1.3 billion in 2004 and $1.9 billion in 2003. Following is a chart of net capital expenditures for the last three years summarized by line of business:

Net Capital Expenditures
(In millions)



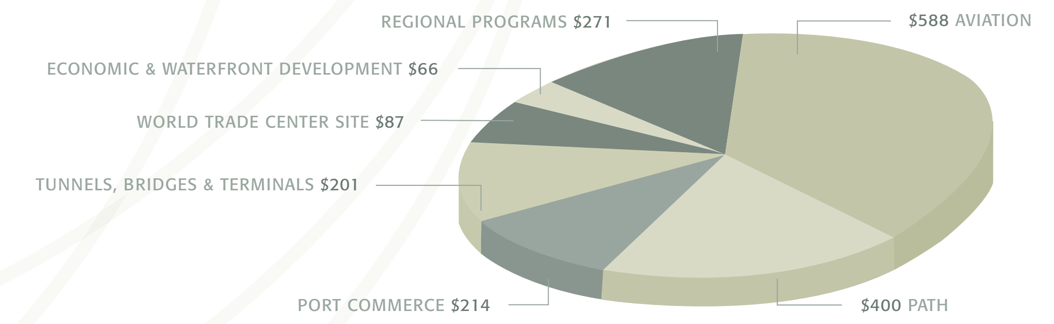
Funding sources for the $1.3 billion spent by the Port Authority on capital investment in 2005 were as follows: $660 million was funded with proceeds derived from the issuance of capital obligations; $56 million was funded through FAA grants; $55 million was funded by Federal Transit Administration (FTA) contributions in aid of construction; $131 million was funded with PFCs; and the balance of approximately $400 million was paid from Port Authority funds and other contributions.

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

2006 Planned Capital Expenditures

In connection with the adoption of the 2006 Budget, the Port Authority's capital plan calls for total spending of approximately $1.8 billion in 2006 as depicted in the following chart:

2006 Planned Capital Expenditures
(In millions)



Major elements of the 2006 Capital Plan include continuing:

- Construction of the World Trade Center Transportation Hub, including the permanent WTC PATH Terminal
- Construction of a new passenger terminal at John F. Kennedy International Airport
- Redevelopment of Terminal B at Newark Liberty International Airport
- Procurement of 340 new PATH rail cars
- Rehabilitation of the Goethals Bridge
- Construction of an expanded ExpressRail facility at the Elizabeth-Port Authority Marine Terminal

Capital Financing and Debt Management

As of December 31, 2005, bonds and other asset financing obligations of the Port Authority totaled $9.6 billion.

During 2005, the Port Authority issued $950 million in new consolidated bonds and notes. Of this amount, $453 million was allocated to fund capital construction projects and $497 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. All ratings for the obligations outstanding in 2004 have remained the same for 2005. During 2005, Moody's, Standard and Poor's and Fitch considered the Port Authority's outlook as stable.

OBLIGATION	S&P	Fitch	Moody's
Consolidated Bonds	AA-	AA-	A1
Consolidated Notes	SP-1+	F1+	MIG1
Commercial Paper	A-1+	F1+	P-1
VSO Short Term	A-1+	F1+	VMIG1
VSO Long Term	A+	A+	A2

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

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

Consolidated Statements of Net Assets

	December 31, 2005	2004
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 42,891**	$ 39,027
Investments	**2,190,485**	2,584,548
Current receivables, net	**268,869**	214,812
Other current assets	**148,292**	83,510
Restricted receivables in connection with Passenger Facility Charges	**17,916**	14,651
Total current assets	**2,668,453**	2,936,548
Noncurrent assets:		
Restricted cash	**9,321**	9,737
Investments	**817,220**	709,217
Other amounts receivable, net	**1,054,465**	1,068,256
Deferred charges and other noncurrent assets	**786,313**	805,911
Amounts receivable — Special Project Bonds Projects	**1,340,286**	1,378,767
Unamortized costs for regional programs	**532,198**	521,578
Facilities, net	**12,578,111**	12,002,575
Total noncurrent assets	**17,117,914**	16,496,041
Total assets	**19,786,367**	19,432,589
LIABILITIES		
Current liabilities:		
Accounts payable	**603,931**	510,678
Accrued interest and other current liabilities	**255,650**	248,820
Accrued payroll and other employee benefits	**87,796**	86,513
Current portion bonds and other asset financing obligations	**1,438,776**	1,281,118
Total current liabilities	**2,386,153**	2,127,129
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**655,805**	591,661
Other noncurrent liabilities	**83,802**	79,790
Amounts payable — Special Project Bonds	**1,340,286**	1,378,767
Bonds and other asset financing obligations	**8,204,548**	8,301,375
Total noncurrent liabilities	**10,284,441**	10,351,593
Total liabilities	**12,670,594**	12,478,722
NET ASSETS	**$ 7,115,773**	$ 6,953,867
Net assets are composed of:		
Invested in capital assets, net of related debt	**$ 5,725,929**	$ 5,563,683
Restricted receivables in connection with Passenger Facility Charges	**17,916**	14,651
Unrestricted	**1,371,928**	1,375,533
Net assets	**$ 7,115,773**	$ 6,953,867

See Notes to Consolidated Financial Statements.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31, 2005	2004
	(In thousands)	
Gross operating revenues:		
Rentals	**$ 928,395**	$ 877,306
Tolls and fares	**787,381**	788,333
Aviation fees	**748,811**	714,766
Parking and other	**296,663**	269,413
Utilities	**147,795**	121,436
Rentals – Special Project Bonds Projects	**91,648**	93,570
Total gross operating revenues	**3,000,693**	2,864,824
Operating expenses:		
Employee compensation, including benefits	**870,784**	806,890
Contract services	**564,332**	545,404
Rents and amounts in-lieu-of taxes	**243,411**	252,658
Materials, equipment and other	**168,139**	141,367
Utilities	**149,604**	141,476
Interest on Special Project Bonds	**91,648**	93,570
Total operating expenses	**2,087,918**	1,981,365
Expenses related to the events of September 11, 2001	**3,358**	4,985
Depreciation of facilities	**643,732**	575,539
Amortization of costs for regional programs	**42,996**	38,677
Income from operations	**222,689**	264,258
Non-operating revenues and (expenses):		
Income on investments	**60,629**	42,497
Net increase in fair value of investments	**44,950**	16,550
Interest expense in connection with bonds and other asset financing	**(422,334)**	(391,870)
Loss on disposition of assets	**(55)**	–
Net non-operating expenses	**(316,810)**	(332,823)
Passenger Facility Charges and other contributions:		
Passenger Facility Charges	**134,429**	125,532
Contributions in aid of construction	**107,262**	81,173
Grants	**14,336**	13,396
Net PFCs and other contributions	**256,027**	220,101
Increase in net assets	**161,906**	151,536
Net assets, January 1	**6,953,867**	6,802,331
Net assets, December 31	**$7,115,773**	$6,953,867

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Year ended December 31, 2005	2004
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 2,836,723**	$ 2,814,829
Cash paid to suppliers	**(829,497)**	(706,667)
Cash paid to or on behalf of employees	**(804,289)**	(761,506)
Cash paid to municipalities	**(243,532)**	(1,100,063)
Cash payments related to the events of September 11, 2001	**(3,109)**	(3,467)
Net cash provided by operating activities	**956,296**	243,126
Cash flows from noncapital financing activities:		
Proceeds from insurance related to WTC	**1,920**	1,253
Proceeds from sales of noncapital financing obligations	**—**	402,615
Interest paid on noncapital financing obligations	**(14,013)**	(763)
Principal paid on noncapital financing obligations	**(18,000)**	—
Payments for Fund buy-out obligation	**(35,213)**	(35,211)
Net cash (used for) provided by noncapital financing activities	**(65,306)**	367,894
Cash flows from capital and related financing activities:		
Proceeds from sales of capital obligations	**294,589**	1,156,120
Principal paid on capital obligations	**(217,425)**	(332,682)
Proceeds from capital obligations issued for refunding purposes	**2,238,310**	1,854,753
Principal paid through capital obligations refundings	**(2,238,310)**	(1,854,753)
Interest paid on capital obligations	**(438,270)**	(402,139)
Investment in facilities and construction of capital assets	**(1,136,611)**	(1,114,789)
Financial income allocated to capital projects	**5,189**	1,962
Investment in regional programs	**(53,616)**	(106,091)
Proceeds from disposition of assets	**481**	—
Proceeds from Passenger Facility Charges	**131,164**	126,034
Contributions in aid of construction	**115,588**	57,551
Grants	**14,588**	16,863
Net cash used for capital and related financing activities	**(1,284,323)**	(597,171)
Cash flows from investing activities:		
Purchase of investment securities	**(44,502,671)**	(60,791,113)
Proceeds from maturity and sale of investment securities	**44,844,137**	60,746,162
Interest received on investment securities	**43,280**	31,284
Other interest income received	**12,035**	8,889
Net cash provided by (used for) investing activities	**396,781**	(4,778)
Net increase in cash	**3,448**	9,071
Cash at beginning of year	**48,764**	39,693
Cash at end of year	**$ 52,212**	$ 48,764

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
(continued)

	Year ended December 31, 2005	2004
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$222,689**	$ 264,258
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**643,732**	575,539
Amortization of costs for regional programs	**42,996**	38,677
Amortization of other assets	**38,657**	42,938
Change in operating assets and operating liabilities:		
(Increase) decrease in receivables	**(63,740)**	40,875
(Increase) decrease in deferred charges and other assets	**(43,163)**	99,101
Increase (decrease) in payables	**38,320**	(16,318)
Increase (decrease) in other liabilities	**11,378**	(846,652)
Increase in accrued payroll, pension and other employee benefits	**65,427**	44,708
Total adjustments	**733,607**	(21,132)
Net cash provided by operating activities	**$956,296**	$ 243,126

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 $55,934,000 in 2005 and $73,785,000 in 2004 includes amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds and amounts payable in connection with Special Project Bonds. Noncash capital financing did not include any activities that required a change in fair value.

See Notes to Consolidated Financial Statements.

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

1. Reporting Entity

a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the two States 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, WTC Retail LLC and Port District Capital Projects 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 deferred and amortized on a straight-line basis over the period benefited up to a maximum of 15 years (see Note H). Certain operating costs, which provide benefits for periods exceeding one year, are deferred and amortized over the period benefited.

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

d. Restricted cash is primarily comprised of lessee security deposits.

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

f. Operating revenues include rentals, tolls, fares, aviation fees, and other charges derived in connection with the use of and privileges granted at Port Authority facilities, and amounts reimbursed for operating activities. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, which include financial income, Passenger Facility Charges (PFCs), contributions in aid of construction, non-operating grants, 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.

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

h. All Port Authority investment values which are affected by interest rate changes have been reported at their fair value, using published market prices. The Port Authority uses a variety of financial instruments to assist in the management of its financing and investment objectives, and may also employ hedging strategies to minimize interest rate risk and enters into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C) and interest rate exchange contracts (swaps) (see Note D).

i. When issuing new debt for refunding purposes, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred and amortized using the straight line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

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

l. The 2004 consolidated financial statements contain the reclassification of certain amounts, which have been made in order to conform to the classifications in 2005.

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

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

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

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

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

A reconciliation of the Consolidated Statements of 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, 2005	2004
	(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets	**$ 161,906**	$ 151,536
Add: Depreciation of facilities	**643,732**	575,539
Allocated Passenger Facility Charges	**113,649**	—
Amortization of costs for regional programs	**42,996**	38,677
Amortization of discount and premium	**6,535**	7,054
Loss on disposition of assets	**55**	—
	968,873	772,806
Less: Debt maturities and retirements	**205,220**	211,870
Call premiums on refunded bonds	**6,929**	5,250
Repayment of capital asset obligations	**12,205**	10,737
Debt retirement acceleration	**—**	110,075
Change in appropriations for self-insurance	**5,325**	(249)
Direct investment in facilities	**626,813**	285,441
Passenger Facility Charges	**134,429**	125,532
	990,921	748,656
(Decrease) increase in reserves reported on Schedule A — Revenues and Reserves (pursuant to Port Authority bond resolutions)	**$ (22,048)**	$ 24,150

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

	December 31, 2005	2004
	(In thousands)	
Net assets reported on Consolidated Statements of Net Assets	**$ 7,115,773**	$ 6,953,867
Add: Accumulated depreciation of facilities	**6,761,162**	6,135,605
Accumulated retirements and gains and losses on disposal of invested in facilities	**1,615,444**	1,597,214
Cumulative amortization of costs for regional programs	**737,785**	694,789
Cumulative amortization of discount and premium	**56,438**	56,832
	16,286,602	15,438,307
Less: Deferred income in connection with Passenger Facility Charges	**17,916**	14,651
Net assets reported on Schedule B — Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$16,268,686**	$15,423,656

Note B — Facilities

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions/ (Dispositions)	Transfers	Retirements	End of Year
			(In thousands)		
2005					
Capital assets not being depreciated:					
Land	$ 659,456	$ —	$ 19,086	$ —	$ 678,542
Construction in progress	2,018,895	1,219,804	(1,071,841)	—	2,166,858
Total capital assets not being depreciated	2,678,351	1,219,804	(1,052,755)	—	2,845,400
Other capital assets:					
Buildings, bridges, tunnels, other structures	5,822,663	—	272,637	(1,982)	6,093,318
Machinery and equipment	4,587,660	(481)*	295,490	(14,399)	4,868,270
Runways, roadways and other paving	3,122,330	—	287,788	(704)	3,409,414
Utility infrastructure	1,927,176	—	196,840	(1,145)	2,122,871
Other capital assets	15,459,829	(481)	1,052,755	(18,230)	16,493,873
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,258,537	177,556	—	(1,982)	2,434,111
Machinery and equipment	1,738,029	259,117	—	(14,399)	1,982,747
Runways, roadways and other paving	1,245,231	133,073	—	(704)	1,377,600
Utility infrastructure	893,808	74,041	—	(1,145)	966,704
Accumulated depreciation	6,135,605	643,787	—	(18,230)	6,761,162
Total other capital assets, net	9,324,224	(644,268)	1,052,755	—	9,732,711
Facilities, net	$12,002,575	$ 575,536	$ —	$ —	$12,578,111
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

* Amount represents net disposition of assets.

2. Net interest expense added to the cost of facilities was approximately $54 million in 2005 and $62 million in 2004.

3. As of December 31, 2005, approximately $32 million in projects have been suspended pending determination of their continued viability.

4. During 2005, depreciation was accelerated for certain assets. The impact on depreciation for these buildings, bridges, tunnels, other structures, paving, and utility infrastructure assets totaled approximately $41 million.

Notes to Consolidated Financial Statements
(continued)

Note C — Cash and Investments

1. The components of cash and investments are:

	December 31, 2005	December 31, 2004
	(In thousands)	
CASH		
Cash on hand	**$ 1,945**	$ 1,954
Demand deposits	**50,267**	46,810
Total cash	**52,212**	48,764
Less restricted cash	**9,321**	9,737
Unrestricted cash	**$ 42,891**	$ 39,027

	December 31, 2005	December 31, 2004
	(In thousands)	
INVESTMENTS AT FAIR VALUE		
United States Treasury notes	**$1,099,011**	$ 881,872
United States Treasury bills	**389,605**	1,270,340
United States government agency obligations	**521,578**	287,809
Commercial paper notes	**246,234**	170,487
United States Treasury obligations held pursuant to repurchase agreements	**565,152**	499,440
JFK International Air Terminal LLC obligations	**178,215**	179,214
Accrued interest receivable	**7,910**	4,603
Total investments	**3,007,705**	3,293,765
Less current investments	**2,190,485**	2,584,548
Noncurrent investments	**$ 817,220**	$ 709,217

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

Total actual bank balances were approximately $41 million as of December 31, 2005. Of that amount, approximately $38 million was either secured through the FDIC or was fully collateralized by collateral held by a bank acting as the Port Authority's agent and held by such bank in the Port Authority's name. The balance of approximately $3 million was not collateralized.

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 that are rated P-1 by Moody's Investors Service, 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) issued by two nationally recognized rating agencies, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts that are limited to $50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities, and certain unrated obligations of JFK International Air Terminal LLC (JFKIAT) (presently comprising approximately 5.9% of total Port Authority investments at December 31, 2005) for certain costs attributable to the completion of the JFKIAT passenger terminal. The Board has from time to time authorized other investments of operating funds.

It is the general policy of the Port Authority to limit exposure to declines in fair market values by limiting the weighted average maturity of the investment portfolio to less than two years. Extending the weighted average maturity beyond two years requires explicit written approval of the Chief Financial Officer. Committee on Finance authorization is required to extend the weighted average maturity beyond five years. Following is the fair value and weighted average maturity of investments held by the Port Authority at December 31, 2005:

Investment Type	Fair value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$1,099,011	323
United States Treasury bills	389,605	34
United States government agency obligations	521,578	8
Commercial paper notes	246,234	3
United States Treasury obligations held pursuant to repurchase agreements	565,152	3
JFK International Air Terminal LLC obligations	178,215	7,011
Total fair value of investments	$2,999,795	
Portfolio weighted average maturity		541

Port Authority investments in commercial paper notes at December 31, 2005 were rated P-1 by Moody's Investors Service and A-1+ by Standard & Poor's.

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. There were no investments in reverse repurchase agreements at December 31, 2005.

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

	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

A. Consolidated Bonds and Notes

		Dec. 31, 2004	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2005
			(In thousands)		
Consolidated bonds					
Sixty-ninth series (a)	Due 2006-2011	$ 21,405	$ 1,262	$ 2,985	$ 19,682
Seventy-fourth series (b)	Due 2006-2014	30,558	1,899	1,785	30,672
Seventy-ninth series	6% due 2005	6,900	–	6,900	–
Eightieth series	6% due 2005	3,505	–	3,505	–
Eighty-fifth series	5%-5.375% due 2008-2028	98,000	–	–	98,000
Eighty-sixth series	5%-5.2% due 2006-2012	46,980	–	11,180	35,800
Eighty-eighth series	4.625%-4.75% due 2006-2008	40,185	–	13,760	26,425
Ninetieth series**	6.125% due 2005	8,300	–	8,300	–
Ninety-third series	6.125% due 2094	100,000	–	–	100,000
Ninety-seventh series*	6%-7% due 2005-2023	96,000	–	96,000	–
Ninety-eighth series*	5.7%-6.2% due 2005-2015	100,000	–	100,000	–
Ninety-ninth series*	5.25%-6% due 2005-2015	80,960	–	80,960	–
One hundredth series	5.625%-5.75% due 2010-2030	135,000	–	135,000	–
One hundred first series*	5.2%-6% due 2005-2015	66,780	–	66,780	–
One hundred third series	4.9%-5.25% due 2006-2014	55,000	–	2,000	53,000
One hundred fourth series	4.75%-5.2% due 2011-2026	150,000	–	–	150,000
One hundred fifth series*	5.25%-6.25% due 2006-2016	103,805	–	3,500	100,305
One hundred sixth series*	5.5%-6% due 2006-2016	73,800	–	1,500	72,300
One hundred seventh series*	5.125%-6% due 2006-2016	94,515	–	5,765	88,750
One hundred eighth series*	5.3%-6% due 2006-2017	112,750	–	6,310	106,440
One hundred ninth series	5.375%-5.5% due 2012-2032	150,000	–	–	150,000
One hundred tenth series*	4.75%-5.375% due 2006-2017	75,605	–	4,185	71,420
One hundred eleventh series	5% due 2012-2032	100,000	–	–	100,000
One hundred twelfth series*	4.5%-5.25% due 2005-2018	118,745	–	118,745	–
One hundred thirteenth series	4.375%-4.75% due 2006-2013	75,750	–	15,000	60,750
One hundred fourteenth series	4.75%-5.5% due 2013-2033	100,000	–	100,000	–
One hundred fifteenth series	4.25%-4.375% due 2006-2008	28,000	–	7,000	21,000
One hundred sixteenth series	4.25%-5.25% due 2006-2033	450,000	–	5,265	444,735
One hundred seventeenth series*	4.25%-5.125% due 2006-2018	77,800	–	4,170	73,630
One hundred eighteenth series	4.5%-5.35% due 2006-2014	67,500	–	6,750	60,750
One hundred nineteenth series*	5%-5.875% due 2006-2019	250,190	–	11,485	238,705
One hundred twentieth series*	4.75%-6% due 2006-2035	259,630	–	11,340	248,290
One hundred twenty-first series	5%-5.5% due 2016-2035	200,000	–	–	200,000
One hundred twenty-second series*	5%-5.5% due 2006-2036	225,390	–	8,955	216,435
One hundred twenty-third series	4.75%-5% due 2017-2036	100,000	–	–	100,000
One hundred twenty-fourth series*	4%-5% due 2006-2036	274,915	–	9,170	265,745
One hundred twenty-fifth series	5% due 2018-2032	300,000	–	–	300,000
One hundred twenty-sixth series*	5%-5.5% due 2006-2037	279,945	–	10,425	269,520
One hundred twenty-seventh series*	4%-5.5% due 2006-2037	284,095	–	8,225	275,870
One hundred twenty-eighth series	4%-5% due 2007-2032	250,000	–	–	250,000
One hundred twenty-ninth series	2.375%-4% due 2006-2015	67,455	–	4,090	63,365
One hundred thirtieth series	1.625%-3.75% due 2006-2015	77,645	–	6,285	71,360
One hundred thirty-first series*	2.5%-5% due 2006-2033	491,985	–	8,115	483,870
One hundred thirty-second series	5% due 2024-2038	300,000	–	–	300,000
One hundred thirty-third series	1.5%-4.4% due 2006-2021	244,480	–	8,550	235,930
One hundred thirty-fourth series	4%-5% due 2009-2039	250,000	–	–	250,000
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000	–	–	400,000
One hundred thirty-sixth series*	5%-5.5% due 2007-2034	350,000	–	–	350,000
One hundred thirty-seventh series*	4%-5.5% due 2006-2034	250,000	–	2,805	247,195
One hundred thirty-eighth series*	4%-5% due 2006-2034	350,000	–	1,300	348,700
One hundred thirty-ninth series*	3.5%-5% due 2006-2025	–	200,000	–	200,000
One hundred fortieth series	4.125%-5% due 2016-2035	–	400,000	–	400,000
One hundred forty-first series*	4.5%-5% due 2016-2035	–	350,000	–	350,000
Consolidated notes					
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)		8,273,573	$953,161	$898,090	8,328,644
Less unamortized discount and premium (d)		133,540			98,270
Consolidated bonds and notes		$8,140,033			$8,230,374

A. Consolidated Bonds and Notes (continued)

(a) Includes $6,129,000 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 2006 to 2011, in total aggregate maturity amounts of $22,920,000.

(b) Includes $10,934,000 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 2006 to 2014, in total aggregate maturity amounts of $37,400,000.

(c) Debt service requirements to maturity for consolidated bonds and notes outstanding on December 31, 2005 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2006	$ 411,275	$ 397,931	$ 809,206
2007	408,440	382,814	791,254
2008	210,410	368,683	579,093
2009	208,850	359,256	568,106
2010	221,600	349,627	571,227
2011-2015	1,282,240	1,571,171	2,853,411
2016-2020	1,211,630	1,253,623	2,465,253
2021-2025	1,371,335	943,722	2,315,057
2026-2030	1,388,450	598,430	1,986,880
2031-2035	1,200,865	257,512	1,458,377
2036-2040	323,515	58,432	381,947
2041-2094***	100,000	302,371	402,371
	$8,338,610	$6,843,572	$15,182,182

***Debt service 2041-2094 reflects principal and interest payments associated with a single series of outstanding consolidated bonds.

Total principal of $8,338,610,000 shown above differs from the total Consolidated bonds and notes pursuant to Port Authority bond resolutions of $8,328,644,000 because of differences in the par value at maturity of the capital appreciation bonds of $9,966,000.

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

As of December 31, 2005, the Board of Commissioners authorized the issuance of consolidated bonds, one hundred forty-second 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 2005, the Port Authority refunded $693 million and $135 million of consolidated bonds and commercial paper notes, respectively. Of the $693 million in consolidated bonds refunded in 2005, $196 million was refunded with proceeds of bonds issued in 2004, while $60 million of the $135 million in commercial paper notes was refunded with proceeds of bonds issued in 2004. Maturities of certain of the refunding series of consolidated bonds were extended to match the weighted average maturity of the financed assets as a result of the agreement to extend the airport lease with the City of New York. While the Port Authority increased its aggregate debt service payments by approximately $99 million over the life of the refunded consolidated bonds, economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) totaled approximately $51 million in present value savings to the Port Authority.

Consolidated bonds and notes outstanding as of February 24, 2006 (pursuant to Port Authority bond resolutions) totaled $8,529,116,000, which includes the one hundred forty-second series in the principal amount of $350,000,000.

B. Commercial Paper Notes

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be issued until December 31, 2010, 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, 2004	Issued	Refunded/ Repaid	Dec. 31, 2005
		(In thousands)		
Series A*	$127,490	$ 568,375	$ 607,345	$ 88,520
Series B	152,825	979,150	938,400	193,575
	$280,315	$1,547,525	$1,545,745	$282,095

Interest rates for all commercial paper notes ranged from 1.83% to 3.40% in 2005.

As of February 24, 2006, commercial paper notes outstanding totaled $357,830,000.

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, 2004	Issued	Refunded/ Repaid	Dec. 31, 2005
		(In thousands)		
Agreements 1989-1995*	$ 69,900	$ —	$ —	$ 69,900
Agreements 1989-1998	61,090	—	—	61,090
	$130,990	$ —	$ —	$130,990

Interest rates are determined weekly, based upon specific industry indices (e.g. three-month Treasury bill rate, tax exempt note rate published by Lehman Brothers, JP Morgan Rate published by JP Morgan Asset Management or the Bond Market Association rate) as stated in each master note agreement, and ranged from 1.53% to 3.59% in 2005.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2005, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2006	$ —	$ 4,624	$ 4,624
2007	—	4,624	4,624
2008	—	4,636	4,636
2009	—	4,624	4,624
2010	—	4,624	4,624
2011-2015	13,090	22,634	35,724
2016-2020	30,000	15,674	45,674
2021-2025	87,900	9,104	97,004
	$ 130,990	$ 70,544	$201,534

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, 2004	Issued	Refunded/ Repaid	Dec. 31, 2005
		(In thousands)		
Series 1R*, 4*, 6*	$271,500	$ —	$ 6,500	$265,000
Series 2, 3, 5	272,500	—	5,400	267,100
	$544,000	$ —	$ 11,900	$532,100

Variable interest rates, set daily by the remarketing agent for each series, ranged from 1.30% to 3.80% in 2005.

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2005, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2006	$ 12,500	$ 19,974	$ 32,474
2007	14,000	19,495	33,495
2008	16,800	18,926	35,726
2009	24,000	18,245	42,245
2010	25,300	17,330	42,630
2011-2015	152,500	70,758	223,258
2016-2020	167,400	39,156	206,556
2021-2025	95,400	13,318	108,718
2026-2028	24,200	1,494	25,694
	$532,100	$218,696	$750,796

The Port Authority has entered into a separate standby certificate purchase agreement pertaining to each series of versatile structure obligations with certain banks, which provides that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2005 in connection with the agreements were $1.3 million. No bank was required to purchase any of the obligations under the agreements in 2005.

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, 2004	Issued	Refunded/ Repaid	Dec. 31, 2005
		(In thousands)		
Notes 2001 & 2004*	$ 18,540	$ —	$ 3,500	$ 15,040
Notes 2002 & 2004	46,565	—	14,500	32,065
	$ 65,105	$ —	$18,000	$ 47,105

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 1.55% to 3.65% in 2005.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2005, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2006	$ —	$ 1,687	$ 1,687
2007	—	1,687	1,687
2008	27,900	1,171	29,071
2009	2,000	679	2,679
2010	11,840	579	12,419
2011	5,365	175	5,540
	$47,105	$ 5,978	$ 53,083

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

F. Fund Buy-Out Obligation

	Dec. 31, 2004	Accretion (a)	Refunded/ Repaid	Dec. 31, 2005
		(In thousands)		
Obligation outstanding	$422,050	$33,823	$35,213	$420,660

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

Payment requirements of the fund buy-out obligation outstanding, including the implicit interest cost, on December 31, 2005 are as follows:

Year ending December 31:	Payments
	(In thousands)
2006	$ 35,211
2007	43,216
2008	43,211
2009	43,211
2010	43,211
2011-2015	248,062
2016-2020	264,057
2021	53,606
	$773,785

As of February 24, 2006, the fund buy-out obligation outstanding totaled $425,887,000.

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, 2004	Issued	Repaid/ Amortized	Dec. 31, 2005
		(In thousands)		
Series 1R, Delta Air Lines, Inc. Project (a)				
6.95% term bonds, due 2008	$ 96,500	$ —	$ —	$ 96,500
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (b)*				
9%-9⅛%, due 2006-2015	165,520	—	9,395	156,125
Less: unamortized discount and premium	5,310	—	487	4,823
Total — Series 2	160,210	—	8,908	151,302
Series 4, KIAC Partners Project (c)*				
6¾%-7% due 2006-2019	212,800	—	8,600	204,200
Less: unamortized discount and premium	2,824	—	192	2,632
Total — Series 4	209,976	—	8,408	201,568
Series 6, JFKIAT Project (d)*				
5¾%-7% due 2006-2025	919,100	—	21,500	897,600
Less: unamortized discount and premium	7,019	—	335	6,684
Total — Series 6	912,081	—	21,165	890,916
Amounts payable — special project bonds	$1,378,767	$ —	$38,481	$1,340,286

(a) Special project bonds, Series 1R, Delta Air Lines, Inc. Project, were issued in connection with a project that includes the construction of a passenger terminal building at LGA leased to Delta Air Lines, Inc.

(b) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in connection with a project including the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. (with Continental to remain liable under both underlying leases).

(c) Special project bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 bonds, and in connection with a project at JFK, that includes the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

(d) Special project bonds, Series 6, JFKIAT Project, were issued in connection with a project that includes the development and construction of a new passenger terminal at JFK.

D-3. Interest Rate Exchange Contracts (Swaps)

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

Objective

The Port Authority 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 (see Note D-1), the proceeds of which were used to refund outstanding high-coupon fixed rate debt. The combination of the swaps and the associated variable rate debt created synthetic fixed rate-refunding bonds.

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, 2005, 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(b)	$ 83,000,000	10/13/1993	3/3/1994	6.320%	BMA (d)	$(16,185,144)	5/1/2019	A+/Aa3/AA–
VSO 3(c)	86,000,000	2/18/1993	7/15/1995	5.937%	BMA (d)	(12,798,908)	6/1/2020	A+/Aa3/AA–
VSO 4	100,000,000	2/24/1995	5/1/1996	5.570%	JJK (e)	(1,429,109)	5/1/2006	A+/Aa3/AA–
VSO 5	95,400,000	9/7/1995	8/1/1996	5.473%	BMA (d)	(1,773,574)	8/1/2006	A+/Aa3/AA–
Total	$364,400,000					$(32,186,735)		

(a) Ratings supplied by Standard & Poor's/Moody's/Fitch Ratings.
(b) This swap transaction was amended on 6/22/2005, such that the Mandatory Early Termination date of July 1, 2005 was no longer applicable.
(c) This swap transaction was amended on 6/22/2005, such that the Mandatory Early Termination date of July 15, 2005 was no longer applicable.
(d) The Bond Market Association Municipal Swap Index.
(e) The JJ Kenny "High Grade" 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, 2005, 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)		
2006	$ 7,900	$ 13,563	$ 6,152	$ 27,615
2007	9,200	13,259	4,290	26,749
2008	9,600	12,908	4,193	26,701
2009	16,500	12,504	4,029	33,033
2010	17,300	11,878	3,771	32,949
2011-2015	106,400	48,393	13,890	168,683
2016-2020	131,600	25,666	4,150	161,416
2021-2024	64,500	5,523	—	70,023
Total	$363,000	$143,694	$40,475	$547,169

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, 2005. 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, 2005, 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.

Two of the outstanding swap agreements contain collateral provisions with the counterparty. Full collateralization of the fair value of the swaps are required should the counterparty's highest credit rating fall below A1, as issued by Moody's Investors Services, Inc., or A+, as issued by Standard & Poor's Ratings group. Collateral on all swaps shall consist of direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America (including cash). The other two outstanding 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. All of the swap agreements provide that 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, 2005, the variable market rates were 3.72%, 3.75%, 3.75% and 3.80%, whereas the swap rate indexes were 3.50% for the JJ Kenny "High Grade" Index and 3.51% 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 4	4/1/2024	5/1/2006
VSO 5	8/1/2024	8/1/2006

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, 2005, 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, Interest Rate Exchange Contracts (SWAPS) 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, 2005, 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 2005 and 2004, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating programs

- U. S. Department of State (USDS) — In 2005, the Port Authority received approximately $1 million from the USDS as a reimbursement of operating costs incurred by Port Authority police personnel at JFK during the 60th anniversary of the United Nations General Assembly.
- Federal Aviation Administration (FAA) K-9 Program — The FAA provided funds to offset the operating costs of training and caring for explosive detection dogs. Amounts received in connection with this program were approximately $800,000 in 2005 and $600,000 in 2004.
- Transportation Security Administration (TSA) Airport Screening Program — The TSA provided approximately $700,000 in 2005 and $600,000 in 2004 to reimburse the Port Authority for operating costs incurred by Port Authority police personnel involved with the airport screening program at the Port Authority's three major airports.

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

2. Non-operating grants

- Federal and State Office of Emergency Management Programs — Funds of approximately $8 million were provided in 2005 for the replacement of various computer systems, software and other equipment for the Port Authority's emergency operations center.
- Transportation Security Administration (TSA) — The TSA provided approximately $3 million in 2005 and $12 million in 2004 to reimburse costs incurred by the Port Authority as a result of implementing enhanced security at various facilities in the New York and New Jersey region.
- Other non-operating grants in 2005 totaled approximately $3 million, including $2 million from the FAA for security enhancements.

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. Amounts from the FAA for the Airport Improvement Program in 2005 and 2004 were approximately $45 million and $41 million, respectively. Amounts from the FTA for the WTC Transportation Hub including the restoration of the permanent WTC PATH Terminal in 2005 and 2004 were approximately $42 million and $35 million, respectively. All other contributions in aid of construction (including amounts receivable) totaled approximately $20 million in 2005 and $5 million in 2004.

Note G — Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $844 million in 2005 and approximately $833 million in 2004.

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, 2005, 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, 2005 are:

Year ending December 31:	(In thousands)
2006	$ 682,422
2007	616,587
2008	636,573
2009	629,087
2010	623,625
Later years	101,784,247
Total future minimum rentals (a)	$104,972,541

(a) Includes future rentals of approximately $97.1 billion attributable to World Trade Center leases (see Note K) and approximately $1 billion for leases associated with Delta Air Lines, Inc., Northwest Airlines Corporation and Calpine Corporation, each of which filed for bankruptcy protection in 2005 under Chapter 11 of the United States Bankruptcy Code.

3. Property leased from others

Rental expenses under leases, including payments to the cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of replacement office space due to the destruction of the World Trade Center, aggregated $233 million in 2005 and $245 million in 2004. Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2005 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)
2006*	$ 225,103
2007	226,144
2008	225,926
2009	226,232
2010	226,540
2011-2015	1,111,342
2016-2020	918,727
2021-2025	885,313
2026-2030	878,513
2031-2065**	4,325,000
Total future minimum rent payments	$9,248,840

* Future minimum rent payments for the years 2006-2010 do not include additional rental payments associated with the Most Favored Nation provision of the agreement with the City of Newark (see Note J).

** Future minimum rent payments for the years 2031-2065 reflect payments associated with the City of New York and the City of Newark lease commitments.

Note H — Regional Programs

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

- **Regional Development Facility —** This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that $250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2005, approximately $244 million has been expended on projects approved under this program.

- **Regional Economic Development Program —** This facility is to be comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. As of December 31, 2005, approximately $397 million has been spent on projects authorized under this program.
- **Oak Point Rail Freight Link —** The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. As of December 31, 2005, the Port Authority has provided approximately $102 million for this rail project, of which approximately $63 million was made available through the Regional Development Facility and the Regional Economic Development Program.
- **New Jersey Marine Development Program —** This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed $27 million. All funds under this program have been fully allocated by the Port Authority to various projects.
- **New York Transportation, Economic Development and Infrastructure Renewal Program —** This facility was established to provide up to $250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2005, $114 million has been spent on projects associated with this program.
- **Regional Transportation Program —** This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. As of December 31, 2005, approximately $89 million has been expended under this program.
- **Hudson-Raritan Estuary Resources Program —** This facility was established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority's capital program. The cost of any real property acquired under this program is not to exceed $60 million. As of December 31, 2005, approximately $3 million has been expended under this program.
- **Regional Rail Freight Program —** This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to $50 million. As of December 31, 2005, approximately $43 million has been expended on projects authorized under this program.

As of December 31, 2005, $1.4 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, 2004	**Project Expenditures**	**Amortization**	**Dec. 31, 2005**
		(In thousands)		
Regional Development Facility	$ 72,575	$ —	$ 6,047	$ 66,528
Regional Economic Development Program	234,145	8,022	20,512	221,655
Oak Point Rail Freight Link	19,559	—	1,630	17,929
New Jersey Marine Development Program	10,034	—	835	9,199
New York Transportation, Economic Development and Infrastructure Renewal Program	68,615	35,711	5,517	98,809
Regional Transportation Program	73,341	9,562	5,406	77,497
Hudson-Raritan Estuary Resources Program	2,834	321	216	2,939
Regional Rail Freight Program	40,475	—	2,833	37,642
Total unamortized costs of regional programs	$521,578	$53,616	$42,996	$532,198

2. Bi-State Initiatives — From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2005, the Port Authority expended approximately $9 million on regional initiatives, bringing the total amount spent to date to $51 million.

3. Buy-out of Fund for Regional Development — In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. An agreement 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 wholly-owned corporate entities) are required to join one of two cost-sharing multiple-employer defined benefit pension plans, the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the "Retirement System". The New York State Constitution provides that membership in a pension or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired.

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

The Port Authority's payroll expense for 2005 was approximately $585 million of which $384 million and $177 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**
		(Dollars in thousands)		
2005	$41,374	7.4%	$32,975	5.9%
2004	$37,194	6.7%	$22,185	4.0%
2003	$27,548	5.3%	$11,818	2.2%

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 1.4% of the total Port Authority covered payroll in 2005.

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 the Port Authority Trans-Hudson Corporation (PATH) are not eligible to participate in the existing New York State Retirement System. PATH contributes to supplemental pension plans for most of its union employees. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 2005 for these employees was approximately $65 million. For the year 2005, 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 2005. Contributions in each of 2004 and 2003 were approximately $4 million.

c. Presently, none of the Port Authority's other wholly-owned entities have employees.

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. Participant contributions generally range from 10% to 50% of the cost of the benefit depending on a number of factors, including whether the participant was an active employee or a retiree, type of benefit, hire date, years of service, and/or retirement date. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH. The actuarially determined valuation of these benefits is reviewed annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents. The total number of participants eligible for these benefits is 6,837. As of December 31, 2005, the actuarially determined value of these benefits is approximately $1.1 billion consisting of the following:

	Port Authority	PATH	Total
		(In millions)	
Retirees	$ 807	$71	$ 878
Active	205	16	221
Total	$1,012	$87	$1,099

The obligation accrued as of December 31, 2005 was approximately $650 million. The difference between the actuarial present value of future benefits for prior service and the amount accrued as of December 31, 2005 is being amortized over a 13-year period. The cost of providing health care, dental, vision and life insurance benefits, not including the accrual for prior service costs, totaled approximately $166 million in 2005 and $158 million in 2004, of which $65 million in 2005 and $58 million in 2004 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 8, 2005, the Board of Commissioners of the Port Authority adopted the annual budget for 2006. 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, 2005, the Port Authority had entered into various construction contracts totaling approximately $2.7 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.

a. Property damage and loss of revenue insurance program:

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2005 and expires on June 1, 2006) provides for coverage as follows:

General Coverage (Excluding Terrorism)

$375 million of Purchased Coverage	$375 million of purchased coverage per occurrence
$25 million in the aggregate self-insurance after which purchased coverage applies	
$5 million per occurrence deductible	

Terrorism Coverage

$150 million coverage excess above $225 million			$375 million of purchased coverage per occurrence
$100.6 million TRIA** Coverage	$8.75 million Full Coverage Subject to TRIA	$40.65 million Full Coverage	
$150 million Coverage excess above $75 million			
$51.65 million TRIA Coverage	$15.0 million Full Coverage Subject to TRIA	$83.35 million Full Coverage	
$50 million Coverage excess above $25 million			
$33.75 million TRIA Coverage	$6.25 million Full Coverage Subject to TRIA	$10.0 million Full Coverage	
$25 million of full terrorism coverage			
$25 million in the aggregate self-insurance after which purchased coverage applies			
$5 million per occurrence deductible			

b. Public liability insurance program:

(1) Aviation facilities

The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2005 and expires on October 27, 2006) provides for coverage as follows:

General Coverage (Excluding Terrorism)	Terrorism Coverage
$1.25 billion per occurrence and in the aggregate of purchased coverage	$1 billion aviation war risk* per occurrence and in the aggregate of purchased coverage
$5 million per occurrence deductible	$5 million per occurrence deductible

(2) Non-Aviation facilities

The Port Authority's public liability insurance program for non-aviation facilities (which was renewed effective October 27, 2005 and expires on October 27, 2006) provides for coverage as follows:

General Coverage (Excluding Terrorism)

$800 million excess above $20 million of purchased coverage	$820 million of purchased coverage per occurrence
$25 million of coverage	
$5 million self-insurance	
$5 million per occurrence deductible	

Terrorism Coverage

$50 million TRIA** excess above $218 million of purchased coverage		$268 million of purchased coverage per occurrence
$200 million TRIA excess above $45 million of purchased coverage		
$173 million of purchased coverage	$27 million self-insurance	
$25 million excess above $25 million full terrorism coverage		
$25 million of full terrorism coverage		
$20 million of purchased coverage	$5 million self-insurance	
$5 million per occurrence deductible		

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

** The Terrorism Risk Insurance Act of 2002 (TRIA) generally defines an "act of terrorism" to include any act, certified by the Secretary of the Treasury and concurred by the Secretary of State and the Attorney General of the United States, that is violent or dangerous to human life, property or infrastructure, which occurs in the United States or to certain property outside the United States (including aircraft) and which was committed on behalf of a foreign person or interest as part of an effort to coerce the civilian population of the United States or to influence the policy or conduct of the Federal government. On December 22, 2005, the President signed into law the Terrorism Risk Insurance Extension Act of 2005 amending TRIA to extend the program from December 31, 2005, through December 31, 2007.

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. As of December 31, 2005, approximately $74 million constituted appropriate reserves for self-insurance in the operating fund.

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses and estimated recoveries. Changes in the liability amounts in 2005 and 2004 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2005	$7,416	$5,424	$4,039	$8,801
2004	$8,654	$7,076	$8,314	$7,416

4. The 2005 balance of "Other amounts receivable, net" on the Consolidated Statements of Net Assets consists of the anticipated recovery of $871 million net book value of various assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; $83 million representing the balance due from the private full service vendor operating the plant at the Essex County Resource Recovery Facility under the conditional sale agreement through which the vendor financed a portion of the construction costs of the plant; approximately $58 million in long-term receivables from Port Authority tenants; $30 million in insurance receivable for workers' compensation related to September 11, 2001; $6 million representing an advance to AirRail Transit Consortium for operating and maintenance work; $5 million representing the balance due from Howland Hook Container Terminal, Inc. for the purchase of 7 cargo cranes; and a $2 million advance payment to the City of Yonkers Industrial Development Agency for the development of ferry service in the City of Yonkers.

5. In connection with the October 2002 extension of the lease between the Port Authority and the City of Newark (Newark) pertaining to the operation of EWR and Port Newark, which among other things, provided for an extension of the expiration date of the lease for each facility from December 31, 2031 to December 31, 2065, the Port Authority and Newark have concluded discussions to conform certain terms to the lease relating to the New York City Airports (in connection with the Most Favored Nation provision of the lease extension). The Port Authority is to make additional rental payments, during the period 2006 to 2010, in the total aggregate amount of $400 million. The Port Authority will also make certain capital expenditures at EWR and/or Port Newark in the total aggregate amount of $50 million over the same period.

6. In October 2002 and November 2003, the Port Authority and the Newark Legal and Communications Center Urban Renewal Corporation received tax bills for the calendar years 2001, 2002 and 2003 totaling approximately $200,000, based on the City of Newark's assessed value for the land upon which the Newark Legal and Communications Center is located. The Port Authority has been contesting the City of Newark's allegation that the land upon which the Newark Legal and Communications Center is located is subject to real property tax. Along with the execution of the amended agreement between the City of Newark and the Port Authority covering EWR and Port Newark, the City and the Port Authority have entered into a settlement agreement whereby the City has agreed to restore the Newark Legal and Communications Center's tax-exempt status. It is presently anticipated that the City and the Port Authority will enter into further agreements with respect to continuing payments pertaining to the tax-exempt status of the facility.

7. 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 2005 and $2 million in 2004.

8. The 2005 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2004	Additions	Deductions	Dec. 31, 2005
Worker's compensation liability	$43,312	$20,942	$18,842	$45,412
PATH exempt employees supplemental	20,194	3,423	2,354	21,263
Surety and security deposits	10,433	1,199	1,860	9,772
Claims liability	7,416	5,424	4,039	8,801
Other	16,391	12,018	8,476	19,933
Gross other liabilities	$97,746	$43,006	$35,571	105,181
Less current portion:				
Worker's compensation liability				18,842
PATH exempt employees supplemental				2,537
Total other noncurrent liabilities				$83,802

9. 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, 2005 was approximately $11 million.

10. During 2005, $10 million in expenditures previously included in Facilities, net were determined to represent costs for projects at various Port Authority facilities that will not proceed forward to completion, or for preliminary engineering and design work related to alternative analyses no longer considered viable for ongoing projects. As a result, these charges were reclassified to operating expense.

11. On November 22, 2005, the Port Authority entered into a lease with jetBlue Airways Corporation (jetBlue) pertaining to the design, construction, outfitting and leasing of a new $875 million passenger terminal facility at JFK. The Port Authority will contribute approximately $795 million to the new facility with jetBlue providing approximately $80 million. jetBlue will operate the terminal under a 35-year lease and will be required to pay the Port Authority a ground rental, a variable enplanement rental, and other related rentals.

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 $2.4 billion under the program. Approximately $1.8 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 lease 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 $97.1 billion attributable to the World Trade Center net leases described above. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the World Trade Center will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the outcome of certain pending and future litigation involving insurance and other matters, the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

Accounting

In 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. In connection with the recovery for and redevelopment of certain assets comprising the World Trade Center, such receivable has been reduced to approximately $871 million on the Port Authority's financial statements for the year ended December 31, 2005.

As of December 31, 2005, 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, $860 million has been recognized as revenue net of $438 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, 2005			2004
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Rentals	$ 928,395	$ –	**$ 928,395**	$ 877,306
Tolls and fares	787,381	–	**787,381**	788,333
Aviation fees	748,811	–	**748,811**	714,766
Parking and other	296,663	–	**296,663**	269,413
Utilities	147,795	–	**147,795**	121,436
Rentals – Special Project Bonds Projects	91,648	–	**91,648**	93,570
Total gross operating revenues	3,000,693	–	**3,000,693**	2,864,824
Operating expenses:				
Employee compensation, including benefits	870,784	–	**870,784**	806,890
Contract services	564,332	–	**564,332**	545,404
Rents and amounts in-lieu-of taxes	243,411	–	**243,411**	252,658
Materials, equipment and other	168,139	–	**168,139**	141,367
Utilities	149,604	–	**149,604**	141,476
Interest on Special Project Bonds	91,648	–	**91,648**	93,570
Total operating expenses	2,087,918	–	**2,087,918**	1,981,365
Amounts in connection with operating asset obligations	48,008	–	**48,008**	34,609
Expenses related to the events of September 11, 2001	3,358	–	**3,358**	4,985
Net operating revenues	861,409	–	**861,409**	843,865
Financial income:				
Income on investments	33,597	25,025	**58,622**	40,853
Net increase in fair value of investments	26,115	18,835	**44,950**	16,550
Allocated Passenger Facility Charges	113,649	–	**113,649**	–
Contributions in aid of construction	107,262	–	**107,262**	81,173
Grants	14,336	–	**14,336**	13,396
Net revenues available for debt service and reserves	1,156,368	43,860	**1,200,228**	995,837
Debt service:				
Interest on bonds and other asset financing obligations	355,068	17,645	**372,713**	353,813
Debt maturities and retirements	205,220	–	**205,220**	211,870
Debt retirement acceleration	–	–	**–**	110,075
Repayment of asset financing obligations	–	12,205	**12,205**	10,737
Total debt service	560,288	29,850	**590,138**	686,495
Transfers to reserves	$ (596,080)	596,080	**–**	–
Revenues after debt service and transfers to reserves		610,090	**610,090**	309,342
Direct investment in facilities		(626,813)	**(626,813)**	(285,441)
Change in appropriations for self-insurance		(5,325)	**(5,325)**	249
(Decrease) increase in reserves		(22,048)	**(22,048)**	24,150
Reserve balances, January 1		1,597,196	**1,597,196**	1,573,046
Reserve balances, December 31		$1,575,148	**$1,575,148**	$1,597,196

See Notes to Consolidated Financial Statements.

Schedule B – Assets and Liabilities
(Pursuant to Port Authority bond resolutions)

	December 31, 2005				2004
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 41,891	$ –	$ 1,000	**$ 42,891**	$ 39,027
Investments	769,523	265,503	1,155,459	**2,190,485**	2,584,548
Current receivables, net	249,070	19,799	–	**268,869**	214,812
Other current assets	101,780	46,512	–	**148,292**	83,510
Restricted receivables in connection with PFC projects	17,916	–	–	**17,916**	14,651
Total current assets	1,180,180	331,814	1,156,459	**2,668,453**	2,936,548
Noncurrent assets:					
Restricted cash	9,321	–	–	**9,321**	9,737
Investments	178,215	220,316	418,689	**817,220**	709,217
Other amounts receivable, net	85,512	968,953	–	**1,054,465**	1,068,256
Deferred charges and other noncurrent assets	786,172	14,595	–	**800,767**	821,669
Amounts receivable – Special Project Bonds Projects	–	1,340,286	–	**1,340,286**	1,378,767
Invested in facilities	–	22,379,093	–	**22,379,093**	21,141,528
Total noncurrent assets	1,059,220	24,923,243	418,689	**26,401,152**	25,129,174
Total assets	2,239,400	25,255,057	1,575,148	**29,069,605**	28,065,722
LIABILITIES					
Current liabilities:					
Accounts payable	218,528	385,403	–	**603,931**	510,678
Accrued interest and other current liabilities	235,219	20,431	–	**255,650**	248,820
Accrued payroll and other employee benefits	87,796	–	–	**87,796**	86,513
Deferred income in connection with PFCs	17,916	–	–	**17,916**	14,651
Current portion bonds and other asset financing obligations	282,316	1,156,460	–	**1,438,776**	1,281,118
Total current liabilities	841,775	1,562,294	–	**2,404,069**	2,141,780
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	655,805	–	–	**655,805**	591,661
Other noncurrent liabilities	81,934	1,868	–	**83,802**	79,790
Amounts payable – Special Project Bonds	–	1,354,425	–	**1,354,425**	1,393,920
Bonds and other asset financing obligations	585,449	7,717,369	–	**8,302,818**	8,434,915
Total noncurrent liabilities	1,323,188	9,073,662	–	**10,396,850**	10,500,286
Total liabilities	2,164,963	10,635,956	–	**12,800,919**	12,642,066
NET ASSETS	$ 74,437	$14,619,101	$1,575,148	**$16,268,686**	$15,423,656
Net assets are composed of:					
Facility infrastructure investment	$ –	$14,619,101	$ –	**$14,619,101**	$13,757,348
Reserves	–	–	1,575,148	**1,575,148**	1,597,196
Appropriated reserves for self-insurance	74,437	–	–	**74,437**	69,112
Net Assets	$ 74,437	$14,619,101	$1,575,148	**$16,268,686**	$15,423,656

See Notes to Consolidated Financial Statements.

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

	Year ended December 31, 2005			2004
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$1,068,790	$ 528,406	**$1,597,196**	$1,573,046
Transfers from operating fund*	–	639,940	**639,940**	438,838
	1,068,790	1,168,346	**2,237,136**	2,011,884
Applications:				
Repayment of asset financing obligations	–	12,205	**12,205**	10,737
Interest on asset financing obligations	–	17,645	**17,645**	8,684
Debt retirement acceleration	–	–	**–**	110,075
Direct investment in facilities	–	626,813	**626,813**	285,441
Self-insurance	–	5,325	**5,325**	(249)
Total applications	–	661,988	**661,988**	414,688
Balance, December 31	$1,068,790	$ 506,358	**$1,575,148**	$1,597,196

*Includes income on investments and fair market valuation adjustments of $44 million and $17 million for 2005 and 2004, respectively.

See Notes to Consolidated Financial Statements.

Statistical & Other Supplemental Information

THE PORT AUTHORITY OF NY & NJ

Schedule D — Selected Statistical Financial Data

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
					(In thousands)					
REVENUES AND EXPENSES (a)										
Gross operating revenues:										
Rentals	**$ 928,395**	$ 877,306	$ 858,414	$ 832,527	$ 976,054	$1,218,093	$1,119,719	$1,335,837	$ —	$ —
Tolls and fares	**787,381**	788,333	758,326	774,337	750,782	616,722	595,691	585,264	—	—
Aviation fees	**748,811**	714,766	705,302	672,175	560,951	382,604	363,015	62,995	—	—
Parking and other fees	**296,663**	269,413	234,261	197,912	202,864	219,985	247,695	226,832	—	—
Utilities	**147,795**	121,436	112,555	97,184	126,956	113,054	123,356	52,109	—	—
Rentals — Special Project Bonds Projects	**91,648**	93,570	95,193	96,448	97,195	97,870	98,036	98,165	—	—
Gross operating revenues	**3,000,693**	2,864,824	2,764,051	2,670,583	2,714,802	2,648,328	2,547,512	2,361,202	2,205,647	2,154,120
Operating expenses:										
Employee compensation, including benefits	**870,784**	806,890	769,711	777,146	654,074	648,171	630,752	616,405	—	—
Contract services	**564,332**	545,404	543,927	622,781	600,686	619,462	560,425	505,775	—	—
Rents and amounts in-lieu-of taxes	**243,411**	252,658	237,014	140,614	96,401	131,431	133,556	50,764	—	—
Materials, equipment and other	**168,139**	141,367	150,961	135,321	157,004	133,166	122,778	167,355	—	—
Utilities	**149,604**	141,476	122,445	113,880	140,436	142,261	131,717	130,794	—	—
Interest on Special Project Bonds	**91,648**	93,570	95,193	96,448	97,195	97,870	98,036	98,165	—	—
Operating expenses	**2,087,918**	1,981,365	1,919,251	1,886,190	1,745,796	1,772,361	1,677,264	1,569,258	1,461,264	1,469,309
Amounts in connection with operating asset obligations	**(48,008)**	(34,609)	(35,113)	(35,960)	(36,696)	(37,188)	(35,957)	(35,605)	(34,675)	(33,126)
Net (expenses) recoverables related to the events of September 11, 2001	**(3,358)**	(4,985)	664,211	474,663	(270,334)	—	—	—	—	—
Net operating revenues	**861,409**	843,865	1,473,898	1,223,096	661,976	838,779	834,291	756,339	709,708	651,685
Financial income	**103,572**	57,403	61,765	95,962	143,381	162,811	104,657	118,362	103,873	98,707
Allocated Passenger Facility Charges	**113,649**	—	—	—	—	—	—	—	—	—
Grants and contributions in aid of construction, net	**121,598**	94,569	63,832	44,594	40,070	—	—	—	—	—
Gain on purchase of Port Authority bonds	**—**	—	—	—	—	—	—	—	11	—
Net amounts associated with the 1993 WTC bombing	**—**	—	—	—	—	—	—	—	29,450	—
Net revenues available for debt service and reserves	**1,200,228**	995,837	1,599,495	1,363,652	845,427	1,001,590	938,948	874,701	843,042	750,392
DEBT SERVICE — OPERATIONS										
Interest on bonds and other asset financing obligations	**(355,068)**	(345,129)	(291,514)	(282,635)	(266,944)	(318,912)	(323,954)	(310,107)	(291,765)	(292,987)
Times, interest earned (b)	**3.38**	2.89	5.49	4.82	3.17	3.14	2.90	2.82	2.89	2.56
Debt maturities and retirements	**(205,220)**	(211,870)	(698,280)	(181,250)	(171,340)	(158,435)	(138,225)	(123,395)	(105,450)	(87,443)
Times, debt service earned (b)	**2.14**	1.79	1.62	2.94	1.93	2.10	2.03	2.02	2.12	1.97
DEBT SERVICE — RESERVES										
Direct investment in facilities	**(626,813)**	(285,441)	(542,260)	(433,747)	(462,129)	(404,388)	(233,260)	(242,311)	(246,232)	(162,471)
Debt retirement acceleration	**—**	(110,075)	(183,120)	(283,502)	(25,000)	(60,000)	—	—	—	(100,000)
Change in appropriations for self-insurance	**(5,325)**	249	(15,201)	(19,017)	14,270	(5,101)	(4,247)	(3,785)	(3,749)	5,057
Interest on bonds and other asset financing obligations	**(17,645)**	(8,684)	(6,860)	(15,828)	(27,964)	—	—	—	—	—
Repayment of asset financing obligations	**(12,205)**	(10,737)	(6,329)	(5,863)	(6,390)	(10)	(172)	(757)	(395)	(780)
Net (decrease) increase in reserves	**(22,048)**	24,150	(144,069)	141,810	(100,070)	54,744	239,090	194,346	195,451	111,768
RESERVE BALANCES										
January 1	**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
December 31	**$1,575,148**	$1,597,196	$1,573,046	$1,717,115	$1,575,305	$1,675,375	$1,620,631	$1,381,541	$1,187,195	$ 991,744
Reserve fund balances represented by:										
General Reserve	**1,068,790**	1,068,790	948,902	907,075	880,041	848,095	839,671	823,581	754,619	618,960
Consolidated Bond Reserve	**506,358**	528,406	624,144	810,040	695,264	827,280	780,960	557,960	432,576	372,784
Total	**$1,575,148**	$1,597,196	$1,573,046	$1,717,115	$1,575,305	$1,675,375	$1,620,631	$1,381,541	$1,187,195	$ 991,744

(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:

Times, interest earned	**3.39**	2.90	3.21	3.15	4.18	—	—	—	2.79	—
Times, debt service earned	**2.15**	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)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
					(In thousands)					
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$ 8,328,644**	$ 8,273,573	$ 7,053,296	$6,630,205	$ 6,092,735	$ 5,889,613	$ 5,916,804	$ 5,747,387	$ 5,077,133	$ 4,723,335
Fund buy-out obligation	**420,660**	422,050	423,330	424,513	425,606	419,696	414,246	409,219	404,582	400,305
Amounts payable –										
Special Project Bonds	**1,354,425**	1,393,920	1,420,240	1,442,450	1,457,705	1,468,965	1,477,275	1,479,975	1,482,675	548,575
Variable rate master notes	**130,990**	130,990	149,990	149,990	214,990	214,990	215,990	215,990	202,900	233,000
Commercial paper notes	**282,095**	280,315	249,200	180,408	356,880	251,885	123,595	124,910	124,445	163,850
Versatile structure obligations	**532,100**	544,000	554,500	560,600	566,000	571,300	575,900	580,400	584,200	484,700
Port Authority equipment notes	**47,105**	65,105	61,800	107,100	112,100	84,200	87,150	87,150	74,838	36,138
Total obligations	**$11,096,019**	$11,109,953	$ 9,912,356	$9,495,266	$ 9,226,016	$ 8,900,649	$ 8,810,960	$ 8,645,031	$ 7,950,773	$ 6,589,903
INVESTED IN FACILITIES										
AT DECEMBER 31	**$22,379,093**	$21,141,528	$19,866,282	$17,947,787	$16,425,060	$16,113,699	$14,910,982	$13,927,378	$13,069,084	$12,370,806
DEBT RETIRED										
THROUGH INCOME:										
Annual	**$ 217,425**	$ 332,682	$ 887,729	$ 470,615	$ 202,730	$ 218,445	$ 138,396	$ 124,153	$ 105,845	$ 188,223
Cumulative	**$ 6,072,728**	$ 5,855,303	$ 5,522,621	$4,634,892	$ 4,164,277	$ 3,961,547	$ 3,743,102	$ 3,604,706	$ 3,480,553	$ 3,374,708

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 E – Information on Port Authority Operations

	Year ended December 31, 2005							2004
	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	$ 325,660	$ 112,999	$ 32,795	$ 179,866	$ 16,298	$ 2,460	**$ 166,028**	$ 176,138
Holland Tunnel	85,421	74,340	12,250	(1,169)	7,189	439	**(7,919)**	(6,013)
Lincoln Tunnel	116,520	86,951	28,975	594	13,427	1,074	**(11,759)**	(4,996)
Bayonne Bridge	21,935	21,018	5,123	(4,206)	3,742	126	**(7,822)**	(3,751)
Goethals Bridge	84,678	23,764	7,556	53,358	2,870	121	**50,609**	47,070
Outerbridge Crossing	79,840	20,519	11,762	47,559	3,149	97	**44,507**	43,394
P. A. Bus Terminal	29,138	85,182	14,157	(70,201)	7,952	10,103	**(68,050)**	(82,151)
Subtotal – Tunnels, Bridges & Terminals	743,192	424,773	112,618	205,801	54,627	14,420	**165,594**	169,691
PATH	87,933	214,711	129,827	(256,605)	40,281	42,221	**(254,665)**	(247,096)
Journal Square Transportation Center	2,094	7,564	4,987	(10,457)	2,207	29	**(12,635)**	(11,595)
Subtotal – PATH	90,027	222,275	134,814	(267,062)	42,488	42,250	**(267,300)**	(258,691)
Ferry Service	316	2,195	222	(2,101)	220	–	**(2,321)**	(2,953)
Total Interstate Transportation Network	833,535	649,243	247,654	(63,362)	97,335	56,670	**(104,027)**	(91,953)
AIR TERMINALS								
LaGuardia	282,183	216,079	27,548	38,556	18,161	16,214	**36,609**	31,263
JFK International	815,834	584,125	84,459	147,250	56,534	20,701	**111,417**	67,042
Newark Liberty International	665,046	369,592	102,615	192,839	58,169	8,271	**142,941**	150,006
Teterboro	27,503	12,756	3,550	11,197	1,125	15,819	**25,891**	13,948
Heliport	1,969	2,745	701	(1,477)	51	17	**(1,511)**	(1,404)
Total Air Terminals	1,792,535	1,185,297	218,873	388,365	134,040	61,022	**315,347**	260,855
PORT COMMERCE								
Port Newark	72,225	54,463	16,485	1,277	8,904	181	**(7,446)**	(8,789)
Elizabeth Marine Terminal	67,293	41,969	24,059	1,265	17,764	2,122	**(14,377)**	(19,210)
Brooklyn	5,148	12,533	29,271	(36,656)	4,085	33	**(40,708)**	(31,238)
Red Hook	1,378	6,921	22,986	(28,529)	–	10	**(28,519)**	(4,650)
Howland Hook	5,550	9,196	5,255	(8,901)	4,376	17	**(13,260)**	(20,847)
Greenville Yard	271	4	–	267	–	–	**267**	291
Auto Marine	8,138	2,135	2,235	3,768	1,430	7	**2,345**	3,625
Total Port Commerce	160,003	127,221	100,291	(67,509)	36,559	2,370	**(101,698)**	(80,818)
ECONOMIC & WATERFRONT DEVELOPMENT								
Essex County Resource Recovery	64,303	65,013	1,412	(2,122)	(3,267)	4	**1,149**	(7,124)
Industrial Park at Elizabeth	924	241	208	475	290	1	**186**	444
Bathgate	3,364	1,564	1,594	206	548	4	**(338)**	1,171
Teleport	11,926	10,321	2,593	(988)	884	12	**(1,860)**	3,921
Newark Legal & Communications Center	3,444	1,595	3,161	(1,312)	1,470	1	**(2,781)**	(2,065)
Queens West	998	29	936	33	1,539	–	**(1,506)**	(6,791)
Hoboken South	5,183	18	1,331	3,834	2,196	–	**1,638**	2,662
Total Economic & Waterfront Development	90,142	78,781	11,235	126	3,660	22	**(3,512)**	(7,782)
WORLD TRADE CENTER								
World Trade Center	118,614	13,914	–	104,700	(8,292)	2	**112,994**	116,553
WTC Site	60	18,443	2,034	(20,417)	–	1,511	**(18,906)**	(19,792)
WTC Retail LLC	5,804	6,027	1,443	(1,666)	(369)	1	**(1,296)**	(923)
Total World Trade Center	124,478	38,384	3,477	82,617	(8,661)	1,514	**92,792**	95,838
Regional Programs	–	8,992	42,996	(51,988)	49,711	–	**(101,699)**	(87,573)
Expenses related to the events of September 11, 2001	–	–	–	(3,358)	–	–	**(3,358)**	(4,985)
Total Port Authority Operations	3,000,693	2,087,918	624,526	284,891	312,644	121,598	**93,845**	83,582
PFC Program	–	–	62,202	(62,202)	4,166	134,429	**68,061**	67,954
Combined Total	$3,000,693	$2,087,918	$686,728	$ 222,689	$316,810	$256,027	**$ 161,906**	$ 151,536

(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, 2004	Net Capital Expenditures	Depreciation	Facilities, net Dec. 31, 2005
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 679,793	$ 69,450	$ 32,795	$ 716,448
Holland Tunnel	331,625	34,103	12,250	353,478
Lincoln Tunnel	501,873	41,210	28,975	514,108
Bayonne Bridge	144,017	12,295	5,123	151,189
Goethals Bridge	147,999	43,130	7,556	183,573
Outerbridge Crossing	116,047	14,139	11,762	118,424
P. A. Bus Terminal	326,870	50,771	14,157	363,484
Subtotal – Tunnels, Bridges & Terminals	2,248,224	265,098	112,618	2,400,704
PATH	1,028,748	131,819	56,025	1,104,542
Downtown Restoration Program	495,369	515	73,802	422,082
Permanent WTC PATH Terminal	61,692	51,461	–	113,153
Journal Square Transportation Center	84,350	7,191	4,987	86,554
Subtotal – PATH	1,670,159	190,986	134,814	1,726,331
Ferry Service	18,033	15,222	222	33,033
Total Interstate Transportation Network	3,936,416	471,306	247,654	4,160,068
AIR TERMINALS				
LaGuardia	531,257	76,778	27,548	580,487
JFK International	1,778,917	235,531	84,459	1,929,989
Newark Liberty International	1,981,268	89,978	102,615	1,968,631
Teterboro	75,114	46,706	3,550	118,270
Heliport	1,983	155	701	1,437
PFC Program	1,561,384	52,328	62,202	1,551,510
Total Air Terminals	5,929,923	501,476	281,075	6,150,324
PORT COMMERCE				
Port Newark	341,270	36,149	16,485	360,934
Elizabeth Marine Terminal	708,678	87,092	24,114	771,656
Brooklyn	99,577	4,413	29,271	74,719
Red Hook	64,161	944	22,986	42,119
Howland Hook	247,205	91,648	5,255	333,598
Auto Marine & Greenville Yard	46,802	299	2,235	44,866
Total Port Commerce	1,507,693	220,545	100,346	1,627,892
ECONOMIC & WATERFRONT DEVELOPMENT				
Essex County Resource Recovery	21,173	–	1,412	19,761
Industrial Park at Elizabeth	8,836	–	208	8,628
Bathgate	18,063	–	1,594	16,469
Teleport	29,947	216	2,593	27,570
Newark Legal & Communications Center	48,056	–	3,161	44,895
Queens West	107,063	6,858	936	112,985
Hoboken South	74,981	1,041	1,331	74,691
Total Economic & Waterfront Development	308,119	8,115	11,235	304,999
WORLD TRADE CENTER				
World Trade Center	80,191	3	–	80,194
WTC Site	100,342	15,824	2,034	114,132
WTC Retail LLC	139,891	2,054	1,443	140,502
Total World Trade Center	320,424	17,881	3,477	334,828
FACILITIES, NET	$12,002,575	$1,219,323	$643,787	$12,578,111
REGIONAL PROGRAMS	$ 521,578	$ 53,616	$ 42,996	$ 532,198

*Schedule G – Facility Traffic**

TUNNELS AND BRIDGES (Eastbound Traffic)	2005	2004
All Crossings		
Automobiles	**114,481,000**	115,219,000
Buses	**3,137,000**	3,123,000
Trucks	**8,249,000**	8,205,000
Total vehicles	**125,867,000**	126,547,000
George Washington Bridge		
Automobiles	**48,786,000**	49,377,000
Buses	**587,000**	606,000
Trucks	**4,239,000**	4,219,000
Total vehicles	**53,612,000**	54,202,000
Lincoln Tunnel		
Automobiles	**18,352,000**	18,541,000
Buses	**2,062,000**	2,051,000
Trucks	**1,380,000**	1,141,000
Total vehicles	**21,794,000**	21,733,000
Holland Tunnel		
Automobiles	**16,643,000**	16,353,000
Buses	**238,000**	221,000
Trucks	**101,000**	389,000
Total vehicles	**16,982,000**	16,963,000
Staten Island Bridges		
Automobiles	**30,700,000**	30,948,000
Buses	**250,000**	245,000
Trucks	**2,529,000**	2,456,000
Total vehicles	**33,479,000**	33,649,000

PATH	2005	2004
Total passengers	**60,787,000**	57,725,000
Passenger weekday average	**206,000**	194,000

MARINE TERMINALS	2005	2004
All Terminals		
Containers	**2,524,435**	2,401,042
General cargo(a) (Metric tons)	**28,132,000**	25,474,684
New Jersey Marine Terminals		
Containers	**2,203,754**	2,084,590
New York Marine Terminals		
Containers	**320,681**	316,452

AIR TERMINALS	2005	2004
Totals at the Three Major Airports		
Plane movements	**1,188,000**	1,156,000
Passenger traffic	**99,792,000**	93,877,000
Cargo-tons	**2,721,000**	2,799,000
Revenue mail-tons	**181,000**	194,000
John F. Kennedy International Airport		
Plane movements	**349,000**	320,000
Passenger traffic		
Domestic	**22,090,000**	20,088,000
International	**18,789,000**	17,429,000
Cargo-tons	**1,748,000**	1,790,000
LaGuardia Airport		
Plane movements	**404,000**	399,000
Passenger traffic		
Domestic	**24,407,000**	23,191,000
International	**1,471,000**	1,261,000
Cargo-tons	**16,000**	14,000
Newark Liberty International Airport		
Plane movements	**435,000**	437,000
Passenger traffic		
Domestic	**23,680,000**	23,050,000
International	**9,355,000**	8,858,000
Cargo-tons	**957,000**	995,000

TERMINALS	2005	2004
All Bus Facilities		
Passengers	**69,060,000**	69,871,000
Bus movements	**3,345,000**	3,426,000
Port Authority Bus Terminal		
Passengers	**56,652,000**	56,611,000
Bus movements	**2,144,000**	2,145,000
George Washington Bridge Bus Station		
Passengers	**5,271,000**	5,610,000
Bus movements	**313,000**	332,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**7,137,000**	7,650,000
Bus movements	**888,000**	949,000

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

* Some 2004 numbers reflect revised data.