



2 0 0 1

Comprehensive Annual Financial Report

For the Year Ended December 31, 2001

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

"We have seen the state of our Union in the endurance of rescuers, working past exhaustion. We have seen the unfurling of flags, the lighting of candles, the giving of blood, the saying of prayers – in English, Hebrew, and Arabic. We have seen the decency of a loving and giving people who have made the grief of strangers their own....

...We'll go back to our lives and routines, and that is good. Even grief recedes with time and grace. But our resolve must not pass. Each of us will remember what happened that day, and to whom it happened. We'll remember the moment the news came – where we were and what we were doing. Some will remember an image of a fire, or a story of rescue. Some will carry memories of a face and a voice gone forever...."

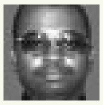
– President George W. Bush

9/20/2001

JOSEPH AMATUCCIO

MAURICE V. BARRY

MARGARET L. BENSON



CLINTON DAVIS

FRANK A. DE MARTINI

THOMAS E. GORMAN

JOSEPH F. GRILLO

MARY S. JONES

PAUL W. JURGENS

JOHN D. LEVI

NEIL D. LEVIN

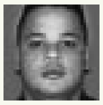
WALTER A. MCNEIL

DEBORAH MERRICK

JAMES W. PARHAM

NANCY E. PEREZ

ANTONIO J. RODRIGUES



RICHARD RODRIGUEZ

WALWYN W. STUART

CHRISTOPHER C. AMOROSO | JEAN A. ANDRUCKI | RICHARD A. ARONOW | EZRA AVILES | ARLENE T. BABAKITIS | JAMES W. BARBELLA

DANIEL BERGSTEIN | EDWARD CALDERON | LIAM CALLAHAN | ROBERT D. CIRRI | CARLOS DACOSTA | DWIGHT D. DARCY | NIURKA DAVILA

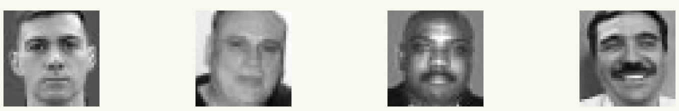
WILLIAM F. FALLON | STEPHEN J. FIORELLI | DONALD A. FOREMAN | GREGG J. FROEHNER | BARRY H. GLICK

KEN G. GROUZALIS | PATRICK A. HOEY | UHURU G. HOUSTON | GEORGE G. HOWARD | STEPHEN HUCZKO | ANTHONY P. INFANTE JR. | PREM N. JERATH

DEBORAH H. KAPLAN | DOUGLAS G. KARPILOFF | ROBERT M. KAULFERS | FRANK LALAMA | PAUL LASZCZYNSKI | DAVID P. LEMAGNE | JOHN J. LENNON

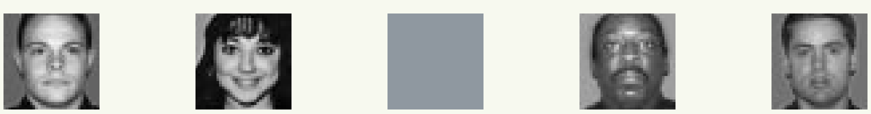
MARGARET S. LEWIS | JAMES F. LYNCH | ROBERT H. LYNCH | MYRNA MALDONADO | KATHY MAZZA | DONALD J. MCINTYRE

FRED V. MORRONE | JOSEPH M. NAVAS | PETE NEGRON | JAMES NELSON | ALFONSE J. NIEDERMEYER | DAVID ORTIZ



DOMINICK A. PEZZULO | EUGENE J. RAGGIO | BRUCE A. REYNOLDS | FRANCIS S. RICCARDELLI

JAMES A. ROMITO | KALYAN K. SARKAR | ANTHONY SAVAS | JOHN P. SKALA | EDWARD T. STRAUSS



KENNETH F. TIETJEN | LISA L. TREROTOLA | NATHANIEL WEBB | MICHAEL T. WHOLEY

SUPPLEMENTAL STAFF:

JOHN FISHER
ROSA GONZALEZ
EDWARD T. KEANE*
SUSAN MISZKOWICZ
NANCY MUNIZ
PABLO ORTIZ
JUDITH REESE
SIMON WEISER
LOUIE A. WILLIAMS

*Retired Port Authority Employee

M I S S I O N

To identify and meet the critical transportation 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, provide access to the rest of the nation and to the world, and strengthen the economic competitiveness of the New York-New Jersey metropolitan region.

LETTER OF TRANSMITTAL TO THE GOVERNORS

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

The Honorable James E. McGreevey
Governor, State of New Jersey

Dear Governors:

In accordance with the Port Compact of 1921, we submit to you and the legislatures of New York and New Jersey this 2001 Annual Report of The Port Authority of New York and New Jersey.

The year 2001 forever will be remembered by a single date: September 11. On that tragic day, the World Trade Center was attacked by terrorists. Seventy-five Port Authority employees, including 37 police officers and commanders, lost their lives, as did nine supplemental staffers. Many of these heroes gave their lives while directing the greatest rescue effort in U.S. history, and countless thousands were saved by the unselfish acts of those who gave their all.

With heavy hearts, those who escaped the attacks joined their colleagues at Port Authority facilities throughout the bistate region, banding together like never before to secure the region's transportation infrastructure. They worked tirelessly through those first uncertain days following the attacks, and in the weeks and months since, they have shown the people of this region, and the country, what it means to be great public servants.

While the year that has passed cannot be separated from the tragedy of September 11, it is important to note the many great accomplishments of this agency in 2001 and the remarkable way the people of the Port Authority pulled together to begin delivery of this agency's mission for 2002 and beyond. The Port Authority demonstrated its commitment to the region's transportation network with projects such as the ambitious $1.8 billion, five-year redevelopment of the New York/New Jersey seaport, authorized in March; the state-of-the-art $1.4 billion Terminal 4, opened at John F. Kennedy International Airport in May; and the $415 million AirTrain Newark service linking Newark International Airport to the Northeast Corridor rail line, opened two months ahead of schedule in October despite the heartbreak of September 11. Meanwhile, the Port Authority remains dedicated to restoring Downtown Manhattan with the rebuilding of PATH and the redevelopment of the World Trade Center site, and to opening the first segment of AirTrain JFK in 2002.

As we move forward with our mission, we pledge to always keep dear the memory of those who lost their lives on September 11.

Very truly yours,

Jack G. Sinagra
Chairman

Charles A. Gargano
Vice Chairman

April 23, 2002

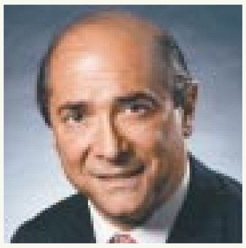
Jack G. Sinagra
Senior Vice President
Turtle & Hughes Inc.

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

Bruce A. Blakeman
Attorney-at-Law
Robert M. Blakeman & Associates

Michael J. Chasanoff
Managing Partner
Chasanoff Properties

Kathleen A. Donovan
County Clerk
Bergen County, New Jersey



Lewis M. Eisenberg
Co-Chairman
Granite Capital International Group

Peter S. Kalikow
Chairman
Metropolitan Transportation Authority

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.

David S. Mack
Senior Managing Partner
The Mack Company

William J. Martini
Attorney-at-Law
Sills Cummis Radin Tischman
Epstein & Gross, PA

Alan G. Philibosian
Attorney-at-Law

Bradford J. Race Jr.
Of Counsel
Dewey Ballantine LLP

Anthony J. Sartor
President
KeySpan Business Solutions

Anastasia M. Song
Infrastructure Consultant

James Weinstein
Senior Vice President
Amtrak Northeast Corridor

Joseph J. Seymour
Executive Director

Neil D. Levin
Executive Director

BOARD OF COMMISSIONERS

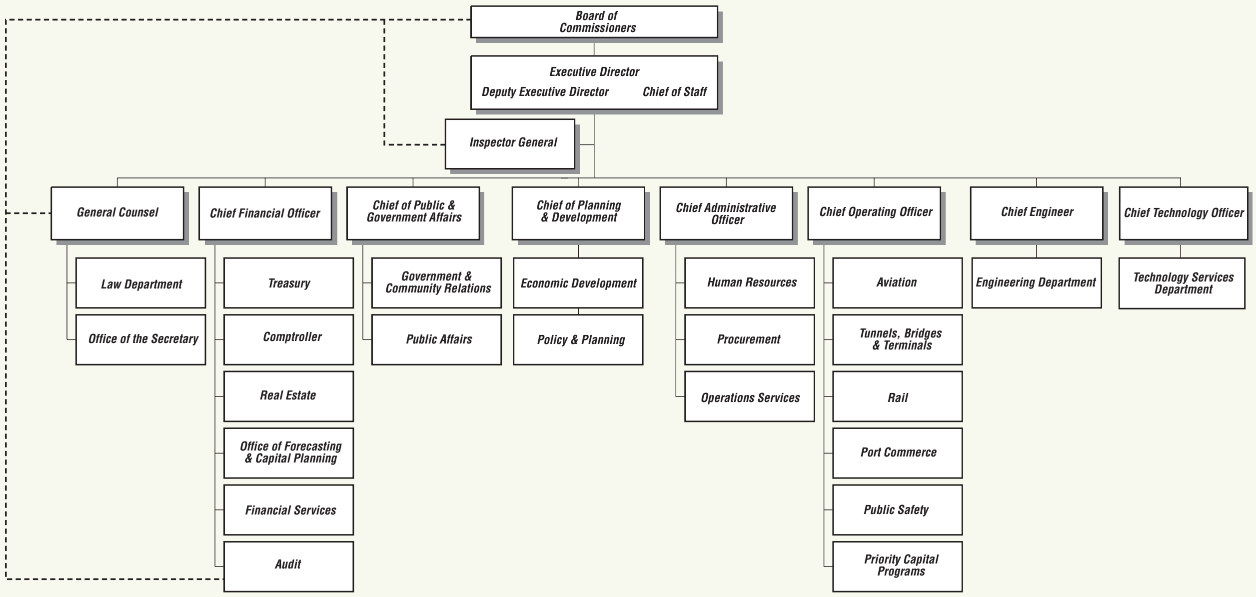
Jack G. Sinagra, Chairman[1]
Charles A. Gargano, Vice Chairman

Bruce A. Blakeman[2]
Michael J. Chasanoff
Kathleen A. Donovan[3]
Lewis M. Eisenberg[4]
Peter S. Kalikow[2]
David S. Mack
William J. Martini
Alan G. Philibosian
Bradford J. Race Jr.[5]
Anthony J. Sartor
Anastasia M. Song
James Weinstein[1]

Joseph J. Seymour, Executive Director[6]
Neil D. Levin, Executive Director

FOOTNOTES

1. Commissioner Sinagra joined the Board on October 25, 2001, succeeding Commissioner Weinstein. He was elected Chairman in December 2001.
2. Commissioner Blakeman joined the Board on June 6, 2001, succeeding Commissioner Kalikow.
3. Commissioner Donovan left the Board in December 2001.
4. Commissioner Eisenberg left the Board in February 2002.
5. Commissioner Race left the Board in February 2002.
6. Joseph J. Seymour became Executive Director on January 3, 2002.



ORGANIZATION CHART

OFFICERS AND DIRECTORS

Executive Director	**Joseph J. Seymour**
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	**Charles F. McClafferty**
Chief Operating Officer	**Ernesto L. Butcher**
Chief of Planning & Development	**A. Paul Blanco (Acting)**
Chief of Public & Government Relations	**Michael A. Petralia**
Chief Technology Officer	**Gregory G. Burnham**
Comptroller	**Margaret R. Zoch**
Economic Development	**A. Paul Blanco**
Financial Services	**Edward L. Jackson**
General Counsel	**Jeffrey S. Green**
Human Resources	**Paul D. Segalini**
Inspector General	**Robert E. Van Etten**
Office of Forecasting & Capital Planning	**Douglas L. Smith**
Office of the Secretary	**Karen E. Eastman (Acting)**
Operations Services	**Alan I. Rhome**
Policy & Planning	**Cruz C. Russell**
Port Commerce	**Richard M. Larrabee**
Priority Capital Programs	**Anthony G. Cracchiolo**
Procurement	**Cecile O. Pace**
Public Affairs	**Kayla M. Bergeron**
Public Safety	**Charles D. DeRienzo**
Rail	**Michael P. DePallo**
Real Estate	**Cherrie L. Nanninga**
Treasury	**Bruce D. Bohlen**
Tunnels, Bridges & Terminals	**Kenneth P. Philmus**

As of April 3, 2002

LETTER FROM THE EXECUTIVE DIRECTOR

This Annual Report for 2001, my first as Executive Director, is a testament to the dedicated staff of the Port Authority, the Board of Commissioners, and my predecessor and friend, Neil D. Levin, whose tenure as executive director was tragically cut short by the attacks on the World Trade Center on September 11, 2001.

Mr. Levin was one of 75 Port Authority employees and nine supplemental staff who lost their lives on that horrific day. Many of the fallen left this world as heroes; all of the fallen always will be remembered as treasured members of the Port Authority family.

When I joined this agency in 2002, I looked back with awe on all it accomplished in 2001. The post-September 11 achievements of the people of the Port Authority already are legendary. Many of the staff literally brushed the dust from their clothes on that disastrous day and went right to work. They toiled in spite of their grief, overcoming all obstacles to carry out their duties. By securing and operating this region's transportation infrastructure, they proved time and again that this is the world's premier Port Authority.

The months prior to the September 11 attacks saw important progress at Port Authority airports, bridges and tunnels, seaports and other transportation facilities. Thanks to the dedication of our staff, these advances continued even in the aftermath of September 11.

Multibillion-dollar improvement and redevelopment projects at the three major airports resulted in new and refurbished terminals, new parking garages, improved runways, and a new rail link at Newark International Airport.
As the agency met the needs of tens of millions of airline passengers, it also prepared for a threefold increase in the volume of cargo shipments during the next two decades by initiating work that will greatly expand cargo space capabilities.

The convenience of *E-ZPass*SM attracted new customers. Nearly two out of three Port Authority bridge and tunnel customers now use electronic toll collection. In the coming years, PATH customers will see a complete overhaul of the PATH car fleet and signal system under a project approved by the Board in 2001. PATH customers also were able to purchase QuickCards through the internet for the first time in 2001, and will soon see an electronic fare card offering the advantages of *E-ZPass*.SM

The Port of New York/New Jersey, already the leading cargo port on the East Coast of North America, saw rising traffic volume despite an economic recession. Port projects slated for the coming years will ensure that this vital cargo gateway remains efficient as it continues to grow.

This report, like every annual report before it, is filled with dollar figures related to revenues and expenses. It is my hope, however, that it will also reflect the indomitable spirit of the people of this agency — those that are no longer with us, and those who faced down our attackers to carry out the mission of this great, proud agency.

Sincerely,

Joseph J. Seymour
Executive Director

April 23, 2002

IN 2001, OUR 80TH YEAR, THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY FACED AN UNIMAGINABLE HORROR: THE LOSS OF 84 OF OUR OWN — INCLUDING 37 UNIFORMED PERSONNEL, THE LARGEST ONE-DAY LOSS OF LIFE SUFFERED BY A POLICE FORCE IN THE HISTORY OF U.S. LAW ENFORCEMENT, 38 CIVILIAN AND NINE SUPPLEMENTAL STAFF — AND THE RUIN OF ONE OF THE SHINING JEWELS IN OUR CROWN OF FACILITIES. WHEN THE WORLD TRADE CENTER WAS ATTACKED AND DESTROYED ON SEPTEMBER 11, 2001, IT WAS THE DARKEST DAY IN THE AGENCY'S HISTORY, AND ONE OF THE DARKEST IN THE NATION'S.

But in the months since, the Port Authority has remained intact, demonstrating the strength, perseverance and dedication that have characterized the organization throughout its history. From the first few moments after the attacks, agency staff remained resolute in their commitment to operating a safe and efficient transportation network, ensuring that service to customers continued. Even in the wake of great tragedy, we steadfastly achieved objectives that will benefit the bistate region today, tomorrow and for decades to come.

- AirTrain Newark, linking New Jersey Transit and Amtrak to Newark International Airport, opened for service on October 21 — two months ahead of schedule.

- Within three months of the closure of PATH's World Trade Center and Exchange Place stations, the Port Authority created the nucleus of a Downtown Manhattan Restoration Program that includes construction of a temporary PATH station at the World Trade Center site.

- Plans were announced to expand entrances at PATH's Christopher and Ninth street stations in Manhattan and at the Grove Street station in Jersey City, New Jersey.

- To meet an urgent need for transportation alternatives, a new, temporary ferry landing was opened within weeks after the attacks at Pier A in Lower Manhattan, providing expanded ferry service to displaced PATH commuters.

- A net lease of the Newark Legal Center was entered into in December for an initial term of 50 years. The present value of the transaction is approximately $64 million.

Throughout 2001, the Port Authority achieved significant milestones in fulfillment of its mission to advance transportation projects and strengthen the economic competitiveness of the New York/New Jersey metropolitan region.

- Authorization was given for a $1.5 billion program to redevelop the infrastructure of the New York/New Jersey region's seaport facilities, an initiative that will be complemented by hundreds of millions of dollars in additional investments by the Port Authority's terminal operator tenants.

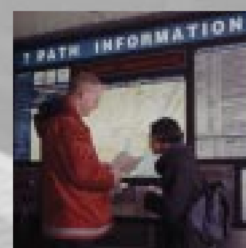
- A new, expanded Terminal 4 — developed by the terminal's operator — opened at John F. Kennedy International Airport in May. Continental Airlines opened a redeveloped 325,000 square foot concourse in its Terminal C in December at Newark International Airport.

- The 8.1-mile guideway of the AirTrain JFK system was completed and 16 newly fabricated AirTrain vehicles, representing half of the total fleet, were delivered. The on-airport portion of the system, with service to the new Howard Beach AirTrain Terminal, is expected to open later this year.

- *E-ZPass*[SM] was the chosen payment method for 63 percent of all Port Authority tunnel and bridge customers — an increase of approximately 16 percent over the previous year.

- QuickCards were made available for purchase on the internet for the first time to PATH customers.

"Even in the wake of great tragedy, we steadfastly achieved objectives that will benefit the bistate region today, tomorrow and for decades to come."



"The Port Authority has pledged … to meet the region's present and future transportation needs."

- $40 million was awarded through subcontracts for AirTrain JFK projects, including Jamaica Station, to Queens-based minority, women-owned and local business enterprises (M/W/LBE) last year. Prime Port Authority construction contracts awarded to M/W/LBEs were worth more than $55 million.

- Our mixed-use, public-private waterfront improvement projects advanced in both states. Queens West Waterfront Development progressed with the designation of additional developers for the site, located on 74 acres of land at Hunters Point in Long Island City, New York. At the South Waterfront in Hoboken, New Jersey — which is transforming unused waterfront on three new city blocks — significant progress was made toward completion of a 1.1 million square foot office building at the southern end and a residential development at the northern end of the site.

- In a continued, steady 12-year decline, crime was down by 19 percent at Port Authority facilities.

The Impact of September 11

The terrorist attacks shocked an already weakened U.S. economy into recession by sapping consumer confidence, causing demand for air travel to deteriorate. At the three major airports, passenger traffic, which was projected to achieve new highs, dropped by a total 11.5 percent for the year, the largest decline in our region's history. Aircraft movements declined by 7.1 percent and cargo volume fell 23 percent from the prior year. Airport parking revenues were also down, by about 30 percent. In the wake of the terrorist attacks, more stringent security measures at the region's airports posed challenges as airlines followed new federal mandates for passenger screening and baggage handling.

At the bistate region's interstate tunnels and bridges, annual traffic volumes declined for the first time since 1994. Eastbound traffic for the year 2001 totaled 121.9 million vehicles — 3.5 percent below 2000 levels. Traffic at the Holland and Lincoln tunnels fell 10.6 percent, due primarily to the closure of the Holland Tunnel from September 11 through October 14, as well as by the single-occupancy vehicle restrictions at the two tunnels following the attacks. New York City's ban on single occupancy automobiles remains in effect weekday mornings at the Holland and Lincoln tunnels. Commercial vehicles using the George Washington Bridge are currently restricted to the upper level.

Before September 11, PATH ridership was projected to reach another new record of 75.1 million passenger trips. As a result of the closure of the World Trade Center terminal and Exchange Place station, PATH's 2001 ridership declined to 69.8 million. Weekday ridership declined from a pre-September 11 average of 257,967 to 202,092.

The Port of New York/New Jersey was closed on September 11 along with the rest of the nation's ports. Our port was up and running within 48 hours of the attacks — with new security measures generally controlled by the U.S. Coast Guard — and has been operating normally ever since.

Rebuilding and Growing

The Port Authority has pledged to repair the damage done by the attacks and to meet the region's present and future transportation needs. In partnership with MTA New York City Transit and the Lower Manhattan Development Corporation, we are formulating a plan to integrate a permanent PATH station in Lower Manhattan with other mass transit connections — a prescient initiative that will reshape the accessibility of Lower Manhattan. Significant elements of the plan include construction of an interim PATH station at the World Trade Center site by December 2003 and the rehabilitation of the Exchange Place station in Jersey City by June 2003. Efforts are being made to defray the costs, to the extent possible, with monies from insurance, the Federal Emergency Management Agency, and other available funding sources.

To further ease commuting strains, a $29.6 million project was authorized to add new entrances at PATH's Christopher and 9th Street stations in Manhattan, which have seen respective average weekday ridership increases of 117 and 135 percent since September 11. A second expansion project, estimated at $14.6 million, will add a new entrance to PATH's Grove Street Station in Jersey City in order to accommodate the 75 percent increase at that station. Both projects are scheduled for completion in the first quarter of 2003.

The record $15 billion public-private redevelopment program under way at the airports will continue. At John F. Kennedy International Airport, American Airlines, Inc. remains committed to construction of its new "super terminal," a nearly two million square foot space. Completion is slated for 2006. A new centralized Operations Control Center Tower is scheduled for completion at Newark International Airport in the second quarter of 2002. Also at Newark, construction was recently concluded on Continental's new customs and immigration facility, which will be able to screen 1,500 passengers per hour.

In 2001, we initiated the first phase in a modernization program for LaGuardia Airport that will improve efficiency of operations and enhance the level of service for the airport's customers and tenants. The program's linchpin will be replacement and modernization of all four of the Central Terminal Building's concourses.

We also began to implement a program to upgrade facilities at Teterboro Airport. In addition to such improvements as the installation of a state-of-the-art instrument landing system and the construction of new hangars, the Port Authority and its airport partners are making enhancements that will enable the airport to better handle existing activity and reduce noise levels for the communities close to the airport.

Scheduled to begin operation in the fourth quarter of 2002, the first leg of AirTrain JFK service will connect airline terminals to car rental and parking facilities, and serve as a primary link to the New York City Transit subway system via the Howard Beach Station. In mid-2003, AirTrain JFK will also operate a line from the airport to a new AirTrain Terminal at Jamaica Station, where airline passengers will be able to transfer to the Long Island Rail Road as well as New York City Transit subway and bus lines.

The AirTrain JFK Jamaica Station was advanced in 2001 with the award of a $315 million contract for construction of the terminal. The contract was one part of an historic new high in construction contract awards made by the Port Authority. In spite of the impacts associated with September 11, $812 million worth of new construction contracts were awarded last year. Construction-in-place reached $858 million, another agency record.

Soaring Onward — By Air

A significant new transportation connection, AirTrain Newark, is already available. By linking Newark International Airport to New Jersey Transit, Amtrak and the PATH system, AirTrain Newark makes it possible for air travelers to transfer to rail services that lead directly to New York, Boston, Philadelphia, and other transportation hubs along the Northeast Corridor and the New Jersey coast. Ridership projections were vastly exceeded in the first quarter of AirTrain's operation with steady growth evident each month. Nearly two million riders are expected to use the service this year.

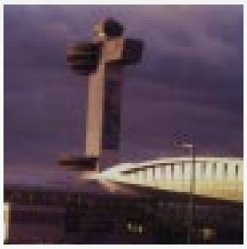
By year's end, the Newark International Airport Redevelopment program had achieved other major milestones. The progressing $3.8 billion plan included newly opened parking garages, enhanced terminal facilities and roadway improvements.

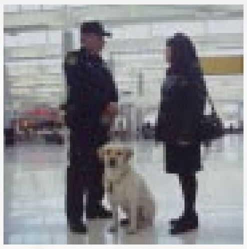
Kennedy International Airport's new 1.5 million square foot Terminal 4 has sixteen gates, a large check-in hall with consolidated ticketing and baggage operations for departures, modern federal inspection services facilities, large baggage-claim devices for arrivals, and an expansive retail area. Grade-separated roadways and enhanced parking facilities with covered walkways improve the passenger experience.

At LaGuardia Airport, more than $20 million in deck-strengthening was performed to accommodate new aircraft. The project utilized innovative techniques to install the elements below the deck while keeping the runways and taxiways in service.

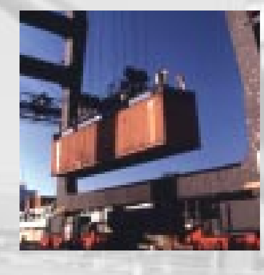
Demonstrating sustained excellence in customer service, shops and restaurants at Kennedy International, Newark International and LaGuardia airports won four first-place awards in the prestigious "Airport Retail News Best Concessions 2002" competition. In the last three years, the Port Authority's airports have captured 13 first prizes in the annual competition judged by aviation industry experts.

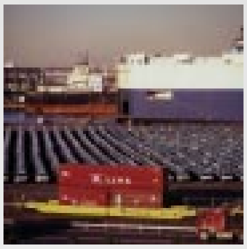
"Ridership projections were vastly exceeded in AirTrain Newark's first quarter of operation."





"In 2001, the Port of New York/New Jersey continued to consolidate its position as the leading general cargo port on the East Coast of North America."





With worldwide air cargo shipments expected to nearly triple over the next 20 years, Newark International Airport acted to provide more spacious cargo-handling facilities. In 2001, the airport initiated work that will make way for a new state-of-the-art 152,000 square foot multi-tenant cargo facility. Construction of the new building should be completed by the fall of 2002. Cargo capabilities at Newark expanded further with the opening of two new modern facilities by Continental Airlines, Inc. and United Airlines, Inc. Cargo space at Newark will ultimately increase by 19 percent, to approximately 1.5 million square feet. Cargo expansion continues at Kennedy International Airport where new leases were executed to construct 310,000 square feet of cargo warehouse space, which will be completed by mid-2003.

By Sea

In 2001, the Port of New York/New Jersey continued to consolidate its position as the leading general cargo port on the East Coast of North America. The Port's traffic volumes and share of the general cargo market among domestic North Atlantic ports grew, despite the nationwide economic downturn. Indeed, ExpressRail, our on-dock rail terminal at the Elizabeth-Port Authority Marine Terminal, handled its one-millionth container in March and by year-end had set a new annual record of 200,854 container lifts.

These achievements occurred as the Port began an historic effort to transform the infrastructure on both sides of the river through a multibillion-dollar investment program. The Port Authority, the U.S. Army Corps of Engineers and the port's container terminal tenants began a series of projects that will lead to deeper channels and berths, higher capacity and more efficient container terminals, as well as improved links between the port and the inland transportation network.

On the critical issue of harbor dredging, the Port Authority, in coordination with the states of New York and New Jersey, put together a successful effort to secure Congressional support for harbor dredging projects. Congress appropriated more than $100 million toward New York/New Jersey harbor deepening projects, including the current deepening of the Kill Van Kull/Newark Bay channels to 45 feet and the Arthur Kill and Port Jersey channels to 41 feet, and preparation for the deepening of critical harbor channels later in the decade to 50 feet.

The Port Authority launched a Web site designed to provide complete, real-time data on ship arrivals, cargo status, and terminal gate activity to port customers; using this site, port customers can make decisions on cargo pickup and delivery. The new system, known as Freight Information Real-Time System for Transport or FIRST, is being developed for the Port Authority by a private sector vendor. Content on the site, at www.firstnynj.com, is drawn from various industry sources.

By Land

To improve the mobility of people and goods within the region, the Port Authority implemented a congestion pricing program — the first of its kind in the U.S. — on March 25, 2001. The program encourages the use of *E-ZPass*,SM widely acknowledged to improve traffic flow, by offering deep discounts to its users for off-peak travel and car pool commuting. *E-ZPass*SM users traveling during peak periods receive smaller discounts. Significant pricing incentives are also available for trucks traveling overnight during the week.

With the successful implementation in 2001 of an Intelligent Transportation System (ITS) at the George Washington Bridge, customers receive real-time, decision-aiding traffic information. ITS also provides information to other transportation authorities for more timely incident response. Plans are underway to expand the system to the other river crossings.

Beginning in the spring, *E-ZPass*SM customers were able to use a dedicated toll plaza from the Palisades Interstate Parkway to the upper level of the George Washington Bridge. On an average weeknight, approximately 700 motorists take advantage of the toll plaza, and approximately 1,600 motorists do so on weekend evenings, helping to reduce congestion on local streets.

In a further effort to reduce traffic on local streets around the bridge, a project was authorized for construction of a ramp connecting the southbound Palisades Interstate Parkway with the bridge's eastbound lower level roadway. The $86.5 million project will enable travelers to directly proceed onto the lower level from the parkway. Completion is expected in 2005.

In addition to architectural and customer service upgrades, enhancements at the George Washington Bridge Bus Station included augmented bus operations. New bus service to Atlantic City, New Jersey began in May. In early autumn, bus operations again expanded with new connections to several New York State shopping malls and colleges.

During the year, customer access to Port Authority Bus Terminal bus and fare information was greatly improved with the introduction of automation. Use of the PABT's automated telephone information service increased from 270,000 inquiries in 2000 to more than 725,000 in 2001.

Planning for the Future

In an important first step toward the implementation of a regional transit fare payment method, a new fare collection system for PATH was approved. Working with the New York City's Metropolitan Transportation Authority (MTA) and the New Jersey Transit Corporation (NJT), the Port Authority will design the new system to allow the use of "smart" cards — plastic cards, the size of a credit card, with an embedded microchip. Using this technology, PATH riders, and eventually riders of other regional transit systems, will be able to deduct transit fare purchases against user accounts. The project, which has an estimated cost of $51 million, is expected to be in place on PATH within two years.

The Port Authority continued to support the Access to the Region's Core (ARC) planning study in partnership with NJT and the MTA. Expanding train operations at New York City's Pennsylvania Station complements commuter-rail investments underway in both New York and New Jersey. Equally important, the ARC project would reduce pressure on our trans-Hudson services.

The Port Authority supported advancement of a regional freight agenda by authorizing $50 million toward rail freight infrastructure improvements in both states. These projects, to be developed in cooperation with the New York and New Jersey Departments of Transportation, will mitigate truck traffic at our tunnels and bridges by facilitating freight movement across the Hudson River by rail.

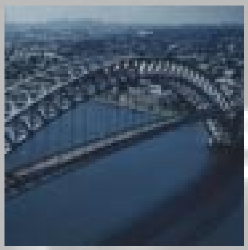
In order to balance port development initiatives with the environmental needs of the Port District, a $60 million bistate fund was committed to make critical natural resource acquisitions. We are working with local organizations to identify the land priorities that will yield the best value for the region.

Moving Forward

The aftermath of the September 11 attacks lingers as the Port Authority faces new challenges. The agency's 2002 operating results will be lower than expected one year ago; gross revenues are expected to decrease slightly. However, the Port Authority has been able to absorb the fiscal shocks associated with the World Trade Center's loss, in part because of the agency's excellent financial standing before September 11. Despite losses associated with September 11, agency reserves were $1.575 billion at the end of 2001, $100 million below the 2000 actual amount. By the end of 2002, it is anticipated that reserves may grow to $1.758 billion.

As we move forward, the Port Authority's long-term transportation investments will benefit residents and the working men and women of this region. The people of the region can look forward to restoration of PATH service to Lower Manhattan; reopening of PATH's Exchange Place station in Jersey City; continued progress on the AirTrain JFK project, with completion of the Howard Beach branch by the end of 2002; creation of a permanent ferry terminal at Battery Park City and development of a new ferry terminal at LaGuardia Airport; and major improvements at the region's seaports.

The spirit and dedication of our employees remains strong. We have the resources and the expertise to carry out the enormous responsibility that has been entrusted to us — rebuilding, protecting public safety, and continuing to improve the region's transportation facilities. As we carry out the agency's mission, we will keep close in our hearts the memory of those we lost on September 11, 2001 and dedicate the restoration of the region to them.

"Customer access to Port Authority Bus Terminal bus and fare information was greatly improved."

THE PORT AUTHORITY OF NY & NJ

225 Park Avenue South
New York, NY 10003-1604

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

The Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey, including its wholly-owned subsidiaries, for the year ended December 31, 2001, is enclosed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the Port Authority. To the best of my knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the Port Authority's financial results of operations, financial position, and cash flows 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.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, the letter of transmittal to the Governors, the Executive Director's Letter, a listing of the Commissioners comprising the Board, the Port Authority's organization chart, including a listing of Officers and Directors, and a Port Authority overview. The Financial Section includes the combined financial statements, schedules and notes as well as the auditors' report. The Statistical Section includes selected facility and demographic information.

Reporting Entity and its Services

The Port Authority of New York and New Jersey is a municipal corporate instrumentality and political subdivision of the states of New York and New Jersey, created in 1921 by Compact between the two States and thereafter consented to by the Congress of the United States, which undertakes only those projects authorized by the two States. The Port Authority presently has three wholly-owned subsidiaries: the Port Authority Trans-Hudson Corporation, the Newark Legal and Communications Center Urban Renewal Corporation and the New York and New Jersey Railroad Corporation. The Governor of each State appoints six of the twelve members of the governing Board of Commissioners. Actions taken by the Commissioners at Port Authority meetings are subject to a gubernatorial review period during which the Governors have power to veto the actions of Commissioners from their respective States.

The Compact envisions the Port Authority as being financially self-sustaining and, as such, it must raise the funds necessary for the improvement, construction or acquisition of its facilities generally upon the basis of its own credit. The Port Authority has neither the power to pledge the credit of either State or any municipality nor to levy taxes or assessments. It is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the Port District, which, as described and defined in the statutes creating the Port Authority, comprises an area of about 1,500 square miles in both States centering about New York Harbor.

Economic Condition and Outlook

The tragic events of September 11, 2001 are unprecedented in the history of our nation and the implications for the economy are also unparalleled. While it is difficult to totally isolate the ensuing effects of September 11 from the already slowing national economy, the aftermath of the attacks clearly deepened the contraction and could have been the major factor in edging the softening economy into recession. The nation's 10-year economic expansion officially ended in March 2001. The events of September 11 had a particularly damaging effect on the travel and tourism industry and therefore significantly dampened the performance of the regional economy. Also, most of the job reductions in the securities industry had been postponed until the fourth quarter of the year. As a result of deteriorating economic conditions, December 2001 employment levels in the 17-county metropolitan region had been reduced by 150,000 jobs compared to December 2000. Thus, the full impact of the job cuts on regional activity levels should be felt well into 2002.

Averaging employment over the entire 12 months of 2001, the New York and New Jersey region lost 2,500 jobs. This represents a marked slowdown from the 202,400 jobs generated in 2000. The numbers reflect the enormous damage that the events of September 11 wreaked on the region's economy.

Services were one of the few sectors of the economy to post job gains in 2001. The service sector of the region added 35,700 jobs. However, this total is about one-fourth of the gains registered in 2000. Business services, which include advertising, temporary help agencies, and computer-related services had dampened growth resulting from weak demand in the rest of the United States and abroad. Low mortgage rates and mild weather aided the construction sector of the economy, which added 7,400 jobs. Job losses were led by the manufacturing sector, which shed 28,400 jobs. Wholesale and retail trade lost 13,300 jobs; finance, insurance and real estate lost 4,000 jobs; and transportation, communications and public utilities declined by 600 jobs. The government sector of the economy gained 700 jobs.

Inflation in the region dipped to 2.5%, reflecting lower and more stable petroleum and natural gas prices. Regional inflation has remained at or below national inflation for the past nine years.

The national recession is expected to be average in length (11 months), but it is likely to be one of the mildest contractions on record. Record automobile and home purchases in the fourth quarter of 2001 helped to lift real Gross Domestic Product (GDP) growth to 1.7%, following a 1.3% decline in GDP in the third quarter. The large monetary and fiscal stimulus is likely to take full effect towards the end of 2002 into 2003. The Federal Reserve Board lowered interest rates 11 times in 2001, with the Federal Funds rate falling from 6.5% to 1.75%. The consumer, once again, has come to the rescue in helping to keep the recession mild. For the entire year, real personal consumption expenditures are estimated to have increased by 3.1%, in contrast to the 8% decline in private investment by the business sector of the economy. Real GDP is estimated to have increased 1.2% for the year, following the 4.1% gain in 2000. With both the United States and most world economies in recession, both United States imports and exports slowed in 2001. Merchandise imports declined 5.7% to $1.2 trillion, while exports fell 6.3% to $736 billion. Nonetheless, the merchandise trade deficit was still a very high $437 billion.

Additional information concerning current and future economic conditions and how they may impact on operations and the future commitment of Port Authority resources, as well as highlights of current and future initiatives and programs of the Port Authority are presented throughout the Introductory Section. So far as estimates of future revenues or expenditures of the Port Authority are given, they merely constitute estimates, which may or may not be actually realized; so far as statements are made regarding other estimates or future construction, development, plans or other matters, they merely constitute statements of expectations which may or may not be actually fulfilled.

Port Authority Information with Respect to the Events of September 11, 2001

On September 11, 2001 the World Trade Center and the Port Authority Trans-Hudson (PATH) terminal located under the World Trade Center were destroyed as a result of terrorist attacks. The World Trade Center consisted of two 110-story office towers, two nine-story office buildings, an eight-story office building, a 22-story hotel, a 47-story office building, an electrical substation, a retail shopping mall and a six-level sub-grade area located below the complex. There was substantial loss of life and personal property as well. Port Authority expenses through December 31, 2001 related to the destruction of the complex totaled $1.4 billion. In accordance with established accounting criteria, a $1.1 billion receivable equal to the net book value of the destroyed buildings, infrastructure and certain ancillary equipment has been recognized.

The September 11, 2001 terrorist attacks have had a substantially negative effect on air travel, which has impacted on revenues of the three major airports operated by the Port Authority. Immediately after September 11, 2001, air traffic at the Port Authority's three major airports declined by approximately 38%, but has gradually been improving. The Port Authority's revenues are somewhat insulated against dramatic downturns in the aviation industry, due to cost-recovery based agreements with the airlines operating at the airports and long-term fixed rental agreements for use of terminal buildings and other tenant-leased space. While the total amount recovered through flight fees does not change, the fees charged to individual airlines do vary based on the activity of such airlines. Areas having the greatest impact from the decline in passenger traffic at the airports are in parking fees, handling fees and consume services. However, these three revenue sources combined provide less than 25% of the Port Authority's gross revenues from the airports.

Other than the Holland Tunnel, all of the Port Authority's bridges and tunnels had fully re-opened by the morning of September 13, 2001. In addition, the *E-ZPass*SM electronic toll collection system had resumed operations, and the Port Authority Bus Terminal had re-opened and bus carriers had resumed service. The Holland Tunnel remained closed to all vehicles except emergency vehicles until October 15, 2001, and currently remains closed to commercial vehicles. In addition, a single-occupancy vehicle prohibition (which was instituted by the Port Authority on September 28, 2001, in cooperation with the City of New York) remains applicable to eastbound traffic through the Holland Tunnel and Lincoln Tunnel on weekdays between 6 A.M. and 10 A.M. Commercial vehicles using the George Washington Bridge are currently restricted to using the upper level.

Revenues from the Port Authority's marine terminal facilities were relatively unaffected by the September 11 terrorist attacks. The revenues generated by the marine terminal facilities are somewhat insulated from fluctuations in activity levels at the terminals because nearly 90% of these revenues are from fixed lease agreements.

In addition to the destruction of the PATH terminal located under the World Trade Center on September 11, PATH's Exchange Place station in Jersey City, New Jersey was rendered unusable by the attacks and has been closed since that date. On the evening of September 11, reconfigured train routes and schedules were implemented. Average weekday ridership has declined by 22% as passengers adjusted to new routes for commuting and office relocations. On December 13, 2001 the Port Authority and PATH acted to authorize the design and construction of a temporary PATH station at the World Trade Center site and the rehabilitation and expansion of the Exchange Place station. It is presently expected that these will be completed by December 2003 and June 2003, respectively.

The Port Authority is committed to working cooperatively with the Lower Manhattan Development Corporation and the Empire State Development Corporation, as well as federal, state and local entities, to contribute to the revitalization of Lower Manhattan.

Financial Systems, Structure and Control

The Port Authority's accounting records are maintained in conformity with accounting principles generally accepted in the United States of America and pursuant to the requirements of law and Port Authority bond resolutions. 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 and trade-offs across all agency businesses; and provides alternate financial scenarios of proposed business 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.

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.

To reasonably assure compliance with published policies and procedures and to protect the Port Authority's assets, a system of internal control has been developed. This system is strengthened and supplemented by internal auditors who conduct audits of the Port Authority's operations and report on management's performance to the Audit Committee of the Board of Commissioners. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgments by management.

Results of Operations:

Gross operating revenues totaled $2.7 billion in 2001, an increase of $66 million from 2000. This increase was primarily attributable to increased toll revenues at the Hudson River crossings and PATH passenger fares as a result of toll and fare increases that became effective March 25, 2001. This increase was partially offset by the decreases in World Trade Center tenant rentals due to the net leasing of various components of that facility on July 24, 2001. In addition, activity-dependent revenues such as parking and consumer services at John F. Kennedy International (JFK), LaGuardia (LGA) and Newark International (EWR) Airports decreased as a result of reduced airport activity after September 11, 2001.

Operating expenses totaled $1.7 billion in 2001, representing a decrease of $27 million from 2000. The decrease was primarily the result of reduced operational expenses due to the net leasing of the World Trade Center and decreased municipal rent payments for JFK, LGA and EWR Airports. These decreases were partially offset by increased expenses at the Port Authority's tunnels and bridges attributable to the administration of the *E-ZPass*℠ electronic toll collection system.

Portfolio Management

The Port Authority's investments consist of United States Government securities (including securities held pursuant to repurchase agreements and reverse repurchase agreements), securities of United States government agencies, commercial paper and JFK International Air Terminal LLC obligations (for certain costs attributable to the completion of the Terminal 4 project at JFK Airport). The Port Authority also employs interest rate exchange contracts in hedging strategies to minimize interest rate risk. The investment portfolio generated a return of $137 million in 2001, which includes unrealized gains and losses due to the fair valuation of investments held at year-end.

Invested In Facilities

Invested in facilities, pursuant to Port Authority bond resolutions, totaled $16.4 billion at December 31, 2001. Capital infrastructure investment totaled approximately $1.4 billion. Assets removed from service due to the destruction of the World Trade Center amounted to approximately $1.1 billion (including $38 million expended during 2001). The additional investment in Port Authority operating segments and major projects is primarily comprised of:

AIR TERMINALS — $1 BILLION

- AirTrain JFK and Northeast Corridor Connection at EWR Airport;
- Improvements to buildings, system modernizations and parking facilities;
- Roadways, runways and taxiways.

INTERSTATE TRANSPORTATION NETWORK — $199 MILLION

- Mechanical, structural and electrical improvements;
- Roadway improvements;
- Station, track and building improvements;
- George Washington and Goethals Bridge painting.

PORT COMMERCE FACILITIES — $97 MILLION

- Track improvements for the ExpressRail facility;
- Berth and wharf improvements;
- Roadway, utility and building improvements;
- Channel dredging.

ECONOMIC AND WATERFRONT DEVELOPMENT — $15 MILLION

- Waterfront development programs;
- Building improvements.

Net Lease Transactions

On July 24, 2001, the Port Authority entered into net lease agreements with respect to One, Two, Four and Five World Trade Center with single purpose entities established by Silverstein Properties, Inc., and with respect to the retail components of the World Trade Center, with a single purpose entity established by Westfield America, Inc. In addition, on December 21, 2001, the Newark Legal and Communications Center Urban Renewal Corporation, a wholly-owned subsidiary of the Port Authority, entered into a net lease agreement with Matrix One Riverfront Plaza, LLC, with respect to the Newark Legal and Communications Center.

Passenger Facility Charge Program

In 1992, the Federal Aviation Administration (FAA) granted the Port Authority the right to impose a Passenger Facility Charge (PFC) at LGA, JFK and EWR Airports to be collected by the airlines on behalf of the Port Authority. The Port Authority has been authorized to collect an aggregate amount, including interest, up to $1.7 billion, net of air carrier handling charges. PFC eligible projects approved by the FAA include AirTrain (a light rail system linking the passenger terminals within JFK Airport with existing transit lines in Jamaica and Howard Beach, Queens), the implementation of the monorail and landside access at EWR, and the monorail extension linked to the northeast corridor rail line used by Amtrak and New Jersey Transit Corporation. As of December 31, 2001, total cumulative gross investment provided by PFCs in connection with the ground access projects amounted to $1.1 billion. The amount of PFCs available for and restricted to future PFC project payments was $11 million.

Risk Management

The Port Authority uses a combination of risk retention, risk transfer and structured safety management and loss control programs in an attempt to avoid losses resulting from property damage and personal injury. The Port Authority carries 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 or 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.

Debt Management

As of December 31, 2001, outstanding obligations of the Port Authority pursuant to Port Authority bond resolutions totaled $7.3 billion, which is comprised of Consolidated Bonds, Commercial Paper Notes, Variable Rate Master Notes, Versatile Structure Obligations (VSO) and Equipment Notes. The total amount of outstanding obligations in connection with Special Project Bonds as of December 31, 2001 was $1.5 billion. The total debt service pursuant to Port Authority bond resolutions was $498 million exclusive of amounts relating to the Equipment Notes and Special Project Bonds. Capitalized interest added to the cost of facilities totaled $83 million. In 2001, the Port Authority issued Consolidated Bonds, one hundred twenty-second, one hundred twenty-third and one hundred twenty-fourth series in an aggregate principal amount of $650 million while refunding and retiring $451 million of outstanding bonds.

The following is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority:

OBLIGATION	S&P	FITCH	MOODY'S
Consolidated Bonds	AA-	AA-	A1
Commercial Paper*	A-1+	F-1+	P-1
VSO short term*	A-1+	F-1+	VMIG1
VSO long term	A-	A+	A2

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any securities or as to the market price or suitability of any securities for a particular investor. Subsequent to September 11, 2001, Standard & Poor's placed all United States and Canadian Airports as well as the Port Authority of New York and New Jersey on credit watch with negative implications. Fitch changed the Port Authority's outlook to negative from stable. Moody's changed the Port Authority's outlook to uncertain from positive. None of the agencies changed the basic rating.An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. Credit ratings are not assigned to variable rate master notes and equipment notes.

*Ratings assigned to these financial instruments are the highest ratings for short-term obligations given by each of the rating agencies.

In addition, the Port Authority had an outstanding obligation, as of December 31, 2001, to pay $426 million to the States of New York and New Jersey as a result of the termination of the Fund for Regional Development.

Reserve Funds

At December 31, 2001, the General Reserve Fund balance was approximately $880 million, satisfying the General Reserve Fund statutes, and the Consolidated Bond Reserve Fund had a balance of approximately $695 million. The sum of the reserve fund balances exceeded the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

Independent Audit

A firm of independent auditors is retained each year to conduct an audit of the financial statements of the Port Authority in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. In planning and performing such audits, consideration is given to the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The auditors meet directly with the Audit Committee of the Board of Commissioners. The independent auditors' report is included in the Financial Section.

Responsibilities of the Audit Committee of the Board of Commissioners

Consistent with best industry practices, the Audit Committee, in consultation with the independent auditors and the management of the Port Authority, provides oversight of the quality and integrity of the accounting, auditing and financial reporting processes. The Audit Committee also reviews the performance and independence of the independent auditors, who are required to provide written disclosure and discuss with the Committee any significant relationships or issues, which would have a bearing on their independence.

Certificate of Achievement

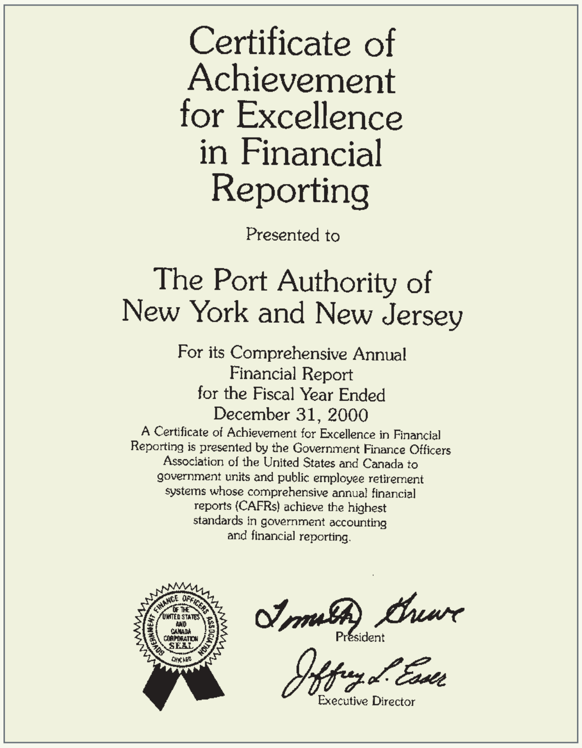
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2000. This was the seventeenth consecutive year that the Port Authority has 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 satisfy both generally accepted accounting principles 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 28, 2002

Original signed by:

Charles F. McClafferty
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, 2000

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 SEVENTEENTH 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 2000 COMPREHENSIVE ANNUAL FINANCIAL REPORT.

FINANCIAL SECTION

prepared by

THE COMPTROLLER'S DEPARTMENT


206

REPORT OF INDEPENDENT AUDITORS

Deloitte & Touche LLP
Two Hilton Court
P.O. Box 319
Parsippany, New Jersey 07054-0319

Tel: (973) 683-7000
Fax: (973) 683-7459
www.us.deloitte.com

Deloitte & Touche

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

We have audited the accompanying combined statements of financial position of The Port Authority of New York and New Jersey, which includes its wholly-owned subsidiaries, (the Port Authority) as of December 31, 2001 and 2000, and the related combined statements of income and cash flows for the years then ended. We also audited the financial information included in Schedules A, B, and C. These 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 generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Port Authority as of December 31, 2001 and 2000, and the combined results of its operations and its combined 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, 2001 and 2000, and the revenues and reserves for the years then ended in conformity with the accounting principles described in Note A-2.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2002, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in Note A to the financial statements, in 2001 the Port Authority changed its method of accounting for contributions in aid of construction to conform to Governmental Accounting Standards Board No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Deloitte & Touche LLP

February 28, 2002

Deloitte
Touche
Tohmatsu

COMBINED STATEMENTS OF INCOME

	Year ended December 31, 2001			2000
	Port Authority Operations	**PFC Program**	**Combined**	Combined
		(in thousands)		
Gross operating revenues	$2,714,802	$ —	**$2,714,802**	$2,648,328
Operating expenses:				
Employee compensation, including benefits	647,148	—	**647,148**	638,821
Contract services	595,153	—	**595,153**	613,795
Materials, equipment and other	169,235	—	**169,235**	147,596
Utilities	140,928	—	**140,928**	142,935
Rents and amounts in-lieu-of taxes	96,137	—	**96,137**	131,344
Interest on Special Project Bonds	97,195	—	**97,195**	97,870
Total operating expenses	1,745,796	—	**1,745,796**	1,772,361
Expenses related to the events of September 11, 2001, net of insurance recoveries	270,334	—	**270,334**	—
Depreciation of facilities	414,817	7,922	**422,739**	410,936
Amortization of costs for regional and other programs	20,014	—	**20,014**	19,749
Income from operations	263,841	(7,922)	**255,919**	445,282
PFC revenues	—	113,487	**113,487**	120,404
Financial income and expense:				
Income on investments	76,711	269	**76,980**	97,307
Net increase in fair value of investments	66,921	717	**67,638**	69,721
Interest expense in connection with bonds and other asset financing	(338,332)	—	**(338,332)**	(361,912)
Gain on disposition of assets	—	—	**—**	1,620
Contributions in aid of construction	40,070	—	**40,070**	—
Net income	109,211	106,551	**215,762**	372,422
Add depreciation of assets acquired with contributions in aid of construction	—	—	**—**	31,686
Net income invested in Port Authority facilities, operations and reserves	109,211	106,551	**215,762**	404,108
Retained earnings, January 1	3,630,044	921,837	**4,551,881**	4,147,773
Retained earnings invested in Port Authority facilities, operations and reserves, December 31	$3,739,255	$1,028,388	**$4,767,643**	$4,551,881

See Notes to Combined Financial Statements.

COMBINED STATEMENTS OF FINANCIAL POSITION

	December 31, 2001			2000
	Port Authority Operations	**PFC Program**	**Combined**	Combined
		(in thousands)		
ASSETS				
Current assets:				
Cash	$ 46,735	$ —	**$ 46,735**	$ 52,731
Investments	2,064,680	—	**2,064,680**	1,118,179
Current receivables, net	271,213	11,162	**282,375**	334,713
Other current assets	62,862	—	**62,862**	55,186
Total current assets	2,445,490	11,162	**2,456,652**	1,560,809
Noncurrent assets:				
Investments	896,985	—	**896,985**	1,195,321
Other amounts receivable, net	1,317,440	—	**1,317,440**	338,461
Deferred charges and other noncurrent assets	150,523	—	**150,523**	443,136
Unamortized costs for Fund buy-out	—	—	**—**	402,348
Amounts receivable — Special Project Bonds	1,439,512	—	**1,439,512**	1,449,980
Unamortized costs for regional and other programs	417,809	—	**417,809**	433,114
Facilities, net	7,936,014	1,017,226	**8,953,240**	9,066,896
Total noncurrent assets	12,158,283	1,017,226	**13,175,509**	13,329,256
Total assets	14,603,773	1,028,388	**15,632,161**	14,890,065
LIABILITIES				
Current liabilities:				
Accounts payable	534,946	—	**534,946**	460,944
Accrued interest and other current liabilities	246,411	—	**246,411**	218,795
Accrued payroll and other employee benefits	80,690	—	**80,690**	68,400
Current portion bonds and other asset financing obligations	798,735	—	**798,735**	671,563
Total current liabilities	1,660,782	—	**1,660,782**	1,419,702
Noncurrent liabilities:				
Accrued pension and other noncurrent employee benefits	429,850	—	**429,850**	376,649
Other noncurrent liabilities	101,598	—	**101,598**	77,438
Amounts payable — Special Project Bonds	1,439,512	—	**1,439,512**	1,449,980
Bonds and other asset financing obligations	6,821,086	—	**6,821,086**	6,602,725
Total noncurrent liabilities	8,792,046	—	**8,792,046**	8,506,792
Total liabilities	10,452,828	—	**10,452,828**	9,926,494
NET ASSETS	$ 4,150,945	$1,028,388	**$ 5,179,333**	$ 4,963,571
Net assets are composed of:				
Retained earnings invested in Port Authority facilities, operations and reserves	$ 3,739,255	$1,028,388	**$ 4,767,643**	$ 4,551,881
Contributions in aid of construction	411,690	—	**411,690**	411,690
Net assets	$ 4,150,945	$1,028,388	**$ 5,179,333**	$ 4,963,571

See Notes to Combined Financial Statements.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2001			2000
	Port Authority Operations	**PFC Program**	**Combined**	Combined
	(in thousands)			
1. Cash flows from operating activities:				
Cash received from operations	$ 2,613,520	$ —	**$ 2,613,520**	$ 2,431,553
Cash paid to suppliers	(843,830)	—	**(843,830)**	(829,294)
Cash paid to or on behalf of employees	(582,840)	—	**(582,840)**	(582,791)
Cash paid to municipalities	(113,595)	—	**(113,595)**	(144,597)
Payments related to the events of September 11, 2001	(82,532)	—	**(82,532)**	—
Net cash provided by operating activities	990,723	—	**990,723**	874,871
Cash flows from capital and related financing activities:				
Proceeds from sales of capital obligations	504,300	—	**504,300**	296,493
Principal paid on capital obligations	(202,730)	—	**(202,730)**	(213,845)
Proceeds from capital obligations issued for refunding purposes	1,316,418	—	**1,316,418**	1,391,497
Principal paid through capital obligations refundings	(1,316,418)	—	**(1,316,418)**	(1,391,497)
Interest paid on capital obligations	(370,752)	—	**(370,752)**	(372,404)
Investment in facilities and construction of capital assets	(1,084,218)	(150,715)	**(1,234,933)**	(1,047,142)
Investment in regional and other programs	(4,340)	—	**(4,340)**	(7,019)
Net proceeds — leasing activities	632,688	—	**632,688**	—
Insurance proceeds	32,300	—	**32,300**	—
Proceeds from disposition of facilities	—	—	**—**	2,108
Proceeds from passenger facility charges	—	117,023	**117,023**	120,393
Financial income allocated to capital projects	4,887	—	**4,887**	7,496
Interest paid on equipment notes	(2,860)	—	**(2,860)**	(3,677)
Principal paid on equipment notes	—	—	**—**	(2,950)
Proceeds from sale of equipment notes	27,900	—	**27,900**	—
Payments for Fund buy-out obligation	(28,063)	—	**(28,063)**	(28,063)
Contributions in aid of construction	26,588	—	**26,588**	28,408
Net cash used for capital and related financing activities	(464,300)	(33,692)	**(497,992)**	(1,220,202)
Cash flows from investing activities:				
Purchase of investment securities	(28,919,702)	(117,023)	**(29,036,725)**	(10,679,068)
Proceeds from maturity and sale of investment securities	28,307,593	150,263	**28,457,856**	10,935,715
Interest received on investment securities	62,570	452	**63,022**	78,823
Miscellaneous financial income	17,120	—	**17,120**	18,349
Net cash (used for) provided by investing activities	(532,419)	33,692	**(498,727)**	353,819
Net (decrease) increase in cash	(5,996)	—	**(5,996)**	8,488
Cash at beginning of year	52,731	—	**52,731**	44,243
Cash at end of December 31	$ 46,735	$ —	**$ 46,735**	$ 52,731

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

See Notes to Combined Financial Statements.

COMBINED STATEMENTS OF CASH FLOWS (continued)

	Year ended December 31, 2001			2000
	Port Authority Operations	**PFC Program**	**Combined**	Combined
		(in thousands)		
2. Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	$263,841	$(7,922)	**$255,919**	$445,282
Adjustments to reconcile income from operations				
to net cash provided by operating activities:				
Depreciation of facilities	414,817	7,922	**422,739**	410,936
Amortization of costs for Regional				
and Other Programs	20,014	—	**20,014**	19,749
Amortization of other assets	220,010	—	**220,010**	71,110
Change in operating assets and operating liabilities:				
Decrease (increase) in receivables	35,119	—	**35,119**	(89,374)
Increase in prepaid expenses	(49,747)	—	**(49,747)**	(67,550)
Decrease in deferred costs	2,313	—	**2,313**	2,890
Increase in payables	12,660	—	**12,660**	17,954
Increase in employee benefits	65,492	—	**65,492**	56,030
Increase (decrease) in other liabilities	11,359	—	**11,359**	(2,188)
(Decrease) increase in deferred income	(5,155)	—	**(5,155)**	10,032
Total adjustments	726,882	7,922	**734,804**	429,589
Net cash provided by operating activities	$990,723	$ —	**$990,723**	$874,871

3. Capital obligations:

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

4. Noncash capital financing activity:

Noncash activity of $96,880,000 in 2001 and $103,332,000 in 2000 includes amortization of discount and premium on consolidated bonds, 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 Combined Financial Statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING POLICIES

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. 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 in the form of tolls, fares, fees, rentals and other user charges.

b) The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiaries, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation and the New York and New Jersey Railroad Corporation.

In its accounting and financial reporting, the Port Authority follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

c) The Passenger Facility Charge (PFC) Program is accounted for as a separate enterprise fund of the Port Authority since, pursuant to Federal law, amounts attributable to collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration approved airport related projects. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and reported as nonoperating revenue in the year the fees are due from the air carriers. PFC revenue applied to eligible projects is reflected as a component of "Facilities, net" on the Combined Statements of Financial Position.

d) During 2001, the Port Authority implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". GASB Statement No. 33 requires that funding provided by federal, state and other entities be recognized as nonoperating revenue in the Combined Statements of Income. Statement No. 33 does not require that amounts reported in prior financial statements be restated. Therefore during 2000, contributions in aid of construction were recorded in accordance with prior accounting standards as an addition to net assets.

e) Facilities are carried at cost. Facilities do not include regional and other 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). Capital costs for facilities include net interest expense incurred from the date of issuance of debt for purposes of a capital project until such project is completed and ready for its intended use (see Note B).

f) Depreciation of facilities is computed on the straight-line method based on estimated useful lives of the related assets. Costs of regional and other programs are amortized on a straight-line basis (see Note H). Certain operating costs which provide benefits for periods exceeding one year are deferred and amortized over the period benefited.

g) All Port Authority investments whose values are affected by interest rate changes have been reported at their fair value, using published market prices.

The Port Authority may use a variety of financial instruments to assist in the management of its financing and investment objectives. The Port Authority also employs hedging strategies to minimize interest rate risk and enters into various derivative instruments, including interest rate option contracts, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (see Note C) and interest rate exchange contracts (swaps) (see Note D).

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

i) Net income (loss) presented by operating segment (see Note K) consists of "Income from operations" less net interest expense, an adjustment for gain (loss) on disposition of assets, and the addition of contributions in aid of construction. Net interest expense (interest expense less financial income) that cannot be specifically identified with any particular operating segment is allocated to all operating segments on the basis of unamortized investment in use (completed construction less accumulated depreciation). Financial income or interest expense which can be specifically identified with a particular facility within an operating segment is credited/charged directly to that segment. Gain or loss generated by the disposition of assets and contributions in aid of construction are included in the calculation of net income (loss) for the operating segment in which the assets were included. Contributions in aid of construction are identified and credited to specific facilities within an operating segment.

j) Inventories are valued at average cost.

k) Environmental contamination treatment 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.

l) Cash consists of cash on hand and demand deposits.

m) The 2000 financial statements contain the reclassification of certain amounts, which have been made in order to conform to the classifications used in 2001.

2. RECONCILIATION OF COMBINED STATEMENTS TO SCHEDULES PREPARED PURSUANT TO BOND RESOLUTIONS

Schedules A, B, and C, which follow the notes to the combined 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, as follows:

The revenues, expenses of facilities, and contributions in aid of construction 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.

The Port Authority's 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.

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.

Charges for regional and other programs are included in "Invested in facilities" in accordance with Port Authority bond resolutions.

Consolidated Bonds 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.

Furthermore, 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 Combined Statements to Schedules A and B follows:

COMBINED STATEMENTS OF INCOME TO SCHEDULE A, REVENUES AND RESERVES

	Year ended December 31, 2001	2000
	(in thousands)	
Net income reported on Combined Statements of Income	**$ 215,762**	$372,422
Add: Depreciation of facilities	**422,739**	410,936
Amortization of costs for regional and other programs	**20,014**	19,749
Amortization of discount and premium	**9,019**	9,694
Gain on disposition of assets	**—**	(1,620)
	667,534	811,181
Less: Debt maturities and retirements	**176,640**	158,435
Call premiums on refunded bonds	**2,542**	3,777
Repayment of commercial paper obligations	**1,090**	10
Debt retirement acceleration	**25,000**	60,000
Appropriations for self-insurance	**(14,270)**	5,101
Direct investment in facilities	**462,129**	404,388
PFC revenue	**113,487**	120,404
PFC income on investments (including net increase in fair value of investments)	**986**	4,322
	767,604	756,437
(Decrease) increase in reserves reported on Schedule A, Revenues and Reserves (pursuant to Port Authority bond resolutions)	**$(100,070)**	$ 54,744

COMBINED STATEMENTS OF FINANCIAL POSITION TO SCHEDULE B, ASSETS AND LIABILITIES

	December 31, 2001	2000
	(in thousands)	
Net assets reported on Combined Statements of Financial Position	**$ 5,179,333**	$ 4,963,571
Add: Accumulated depreciation of facilities	**4,776,180**	5,282,556
Accumulated retirements and gains and losses on disposal of invested in facilities	**1,486,417**	557,302
Cumulative amortization of costs for regional and other programs (including retired assets)	**595,238**	575,224
Cumulative amortization of discount and premium	**47,685**	41,209
	12,084,853	11,419,862
Less: Deferred income in connection with PFCs	**11,162**	47,405
Net assets reported on Schedule B, Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$12,073,691**	$11,372,457

Passenger Facility Charges are deferred until spent on approved project costs consistent with Port Authority bond resolutions. Unspent PFC program amounts are a Port Authority liability, which are reflected as "Deferred income in connection with PFCs". A reconciliation of net income, PFC program to net income from sources other than operations attributable to PFCs (pursuant to Port Authority bond resolutions) follows:

	Year ended December 31, 2001	2000
	(in thousands)	
Net income, PFC program	**$ 106,551**	$ 118,496
Add: Depreciation of PFC facilities	**7,922**	6,230
Less: Direct PFC project payments	**(150,715)**	(263,671)
Transfer from deferred income in connection with PFCs	**36,242**	138,945
Net income from sources other than operations attributable to PFCs (pursuant to Port Authority bond resolutions)	**$ 0**	$ 0

NOTE B FACILITIES

1. Facilities, net is comprised of the following:

	December 31, 2001	2000
	(in thousands)	
Completed construction:		
Interstate Transportation Network	**$ 3,750,378**	$ 3,679,809
Air Terminals (including PFC program)	**5,970,016**	5,086,381
Port Commerce	**1,360,409**	1,313,274
Economic and Waterfront Development	**320,944**	319,704
World Trade	**77,469**	1,722,888
	11,479,216	12,122,056
Construction in progress	**2,250,204**	2,227,396
Facilities	**13,729,420**	14,349,452
Less accumulated depreciation	**4,776,180**	5,282,556
Facilities, net	**$ 8,953,240**	$ 9,066,896

Amounts for 2001 reflect reductions for assets removed from service due to the destruction of the World Trade Center (see Note L). Remaining 2001 World Trade amounts are primarily attributable to original land acquisition and improvement costs.

2. Asset lives used in the calculation of depreciation are generally as follows:

Tunnels and bridges	100 years
Buildings	25 to 50 years
Runways and other paving	10 to 20 years
Machinery and equipment	5 to 35 years

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

3. Net interest expense added to the cost of facilities was $72,657,000 in 2001 and $46,157,000 in 2000.

NOTE C CASH AND INVESTMENTS

1. The components of cash and investments are:

	December 31, 2001	2000
	(in thousands)	
CASH		
Cash on hand	**$ 1,825**	$ 1,140
Demand deposits	**44,910**	51,591
Total cash	**$46,735**	$52,731

	December 31, 2001	2000
	(in thousands)	
INVESTMENTS		
United States Treasury notes	**$ 819,058**	$1,030,567
United States Treasury bills	**974,732**	821,331
United States government agency obligations	**690,540**	272,579
Commercial paper notes	**249,544**	—
United States Treasury obligations held pursuant to repurchase agreements	**137,384**	175,451
JFK International Air Terminal LLC obligations	**80,200**	—
Accrued interest receivable	**10,207**	13,572
Total investments	**2,961,665**	2,313,500
Less current investments	**2,064,680**	1,118,179
Noncurrent investments	**$ 896,985**	$1,195,321

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 targeted 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 targeted daily balance. 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 $1,000,000.

Total actual bank balances were $34,112,000 as of December 31, 2001. In accordance with the aforementioned policy, $30,219,000 was either secured through the FDIC or was fully collateralized by collateral held by a bank acting as the Port Authority's agent and held by such bank in the Port Authority's name. The balance of $3,893,000 was not collateralized.

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

Proceeds of “Bonds and other asset financing obligations” are 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, the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund. Operating funds may presently be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises, investment grade negotiable certificates of deposit, negotiable bankers’ acceptances, commercial paper, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts with primary dealers in United States Treasury securities, obligations of JFK International Air Terminal LLC, for certain costs attributable to the completion of the passenger terminal project, and in securities of Prudential Financial, Inc. distributed to the Port Authority or PATH as a result of the demutualization of the Prudential Insurance Company of America. The Board has from time to time authorized other investments of operating funds.

The passenger terminal lease with JFK International Air Terminal LLC (“JFKIAT”) was amended during 2001 to provide for, among other items, the Port Authority to invest up to $180 million of operating funds to be used by JFKIAT for certain costs attributable to the completion of its passenger terminal project at John F. Kennedy International Airport (“JFK”). Payments by JFKIAT to the Port Authority on account of such investment (the “JFKIAT payment obligation”) are to be made on a subordinated basis to certain other rental obligations of JFKIAT under such lease, including facility rental pledged to the payment of debt service on Special Project Bonds, Series 6 (see Note D-2). The JFKIAT payment obligation is based on a schedule of annual payments and is subject to prepayment in whole, and, with the Port Authority’s consent, in part. The JFKIAT payment obligation provides for a semiannual payment equivalent to interest at the rate of 6.375% per annum, until final payment. Annual payments commence on December 1, 2005 and have a final payment date of December 1, 2015, with an automatic extension to December 1, 2025 in the event that the Port Authority’s lease with the City of New York for JFK and LaGuardia Airport is extended to at least December 31, 2025.

The Port Authority has entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. Although there were no investments in reverse repurchase agreements at December 31, 2001, during 2001 reverse repurchase agreements in effect at any one time ranged as high as $541,431,000. Repurchase agreements in effect at any one time during 2001 ranged as high as $636,208,000.

NOTE D OUTSTANDING OBLIGATIONS AND FINANCING

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.

1. OUTSTANDING BONDS AND OTHER ASSET FINANCING OBLIGATIONS

		December 31, 2001	
	Current	Noncurrent	Total
		(in thousands)	
A. Consolidated bonds	$181,250	$5,762,995	$5,944,245
B. Commercial paper notes	356,880	—	356,880
C. Variable rate master notes	214,990	—	214,990
D. Versatile structure obligations	5,400	560,600	566,000
E. Port Authority equipment notes	5,000	107,100	112,100
F. Fund buy-out obligation	35,215	390,391	425,606
	$798,735	$6,821,086	$7,619,821

		December 31, 2000	
	Current	Noncurrent	Total
		(in thousands)	
A. Consolidated bonds	$171,340	$5,560,877	$5,732,217
B. Commercial paper notes	251,885	—	251,885
C. Variable rate master notes	214,990	—	214,990
D. Versatile structure obligations	5,285	566,015	571,300
E. Port Authority equipment notes	—	84,200	84,200
F. Fund buy-out obligation	28,063	391,633	419,696
	$671,563	$6,602,725	$7,274,288

A. CONSOLIDATED BONDS

		Dec. 31, 2000	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2001
			(in thousands)		
Thirty-first series	4% due 2002	$ 10,000	$ —	$ 10,000	$ —
Thirty-second series	5% due 2003	15,000	—	15,000	—
Thirty-third series	4 3/4% due 2003	15,000	—	15,000	—
Sixty-ninth series (a)	6.9%-7.1% due 2001-2011	23,634	1,762	2,155	23,241
Seventy-first series	6 1/2%-7% due 2006-2026	78,000	—	78,000	—
Seventy-second series	7.4% due 2012, 7.35% due 2027	100,000	—	—	100,000
Seventy-third series*	6 1/2%-6 3/4% due 2006-2026	100,000	—	100,000	—
Seventy-fourth series (b)	6.2%-6 3/4% due 2001-2026	104,109	1,915	77,900	28,124
Seventy-sixth series*	6.3%-6 1/2% due 2006-2026	100,000	—	—	100,000
Seventy-seventh series*	6 1/8%-6 1/4% due 2007-2027	100,000	—	—	100,000
Seventy-eighth series	6%-6 1/2% due 2001-2011	76,200	—	3,300	72,900
Seventy-ninth series	5.6%-6% due 2001-2005	35,065	—	7,130	27,935
Eightieth series	5.6%-6% due 2001-2005	17,695	—	3,580	14,115
Eighty-first series	5.1%-5.8% due 2001-2014	94,295	—	5,800	88,495
Eighty-second series	5.1%-5.8% due 2001-2013	75,300	—	4,500	70,800
Eighty-third series	5.6%-6 3/8% due 2001-2017	82,565	—	2,945	79,620
Eighty-fourth series*	5 3/4%-6% due 2008-2028	97,250	—	—	97,250
Eighty-fifth series	5%-5 3/8% due 2008-2028	98,000	—	—	98,000
Eighty-sixth series	4 1/2%-5.2% due 2001-2012	90,855	—	10,080	80,775
Eighty-seventh series	4 1/2%-5 1/4% due 2001-2021	90,690	—	2,100	88,590
Eighty-eighth series	4.2%-4 3/4% due 2001-2008	113,765	—	19,415	94,350
Eighty-ninth series	4 1/4%-5 1/8% due 2001-2021	94,000	—	2,570	91,430
Ninetieth series**	5.8%-6 1/8% due 2001-2005	37,065	—	6,585	30,480
Ninety-first series	4.4%-5.2% due 2001-2020	266,805	—	6,890	259,915
Ninety-second series	4 3/4%-5 5/8% due 2009-2029	90,680	—	—	90,680
Ninety-third series	6 1/8% due 2094	100,000	—	—	100,000
Ninety-fourth series	5.1%-6% due 2003-2017	100,000	—	—	100,000
Ninety-fifth series*	5 1/2%-6 1/8% due 2005-2029	95,000	—	—	95,000
Ninety-sixth series*	5.6%-6.6% due 2003-2023	100,000	—	—	100,000
Ninety-seventh series*	6%-7.1% due 2003-2023	100,000	—	—	100,000
Ninety-eighth series*	5.7%-6.2% due 2005-2015	100,000	—	—	100,000
Ninety-ninth series*	5 1/4%-7% due 2004-2015	86,000	—	—	86,000
One hundredth series	5 5/8%-5 3/4% due 2010-2030	135,000	—	—	135,000
One hundred first series*	5%-6% due 2001-2015	83,235	—	3,840	79,395
One hundred second series (c)	5.1%-5 7/8% due 2007-2027	120,000	—	—	120,000
One hundred third series	4.4%-5 1/4% due 2001-2014	71,500	—	3,500	68,000
One hundred fourth series	4 3/4%-5.2% due 2011-2026	150,000	—	—	150,000
One hundred fifth series*	5%-6 1/4% due 2001-2016	128,690	—	5,845	122,845
One hundred sixth series*	5%-6% due 2001-2016	87,300	—	3,600	83,700
One hundred seventh series*	4.9%-6% due 2004-2016	100,000	—	—	100,000
One hundred eighth series*	4 3/4%-6% due 2001-2017	135,360	—	5,290	130,070
One hundred ninth series	5 3/8%-5 1/2% due 2012-2032	150,000	—	—	150,000
One hundred tenth series*	4.375%-5.375% due 2001-2017	90,475	—	3,460	87,015
One hundred eleventh series	5% due 2012-2032	100,000	—	—	100,000
One hundred twelfth series*	4 1/2%-5 1/4% due 2001-2018	140,435	—	5,080	135,355
One hundred thirteenth series	4%-4 3/4% due 2001-2013	129,750	—	12,000	117,750
One hundred fourteenth series	4 3/4%-5 1/2% due 2013-2033	100,000	—	—	100,000
One hundred fifteenth series	3 7/8%-4 3/8% due 2001-2008	53,000	—	6,000	47,000
One hundred sixteenth series	4 1/4%-5 1/4% due 2005-2033	450,000	—	—	450,000
One hundred seventeenth series*	4%-5 1/8% due 2001-2018	92,995	—	3,590	89,405
One hundred eighteenth series	4%-5.35% due 2001-2014	93,500	—	6,500	87,000
One hundred nineteenth series*	4.75%-5.875% due 2001-2019	291,400	—	9,655	281,745
One hundred twentieth series*	4 1/2%-6% due 2001-2035	300,000	—	9,245	290,755
One hundred twenty-first series	5%-5 1/2% due 2016-2022	200,000	—	—	200,000
One hundred twenty-second series*	5%-5 1/2% due 2002-2036	—	250,000	—	250,000
One hundred twenty-third series	4 3/4%-5% due 2017-2036	—	100,000	—	100,000
One hundred twenty-fourth series*	4%-5% due 2002-2036	—	300,000	—	300,000
Consolidated bonds pursuant to Port Authority bond resolutions (d)		5,889,613	$653,677	$450,555	6,092,735
Less unamortized discount and premium (e)		157,396			148,490
Consolidated bonds		$5,732,217			$5,944,245

A. CONSOLIDATED BONDS (continued)

a) Includes $12,388,000 (initial amounts) 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 2000 to 2011, in total aggregate maturity amounts of $38,270,000.

b) Includes $14,204,000 (initial amounts) 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 2002 to 2014, in total aggregate maturity amounts of $44,555,000.

c) Approximately $110,000,000 of the proceeds of Consolidated Bonds, one hundred second series was allocated to the purchase of U.S. Treasury securities which are expected to provide for both the refunding on the first call date and the payment of interest through the first call date (October 1, 2002) on Consolidated Bonds, seventy-second series.

d) Debt service on Consolidated Bonds outstanding on December 31, 2001 is:

Year ending December 31:	Principal	Interest	Debt Service
		(in thousands)	
2002	$ 181,250	$ 321,073	$ 502,323
2003	197,495	312,384	509,879
2004	212,630	302,700	515,330
2005	226,510	292,034	518,544
2006	232,085	280,787	512,872
2007-2094	5,070,105	3,492,594	8,562,699
	$6,120,075	$5,001,572	$11,121,647

Total principal of $6,120,075 shown above differs from the total Consolidated Bonds pursuant to Port Authority bond resolutions of $6,092,735 because of differences in the par value at maturity of the capital appreciation bonds of $27,340.

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

The Board of Commissioners has authorized the issuance of Consolidated Bonds one hundred twenty-fifth series through one hundred thirty-fourth series, in aggregate principal amount of up to $300 million of each series, and Consolidated Notes, Series TT, UU, VV, WW and XX of up to $200 million in aggregate principal amount of each series.

The Port Authority operates John F. Kennedy International and LaGuardia Airports under a lease agreement with the City of New York, which expires in 2015. During 1994, the City of New York suspended negotiations to extend the lease term. In this context, the Port Authority initiated a program to accelerate the retirement of certain Consolidated Bonds that were outstanding as of December 31, 1994, with maturities extending beyond 2015. If the lease agreement is not extended beyond 2015 and the program continues through the year 2015, all such Consolidated Bonds (with the exception of Consolidated Bonds, ninety-third series) outstanding as of December 31, 1994, with maturities beyond 2015 would be retired. Additionally, from 1994 through 1999 the Port Authority limited the maturity on its future private activity Consolidated Bonds (proceeds of which are used primarily at the airports) to twenty years from the date of issue. Beginning in 2000, the principal amount of each series of private activity Consolidated Bonds equal to the amount of such series allocated to John F. Kennedy International and/or LaGuardia Airports is scheduled to mature on or before December 31, 2015, while the balance of such series is scheduled to have a final maturity date of up to 35 years. The continuation of the program of accelerated retirements and the maturity limitations, in each case, is subject to change at the discretion of the Port Authority. (See Note G.)

During 2001 the Port Authority refunded $254,215,000 in outstanding consolidated bonds. Although the refundings resulted in an additional cash outlay (consisting of call premiums) of $2,542,000, the Port Authority in effect reduced its aggregate debt service payments by approximately $115,967,000 over the life of the refunded issues. The economic gain resulting from the debt refunding (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) is worth approximately $37,764,000 in present value savings to the Port Authority.

B. COMMERCIAL PAPER NOTES

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

	Dec. 31, 2000	Issued	Refunded/ Repaid	Dec. 31, 2001
		(in thousands)		
Series A*	$ 92,070	$ 583,984	$ 506,068	$169,986
Series B	159,815	584,304	557,225	186,894
	$251,885	$1,168,288	$1,063,293	$356,880

Interest rates for all commercial paper notes ranged in 2001 from 1.25% to 4.0%.

As of February 28, 2002, commercial paper notes outstanding totalled $368,910,000.

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, 2000	Issued	Refunded/ Repaid	Dec. 31, 2001
		(in thousands)		
Agreements 1989-1995*	$ 94,900	$ —	$ —	$ 94,900
Agreements 1989-1998	120,090	—	—	120,090
	$214,990	$ —	$ —	$214,990

Interest rates, variable, ranged in 2001 from 1.13% to 4.34%.

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, 2000	Issued	Refunded/ Repaid	Dec. 31, 2001
		(in thousands)		
Series 1R*, 4*, 6*	$289,600	$ —	$3,800	$285,800
Series 2, 3, 5	281,700	—	1,500	280,200
	$571,300	$ —	$5,300	$566,000

Interest rates, variable based upon contractual agreements, ranged in 2001 from 0.80% to 5.6%.

The Port Authority has entered into a separate standby certificate purchase agreement pertaining to each series of versatile structure obligations with certain banks, which provide that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2001 in connection with the agreements were $994,000. No bank was required to purchase any of the obligations under the agreements in 2001.

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, 2000	Issued	Refunded/ Repaid	Dec. 31, 2001
		(in thousands)		
Notes 1995-2001*	$12,900	$11,500	$ —	$ 24,400
Notes 1995-2001	71,300	16,400	—	87,700
	$84,200	$27,900	$ —	$112,100

Interest rates variable, ranged in 2001 from 1.5% to 4.7%.

F. FUND BUY-OUT OBLIGATION

	Dec. 31, 2000	Accretion (a)	Refunded/ Repaid	Dec. 31, 2001
		(in thousands)		
Obligation outstanding	$419,696	$33,973	$28,063	$425,606

(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 termination of the Fund for Regional Development.

Payment requirements of the Fund buy-out obligation outstanding on December 31, 2001 are:

Year ending December 31:	Payments
	(in thousands)
2002	$ 35,215
2003	35,213
2004	35,211
2005	35,213
2006	35,211
2007-2021	738,576
	$914,639

As of February 28, 2002, the Fund buy-out obligation outstanding totalled $431,301,000.

2. AMOUNTS PAYABLE—SPECIAL PROJECT BONDS

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

2. AMOUNTS PAYABLE—SPECIAL PROJECT BONDS (continued)

	Dec. 31, 2000	Issued	Refunded/ Repaid	Dec. 31, 2001
		(in thousands)		
Series 1R, Delta Air Lines, Inc. Project (a) 6.95% term bonds, due 2008	$ 96,500	$ —	$ —	$ 96,500
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (b)* 9%-9 1/8%, due 2006-2015	195,965	$ —	$6,660	189,305
Less: unamortized discount and premium	7,325			6,769
Total—Series 2	188,640			182,536
Series 4, KIAC Partners Project (c)* 6 1/2%-7% due 2001-2019	242,400	$ —	$4,600	237,800
Less: unamortized discount and premium	3,575			3,398
Total—Series 4	238,825			234,402
Series 6, JFK International Air Terminal LLC Project (d)* 5.125%-7% due 2003-2025	934,100	$ —	$ —	934,100
Less: unamortized discount and premium	8,085			8,026
Total—Series 6	926,015			926,074
Amounts payable—Special Project Bonds	$1,449,980			$1,439,512

a) Special Project Bonds, Series 1R, Delta Air Lines, Inc. Project, were issued in connection with a project including the construction of a passenger terminal building at LaGuardia Airport leased to Delta Air Lines, Inc.

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

c) Special Project Bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 bonds, and in connection with a project at John F. Kennedy International Airport, which includes the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

d) Special Project Bonds, Series 6, JFK International Air Terminal LLC Project, were issued in connection with a project that includes the development and construction of a new passenger terminal at John F. Kennedy International Airport.

3. INTEREST RATE EXCHANGE CONTRACTS (SWAPS)

The Port Authority records interest rate exchange contracts pursuant to the settlement method of accounting whereby cash paid or received under the terms of the swap is charged or credited to the related interest expense account for the purpose of managing interest rate exposure. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations calculated with respect to an agreed upon nominal principal amount called a "notional amount". As of December 31, 2001, nine interest rate exchange contracts were in place with notional amounts aggregating $755,260,000, including offsetting swaps with aggregate notional amounts of $200,000,000.

Entering into interest rate exchange contracts subjects the Port Authority to the possibility of financial loss in the event of nonperformance by the counterparty to the swap and/or with respect to changes in market rates.

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 also established the principle of pooling revenues from facilities with established earning power to aid the development of new projects. The statutes also 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, 2001, the General Reserve Fund balance was $880,041,000 and met the prescribed statutory amount.

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

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

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund. At December 31, 2001, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

NOTE F CONTRIBUTIONS IN AID OF CONSTRUCTION

The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Federal and state contributions (including amounts receivable) were $37,331,000 in 2001 and $26,701,000 in 2000. Contributions from other entities were $2,739,000 in 2001 and $9,472,000 in 2000.

As a result of the adoption of GASB Statement No. 33, contributions in aid of construction of $40,070,000 have been recorded as nonoperating revenue during 2001 on the Combined Statements of Income and on Schedule A, Revenue and Reserves. Statement No. 33 does not require that year 2000 operating results be restated.

The Federal Aviation Administration has advised the Port Authority that failure to resolve an extension of the New York City lease may preclude future issuance of Airport Improvement Program grants for projects at LaGuardia and John F. Kennedy International Airports. (See Note G-4.)

NOTE G LEASE COMMITMENTS

1. OPERATING LEASE REVENUES

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to $807,261,000 in 2001 and $891,825,000 in 2000.

2. PROPERTY HELD FOR LEASE

The Port Authority, and/or its subsidiaries, 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 Newark Legal and Communications Center, the Teleport and the World Trade Center. Investments in such facilities, as of December 31, 2001, include property associated with minimum rentals derived from operating 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.

On December 20, 2001, the Newark Legal and Communications Center Urban Renewal Corporation entered into a net lease with Matrix One Riverfront Plaza, LLC (Matrix) with respect to the Newark Legal and Communications Center. The agreement required Matrix to pay $36 million upon commencement of the net lease, and an annual ground rental starting at $1.6 million. The net lease has a 50 year term, with options for extensions of up to an additional 49 years.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Minimum future rentals scheduled to be received on operating leases in effect on December 31, 2001 are:

Year ending December 31:	(in thousands)
2002	$ 601,003
2003	537,589
2004	521,028
2005	498,949
2006	492,701
Later years	100,975,180
Total minimum future rentals (a)	$103,626,450

(a) Includes future rentals of approximately $97.6 billion attributable to the World Trade Center net leases (see Note L).

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 temporary office space due to the destruction of the World Trade Center, aggregated $78,707,000 in 2001 and $110,812,000 in 2000. The terms of such leases expire at various times through 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 2001 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:	(in thousands)
2002	$ 64,090
2003	64,336
2004	64,049
2005	63,979
2006	60,721
Later years	791,227
Total minimum future rent payments	$1,108,402

4. INFORMATION ON LEASES AT THE NEW YORK CITY AIRPORTS AND NEWARK INTERNATIONAL AIRPORT AND PORT NEWARK AND CERTAIN AGREEMENTS RELATING TO OTHER PORT AUTHORITY FACILITIES LOCATED IN THE CITY OF NEWARK.

In 1994, the City of New York expressed its unwillingness to negotiate an extension of the lease, scheduled to expire in 2015, under which the Port Authority operates John F. Kennedy International and LaGuardia Airports. The City of New York, in 1995, demanded arbitration of certain matters involved in the determination of the amount due the City as rent under the lease. In 2000, the City amended its demand for arbitration to request that it be awarded at least $980 million in this matter. Arbitration hearings commenced in February 2001. The Port Authority continues to dispute the City's allegations in the arbitration proceedings.

In 1998, the members of the Newark Municipal Council demanded arbitration, with which the Mayor of the City of Newark concurs, regarding the amount due as rent under the lease between the City of Newark and the Port Authority pertaining to Newark International Airport and Port Newark. The demand for arbitration states that such amount may exceed $1 billion. Additionally, in 1998 the members of the Municipal Council commenced suit, which the Mayor later joined as an additional plaintiff, regarding payments under the aforementioned lease and the agreements with respect to the Essex County Resource Recovery Facility and the Newark Legal and Communications Center. The Port Authority is disputing the allegations in both the arbitration and the suit.

NOTE H DEFERRED COSTS

1. 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. 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 $430,500,000.

In 2001, the remaining costs of the Fund buy-out obligation were completely amortized in connection with the World Trade Center net lease transactions, which included the space subleased to the Fund from 1983 to 1990.

	Dec. 31, 2000	Amortization	Dec. 31, 2001
		(in thousands)	
Unamortized costs for Fund buy-out	$402,348	$402,348	$0

The liability for payments to the States of New York and New Jersey attributable to the Fund buy-out obligation continues, as described in Note D.

2. REGIONAL AND OTHER PROGRAMS

Pursuant to recommendations outlined by the Governors of New York and New Jersey and to existing legislation, the Port Authority has certified several facilities described briefly below under which certain projects, not otherwise a part of Port Authority facilities, have been and/or will be undertaken.

Regional Programs

Regional Development Facility—This facility was established in conjunction with a program of up to $250,000,000 for transportation, economic development and infrastructure renewal projects authorized in connection with the Governors' Program of June 1983. Some of the projects in this program have been associated with other existing Port Authority facilities, while a balance of $139,479,000 is associated with the Regional Development Facility.

Regional Economic Development Program — This facility was established in conjunction with a centralized program of up to $400,000,000 for transportation, economic development and infrastructure renewal projects authorized pursuant to gubernatorial request. As of December 31, 2001, $394,000,000 had been authorized of which $325,650,000 was associated with the Regional Economic Development Program facility and the balance has been associated with other existing Port Authority facilities.

Other Programs

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. Approximately $62,900,000 of the $101,650,000 total project cost was allocated against moneys made available through the Regional Development Facility and the Regional Economic Development Program.

The New Jersey Marine Development Program — This Program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey with a total cost of $27,000,000.

As of December 31, 2001, $1,135,139,000 has been expended for regional and other programs that were authorized in the amount of $1,149,750,000. Costs for regional and other programs are deferred and amortized over the period benefited. As of December 31, 2001, the unamortized costs of the regional and other programs are as follows:

	Dec. 31, 2000	Additional Project Expenditures	Amortization	Dec. 31, 2001
		(in thousands)		
Unamortized cost of Regional Programs	$393,783	$2,423	$18,096	$378,110
Unamortized cost of Oak Point Rail Freight Link	25,723	—	1,274	24,449
Unamortized cost of New Jersey Marine Development Program	13,608	2,286	644	15,250
Total unamortized costs for regional and other programs	$433,114	$4,709	$20,014	$417,809

3. Expenditures in an amount not to exceed $250 million are authorized for transportation, economic development and infrastructure renewal projects in the State of New York to be designated by the Governor. These projects will be administered in a manner similar to existing regional and other programs.

NOTE I PENSION PLANS AND OTHER EMPLOYEE BENEFITS

1. PENSION PLANS

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

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

The Port Authority's payroll expense for 2001 was $489,632,000 of which $336,147,000 and $147,526,000 represent the cost for employees covered by ERS and PFRS, respectively.

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

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		(in thousands)		
2001	$9,661	2.0	$4,720	1.0
2000	5,865	1.3	3,571	0.8
1999	5,291	1.2	8,653	2.0

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

Employee contributions of $7,598,000 to the ERS represented 1.6% of the total Port Authority covered payroll in 2001.

In 2000, 146 employees retired under a New York State authorized retirement incentive program. The cost for the Port Authority's participation in this retirement incentive program was $7,854,000. There was no such program in 2001.

The Annual Report of the New York State and Local Retirement Systems, 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 12244.

b) Employees of Port Authority Trans-Hudson Corporation (PATH), a wholly-owned subsidiary of the Port Authority, are covered by several supplemental pension plans established or funded by PATH.

PATH exempt employees (those not covered by collective bargaining agreements) are covered by the PATH Exempt Employees Supplemental Pension Plan (Plan). The Plan is a non-contributory, single-employer, defined benefit pension plan intended to make pension benefits provided to PATH exempt employees generally comparable to those available to similarly situated Port Authority employees. As a matter of policy, the Plan provides an annual pension for covered retired exempt employees related to years of credited service, final average salary, death benefits, vesting of the service retirement benefit after a set period of credited service (generally five years), and optional methods of benefit payment. The Port Authority administers the Plan. The Plan, which is not funded, covers 98 active and 62 retired employees. Benefit payments to eligible plan members are paid with proceeds from ongoing operations. PATH payroll expense for 2001 was $66,915,000, of which $8,343,000 represented the cost for exempt employees.

The difference between the actuarially required contribution and payments made is recognized in the net pension obligation. The accrued benefit for funding purposes is computed as the projected benefit at retirement times the ratio of the participant's past service at the valuation date, divided by the participant's expected total years of service at normal retirement.

The actuarially determined valuation of this unfunded obligation was reviewed in 2001 for the purpose of adjusting the annual accruals and updating the valuation of the obligation based on the projected unit credit cost method. Actuarial assumptions utilized in the calculation of this liability include a salary scale adjustment of 4% per annum (including $3\frac{1}{2}$% inflation) and interest at the rate of 7% per annum. The following is required information regarding the Plan:

Year Ended	(A) Net Pension Obligation	(B) Annual Covered Payroll	Percentage (A)/(B)
		(in thousands)	
2001	$17,666	$8,343	211.7
2000	16,718	8,291	201.6
1999	15,728	8,193	191.9

The year to year change in the net pension obligation consists primarily of the annual required contribution less payments to plan participants.

In 2001, the annual required contribution of $2,769,000 consisted of $1,552,000 for the current period plus $1,217,000 for interest in connection with the net pension obligation. Retiree past service cost is being amortized over a rolling seven year period, which commenced in 1994. Prior year annual required contributions were $2,675,000 in 2000 and $2,551,000 in 1999. Payments to Plan participants in 2001 were $1,837,000. Prior year payments were $1,710,000 and $1,463,000 for 2000 and 1999, respectively. There is no separate stand-alone financial report for this plan. No additional required supplementary information is necessary with respect to this plan since there are no available plan assets to report.

PATH funds non-contributory supplemental pension plans for most of its union employees. Annual contributions to these plans are defined in the various collective bargaining agreements. 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 2001 for these employees was $58,572,000. For the year 2001, contributions made by PATH in accordance with the terms of various collective bargaining agreements totalled $3,088,000, which represented approximately 5.3% of the total PATH covered payroll for 2001. Contributions in 2000 and 1999 were $3,056,000 and $3,563,000, respectively.

2. OTHER EMPLOYEE BENEFITS

The Port Authority and PATH provide certain health care, dental, vision and 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 active and/or retired employees. 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 directly by 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 prior service by active and retired employees and their dependents. As of December 31, 2001, the actuarially determined value of these benefits is $734,600,000, consisting of the following:

	Port Authority	PATH	Total
		(in millions)	
Retirees	$555.8	$42.5	$598.3
Active	127.7	8.6	136.3
Total	$683.5	$51.1	$734.6

The obligation accrued as of December 31, 2001 was $405,553,000. The difference between the actuarial present value of future benefits for prior service and the amount accrued as of December 31, 2001 is being amortized over a twenty year period.

The cost of providing health care, dental, vision and life insurance benefits, not including the accrual for prior service costs, totalled $112,495,000 in 2001 and $100,373,000 in 2000, of which $38,557,000 in 2001 and $34,404,000 in 2000 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 February 28, 2002, the Board of Commissioners adopted the annual budget for 2002. Approval of the budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

At December 31, 2001, the Port Authority had entered into various construction contracts totaling approximately $1,284,836,000, which are expected to be completed within the next three years.

2. 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. As of December 31, 2001, the property damage and loss of revenue insurance on Port Authority facilities totalled $1.5 billion per occurrence, and the public liability insurance totalled $750 million per occurrence for aviation facilities and $600 million for "non-aviation" facilities per occurrence and in the aggregate. (Public liability coverage on September 11, 2001 was $1.25 billion for aviation facilities and $650 million for "non-aviation" facilities per occurrence.) Under the provisions of the federal Air Transportation Safety and System Stabilization Act, as amended, the Port Authority's liability for claims arising from the terrorist attacks of September 11, 2001 is limited, generally, to the extent of the Port Authority's insurance coverage.

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

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses and estimated recoveries. Changes in the liability amounts in 2000 and 2001 were:

	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(in thousands)		
2000	$20,853	$5,441	$10,739	$15,555
2001	15,555	9,965	12,136	13,384

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

3. On January 25, 2001, the Board of Commissioners authorized bridge and tunnel toll increases and the PATH Board of Directors authorized fare increases, which became effective on March 25, 2001.

4. The City of New York commenced several actions in the Supreme Court of the State of New York alleging that the Port Authority breached the agreement to make payments in-lieu-of taxes (PILOT) relating to the World Trade Center. In each action the City seeks a declaratory judgment pertaining to the methodology for the calculation, collection and payment of PILOT under the agreement and a judgment to be determined at trial for the alleged underpayment. The first action, commenced in 1999 by the City for the period from 1987 through 1998, was dismissed by the Court on jurisdictional grounds. The City appealed the dismissal of this action; however, the dismissal was subsequently affirmed by the Court. The second action was commenced by the City in 2000 for tax year 1999-2000. The third action was commenced by the City in 2001 for the tax year 2000-2001. The City does not request any specific amount of monetary damages in these actions; however, in certain notices of claim the City alleged that while the amount of resultant damages were unknown, they were not less than $90 million for the period 1987 through 1998, $15 million for the tax year 1999-2000 and an unspecified amount for the tax year 2000-2001.

The Port Authority believes that it has complied with the PILOT agreement, disputes the City's allegations and is vigorously defending the actions described above.

On July 26, 2001, the City of New York notified Silverstein Properties, Inc., Westfield Corporation, Inc. and the Port Authority that the status of the World Trade Center had changed and that the City would impose real property taxes on the entire complex. On the same day, the City of New York issued tax bills for approximately $95 million in real property taxes on the World Trade Center for the 2001-2002 tax year. On November 21, 2001, the Port Authority and the World Trade Center net lessees sued the City of New York in Supreme Court, New York County, seeking a declaration that the tax bills are illegal and void, and that the World Trade Center is exempt from real property taxation, and for other relief.

5. A private full service vendor, American Ref-Fuel Company of Essex County, is operating the resource recovery plant at the Port Authority's Essex County Resource Recovery Facility. The vendor financed a portion of the construction costs of the plant under a conditional sale agreement with the Port Authority. As of December 31, 2001, the balance due from the vendor was $130.5 million, to be repaid with interest through October 1, 2010.

6. In 1998, the New Jersey Turnpike Authority, as the lead agency of a regional consortium consisting of the Port Authority, the State of Delaware, the New Jersey Turnpike Authority, the South Jersey Transportation Authority and the New Jersey Highway Authority, entered into a project agreement with a private contractor for the purpose of receiving services associated with the implementation of an integrated electronic toll collection system, a fiber optic system, a customer service center for processing tolls transactions and a related violations processing center.

To finance certain of the costs of this project, the New Jersey Economic Development Authority issued $300 million of taxable economic development transportation bonds (EDA bonds). The EDA bonds are payable from amounts other than tolls, including certain amounts received by the consortium members principally consisting of administrative fees resulting from toll violations and rents from the leasing of portions of the fiber optic system developed as a part of the project and, subject to the requirements of each of such consortium member's bond covenants, paid to a project fund. To the extent that amounts in the project fund are not sufficient to pay approved expenses relating to principal and interest on the EDA bonds, each consortium member has agreed, under a true-up agreement with the New Jersey Economic Development Authority, generally, subject to the requirements of such member's bond covenants, to pay its allocated share of the amount of such deficiency at the maturity of the EDA bonds on March 7, 2008.

The Port Authority's share of the true-up amount is currently estimated to be $21,025,000, of which $19,971,000 was included in operating expenses in 2001 and $1,054,000 in 2000. The true-up amount is subject to annual review and recalculation.

NOTE K INFORMATION ON PORT AUTHORITY OPERATIONS BY OPERATING SEGMENT

1. OPERATING RESULTS (a)

"Gross operating income (loss)" consists of revenues from operations less operating and maintenance expenses, depreciation and amortization of regional and other programs. "Net income Port Authority operations" consists of income (loss) from operations, gain or loss on disposition of assets and contributions in aid of construction, less net interest expense (interest expense less financial income).

	Interstate Transportation Network	Air Terminals	Port Commerce	Economic & Waterfront Development	World Trade	Combined Total
2001				(in thousands)		
Gross operating revenues	$787,953	$1,427,102	$117,053	$ 91,255	$291,439	$2,714,802
Interdepartmental revenues	2,211	—	606	487	14,926	
Revenues from operations	$790,164	$1,427,102	$117,659	$ 91,742	$306,365	
Gross operating income (loss)	$160,552	$ 422,629	$ 1,064	$ (3,771)	$103,474	$ 683,948
General administrative and development expenses	(75,225)	(59,504)	(5,606)	(1,269)	(8,169)	$ (149,773)
Income (loss) from operations	$ 85,327	$ 363,125	$ (4,542)	$ (5,040)	$ 95,305	$ 534,175
Net income (loss) by operating segment	$ 11,310	$ 336,398	$ (23,639)	$ (3,062)	$ 58,538	$ 379,545
Expenses related to the events of September 11, 2001, net of insurance recoveries						(270,334)
Net income Port Authority operations						109,211
Net income PFC program						106,551
Combined net income						$ 215,762
2000						
Gross operating revenues	$664,386	$1,437,128	$114,290	$ 84,865	$347,659	$2,648,328
Interdepartmental revenues	2,237	—	932	788	28,710	
Revenues from operations	$666,623	$1,437,128	$115,222	$ 85,653	$376,369	
Gross operating income (loss)	$ 82,176	$ 424,665	$ 15,711	$(12,307)	$100,853	$ 611,098
General administrative and development expenses	(80,305)	(62,779)	(6,264)	(951)	(9,287)	(159,586)
Income (loss) from operations	$ 1,871	$ 361,886	$ 9,447	$(13,258)	$ 91,566	$ 451,512
Net income (loss) Port Authority operations	$ (63,283)	$ 303,537	$ (8,888)	$(10,670)	$ 33,230	$ 253,926
Net income PFC program						118,496
Combined net income						$ 372,422

(a) See Schedule E for detailed information on Port Authority operations for each segment.

(Note K continued on next page.)

NOTE K—INFORMATION ON PORT AUTHORITY OPERATIONS BY OPERATING SEGMENT (continued)

2. ASSET INFORMATION

The table below contains a summary of information on the Port Authority's assets. "Facilities, net" consists of facilities at cost less accumulated depreciation.

	Interstate Transportation Network	Air Terminals	Port Commerce	Economic & Waterfront Development	World Trade	PFC Program	Combined Total
2001 Assets				(in thousands)			
Facilities, net–beginning of year	$2,694,717	$3,241,441	$850,351	$280,979	$ 1,124,975	$ 874,433	$ 9,066,896
Net capital expenditures	198,725	892,762	97,151	14,725	37,962	150,715	1,392,040
Destruction of WTC	(35,460)	—	—	—	(1,047,497)	—	(1,082,957)
Depreciation	(124,017)	(207,114)	(34,412)	(11,303)	(37,971)	(7,922)	(422,739)
Facilities, net–end of year	2,733,965	3,927,089	913,090	284,401	77,469	1,017,226	8,953,240
Unamortized costs for regional and other programs	378,110	—	39,699	—	—	—	417,809
Total	$3,112,075	$3,927,089	$952,789	$284,401	$ 77,469	$1,017,226	9,371,049
Cash, investments, receivables, and other assets							6,261,112
Total assets							$15,632,161
2000 Assets							
Facilities, net–beginning of year	$2,602,617	$2,885,644	$776,370	$282,862	$ 1,121,885	$ 616,991	$ 8,286,369
Net capital expenditures	209,567	548,070	105,959	9,410	55,272	263,672	1,191,950
Disposition of assets	(487)	—	—	—	—	—	(487)
Depreciation	(116,980)	(192,273)	(31,978)	(11,293)	(52,182)	(6,230)	(410,936)
Facilities, net–end of year	2,694,717	3,241,441	850,351	280,979	1,124,975	874,433	9,066,896
Unamortized costs for regional and other programs	393,783	—	39,331	—	—	—	433,114
Total	$3,088,500	$3,241,441	$889,682	$280,979	$ 1,124,975	$ 874,433	9,500,010
Cash, investments, receivables and other assets							5,390,055
Total assets							$14,890,065

NOTE L INFORMATION WITH RESPECT TO THE EVENTS OF SEPTEMBER 11, 2001

The World Trade Center, 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 under Seven World Trade Center (the "Con Ed Substation"), 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. The resultant destruction also damaged various New York City subway stations and several non-Port Authority owned buildings located in the vicinity of the World Trade Center. There was substantial loss of life and personal property.

ONE, TWO, FOUR AND FIVE WORLD TRADE CENTER AND THE RETAIL COMPONENTS OF THE WORLD TRADE CENTER

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., and with respect to the retail components of the World Trade Center, with a single purpose entity established by Westfield America, Inc. 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, a graduating percentage of gross revenues, and additional base rental payments to the extent cash flow is available for the provision of certain expenses and costs. The 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 the leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, and 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, and to remove all debris resulting from the damage or destruction.

The net lessees obtained property damage and business interruption insurance under a single policy covering all of the net leased properties with a combined single limit of approximately $3.5 billion per occurrence.

Various insurers, participating in the provision of property damage and business interruption insurance to the net lessees, have brought legal actions in the United States District Court for the Southern District of New York seeking a declaratory judgment that the destruction of the World Trade Center arose out of one occurrence and constitutes one insurance loss. Such judgments would limit the maximum recovery by the net lessees under the property damage and business interruption insurance to approximately $3.5 billion. The net lessees and the Port Authority dispute the allegations of the insurers and are vigorously defending these actions.

THREE WORLD TRADE CENTER

Three World Trade Center was leased to Host Marriott Corporation under a 99-year net lease, which commenced in 1995. This net lease requires the net lessee to maintain property damage insurance in an amount not less than "full insurable value" (cost of replacement). The net lease imposes a general obligation on the net lessee to restore the premises following a casualty in accordance with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority, and to remove all debris resulting from the damage or destruction. However, as a condition to the net lessee's obligation to restore the premises, the Port Authority is required to restore the hotel's support columns and the means of access to the hotel and the subgrade that existed prior to September 11, 2001. The lease does not provide for rent abatement before or during the restoration period.

SIX WORLD TRADE CENTER

Six World Trade Center was leased to the United States of America in 1970, with an initial term of 20 years and provision for 16 five-year renewal options. The terms of the lease provide that, if the United States does not exercise its right to terminate the lease, the Port Authority is obligated to rebuild the premises with no restoration or insurance obligation imposed upon the lessee. The lease further provides that the lessee is entitled to rent abatement.

SEVEN WORLD TRADE CENTER

In 1980, the Port Authority entered into a ground lease with 7 World Trade Company, a limited partnership affiliated with Silverstein Properties, Inc. This lease has an initial term of 39 years with three 20-year renewal options. Under the terms of the lease, the lessee has an obligation to restore the premises following a casualty in accordance, and to the extent feasible, prudent and commercially reasonable, with the plans and specifications, as they existed before the casualty, or as otherwise agreed to by the Port Authority.

In accordance with the rent formula in the lease, the rent payable has been reduced to the prescribed minimum rent because tenants of the building exercised their right to terminate their leases as a result of the destruction of Seven World Trade Center.

CON ED SUBSTATION

Under a lease between the Port Authority and Consolidated Edison Company of New York covering the Con Ed Substation that was located beneath Seven World Trade Center, the Port Authority was obligated to maintain insurance in an amount equal to the full replacement value of the substation building (exclusive of electrical equipment and accessories) at the lessee's expense. The lease provides for the proceeds of such insurance to be made available to the lessee for restoration.

PATH—WTC STATION

The September 11, 2001 attacks heavily damaged the PATH-WTC station and two rail tunnels linking Jersey City, New Jersey with lower Manhattan; the attacks also caused the destruction of a seven car passenger train. This station served approximately 65,000 passengers daily. Rebuilding the PATH rail station is the responsibility of the Port Authority.

ACCOUNTING

The Port Authority has expensed the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprise the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. In accordance with established accounting criteria, a receivable in an amount equal to such net book value has been recognized. Other costs associated with the events of September 11, 2001, including emergency response costs, police overtime, temporary office space, etc., are included in "Expenses related to the events of September 11, 2001, net of insurance recoveries". Insurance proceeds for these costs will be recognized when such proceeds are estimable and probable and all related contingencies are removed.

Other Port Authority facility operations were impacted to varying degrees by the terrorist attacks on September 11, 2001. Port Authority tunnels and bridges and aviation facilities were closed for differing periods of time. Traffic into Manhattan was restricted for single occupancy vehicles and other restrictions limited truck traffic through the tunnels and bridges. The PATH-WTC station and the Exchange Place PATH station continue to be out of service and are not expected to be in use for another 18 to 24 months. Some or all of the lost revenue from these business disruptions will be recovered through insurance. Recovery of amounts for loss of revenue will not be recognized until such amounts are received.

It is anticipated that the Port Authority's insurance and various federal funding programs will be sufficient to cover property damage applicable to Six World Trade Center, the Con Ed Substation and PATH components, as well as other Port Authority costs associated with the terrorist attacks, such as the cost of emergency response, police overtime, temporary office space, etc., and the business interruption costs resulting from the events of September 11, 2001. (See Note J-2.)

Future minimum rentals (see Note G) include future rentals of approximately $97.6 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 will continue to meet their contractual commitments pertaining to 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.

SCHEDULE A—REVENUE AND RESERVES

(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2001			2000
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(in thousands)		
Gross operating revenues	$2,714,802	$ —	**$2,714,802**	$2,648,328
Operating expenses:				
Employee compensation, including benefits	647,148	—	**647,148**	638,821
Contract services	595,153	—	**595,153**	613,795
Materials, equipment and other	169,235	—	**169,235**	147,596
Utilities	140,928	—	**140,928**	142,935
Rents and amounts in-lieu-of-taxes	96,137	—	**96,137**	131,344
Interest on Special Project Bonds	97,195	—	**97,195**	97,870
Total operating expenses	1,745,796	—	**1,745,796**	1,772,361
Amounts in connection with operating asset obligations	36,696	—	**36,696**	37,188
Expenses related to the events of September 11, 2001, net of insurance recoveries	270,334	—	**270,334**	—
Net operating revenues	661,976	—	**661,976**	838,779
Financial income				
Income on investments	30,024	46,436	**76,460**	96,514
Net increase in fair value of investments	28,188	38,733	**66,921**	66,297
Contributions in aid of construction	40,070	—	**40,070**	—
Net revenues available for debt service and reserves	760,258	85,169	**845,427**	1,001,590
Debt service				
Interest on bonds and other capital asset obligations	294,908	—	**294,908**	318,912
Debt maturities and retirements	176,640	—	**176,640**	158,435
Debt retirement acceleration	—	25,000	**25,000**	60,000
Repayment of commercial paper obligations	—	1,090	**1,090**	10
Total debt service	471,548	26,090	**497,638**	537,357
Transfers to reserves	$ (288,710)	288,710	—	—
Revenues after debt service and transfers to reserves		347,789	**347,789**	464,233
Direct investment in facilities		(462,129)	**(462,129)**	(404,388)
Appropriations for self-insurance		14,270	**14,270**	(5,101)
(Decrease) increase in reserves		(100,070)	**(100,070)**	54,744
Reserve balances, January 1		1,675,375	**1,675,375**	1,620,631
Reserve balances, December 31		$1,575,305	**$1,575,305**	$1,675,375

See Notes to Combined Financial Statements.

SCHEDULE B—ASSETS AND LIABILITIES

(Pursuant to Port Authority bond resolutions)

	Operating Fund	Capital Fund	Reserve Funds	December 31, 2001 Combined Total	2000 Combined Total
			(in thousands)		
ASSETS					
Current assets:					
Cash	$ 45,735	$ —	$ 1,000	**$ 46,735**	$ 52,731
Investments	1,049,911	257,249	757,520	**2,064,680**	1,118,179
Current receivables, net	280,073	2,302	—	**282,375**	334,713
Other current assets	37,065	25,797	—	**62,862**	55,186
Total current assets	1,412,784	285,348	758,520	**2,456,652**	1,560,809
Noncurrent assets:					
Investments	80,200	—	816,785	**896,985**	1,195,321
Other amounts receivable, net	34,397	1,283,043	—	**1,317,440**	338,461
Deferred charges and other noncurrent assets	148,579	20,136	—	**168,715**	462,119
Unamortized costs for Fund buy-out	—	—	—	**—**	402,348
Amounts receivable—Special Project Bonds	—	1,439,512	—	**1,439,512**	1,449,980
Invested in facilities	—	16,425,060	—	**16,425,060**	16,113,699
Total noncurrent assets	263,176	19,167,751	816,785	**20,247,712**	19,961,928
Total assets	1,675,960	19,453,099	1,575,305	**22,704,364**	21,522,737
LIABILITIES					
Current liabilities:					
Accounts payable	248,177	286,769	—	**534,946**	460,944
Accrued interest and other current liabilities	233,548	12,863	—	**246,411**	218,795
Accrued payroll and other employee benefits	80,690	—	—	**80,690**	68,400
Deferred income in connection with PFCs	11,162	—	—	**11,162**	47,405
Current portion bonds and other asset financing obligations	40,215	758,520	—	**798,735**	671,563
Total current liabilities	613,792	1,058,152	—	**1,671,944**	1,467,107
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	429,850	—	—	**429,850**	376,649
Other noncurrent liabilities	99,686	1,912	—	**101,598**	77,438
Amounts payable—Special Project Bonds	—	1,457,705	—	**1,457,705**	1,468,965
Bonds and other asset financing obligations	497,491	6,472,085	—	**6,969,576**	6,760,121
Total noncurrent liabilities	1,027,027	7,931,702	—	**8,958,729**	8,683,173
Total liabilities	1,640,819	8,989,854	—	**10,630,673**	10,150,280
NET ASSETS	$ 35,141	$10,463,245	$1,575,305	**$12,073,691**	$11,372,457
Net assets are composed of:					
Facility infrastructure investment	$ —	$10,463,245	$ —	**$10,463,245**	$ 9,647,671
Reserves	—	—	1,575,305	**1,575,305**	1,675,375
Appropriated reserves for self-insurance	35,141	—	—	**35,141**	49,411
Net assets	$ 35,141	$10,463,245	$1,575,305	**$12,073,691**	$11,372,457

See Notes to Combined Financial Statements.

SCHEDULE C—ANALYSIS OF RESERVE FUNDS

(Pursuant to Port Authority bond resolutions)

	General Reserve Fund	Consolidated Bond Reserve Fund	**2001** Combined Total	2000 Combined Total
			Year ended December 31,	
		(in thousands)		
Balance, January 1	$848,095	$ 827,280	**$1,675,375**	$1,620,631
Income on investments	33,006	13,430	**46,436**	57,008
Net increase in fair value of investments	16,042	22,691	**38,733**	42,698
Transfer from operating fund	—	288,710	**288,710**	424,537
Reserve fund transfers	(17,102)	17,102	**—**	—
	880,041	1,169,213	**2,049,254**	2,144,874
Applications:				
Repayment of commercial paper obligations	—	1,090	**1,090**	10
Debt retirement acceleration	—	25,000	**25,000**	60,000
Direct investment in facilities	—	462,129	**462,129**	404,388
Self-insurance	—	(14,270)	**(14,270)**	5,101
Total applications	—	473,949	**473,949**	469,499
Balance, December 31	$880,041	$ 695,264	**$1,575,305**	$1,675,375

See Notes to Combined Financial Statements.

SCHEDULE D—SELECTED STATISTICAL FINANCIAL DATA

(in thousands)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
REVENUES AND EXPENSES										
Gross operating revenues (a)	$ 2,714,802	$ 2,648,328	$ 2,547,512	$ 2,361,202	$ 2,205,647	$ 2,154,120	$ 2,082,624	$ 1,979,674	$ 1,920,904	$1,933,512
Operating expenses	1,745,796	1,772,361	1,677,264	1,569,258	1,461,264	1,469,309	1,469,881	1,407,938	1,340,283	1,348,392
Expenses related to the events of September 11, 2001, net of insurance recoveries	270,334	—	—	—	—	—	—	—	—	—
Amounts in connection with operating asset obligations	36,696	37,188	35,957	35,605	34,675	33,126	32,254	32,103	32,774	31,745
Net operating revenues	661,976	838,779	834,291	756,339	709,708	651,685	580,489	539,633	547,847	553,375
Financial income	143,381	162,811	104,657	118,362	103,873	98,707	70,830	73,723	76,404	88,054
Contributions in aid of construction	40,070	—	—	—	—	—	—	—	—	—
Gain on purchase of Port Authority bonds	—	—	—	—	11	—	439	4,797	146	724
Net amounts associated with the 1993 WTC bombing	—	—	—	—	29,450	—	—	—	(32,500)	—
Net revenues available for debt service and reserves	845,427	1,001,590	938,948	874,701	843,042	750,392	651,758	618,153	591,897	642,153
DEBT SERVICE—OPERATIONS										
Interest on bonds and other capital asset obligations	(294,908)	(318,912)	(323,954)	(310,107)	(291,765)	(292,987)	(266,903)	(259,400)	(258,458)	(254,435)
Times, interest earned	2.87	3.14	2.90	2.82	2.89	2.56	2.44	2.38	2.29	2.52
Debt maturities and retirements	(176,640)	(158,435)	(138,225)	(123,395)	(105,450)	(87,443)	(86,865)	(75,745)	(67,675)	(59,925)
Times, debt service earned	(1.79)	(2.10)	(2.03)	(2.02)	(2.12)	(1.97)	(1.84)	(1.84)	(1.81)	(2.04)
DEBT SERVICE—RESERVES										
Direct investment in facilities	(462,129)	(404,388)	(233,260)	(242,311)	(246,232)	(162,471)	(268,711)	(224,622)	(185,071)	(370,497)
Payments in connection with leasehold acquisition	—	—	—	—	—	—	—	—	(35,687)	(4,015)
Debt retirement acceleration	(25,000)	(60,000)	—	—	—	(100,000)	(112,680)	(27,062)	(3,458)	—
Application from PFC program	—	—	—	—	—	—	105,000	—	—	—
Appropriations for self-insurance	14,270	(5,101)	(4,247)	(3,785)	(3,749)	5,057	(3,444)	710	7,081	865
Repayment of commercial paper obligations	(1,090)	(10)	(172)	(757)	(395)	(780)	(878)	(343)	(178)	(126)
Net (decrease) increase in reserves	(100,070)	54,744	239,090	194,346	195,451	111,768	17,277	31,691	48,451	(45,980)
RESERVE BALANCES										
January 1	1,675,375	1,620,631	1,381,541	1,187,195	991,744	879,976	862,699	831,008	782,557	828,537
December 31	$ 1,575,305	$ 1,675,375	$ 1,620,631	$ 1,381,541	$ 1,187,195	$ 991,744	$ 879,976	$ 862,699	$ 831,008	$ 782,557
Reserve fund balances represented by:										
General Reserve	880,041	848,095	839,671	823,581	754,619	618,960	605,167	579,329	534,011	494,486
Consolidated Bond Reserve	695,264	827,280	780,960	557,960	432,576	372,784	274,809	283,370	296,997	288,071
Total	$ 1,575,305	$ 1,675,375	$ 1,620,631	$ 1,381,541	$ 1,187,195	$ 991,744	$ 879,976	$ 862,699	$ 831,008	$ 782,557
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	$ 6,092,735	$ 5,889,613	$ 5,916,804	$ 5,747,387	$ 5,077,133	$ 4,723,335	$ 4,795,207	$ 4,650,350	$ 4,286,668	$4,198,785
Fund buy-out obligation	425,606	419,696	414,246	409,219	404,582	400,305	396,360	392,722	389,366	386,290
Amounts payable— Special Project Bonds	1,457,705	1,468,965	1,477,275	1,479,975	1,482,675	548,575	472,675	473,575	473,575	298,575
Variable rate master notes	214,990	214,990	215,990	215,990	202,900	233,000	308,000	283,000	270,000	250,000
Commercial paper notes	356,880	251,885	123,595	124,910	124,445	163,850	176,955	187,106	189,963	170,492
Versatile structure obligations	566,000	571,300	575,900	580,400	584,200	484,700	285,200	185,700	100,000	—
Leasehold acquisition obligation	—	—	—	—	—	—	—	—	—	33,213
Operating equipment—lease financing obligations	—	—	—	—	—	—	—	13,563	19,903	27,008
Port Authority equipment notes	112,100	84,200	87,150	87,150	74,838	36,138	13,638	—	—	—
Total obligations	$ 9,226,016	$ 8,900,649	$ 8,810,960	$ 8,645,031	$ 7,950,773	$ 6,589,903	$ 6,448,035	$ 6,186,016	$ 5,729,475	$5,364,363
INVESTED IN FACILITIES AT DECEMBER 31	$16,425,060	$16,113,699	$14,910,982	$13,927,378	$13,069,084	$12,370,806	$11,752,783	$11,118,503	$10,432,103	$9,848,280
DEBT RETIRED THROUGH INCOME:										
Annual	$ 202,730	$ 218,445	$ 138,396	$ 124,153	$ 105,845	$ 188,223	$ 95,423	$ 103,150	$ 104,523	$ 60,647
Cumulative	$ 4,164,277	$ 3,961,547	$ 3,743,102	$ 3,604,706	$ 3,480,553	$ 3,374,708	$ 3,186,485	$ 3,091,062	$ 2,987,912	$2,883,389

(a) Gross operating revenues reflect increased tolls and increased PATH fares adopted in 2001.

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

	Gross Operating Revenues	Operating & Maintenance Expenses	Expenses	Depreciation Allocated & Amortization	Income (Loss) from Operations	Net Interest Income & Other (a) (Loss)	Net Income (Loss) Year ended December 31, 2001	Net 2000
					(in thousands)			
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 311,584	$ 82,690	$ 12,175	$ 21,031	$ 195,688	$ 12,183	**$ 183,505**	$ 138,502
Holland Tunnel	75,636	54,748	7,941	9,165	3,782	5,315	**(1,533)**	5,051
Lincoln Tunnel	104,178	63,040	9,259	17,560	14,319	9,775	**4,544**	(4,092)
Bayonne Bridge	18,875	12,580	1,840	4,301	154	2,380	**(2,226)**	(5,765)
Goethals Bridge	81,563	35,353	2,654	6,857	36,699	1,875	**34,824**	33,353
Outerbridge Crossing	75,869	18,486	2,712	5,146	49,525	1,681	**47,844**	33,238
P. A. Bus Terminal	25,274	62,521	7,821	11,779	(56,847)	6,639	**(63,486)**	(53,450)
Regional and Other Programs	—	—	—	18,095	(18,095)	10,415	**(28,510)**	(27,592)
Subtotal – Tunnels, Bridges & Terminals	692,979	329,418	44,402	93,934	225,225	50,263	**174,962**	119,245
PATH	92,927	148,550	30,057	43,740	(129,420)	21,817	**(151,237)**	(171,074)
Journal Square Transportation Center	2,047	5,749	613	4,280	(8,595)	1,734	**(10,329)**	(9,608)
Subtotal – PATH	94,974	154,299	30,670	48,020	(138,015)	23,551	**(161,566)**	(180,682)
Ferry Service	—	1,572	153	158	(1,883)	203	**(2,086)**	(1,846)
Total Interstate Transportation Network	787,953	485,289	75,225	142,112	85,327	74,017	**11,310**	(63,283)
AIR TERMINALS								
LaGuardia	244,846	148,222	13,490	35,969	47,165	(939)	**48,104**	37,279
JFK International	660,688	377,516	25,156	106,494	151,522	11,236	**140,286**	130,939
Newark International	502,451	263,032	20,552	62,728	156,139	16,279	**139,860**	131,571
Teterboro	17,830	6,808	153	1,222	9,647	35	**9,612**	5,481
Heliport	1,287	1,781	153	701	(1,348)	116	**(1,464)**	(1,733)
Total Air Terminals	1,427,102	797,359	59,504	207,114	363,125	26,727	**336,398**	303,537
PORT COMMERCE								
Port Newark	45,279	27,589	2,454	12,491	2,745	5,568	**(2,823)**	(2,891)
Elizabeth Marine Terminal	48,877	22,373	1,730	12,111	12,663	6,906	**5,757**	14,198
Brooklyn	3,846	9,360	766	3,329	(9,609)	3,572	**(13,181)**	(11,773)
Red Hook	2,302	10,678	307	1,556	(10,239)	(1,211)	**(9,028)**	(4,897)
Howland Hook	8,525	8,100	153	2,765	(2,493)	2,243	**(4,736)**	(3,448)
Greenville Yard	267	2	—	1	264	—	**264**	252
Auto Marine	7,957	1,556	196	2,160	4,045	1,366	**2,679**	2,497
Oak Point	—	—	—	1,274	(1,274)	653	**(1,927)**	(1,919)
N.J. Fisheries	—	—	—	644	(644)	—	**(644)**	(907)
Total Port Commerce	117,053	79,658	5,606	36,331	(4,542)	19,097	**(23,639)**	(8,888)
ECONOMIC & WATERFRONT DEVELOPMENT								
Essex County Resource Recovery	54,430	60,271	555	1,430	(7,826)	(5,896)	**(1,930)**	(4,561)
Industrial Park at Elizabeth	771	1,935	—	203	(1,367)	265	**(1,632)**	(394)
Bathgate	3,724	1,228	—	1,911	585	601	**(16)**	(953)
Teleport	20,747	13,878	407	2,404	4,058	942	**3,116**	(1,702)
Newark Legal & Communications Center	9,931	6,364	307	3,777	(517)	726	**(1,243)**	(426)
Subtotal – Economic Development	89,603	83,676	1,269	9,725	(5,067)	(3,362)	**(1,705)**	(8,036)
Queens West	—	—	—	883	(883)	680	**(1,563)**	(1,392)
Hoboken South	1,652	47	—	695	910	704	**206**	(1,242)
Subtotal – Waterfront Development	1,652	47	—	1,578	27	1,384	**(1,357)**	(2,634)
Total Economic & Waterfront Development	91,255	83,723	1,269	11,303	(5,040)	(1,978)	**(3,062)**	(10,670)
WORLD TRADE CENTER	291,439	149,994	8,169	37,971	95,305	36,767	**58,538**	33,230
Expenses related to the events of September 11, 2001, net of insurance recoveries					(270,334)	—	**(270,334)**	—
Total Port Authority Operations	$2,714,802	$1,596,023	$149,773	$434,831	$ 263,841	$154,630	**109,211**	253,926
PFC Program							**106,551**	118,496
Combined Total							**$ 215,762**	$ 372,422

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

TUNNELS AND BRIDGES

(Eastbound Traffic)	2001	2000
All Crossings		
Automobiles	**110,753,000**	115,149,000
Buses	**2,842,000**	2,571,000
Trucks	**8,287,000**	8,603,000
Total vehicles	**121,882,000**	126,323,000
George Washington Bridge		
Automobiles	**48,788,000**	49,728,000
Buses	**481,000**	352,000
Trucks	**4,198,000**	4,247,000
Total vehicles	**53,467,000**	54,327,000
Lincoln Tunnel		
Automobiles	**18,024,000**	19,128,000
Buses	**1,992,000**	1,922,000
Trucks	**971,000**	955,000
Total vehicles	**20,987,000**	22,005,000
Holland Tunnel		
Automobiles	**13,774,000**	16,627,000
Buses	**138,000**	115,000
Trucks	**704,000**	1,055,000
Total vehicles	**14,616,000**	17,797,000
Staten Island Bridges		
Automobiles	**30,167,000**	29,666,000
Buses	**231,000**	182,000
Trucks	**2,414,000**	2,346,000
Total vehicles	**32,812,000**	32,194,000
Cumulative PA Investment in Tunnels and Bridges (In thousands)	**$2,223,117**	$2,111,725

PATH

	2001	2000
Total passengers	**69,791,000**	74,087,000
Passenger weekday average	**241,000**	255,000
Cumulative PA Investment in PATH (In thousands)	**$1,436,419**	$1,452,923

TERMINALS

	2001	2000
All Bus Facilities		
Passengers	**71,560,000**	71,360,000
Bus movements	**3,515,000**	3,531,500
Port Authority Bus Terminal		
Passengers	**57,000,000**	56,500,000
Bus movements	**2,200,000**	2,330,000
George Washington Bridge Bus Station		
Passengers	**5,460,000**	5,460,000
Bus movements	**262,000**	262,500
PATH Journal Square Transportation Center Bus Station		
Passengers	**9,100,000**	9,400,000
Bus movements	**1,053,000**	939,000
Cumulative PA Investment in Bus Facilities (In thousands)	**$617,901**	$571,179

F A C I L I T Y   T R A F F I C

AIR TERMINALS

	2001	2000
Totals at the Three Major Airports		
Plane movements	**1,094,500**	1,178,600
Passenger traffic	**81,840,000**	92,376,600
Cargo-tons	**2,267,900**	2,955,000
Revenue mail-tons	**238,700**	322,100
Kennedy International Airport		
Plane movements	**292,400**	345,100
Passenger traffic		
Domestic	**12,712,000**	14,159,900
International	**16,638,000**	18,668,000
Cargo-tons	**1,466,400**	1,864,400
LaGuardia Airport		
Plane movements	**365,700**	383,300
Passenger traffic		
Domestic	**20,790,000**	24,013,800
International	**1,144,000**	1,346,200
Cargo-tons	**14,800**	20,200
Newark International Airport		
Plane movements	**436,400**	450,200
Passenger traffic		
Domestic	**23,378,000**	25,788,500
International	**7,178,000**	8,400,200
Cargo-tons	**786,700**	1,070,400
Cumulative PA Investment in Air Terminals (In thousands)	**$8,108,203**	$7,065,908

MARINE TERMINALS

	2001	2000
All Terminals		
Ship arrivals	**3,421**	3,280
General cargo (a) (Metric tons)	**19,811,000**	18,756,000
New Jersey Marine Terminals		
Ship arrivals	**2,652**	2,500
New York Marine Terminals		
Ship arrivals	**769**	780
Cumulative PA Investment in Marine Terminals (In thousands)	**$1,638,652**	$1,540,569

	2001	2000
Total Port Authority Cumulative Invested in Facilities, including the above (In thousands)	**$16,425,060**	$16,113,699

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

* Some 2000 numbers reflect revised data.

THE NEW YORK-NEW JERSEY REGION

Area	3,900 Square Miles
Population	16.8 Million
Total Labor Force	8 Million
Total Wage and Salary Jobs	8 Million
Total Personal Income	$700 Billion (est.)

The New York-New Jersey Metropolitan Region, the largest and most diversified in the nation, consists of the five New York boroughs of Manhattan, Brooklyn, Queens, Richmond (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.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

Aviation

John F. Kennedy International Airport

Newark International Airport

LaGuardia Airport

Teterboro Airport

Downtown Manhattan Heliport

AirTrain Newark

AirTrain JFK

Port authority trans—hudson

PATH Rail Transit System

Journal Square Transportation Center

Port commerce

Auto Marine Terminal

Brooklyn Piers

Red Hook Container Terminal

Port Newark

Elizabeth-Port Authority Marine Terminal

Howland Hook Marine Terminal

Greenville Yard

Oak Point Rail Freight Link

FACILITIES & SERVICES

Tunnels, bridges & terminals

George Washington Bridge

George Washington Bridge Bus Station

Bayonne Bridge

Outerbridge Crossing

Goethals Bridge

Holland Tunnel

Lincoln Tunnel

Port Authority Bus Terminal

Economic development

The Legal Center

The Teleport

Essex County Resource Recovery Facility

Bathgate and Elizabeth Industrial Parks

Ferry Transportation

International business development offices

London

Tokyo

Representatives in

- Antwerp
- Hong Kong
- Seoul
- Shanghai
- Singapore

Waterfront development

Queens West Waterfront Development

The South Waterfront at Hoboken

World trade

World Trade Center

2001 ANNUAL REPORT

Tina Hansen, *Senior Editor*

Mariana Lopez & John Olberding, *Deputy Editors*

Michael Shannon, *Financial Editor*

Alan Koreff & Antoinette Dickenson, *Financial Section*

Kevin Kirchman, *Managing Editor*

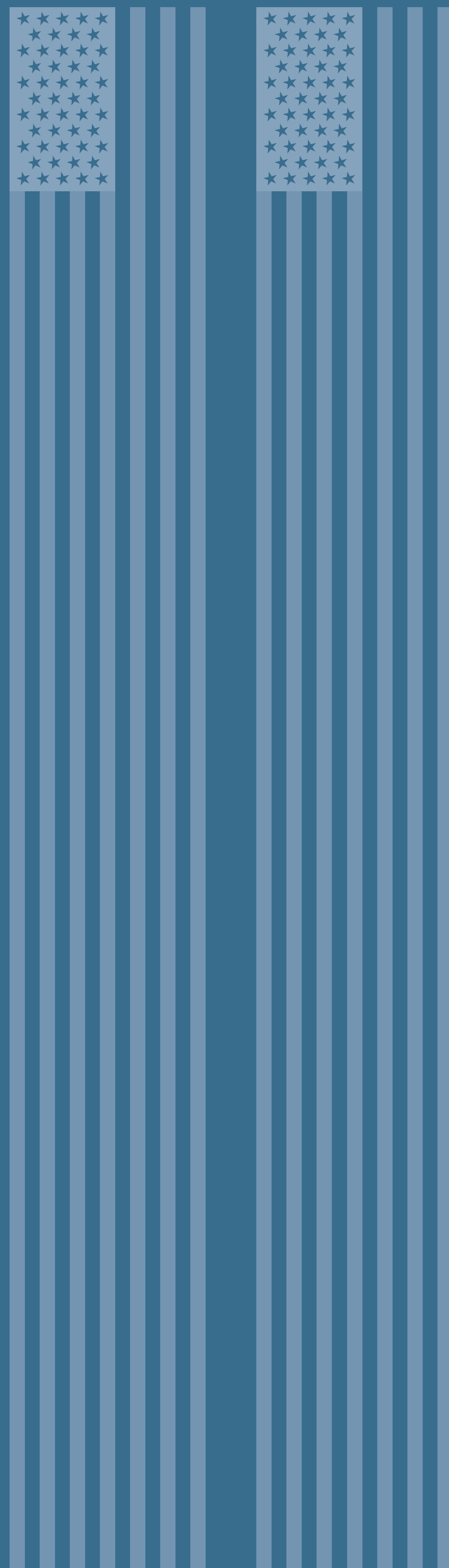
Eileen Parisi, *Production Supervision*

John Bartelstone, Jay Carlson, Michael Paras, *Photography*

Munroe Creative Partners, *Art Direction & Design*

Prepared by the Public Affairs and Comptroller's Departments
of The Port Authority of New York and New Jersey,
225 Park Avenue South, New York, NY, 10003-1604
www.panynj.gov

Printed entirely in the U.S.A. on recycled paper.



UNITED
WE STAND

THE PORT AUTHORITY OF NY & NJ





2 0 0 1