Comptroller's Department

Financial Statements and Appended Notes for the Year ended December 31, 2009

THE PORT AUTHORITY OF NY & NJ

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THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2009

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Deloitte & Touche LLP
Two World Financial Center
New York, NY 10281-1414
USA
Tel: +1 212 436 2000
Fax: +1 212 436 5000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of net assets of The Port Authority of New York and New Jersey (the "Port Authority") as of December 31, 2009 and 2008, and the related consolidated statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the net assets of the Port Authority as of December 31, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A-4 to the consolidated financial statements, the Port Authority has prepared the accompanying Schedules A, B and C in accordance with Port Authority bond resolutions, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These schedules are the responsibility of the Port Authority's management. The effects of the differences between the bond resolution basis of accounting and accounting principles generally accepted in the United States of America are also discussed in Note A-4 to the financial statements.

In our opinion, because of the effects of the differences between the two bases of accounting referred to in the preceding paragraph, such Schedules A, B and C do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the assets and liabilities of the Port Authority at December 31, 2009 and 2008, or its revenues and reserves for the years then ended.

However, in our opinion, such Schedules A, B and C present fairly, in all material aspects, the assets and liabilities of the Port Authority at December 31, 2009 and 2008, and its revenues and reserves for the years then ended, in accordance with the requirements of the Port Authority bond resolutions as discussed in Note A-4.

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

Our audits were conducted for the purpose of forming opinions on the consolidated financial statements and Schedules A, B and C taken as a whole. The supplemental information presented in Schedules D-1, D-2, D-3, D-4, E, F, and G is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This supplemental information is the responsibility of the Port Authority's management. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP

February 26, 2010

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey and its wholly owned entities, Port Authority Trans-Hudson Corporation (PATH), the Newark Legal and Communications Center Urban Renewal Corporation, the New York and New Jersey Railroad Corporation, WTC Retail LLC, Port District Capital Projects LLC, Port Authority Insurance Captive Entity, LLC (PAICE), 1 World Trade Center LLC, and New York New Jersey Rail, LLC (all collectively referred to as the Port Authority), is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2009, with selected comparative information for the years ended December 31, 2008 and December 31, 2007. This section has been prepared by management of the Port Authority and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Overview of 2009 Financial Results

Net assets of the Port Authority increased $846 million in 2009.

Gross operating revenues totaled $3.6 billion in 2009, representing a $25 million increase over 2008. The increase was primarily due to higher revenues from fixed rentals from tenants at the Port Authority's Aviation and Port facilities and from cost recovery agreements with the airlines. Toll revenues were also higher reflecting the full-year impact of the revised toll schedules which went into effect at the Port Authority's six vehicular crossings on March 2, 2008. Offsetting the increase was lower utility revenues stemming from lower rates for electricity and steam; a decline in revenues from airport public parking operations due to lower activity levels; and decreased dockage and wharfage fees at Port Newark (PN) and the Port Authority Auto Marine Terminal.

Operating and maintenance expenses totaled $2.4 billion in 2009, a $25 million decrease when compared with 2008. The decrease was primarily due to the year-to-year impact of the recording in 2008 of an operating expense provision for pollution remediation obligations in accordance with the implementation of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB Statement No. 49). Operating and maintenance expenses also declined due to a decrease in the loss provision for incurred but not reported (IBNR) claims associated with PAICE, and lower utility costs resulting from lower rates for electricity and steam.

Depreciation and amortization expense increased by $71 million in 2009 compared to 2008 primarily reflecting the full year impact of transferring $1.8 billion to completed construction in 2008; the transfer of $1.3 billion to completed construction in 2009; and increased investment in regional programs.

Net recoverables relating to the events of September 11, 2001 totaled $203 million in 2009, reflecting the resolution of a portion of the Port Authority's property damage and business interruption insurance claims relating to the events of September 11, 2001 with certain of the insurers participation in the coverage applicable to such claims.

Financial income increased by $152 million in 2009 compared to 2008, primarily due to higher market valuation adjustments to unhedged interest rate exchange contracts (swaps). Interest expense was $13 million higher in 2009 primarily due to a swap termination payment in connection with the redemption of Versatile Structure Obligations Series 2.

Contributions, Passenger Facility Charges (PFCs) and grants increased by $62 million in 2009 compared to 2008 primarily due to higher contributions associated with capital projects eligible for federal funding.

Other Activities

- Capital spending by the Port Authority reached $2.7 billion in 2009 with $1.3 billion spent on the redevelopment of the World Trade Center site, and more than $200 million spent on projects designed to maintain the safety and security of the agency's facilities. In addition, in excess of $1.3 billion of capital construction, including costs associated with various regional programs, was transferred to completed construction in 2009.

- The Port Authority's 2010 Budget includes in excess of $3.1 billion in capital spending for investment in key regional projects such as the continued rebuilding of the World Trade Center site; the Access to the Region's Core Project (the ARC Project); the modernization of the PATH System, including the continued rollout of a new fleet of PATH rail cars and the installation of a new signal system; and advancement of the JFK Flight Delay Reduction Program.

Overview of the Financial Statements

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

Consolidated Statements of Net Assets

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

	2009	2008	2007
		(In thousands)	
ASSETS			
Current assets	**$ 3,542,307**	$ 2,538,552	$ 3,723,049
Noncurrent assets			
Facilities, net	**18,398,356**	16,490,195	14,869,612
Other noncurrent assets	**5,266,810**	6,008,780	5,119,398
Total assets	**27,207,473**	25,037,527	23,712,059
LIABILITIES			
Current liabilities	**2,292,249**	2,344,466	3,192,021
Noncurrent liabilities			
Bonds and other asset financing obligations	**12,406,153**	10,949,849	9,524,310
Other noncurrent liabilities	**1,831,289**	1,911,848	2,058,447
Total liabilities	**16,529,691**	15,206,163	14,774,778
NET ASSETS			
Invested in capital assets, net of related debt	**8,415,993**	7,526,446	6,609,691
Restricted	**211,725**	409,800	719,306
Unrestricted	**2,050,064**	1,895,118	1,608,284
Total net assets	**$10,677,782**	$ 9,831,364	$ 8,937,281

Port Authority assets totaled $27.2 billion at December 31, 2009, an increase of $2.2 billion from December 31, 2008. Facilities, net increased by $1.9 billion from 2008. This amount includes both completed facilities and construction in progress. In addition, Port Authority cash and cash equivalents increased $1.5 billion from 2008, primarily due to a shift in investments from United States Treasury notes and bills to Negotiable Order of Withdrawal (NOW) accounts, collateralized time accounts and an increase in bond proceeds received in connection with the issuance of capital obligations. This increase in cash and cash equivalents was partially offset by an $800 million decrease in investments, reflecting the aforementioned shift from United States Treasury notes and bills to NOW and collateralized time accounts. In addition, other amounts receivable decreased $170 million primarily due to a reduction in the receivable recognized in 2001 in connection with the recovery for and development of certain assets comprising the World Trade Center.

Port Authority liabilities totaled $16.5 billion at December 31, 2009, an increase of $1.3 billion from December 31, 2008. This increase was primarily due to a $1.4 billion increase in bonds and other obligations resulting from the issuance of additional consolidated bonds in connection with the Port Authority's capital plan.

Net assets totaled approximately $10.7 billion at December 31, 2009, an increase of approximately $846 million over 2008. Invested in capital assets, net of related debt, which totaled $8.4 billion at December 31, 2009, represents the largest of the three components of Port Authority net assets and comprises investment in capital assets (such as land, buildings, improvements and equipment), less the related outstanding indebtedness used to acquire those capital assets. Net assets reported as restricted due to constraints imposed by agreements or legislation totaled $212 million, comprising $104 million for PAICE; $90 million in insurance proceeds, which are restricted to business interruption obligations and redevelopment expenditures of 1 World Trade Center LLC, the Port Authority's wholly owned net lessee of One World Trade Center and Tower 5, and WTC Retail LLC, the net lessee of the retail components located at the World Trade Center; and $18 million in PFCs restricted for use on projects or expenditures eligible for the application of PFCs. The balance of net assets at December 31, 2009 totaling $2.1 billion is unrestricted and may be used to meet ongoing Port Authority obligations.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

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

	2009	2008	2007
		(In thousands)	
Gross operating revenues	**$3,552,243**	$3,527,552	$ 3,191,626
Operating expenses	**(2,438,670)**	(2,463,692)	(2,247,394)
Depreciation and amortization	**(786,948)**	(715,460)	(691,869)
Net recoverables (expenses) related to the events of September 11, 2001	**202,978**	457,918	(4,563)
Income from operations	**529,603**	806,318	247,800
Net non-operating expenses	**(329,326)**	(496,562)	(251,583)
Contributions, PFCs and grants	**646,141**	584,327	1,306,661
Increase in net assets	**$ 846,418**	$ 894,083	$ 1,302,878

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

Revenues

A summary of gross operating revenues follows:

	2009	2008	2007
		(In thousands)	
Gross operating revenues:			
Rentals	**$1,115,652**	$1,079,634	$ 986,663
Tolls and fares	**1,068,105**	1,054,801	800,244
Aviation fees	**839,327**	816,628	781,355
Parking and other	**316,005**	328,220	387,966
Utilities	**140,817**	169,576	149,537
Rentals - Special Project Bonds Projects	**72,337**	78,693	85,861
Total	**$3,552,243**	$3,527,552	$3,191,626

2009 vs. 2008

Gross operating revenues totaled nearly $3.6 billion for the year ended December 31, 2009, a $25 million increase from 2008. The year-to-year increase in operating revenues is primarily due to the following:

- Rental revenues increased by $36 million in 2009 compared to 2008 due to higher fixed rentals from tenants at JFK, including jetBlue, JFK International Air Terminal LLC and the United States Postal Service; escalations to the rents paid by airline tenants in Terminals A, B and C at Newark Liberty International Airport (EWR); and higher rents from major tenants at the Elizabeth-Port Authority Marine Terminal and PN.

- Aviation fees increased by $23 million year-to-year reflecting higher revenues derived from cost recovery agreements with the airlines operating at LaGuardia Airport (LGA), JFK and EWR.

- Toll revenues increased $18 million in 2009 compared to 2008 reflecting the full-year impact of the revised toll schedules that went into effect at the Port Authority's six vehicular crossings on March 2, 2008, partially offset by a decline in vehicular activity of 1.8%.

- Utility revenues decreased by $29 million in 2009 primarily due to lower rates for electricity and steam.

- Parking and other revenues decreased by $12 million in 2009 compared with 2008 primarily due to a decline in vehicular parking activity at LGA, JFK and EWR, and decreased dockage and wharfage fees stemming from lower container and cargo activity at PN and the Auto Marine Terminal.

- PATH fares decreased $3 million in 2009 compared to 2008 primarily due to a 3.6% decline in ridership, which offset the full year impact of the revised fare schedule which went into effect on March 2, 2008.

2008 vs. 2007

Gross operating revenues totaled $3.5 billion for the year ended December 31, 2008, which is $336 million higher than 2007. The year-to-year increase in operating revenues is primarily due to the following:

- Toll revenues from the Port Authority's six vehicular crossings increased $242 million in 2008 compared to 2007. The increase comprised higher revenues of $263 million from the revised toll schedules which became effective on March 2, 2008, partially offset by a decline of $21 million stemming from lower vehicular activity.

  PATH fares increased $13 million in 2008 compared to 2007 primarily due to the impact of the revised fare schedule which went into effect on March 2, 2008 and increased ridership levels.

- Rental revenues increased by $93 million in 2008 compared to 2007 due to higher fixed and activity-based rentals from major tenants at Aviation and Port facilities, including Delta Airlines at LaGuardia Airport (LGA) and JFK, JFK International Air Terminal LLC (JFKIAT) at JFK and APM North America at the Elizabeth-Port Authority Marine Terminal (EPAMT).

- Aviation fees increased by $35 million year-to-year mainly due to higher revenues from cost recovery agreements with the airlines operating at JFK, LGA and EWR.

- Parking and other revenues decreased by $60 million in 2008 compared with 2007 primarily due to one-time payments received in 2007 in connection with Port tenant ownership change transactions pertaining to certain tenants at Port Newark (PN), the Howland Hook Marine Terminal and the EPAMT.

Expenses

A summary of operating expenses follows:

	2009	2008	2007
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 974,154**	$ 941,289	$ 922,671
Contract services	**683,418**	670,489	587,730
Rents and amounts in-lieu-of taxes	**276,830**	274,916	271,073
Materials, equipment and other	**263,682**	314,722	212,147
Utilities	**168,249**	183,583	167,912
Interest on Special Project Bonds	**72,337**	78,693	85,861
Total	**$2,438,670**	$2,463,692	$2,247,394

2009 vs. 2008

Operating expenses totaled $2.4 billion in 2009, which is $25 million lower than 2008. The year to year decrease is primarily due to the following:

- Costs for materials, equipment and other items decreased $51 million in 2009 primarily due to a $30 million year-to-year decrease in the operating expense provision for pollution remediation obligations recognized in accordance with the 2008 implementation of GASB Statement No. 49. There was also a decrease in the loss provision in 2009 of $22 million for IBNR claims associated with PAICE.

- Utility costs decreased by $15 million in 2009 compared to 2008 primarily due to a decline in rates for electricity and steam.

- Employee compensation costs increased by $33 million in 2009 compared to 2008 mainly due to higher employee benefit costs.

- Contract service costs increased by $13 million primarily due to increased costs associated with the Ramada Hotel at JFK, which the Port Authority assumed operating responsibility for in November 2008 and subsequently closed in December 2009.

2008 vs. 2007

Operating expenses totaled $2.5 billion in 2008, which is $216 million higher than 2007. The year to year increase is primarily due to the following:

- Costs for materials, equipment and other items increased by $103 million in 2008 due to $70 million in liquidated damages for delays in turning over various components of the World Trade Center sites for Towers 2, 3 and 4 to the Silverstein net lessees, and higher pollution remediation costs of $34 million stemming from the adoption of GASB Statement No. 49.

- Contract service costs increased by $83 million primarily due to increased costs associated with the operation of JFK, EWR and SWF, increased maintenance dredging costs at New York and New Jersey Marine Terminals, and higher E-ZPass Program costs.

- Employee compensation costs increased by $19 million primarily due to higher police costs related to ongoing security measures at Port Authority facilities.

- Utility costs increased by $16 million in 2008 compared to 2007 primarily due to higher electricity and steam costs.

Depreciation and Amortization

A summary of depreciation and amortization expenses follows:

	2009	2008	2007
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$712,331**	$644,620	$632,553
Amortization of costs for regional programs	**74,617**	70,840	59,316
Total	**$786,948**	$715,460	$691,869

2009 vs. 2008

Depreciation and amortization expense totaled $787 million in 2009, an increase of $71 million over 2008. The year-to-year increase primarily reflects the full year impact of transferring $1.8 billion of construction in progress to completed construction in 2008; the transfer of $1.3 billion to completed construction in 2009, including in excess of $700 million in Aviation related investment, including $300 million for terminals and general infrastructure and $100 million for taxiways and runways, and $108 million associated with the new PATH rail cars.

2008 vs. 2007

Depreciation and amortization expense totaled $715 million in 2008, an increase of $24 million over 2007. The year-to-year increase primarily reflects the full year impact of transferring $900 million of construction in progress to completed construction in 2007, the transfer of $1.8 billion to completed construction in 2008, including $567 million associated with the new jetBlue Terminal at JFK, and increased investment in regional programs.

Non-operating Revenues and Expenses

	2009	2008	2007
		(In thousands)	
Non-operating revenues and (expenses):			
Interest income	**$ 67,820**	$ 98,758	$ 138,357
Net increase (decrease) in fair value of investments	**78,741**	(103,734)	91,455
Interest expense in connection with bonds and other asset financing	**(501,892)**	(488,463)	(493,689)
Net gain on disposition of assets	**27,125**	7	17,011
Pass-through grant program payments	**(1,120)**	(3,130)	(4,717)
Net non-operating expenses	**$(329,326)**	$(496,562)	$(251,583)

2009 vs. 2008

Financial income increased by $152 million in 2009 compared with 2008 primarily due to higher market valuation adjustments to unhedged interest rate exchange contracts (swaps), partially offset by lower earnings on investment securities due to the lower interest rate environment. Interest expense increased $13 million in 2009 compared with 2008 primarily due to a swap termination payment in connection with the redemption of Versatile Structure Obligations Series 2.

2008 vs. 2007

Financial income decreased by $235 million in 2008 compared with 2007 as a result of market valuation adjustments to investment securities of $195 million, and lower earnings on investment securities and 1 WTC LLC and WTC Retail LLC insurance proceeds reflecting a lower interest rate environment and lower average balances of insurance proceeds.

Passenger Facility Charges and Other Contributions

	2009	2008	2007
		(In thousands)	
Contributions in aid of construction	**$382,978**	$313,078	$ 313,504
Passenger Facility Charges	**201,737**	211,667	221,380
1 WTC LLC/WTC Retail LLC insurance proceeds	**50,813**	49,771	760,467
Grants	**10,613**	9,811	11,310
Total	**$646,141**	$584,327	$1,306,661

2009 vs. 2008

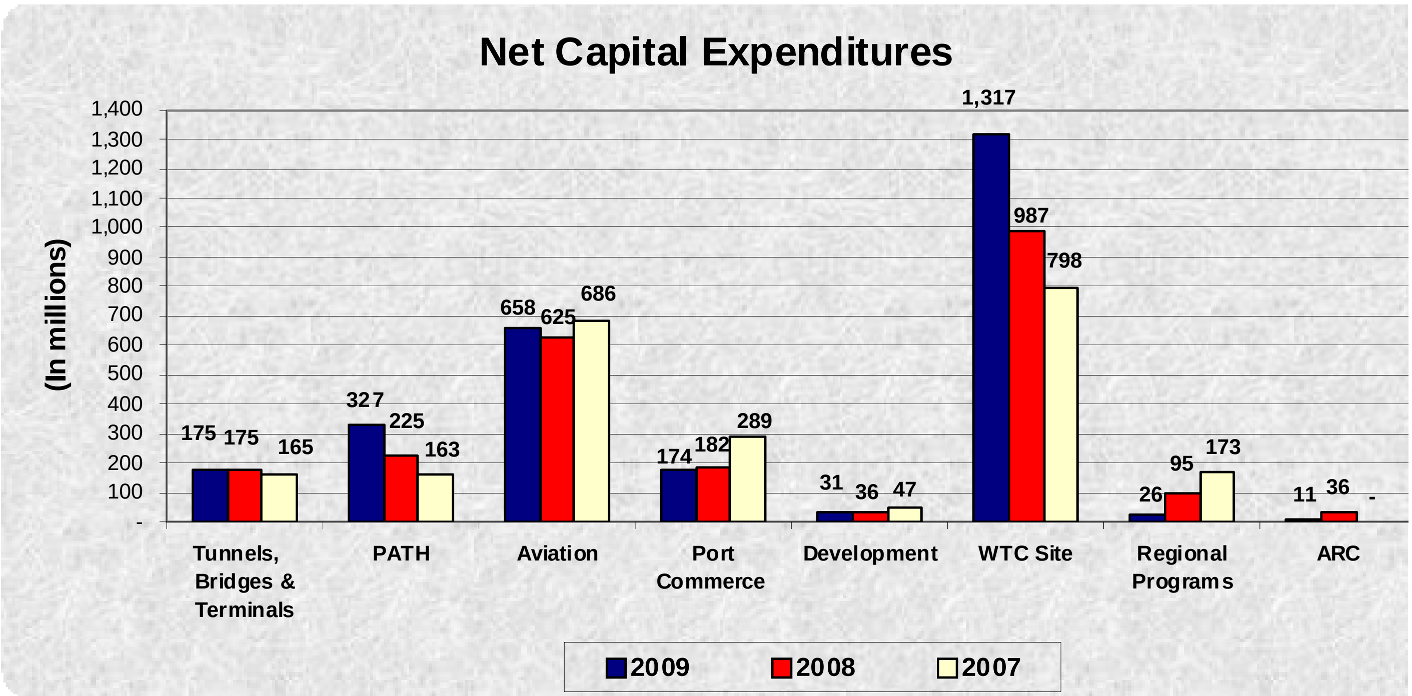
PFCs, grants, restricted insurance proceeds and other contributions totaled $646 million in 2009, $62 million higher than 2008. The year-to-year increase is primarily due to higher capital expenditures on projects eligible for federal funding from the Federal Transit Administration (FTA), partially offset by a decrease in PFC collections reflecting lower passenger activity at EWR, JFK and LGA.

2008 vs. 2007

PFCs, grants, restricted insurance proceeds and other contributions totaled $584 million in 2008, which represents a $722 million decrease from 2007. The year-to-year decrease is primarily due to the global settlement of the World Trade Center net lessees', including 1 WTC LLC and WTC Retail LLC, September 11, 2001 property damage and business interruption insurance claims in 2007. PFC collections were also lower by approximately $10 million in 2008 due to a decline in passenger activity levels.

Capital Construction Activities

Port Authority expenditures for capital construction projects, including amounts associated with contributed capital, totaled $2.7 billion in 2009, $2.4 billion in 2008 and $2.3 billion in 2007. The following chart depicts net capital expenditures for the last three years summarized by line of business:

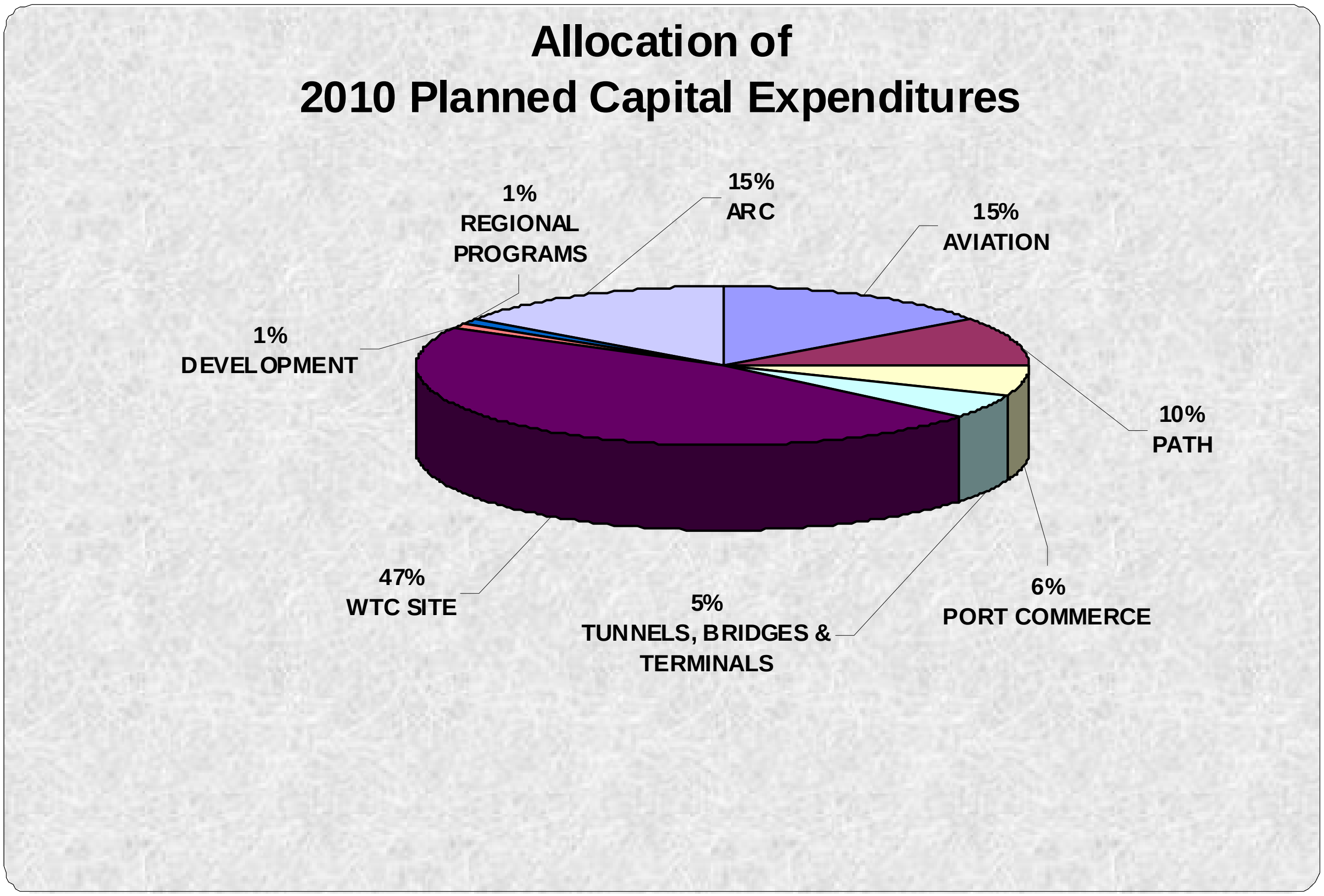


Funding sources for the $2.7 billion spent by the Port Authority on capital investment in 2009 were as follows: $802.5 million was funded with proceeds derived from the issuance of capital obligations; $283.1 million was funded by FTA contributions in aid of construction; $79.5 million was funded through Federal Aviation Administration grants; $205.2 million was funded by PFCs; and the balance of approximately $1.35 billion was funded through appropriations from the Port Authority Consolidated Bond Reserve Fund and other sources.

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

2010 Planned Capital Expenditures

The 2010 Budget includes capital spending of approximately $3.1 billion, with approximately 50% of that amount allocated to the WTC site as depicted in the following chart:



Major elements of the 2010 Capital Plan include:

- Continued rebuilding of the WTC Site, including the permanent WTC Transportation Hub, One World Trade Center, WTC Retail Redevelopment, the WTC Memorial and certain WTC Site Infrastructure
- Planning for the Central Terminal Building at LGA
- Advancement of the JFK Flight Delay Reduction Program
- Planning for the Modernization of Terminal A at EWR
- Continued procurement of new PATH rail cars
- New PATH Signal Replacement Program
- Continued planning efforts for the modernization of the Goethals Bridge and the rehabilitation of the Holland Tunnel Ventilation System

- Continued Port Commerce capacity improvements including rail and roadway enhancements, and channel deepening

- Planning and Site Acquisition for the ARC Project

- Facility infrastructure security projects, including detection and mitigation systems and structural hardening

Capital Financing and Debt Management

As of December 31, 2009, bonds and other asset financing obligations of the Port Authority totaled approximately $13.4 billion.

During 2009, the Port Authority issued $1.6 billion in consolidated bonds. Of this amount, $1.46 billion was allocated to fund capital construction projects, and $171 million was used to refund existing outstanding obligations.

Listed below is a summary of credit ratings that are assigned to the outstanding obligations of the Port Authority. Except as indicated in the footnote below, all ratings for the obligations outstanding in 2008 have remained the same for 2009. During 2009, Moody's, Standard and Poor's and Fitch considered the Port Authority's outlook as stable.

OBLIGATION	S&P	Fitch	Moody's
Consolidated Bonds	AA-	AA-	Aa3
Consolidated Notes	SP-1+	F1+	MIG1
Commercial Paper	A-1+	F1+	P-1
VSO Short Term	A-1+*	F1+	VMIG1
VSO Long Term	A+	A+	A1

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

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

*The Port Authority has a standby certificate purchase agreement in place with Bayerische Landesbank for Versatile Structure Obligations (VSO) Series 1R. On October 19, 2009, Bayerische Landesbank requested to have its ratings withdrawn by S&P for all obligations that the bank provides standby bond purchase agreements and letters of credit. As a result, there is no short-term rating from S&P for VSO Series 1R. The short-term rating from S&P for the other outstanding VSOs remains at A-1+.

Consolidated Statements of Net Assets

	December 31, 2009	December 31, 2008
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 1,886,774**	$ 350,714
Restricted cash	**102,961**	321,190
Investments	**950,216**	1,272,071
Restricted investments	**366**	4,449
Current receivables, net	**366,030**	374,005
Other current assets	**204,011**	180,799
Restricted receivables and other assets	**31,949**	35,324
Total current assets	**3,542,307**	2,538,552
Noncurrent assets:		
Restricted cash	**6,820**	7,346
Investments	**1,524,572**	2,004,202
Restricted investments - PAICE	**113,116**	68,341
Other amounts receivable, net	**364,854**	535,155
Deferred charges and other noncurrent assets	**1,449,694**	1,481,140
Restricted deferred / other noncurrent assets - PAICE	**12,195**	15,908
Amounts receivable - Special Project Bonds Projects	**1,054,294**	1,107,006
Unamortized costs for regional programs	**741,265**	789,682
Facilities, net	**18,398,356**	16,490,195
Total noncurrent assets	**23,665,166**	22,498,975
Total assets	**27,207,473**	25,037,527
LIABILITIES		
Current liabilities:		
Accounts payable	**744,737**	716,799
Accrued interest and other current liabilities	**406,618**	515,780
Restricted other liabilities - PAICE	**391**	271
Accrued payroll and other employee benefits	**150,812**	131,820
Current portion bonds and other asset financing obligations	**989,691**	979,796
Total current liabilities	**2,292,249**	2,344,466
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**579,213**	609,326
Other noncurrent liabilities	**149,310**	160,375
Restricted other noncurrent liabilities - PAICE	**48,472**	35,141
Amounts payable - Special Project Bonds	**1,054,294**	1,107,006
Bonds and other asset financing obligations	**12,406,153**	10,949,849
Total noncurrent liabilities	**14,237,442**	12,861,697
Total liabilities	**16,529,691**	15,206,163
NET ASSETS	**$ 10,677,782**	$ 9,831,364
Net assets are composed of:		
Invested in capital assets, net of related debt	**$ 8,415,993**	$ 7,526,446
Restricted:		
1 WTC LLC/WTC Retail LLC insurance proceeds	**90,249**	305,470
Passenger Facility Charges	**17,513**	20,938
Port Authority Insurance Captive Entity, LLC	**103,963**	83,392
Unrestricted	**2,050,064**	1,895,118
NET ASSETS	**$ 10,677,782**	$ 9,831,364

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended December 31, 2009	2008
	(In thousands)	
Gross operating revenues:		
Rentals	**$ 1,115,652**	$1,079,634
Tolls and fares	**1,068,105**	1,054,801
Aviation fees	**839,327**	816,628
Parking and other	**316,005**	328,220
Utilities	**140,817**	169,576
Rentals - Special Project Bonds Projects	**72,337**	78,693
Total gross operating revenues	**3,552,243**	3,527,552
Operating expenses:		
Employee compensation, including benefits	**974,154**	941,289
Contract services	**683,418**	670,489
Rents and amounts in-lieu-of taxes	**276,830**	274,916
Materials, equipment and other	**263,682**	314,722
Utilities	**168,249**	183,583
Interest on Special Project Bonds	**72,337**	78,693
Total operating expenses	**2,438,670**	2,463,692
Net (recoverables) related to the events of September 11, 2001	**(202,978)**	(457,918)
Depreciation of facilities	**712,331**	644,620
Amortization of costs for regional programs	**74,617**	70,840
Income from operations	**529,603**	806,318
Non-operating revenues and (expenses):		
Interest income	**67,820**	98,758
Net increase/(decrease) in fair value of investments	**78,741**	(103,734)
Interest expense in connection with bonds and other asset financing	**(501,892)**	(488,463)
Net gain on disposition of assets	**27,125**	7
Pass-through grant program payments	**(1,120)**	(3,130)
Net non-operating expenses	**(329,326)**	(496,562)
Contributions, Passenger Facility Charges and Grants:		
Contributions in aid of construction	**382,978**	313,078
Passenger Facility Charges	**201,737**	211,667
1 WTC LLC/WTC Retail LLC insurance proceeds	**50,813**	49,771
Grants	**10,613**	9,811
Total contributions, passenger facility charges and grants	**646,141**	584,327
Increase in net assets	**846,418**	894,083
Net assets, January 1	**9,831,364**	8,937,281
Net assets, December 31	**$10,677,782**	$9,831,364

Consolidated Statements of Cash Flows

	Year ended December 31, 2009	2008
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$3,645,443**	$ 3,585,321
Cash received related to the events of September 11, 2001	**219,675**	459,825
Cash paid to suppliers	**(1,152,074)**	(1,142,423)
Cash paid to or on behalf of employees	**(984,296)**	(948,231)
Cash paid to municipalities	**(274,863)**	(268,518)
Cash payments related to the events of September 11, 2001	**(3,466)**	(1,457)
Net cash provided by operating activities	**1,450,419**	1,684,517
Cash flows from noncapital financing activities:		
Proceeds from insurance related to 1 WTC LLC/WTC Retail LLC	**50,813**	49,771
Principal paid on non-capital financing obligations	**(2,000)**	-
Proceeds from sale of noncapital financing obligations	**-**	11,045
Proceeds from noncapital obligations issued for refunding purposes	**-**	350,000
Principal paid through noncapital obligations refundings	**-**	(350,000)
Payments for Fund buy-out obligation	**(43,211)**	(43,211)
Interest paid on noncapital financing obligations	**(537)**	(2,675)
Grants	**10,548**	10,648
Net cash provided by noncapital financing activities	**15,613**	25,578
Cash flows from capital and related financing activities:		
Proceeds from sales of capital obligations	**1,633,453**	657,163
Principal paid on capital obligations	**(160,895)**	(233,050)
Proceeds from capital obligations issued for refunding purposes	**1,908,205**	2,009,010
Principal paid through capital obligations refundings	**(1,908,205)**	(2,009,010)
Interest paid on capital obligations	**(589,821)**	(538,965)
Investment in facilities and construction of capital assets	**(2,384,009)**	(2,419,266)
Financial income allocated to capital projects	**3,134**	2,305
Investment in regional programs	**(26,200)**	(95,194)
Proceeds from disposition of assets	**988**	7
Proceeds from Passenger Facility Charges	**205,164**	215,407
Contributions in aid of construction	**368,728**	357,279
Net cash used for capital and related financing activities	**(949,458)**	(2,054,314)
Cash flows from investing activities:		
Purchase of investment securities	**(2,117,120)**	(39,482,863)
Proceeds from maturity and sale of investment securities	**2,852,914**	39,610,429
Interest received on investment securities	**54,650**	79,177
Other interest income received	**10,287**	18,503
Net cash provided by investing activities	**800,731**	225,246
Net increase / (decrease) in cash	**1,317,305**	(118,973)
Cash at beginning of year	**679,250**	798,223
Cash at end of year	**$1,996,555**	$ 679,250

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows (continued)

	Year ended December 31, 2009	2008
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 529,603**	$ 806,318
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**712,331**	644,620
Amortization of costs for regional programs	**74,617**	70,840
Amortization of other assets	**41,851**	42,581
Change in operating assets and operating liabilities:		
Decrease in receivables	**171,860**	138,297
Increase in deferred charges and other assets	**(66,114)**	(132,946)
(Decrease) / increase in payables	**(17,987)**	42,525
Increase in other liabilities	**15,380**	80,184
(Decrease) in accrued payroll, pension and other employee benefits	**(11,122)**	(7,902)
Total adjustments	**920,816**	878,199
Net cash provided by operating activities	**$1,450,419**	$1,684,517

3. Capital obligations:

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

4. Noncash Investing, Capital and Financing Activities:

Noncash activity of $26,644,000 in 2009 and ($60,699,000) in 2008 includes amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds and amounts payable in connection with Special Project Bonds. Noncash capital financing did not include any activities that required a change in fair value.

The existing capital receivable, in connection with the Silverstein net lessees' capital investment associated with Towers 2, 3 and 4 at the World Trade Center site, was reduced by $148 million in 2009. As of December 31, 2009, the outstanding receivable totaled $270 million.

The market value of the three unhedged swaps was $95,410,064 as of December 31, 2009 (see Note D).

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

1. Reporting Entity

a. The Port Authority of New York and New Jersey was created in 1921 by Compact between the two States, consented to by the Congress of the United States. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation generally upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation fees and other charges.

b. The Governor of each State, with the consent of the respective State Senate, appoints six of the twelve members of the governing Board of Commissioners. The Commissioners serve without remuneration for fixed six-year overlapping terms. Meetings of the Commissioners of the Port Authority are open to the public in accordance with policies adopted by the Commissioners. The actions taken by the Commissioners at Port Authority meetings are subject to gubernatorial review and may be vetoed by the Governor of their respective State.

c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chair and Vice Chair, provides oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains the independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, a law firm retained to address certain Audit Committee matters, and management of the Port Authority. The Chair of the Audit Committee periodically advises the Board of Commissioners on the activities of the Committee.

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

2. Basis of Accounting

a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

b. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting,* the Port Authority follows the pronouncements of the GASB in its accounting and financial reporting. Also, in accordance with GASB Statement No. 20, the Port Authority follows the pronouncements of all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB guidance.

3. Significant Accounting Policies

a. Facilities are carried at cost. The costs for facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the capital project is completed and ready for its intended use. Generally, projects in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future accounting periods or are expected to prolong the service lives of assets beyond their originally assigned lives are capitalized (see Note B). Facilities do not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (see Note H).

b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see Note B). The useful lives of assets are developed by the various related disciplines in the Port Authority's Engineering Department utilizing past experience, standard industrial expectations, and external sources such as consultants, manufacturers and contractors. Useful lives are reviewed periodically for each specific type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

Buildings, bridges, tunnels and other structures	25 to 100 years
Machinery and equipment	5 to 35 years
Runways, roadways and other paving	7 to 20 years
Utility infrastructure	20 to 40 years

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

Costs of regional programs are deferred and amortized on a straight-line basis over the period benefited up to a maximum of 15 years (see Note H). In addition, certain operating costs, which provide benefits for periods exceeding one year, are deferred and amortized over the period benefited.

c. Cash consists of cash on hand and short term cash equivalents. Cash equivalents are made up of negotiable order of withdrawal (NOW) accounts, United States Treasury bills, collateralized time accounts and money market funds.

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

e. Statutory reserves held by PAICE, as required by law, are restricted for purposes of insuring certain risk exposures.

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

g. Operating revenues are derived principally from rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at Port Authority facilities, and amounts reimbursed for operating activities. Operating expenses include those costs incurred for the operation, maintenance and security of Port Authority facilities. All other revenues, including financial income, Passenger Facility Charges (PFCs), contributions in aid of construction, grants, insurance proceeds and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant program payment costs are reported as non-operating expenses.

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

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

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

k. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.

l. Effective 2008, pollution remediation costs are being charged in accordance with the provisions of GASB Statement No. 49 (see Note J-12). An operating expense provision and corresponding liability measured at its current value using the expected cash flow method have been recognized for certain pollution remediation obligations that previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations occur when any one of the following obligating events takes place: the Port Authority is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the Port Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation; the Port Authority voluntarily commences or legally obligates itself to commence remediation efforts; or the Port Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities. The Port Authority did not have objective and verifiable information to apply the provisions of GASB Statement No. 49 to periods prior to 2008.

m. In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The requirements of GASB Statement No. 53 are effective for financial statements for periods beginning after June 15, 2009. The Port Authority has not completed the process of evaluating the impact the adoption of GASB Statement No. 53 may have on its financial statements and, as a result, has not elected early implementation.

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

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

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

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

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

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

e. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations. Discounts and premiums associated with bonds issued in connection with capital investment are capitalized at issuance and are included in “Invested in facilities.”

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

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

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

	December 31, 2009	2008
	(In thousands)	
Net assets reported on Consolidated Statements of Net Assets	**$ 10,677,782**	$ 9,831,364
Add: Accumulated depreciation of facilities	**9,234,105**	8,577,808
Accumulated retirements and gains and losses on disposal of invested in facilities	**1,766,543**	1,737,634
Cumulative amortization of costs for regional programs	**991,877**	917,260
Cumulative amortization of discount and premium	**64,661**	58,930
	22,734,968	21,122,996
Less: Deferred income – 1 WTC LLC/WTC Retail LLC insurance proceeds	**90,249**	305,470
Restricted Net Revenues - PAICE	**2,488**	5,665
Deferred income in connection with PFCs	**17,513**	20,938
Net assets reported on Schedule B – Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$ 22,624,718**	$20,790,923

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

	Year ended December 31, 2009	2008
	(In thousands)	
Increase in net assets reported on Consolidated Statements of Revenues, Expenses and Changes in Net Assets	$ **846,418**	$ 894,083
Add: Depreciation of facilities	**712,331**	644,620
Application of 1 WTC LLC/WTC Retail LLC insurance proceeds	**266,676**	411,278
Application of Passenger Facility Charges	**205,164**	215,407
Amortization of costs for regional programs	**74,617**	70,840
Amortization of discount and premium	**5,731**	5,289
Restricted Net Revenues - PAICE	**3,177**	-
Change in appropriations for self-insurance	**6,463**	2,123
	2,120,577	2,243,640
Less: Debt maturities and retirements	**147,370**	152,275
Call premiums on refunded bonds	**-**	750
Repayment of asset financing obligations	**13,525**	80,775
Direct investment in facilities	**1,522,096**	1,514,369
PFCs	**201,737**	211,667
1 WTC LLC/WTC Retail LLC insurance proceeds	**50,813**	49,771
1 WTC LLC/WTC Retail LLC interest income	**643**	9,900
Restricted Net Revenues - PAICE	**-**	4,311
Gain on disposition of assets	**27,125**	7
PFC Fair Value Adjustment	**1**	10
	1,963,310	2,023,835
Increase in reserves reported on Schedule A – Revenues and Reserves (pursuant to Port Authority bond resolutions)	**$ 157,267**	$ 219,805

Note B - Facilities

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers	Retirements*	End of Year
			(In thousands)		
2009					
Capital assets not being depreciated:					
Land	$ 931,475	$ -	$ 52,380	$ (55,340)	$ 928,515
Construction in progress	4,532,834	2,694,355	(1,305,209)	(11,698)	5,910,282
Total capital assets not being depreciated	5,464,309	2,694,355	(1,252,829)	(67,038)	6,838,797
Other capital assets:					
Buildings, bridges, tunnels, other structures	7,233,946	-	427,600	(21,510)	7,640,036
Machinery and equipment	5,617,777	-	588,274	(38,834)	6,167,217
Runways, roadways and other paving	3,944,018	-	30,667	(2,305)	3,972,380
Utility infrastructure	2,807,953	-	206,288	(210)	3,014,031
Other capital assets	19,603,694	-	1,252,829	(62,859)	20,793,664
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,890,669	198,606	-	(21,522)	3,067,753
Machinery and equipment	2,644,359	247,288	-	(31,997)	2,859,650
Runways, roadways and other paving	1,798,548	152,525	-	(2,305)	1,948,768
Utility infrastructure	1,244,232	113,912	-	(210)	1,357,934
Accumulated depreciation	8,577,808	712,331	-	(56,034)	9,234,105
Total other capital assets, net	11,025,886	(712,331)	1,252,829	(6,825)	11,559,559
Facilities, net	$ 16,490,195	$ 1,982,024	$ -	$ (73,863)	$18,398,356
2008					
Capital assets not being depreciated:					
Land	$ 810,610	$ -	$ 120,865	$ -	$ 931,475
Construction in progress	4,130,738	2,265,293	(1,863,197)	-	4,532,834
Total capital assets not being depreciated	4,941,348	2,265,293	(1,742,332)	-	5,464,309
Other capital assets:					
Buildings, bridges, tunnels, other structures	6,564,113	-	671,102	(1,269)	7,233,946
Machinery and equipment	5,255,960	-	393,796	(31,979)	5,617,777
Runways, roadways and other paving	3,634,631	-	312,471	(3,084)	3,944,018
Utility infrastructure	2,444,164	-	364,963	(1,174)	2,807,953
Other capital assets	17,898,868	-	1,742,332	(37,506)	19,603,694
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	2,718,351	173,587	-	(1,269)	2,890,669
Machinery and equipment	2,458,568	217,770	-	(31,979)	2,644,359
Runways, roadways and other paving	1,651,181	150,451	-	(3,084)	1,798,548
Utility infrastructure	1,142,504	102,812	-	(1,084)	1,244,232
Accumulated depreciation	7,970,604	644,620	-	(37,416)	8,577,808
Total other capital assets, net	9,928,264	(644,620)	1,742,332	(90)	11,025,886
Facilities, net	$ 14,869,612	$ 1,620,673	$ -	$ (90)	$16,490,195

***** Retirements include approximately $73,863,000 and $90,000 for the unamortized investment associated with asset dispositions which took place in 2009 and 2008, respectively.

2. Net interest expense added to the cost of facilities was approximately $137 million in 2009 and $108 million in 2008.

3. As of December 31, 2009, approximately $31.6 million in projects have been suspended pending determination of their continued viability.

4. During 2009, depreciation was accelerated for certain additional assets. The impact on depreciation for the machinery, equipment, paving, and utility infrastructure assets totaled $3.1 million.

Note C - Cash and Investments

1. The components of cash and investments are:

	December 31, 2009	December 31, 2008
	(In thousands)	
CASH		
Cash on hand	**$ 1,191**	$ 1,469
Cash equivalents	**1,995,364**	677,781
Total cash	**1,996,555**	679,250
Less restricted cash	**109,781**	328,536
Unrestricted cash	**$1,886,774**	$ 350,714

PORT AUTHORITY INVESTMENTS AT FAIR VALUE	December 31, 2009			December 31, 2008
	(In thousands)			
	Port Authority	**PAICE**	**Total**	2008
United States Treasury notes	**$ 988,815**	**$ 41,080**	**$1,029,895**	$1,157,069
United States Treasury bonds	**-**	**26,700**	**26,700**	13,414
United States Treasury bills	**950,216**	**-**	**950,216**	1,830,767
United States government agency obligations	**366**	**43,041**	**43,407**	126,190
Corporate Bonds *	**379,060**	**-**	**379,060**	-
Commercial paper notes	**-**	**-**	**-**	50,000
JFK International Air Terminal LLC obligations	**148,210**	**-**	**148,210**	156,699
Other governmental obligations	**-**	**1,052**	**1,052**	3,622
Accrued interest receivable	**8,487**	**1,243**	**9,730**	11,302
Total investments	**2,475,154**	**113,116**	**2,588,270**	3,349,063
Less current investments**	**950,582**	**-**	**950,582**	1,276,520
Noncurrent investments	**$1,524,572**	**$113,116**	**$1,637,688**	$2,072,543

* Guaranteed by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program, rated Aaa by Moody's and AAA by Standard & Poors.

**Includes PFC restricted investments of $365,993.

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

Total actual bank balances were $1.897 billion as of December 31, 2009. Of that amount, $1.896 billion was secured through the basic FDIC deposit insurance coverage, the FDIC Transaction Account Guarantee Program (TAGP), or was fully collateralized with collateral held by a third-party custodian acting as the Port Authority's agent and held by such custodian in the Port Authority's name. The balance of approximately $1 million was not collateralized. In addition, approximately $90 million related to restricted insurance proceeds for 1 WTC LLC and WTC Retail LLC is being held by a third party escrow agent and, with the exception of current cash on hand to meet expenditures, is invested in United States Treasury securities.

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. For the Port Authority, but not necessarily its wholly owned entities, individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third party financial institution acting as the Port Authority's agent. Securities transactions are conducted in the open market at competitive prices. Transactions (including repurchase and reverse repurchase agreement transactions) are completed when the Port Authority's securities custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with the Port Authority's instructions.

Proceeds of "Bonds and other asset financing obligations" may be invested, on an interim basis, in conformance with applicable Federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time accounts. Consolidated Bond Reserve Fund and General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund. Operating funds may be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms, investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets, commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies, United States Treasury and municipal bond futures contracts, certain interest rate exchange contracts with banks and investment firms, certain interest rate options contracts that are limited to $50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities, and certain unrated obligations of JFK International Air Terminal LLC (JFKIAT) (presently comprising approximately 6.0% of total Port Authority investments at December 31, 2009) for certain costs attributable to the completion of the JFKIAT passenger terminal. The Board has from time to time authorized other investments of operating funds.

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

The following is the fair value and weighted average maturity of investments held by the Port Authority at December 31, 2009:

PA Investment Type	**Fair Value (In thousands)**	**Weighted Average Maturity (In days)**
United States Treasury notes	$ 988,815	554
United States Treasury bills	950,216	200
United States government agency obligations	366	28
Corporate Bonds	379,060	819
JFK International Air Terminal LLC obligations	148,210	5,663
Total fair value of investments	$ 2,466,667	
Portfolio weighted average maturity		765

Port Authority investments in United States government agency obligations at December 31, 2009 were held in the Federal Home Loan Banks. The Federal Home Loan Banks' long-term issues are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

The Port Authority has, from time to time, entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. There were no investments in reverse repurchase agreements at December 31, 2009.

The investment policies of PAICE have been established and approved by the PAICE Board of Directors, which is comprised of Port Authority executive staff. Consistent with the Port Authority Board of Commissioners' authorization with respect to the establishment of PAICE as a wholly owned entity of the Port Authority, PAICE provides the Port Authority Board of Commissioners' Committee on Finance with periodic updates on PAICE's investment activities.

Under PAICE's investment policies, eligible investments include money market demand accounts of commercial banks, not to exceed bank deposit insurance limits, and/or taxable or tax-exempt money market mutual funds that offer daily purchase and redemption while maintaining a constant share price and whose fund assets are primarily United States Treasury Bills and whose assets are more than $1 billion. Other investments include: United States Treasury Securities and United States Federal Agency debt, AAA rated tax-exempt general obligation issues of states, and U.S. dollar denominated corporate debt rated AA or above.

The following is the fair value and weighted average maturity of investments held by PAICE at December 31, 2009:

PAICE Investment Type	**Fair Value (In thousands)**	**Weighted Average Maturity (In days)**
United States Treasury notes	$ 41,080	579
United States Treasury bonds	26,700	1,050
United States government agency obligations	43,041	869
Other governmental obligations	1,052	383
Total fair value of investments	$111,873	
Portfolio weighted average maturity		801

Note D - Outstanding Obligations and Financing

D-1. Outstanding bonds and other asset financing obligations

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

	December 31, 2009		
	Current	Noncurrent	Total
	(In thousands)		
A. CONSOLIDATED BONDS	$ 173,095	$12,062,884	$12,235,979
B. COMMERCIAL PAPER NOTES	321,010	-	321,010
C. VARIABLE RATE MASTER NOTES	90,990	-	90,990
D. VERSATILE STRUCTURE OBLIGATIONS	250,900	-	250,900
E. PORT AUTHORITY EQUIPMENT NOTES	110,485	-	110,485
F. FUND BUY-OUT OBLIGATION	43,211	343,269	386,480
	$ 989,691	$12,406,153	$13,395,844

	December 31, 2008		
	Current	Noncurrent	Total
	(In thousands)		
A. CONSOLIDATED BONDS AND NOTES	$ 147,370	$10,594,798	$10,742,168
B. COMMERCIAL PAPER NOTES	186,040	-	186,040
C. VARIABLE RATE MASTER NOTES	90,990	-	90,990
D. VERSATILE STRUCTURE OBLIGATIONS	399,700	-	399,700
E. PORT AUTHORITY EQUIPMENT NOTES	112,485	-	112,485
F. FUND BUY-OUT OBLIGATION	43,211	355,051	398,262
	$ 979,796	$10,949,849	$11,929,645

A. Consolidated Bonds and Notes

		Dec. 31, 2008	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2009
			(In thousands)		
Consolidated bonds					
Sixty-ninth series (a)	Due 2010-2011	$ 11,192	$ 425	$ 4,000	$ 7,617
Seventy-fourth series (b)	Due 2010-2014	22,284	863	4,155	18,992
Eighty-fifth series	5.125%-5.375% due 2010-2028	95,500	-	2,700	92,800
Eighty-sixth series	5.2% due 2010-2012	16,660	-	4,385	12,275
Ninety-third series	6.125% due 2094	100,000	-	-	100,000
One hundred third series	5.125%-5.25% due 2010-2014	36,850	-	5,395	31,455
One hundred thirteenth series	4.5%-4.75% due 2010-2013	26,250	-	5,250	21,000
One hundred sixteenth series	4.25%-5.25% due 2010-2033	421,360	-	8,955	412,405
One hundred seventeenth series*	4.75%-5.125% due 2010-2018	60,090	-	4,885	55,205
One hundred eighteenth series	5%-5.35% due 2010-2014	40,500	-	6,750	33,750
One hundred twenty-second series*	5%-5.5% due 2010-2036	187,010	-	10,735	176,275
One hundred twenty-third series	4.75%-5% due 2017-2036	100,000	-	-	100,000
One hundred twenty-fourth series*	4.75%-5% due 2010-2036	236,055	-	10,720	225,335
One hundred twenty-fifth series	5% due 2018-2032	300,000	-	-	300,000
One hundred twenty-sixth series*	5%-5.5% due 2010-2037	236,040	-	12,030	224,010
One hundred twenty-seventh series*	4%-5.5% due 2010-2037	249,620	-	9,390	240,230
One hundred twenty-eighth series	4%-5% due 2010-2032	243,465	-	3,525	239,940
One hundred twenty-ninth series	3.25%-4% due 2010-2015	47,325	-	5,670	41,655
One hundred thirtieth series	3.125%-3.75% due 2010-2015	51,920	-	6,755	45,165
One hundred thirty-first series*	4.625%-5% due 2010-2033	458,765	-	8,720	450,045
One hundred thirty-second series	5% due 2024-2038	300,000	-	-	300,000
One hundred thirty-third series	2.75%-4.4% due 2010-2021	197,950	-	14,770	183,180
One hundred thirty-fourth series	4%-5% due 2010-2039	250,000	-	2,680	247,320
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000	-	-	400,000
One hundred thirty-sixth series*	5%-5.5% due 2010-2034	347,005	-	2,290	344,715
One hundred thirty-seventh series*	4%-5.5% due 2010-2034	237,805	-	3,505	234,300
One hundred thirty-eighth series*	4.25%-5% due 2010-2034	343,800	-	2,100	341,700
One hundred thirty-ninth series*	4%-5% due 2010-2025	177,385	-	8,005	169,380
One hundred fortieth series	4.125%-5% due 2016-2035	400,000	-	-	400,000
One hundred forty-first series*	4.5%-5% due 2016-2035	350,000	-	-	350,000
One hundred forty-second series	4%-5% due 2015-2036	350,000	-	-	350,000
One hundred forty-third series*	5% due 2016-2036	500,000	-	-	500,000
One hundred forty-fourth series	4.25%-5% due 2026-2035	300,000	-	-	300,000
One hundred forty-fifth series**	5.75% due 2027-2032	250,000	-	-	250,000
One hundred forty-sixth series*	4.25%-5% due 2016-2036	500,000	-	-	500,000
One hundred forty-seventh series*	4.75%-5% due 2017-2037	450,000	-	-	450,000
One hundred forty-eighth series	5% due 2015-2037	500,000	-	-	500,000
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	-	-	400,000
One hundred fiftieth series**	4.125%-6.4% due 2013-2027	350,000	-	-	350,000
One hundred fifty-first series*	5.25%-6% due 2019-2035	350,000	-	-	350,000
One hundred fifty-second series*	4.75%-5.75% due 2018-2038	400,000	-	-	400,000
One hundred fifty-third series	4%-5% due 2018-2038	500,000	-	-	500,000
One hundred fifty-fourth series	3%-5% due 2010-2029	-	100,000	-	100,000
One hundred fifty-fifth series	1.25%-3.5% due 2010-2019	-	85,700	-	85,700
One hundred fifty-sixth series	4%-5% due 2025-2039	-	100,000	-	100,000
One hundred fifty-seventh series**	5.309% due 2019	-	150,000	-	150,000
One hundred fifty-eighth series**	5.859% due 2024	-	250,000	-	250,000
One hundred fifty-ninth series**	6.04% due 2029	-	350,000	-	350,000
One hundred sixtieth series	4%-5% due 2030-2039	-	300,000	-	300,000
One hundred sixty-first series	4.25%-5% due 2030-2039	-	300,000	-	300,000
Consolidated bonds pursuant to Port Authority bond resolutions (d)		10,794,831	$ 1,636,988	$ 147,370	12,284,449
Less unamortized discount and premium (c)		52,663			48,470
Consolidated bonds		$ 10,742,168			$ 12,235,979

A. Consolidated Bonds and Notes (continued)

(a) Includes $1,858,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2010 to 2011, in total aggregate maturity amounts of $8,000,000.

(b) Includes $5,216,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2010 to 2014, in total aggregate maturity amounts of $20,775,000.

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

(d) Debt service requirements to maturity for consolidated bonds outstanding on December 31, 2009 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2010	$ 173,095	$ 606,886	$ 779,981
2011	179,120	599,572	778,692
2012	181,950	591,966	773,916
2013	203,130	583,542	786,672
2014	223,960	574,148	798,108
2015-2019	1,619,040	2,684,574	4,303,614
2020-2024	2,232,740	2,223,825	4,456,565
2025-2029	2,907,475	1,597,033	4,504,508
2030-2034	3,153,545	761,381	3,914,926
2035-2039	1,312,560	153,710	1,466,270
2040-2094***	100,000	308,496	408,496
	$12,286,615	$10,685,133	$22,971,748

***Debt for the years 2040-2094 reflects principal and interest payments associated with the ninety-third series of consolidated bonds.

Total principal of $12,286,615,000 shown above differs from the total consolidated bonds pursuant to Port Authority bond resolutions of $12,284,449,000 because of differences in the par value at maturity of the capital appreciation bonds of $2,166,000.

As of December 31, 2009, the Board of Commissioners had authorized the issuance of consolidated bonds, one hundred sixty-second series through one hundred seventy-sixth series, in the aggregate principal amount of up to $500 million of each series, and consolidated notes, Series ZZ, AAA, BBB, CCC and DDD, of up to $300 million in aggregate principal amount of each series.

During 2009, the Port Authority used the proceeds of consolidated bonds and commercial paper obligations to refund $135.3 million of versatile structure obligations and $85.6 million of commercial paper notes.

Consolidated bonds outstanding as of February 26, 2010 (pursuant to Port Authority bond resolutions) totaled $12,284,449,000.

B. Commercial Paper Notes

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be issued until December 31, 2010. Each series includes a standby revolving credit facility and the maximum aggregate principal amount that may be outstanding at any one time is $300 million for Series A and $200 million for Series B.

	Dec. 31, 2008	Issued	Refunded/ Repaid	Dec. 31, 2009
		(In thousands)		
Series A*	$ 83,450	$ 1,228,615	$ 1,138,020	$174,045
Series B	102,590	679,285	634,910	146,965
	$186,040	$1,907,900	$1,772,930	$321,010

Interest rates for all commercial paper notes ranged from 0.20% to 1.30% in 2009.

As of February 26, 2010, commercial paper notes outstanding totaled $340,340,000.

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, 2008	Issued	Refunded/ Repaid	Dec. 31, 2009
		(In thousands)		
Agreements 1989 -1995*	$44,900	$ -	$ -	$44,900
Agreements 1989 -1998	46,090	-	-	46,090
	$90,990	$ -	$ -	$90,990

Interest rates are determined weekly, based upon specific industry indices (e.g. JP Morgan Rate published by JP Morgan Asset Management or the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 0.27% to 1.58% in 2009.

Debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2009, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2010	$ -	$ 333	$ 333
2011	-	334	334
2012	-	334	334
2013	-	334	334
2014	13,090	326	13,416
2015-2019	-	1,237	1,237
2020-2024	58,000	661	58,661
2025	19,900	47	19,947
	$90,990	$3,606	$94,596

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, 2008	Issued	Refunded/ Repaid	Dec. 31, 2009
		(In thousands)		
Series 1R*	$ 97,800	$ -	$ 2,400	$ 95,400
Series 2	85,700	-	85,700	-
Series 3	73,100	-	3,100	70,000
Series 4*	88,400	-	2,900	85,500
Series 6*	54,700	-	54,700	-
	$399,700	$ -	$148,800	$250,900

Variable interest rates, set daily by the remarketing agent for Versatile Structure Obligations Series 1 through 4 and 6, ranged from 0.04% to 1.25% in 2009.

Debt service requirements on outstanding versatile structure obligations, valued for presentation purposes at the rate in effect on December 31, 2009, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2010	$ 10,700	$ 656	$ 11,356
2011	12,100	629	12,729
2012	12,600	598	13,198
2013	13,100	566	13,666
2014	13,700	533	14,233
2015-2019	81,700	2,093	83,793
2020-2024	75,700	1,000	76,700
2025-2028	31,300	203	31,503
	$250,900	$6,278	$257,178

The Port Authority has entered into a separate standby certificate purchase agreement for Versatile Structure Obligations Series 1 through 4 and 6 with certain banks, which provides that during the term of the banks' commitment (generally three years, subject to renewal), if the remarketing agent fails to remarket any obligations that are tendered by the holders, the bank may be required, subject to certain conditions, to purchase such unremarketed portion of the obligations. If not purchased prior thereto at the Port Authority's option, the Port Authority has agreed to purchase such portion of the obligations within 90 business days after the purchase thereof by the bank. Bank commitment fees during 2009 in connection with the agreements were approximately $670,000.

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, 2008	Issued	Refunded/ Repaid	Dec. 31, 2009
		(In thousands)		
Notes 2004, 2006, 2008*	$ 7,920	$ -	$ -	$ 7,920
Notes 2004, 2006, 2008	104,565	-	2,000	102,565
	$112,485	$ -	$ 2,000	$110,485

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.28% to 1.04% in 2009.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2009, would be as follows:

	Principal	Interest	Debt Service
		(In thousands)	
2010	$ 11,840	$ 346	$ 12,186
2011	30,485	271	30,756
2012	18,595	206	18,801
2013	2,640	154	2,794
2014	15,425	107	15,532
2015	31,500	19	31,519
	$110,485	$1,103	$111,588

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

F. Fund Buy-Out Obligation

	Dec. 31, 2008	Accretion (a)	Refunded/ Repaid	Dec. 31, 2009
		(In thousands)		
Obligation outstanding	$398,262	$31,429	$43,211	$386,480

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

Payment requirements of the fund buy-out obligation outstanding, including the implicit interest cost, on December 31, 2009 are as follows:

Year ending December 31:	Payments
	(In thousands)
2010	$ 43,211
2011	43,211
2012	51,213
2013	51,212
2014	51,214
2015-2019	262,060
2020-2021	106,816
	$608,937

As of February 26, 2010, the fund buy-out obligation outstanding totaled $391,467,422.

D-2. Amounts Payable - Special Project Bonds

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

	Dec. 31, 2008	Issued	Repaid/ Amortized	Dec. 31, 2009
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9%-9.125%, due 2010-2015	$ 122,540	$ -	$13,280	$ 109,260
Less: unamortized discount and premium	3,364	-	486	2,878
Total - Series 2	119,176	-	12,794	106,382
Series 4, KIAC Partners Project (b)*				
6.75% due 2010-2019	174,700	-	11,700	163,000
Less: unamortized discount and premium	2,058	-	192	1,866
Total - Series 4	172,642	-	11,508	161,134
Series 6, JFKIAT Project (c)*				
5.75%-7% due 2010-2025	820,865	-	28,745	792,120
Less: unamortized discount and premium	5,677	-	335	5,342
Total - Series 6	815,188	-	28,410	786,778
Amounts payable - Special Project Bonds	$1,107,006	$ -	$52,712	$1,054,294

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

(b) Special project bonds, Series 4, KIAC Partners Project, were issued to refund the Series 3 bonds, and in connection with a project at JFK, that included 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.

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

D-3. Interest Rate Exchange Contracts (Swaps)

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

Objective

The Port Authority's financial management program provides for the Port Authority to enter into interest rate swaps for the purpose of managing and controlling interest rate risk in connection with Port Authority obligations designated at the time of entering into interest rate swap transactions. The notional amounts of the swaps are designed to match the principal amount of the associated debt. The Port Authority's swap agreements contain scheduled reductions to outstanding notional amounts to approximately follow scheduled reductions of the associated debt.

As of December 31, 2008, the Port Authority had five pay-fixed, receive variable rate interest rate swaps, two of which were matched (hedged) against outstanding variable rate debt obligations, the proceeds of which were used to refund outstanding high-coupon fixed rate debt, thus creating synthetic fixed rate refunding bonds, and three unhedged swaps.

In May 2009, the Port Authority terminated one of the matched swaps for $17.4 million in connection with the redemption of the corresponding variable rate debt obligation, Versatile Structure Obligations Series 2.

As of December 31, 2009, the Port Authority has four remaining interest rate swaps, one matched against outstanding variable rate debt (Versatile Structure Obligations Series 3) and the three remaining unhedged swaps. Two of the three unhedged swaps were entered into in anticipation of the issuance of future variable interest rate versatile structure obligations in July and August 2008. However, due to unfavorable market conditions, these obligations were not issued. The third swap became unhedged when the corresponding variable rate obligation was refunded in 2008 (Versatile Structure Obligations Series 8). To mitigate the impacts of unfavorable market conditions, in the second quarter of 2009, the Port Authority amended the three unhedged swap agreements to defer periodic interest rate exchange contract payments until the last quarter of 2010.

The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2009, are as follows:

Associated Debt	Notional Amount	Execution Date	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Ratings of the Counterparty or its Credit Support Provider (a)
VSO 3	$ 70,000,000	2/18/1993	7/15/1995	5.937%	SIFMA (b)	$ (11,865,755)	6/1/2020	A/A1/A+
Unhedged(e)	224,000,000(d)	6/15/2006	10/1/2010	4.510%	70% of three-month LIBOR(c)	(32,683,800)	10/1/2035	A/A1/A+
Unhedged(e)	187,100,000(d)	6/15/2006	10/1/2010	4.450%	70% of three-month LIBOR	(27,097,316)	7/1/2036	AA/Aa1/AA
Unhedged(f)	236,100,000(d)	6/15/2006	11/1/2010	4.408%	70% of one-month LIBOR	(35,628,948)	8/1/2038	AA-/Aaa/AA
Total	$717,200,000					$(107,275,819)		

(a) Ratings supplied by Standard & Poor's/Moody's Investors Service/Fitch Ratings, respectively.
(b) Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA).
(c) London Interbank Offered Rate Index.
(d) Unhedged Swaps
(e) Swap agreement amended April 2, 2009
(f) Swap agreement amended May 22, 2009

Debt service requirements of the underlying variable rate debt and net swap payments, valued for presentation purposes at the rate in effect on December 31, 2009, are shown below. As rates vary, variable rate debt interest payments and net swap payments will vary.

Year ending December 31:	VSO Series 3 Principal	VSO Series 3 Interest	Interest Rate Swap, Net	Total
		(In thousands)		
2010	$ 5,000	$ 153	$ 3,815	$ 8,968
2011	6,000	142	3,497	9,639
2012	6,000	129	3,156	9,285
2013	6,000	116	2,815	8,931
2014	6,000	102	2,474	8,576
2015-2019	34,000	299	6,777	41,076
2020	7,000	6	166	7,172
Total	$70,000	$ 947	$22,700	$93,647

Fair Value

Interest rates have declined on each of the Port Authority's outstanding swaps and, therefore, all swaps had a negative fair value as of December 31, 2009. Because interest rates on the outstanding related versatile structure obligation is reset on a daily basis for VSO Series 3, thereby reflecting market interest rates, the obligation does not have corresponding fair value increases. With regard to the unhedged swaps, changes in fair value are reflected in the Port Authority's financial statements as a change to investment income because these swaps do not qualify as a hedge under applicable accounting standards.

Credit Risk

As of December 31, 2009, the Port Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Port Authority would be exposed to credit risk in the amount of the swaps' fair value. All of the outstanding swap agreements require that if the outstanding ratings of the Port Authority or the counterparty, or its credit support provider fall to a certain level, the party whose rating falls is required to post collateral with a third-party custodian to secure its termination payments above certain threshold amounts. Collateralization of the fair value of the swaps, above certain threshold amounts, is required should the Port Authority's highest credit rating fall below Baa1, as issued by Moody's Investors Service, or BBB+, as issued by Standard & Poor's and Fitch Ratings. Collateralization of the fair value of the swaps, above certain threshold amounts, is required should the counterparty's, or its credit support provider's, highest credit rating fall below A1, as issued by Moody's Investors Service, or A+, as issued by Standard & Poor's and Fitch Ratings. Collateral on all swaps shall consist of direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of America (including cash). All of the swap agreements provide that an early termination date may be designated if an event of default or termination occurs. The four swap transactions currently outstanding are held by four different counterparties.

Basis Risk

The Port Authority's interest payments on the associated debt are equivalent to the daily variable market rates set by the remarketing agent for VSO Series 3. The Port Authority receives variable rate swap payments based on an index other than the variable market rates paid for the associated debt and would be exposed to basis risk should the relationship between the actual rate paid for the associated debt differ from the swap rate index received. To the degree these rates differ, expected cost savings may not be realized. As of December 31, 2009, the variable market rate for VSO Series 3 was 0.22%, whereas the SIFMA swap rate index was 0.25%.

Termination Risk

The Port Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. Additionally, the Port Authority has the option to terminate, cancel or cash settle any of the four swaps, in whole or in part, at its discretion. As part of the 2009 amendments to the unhedged swap agreements previously described, two of the swap counterparties were granted the option to early terminate, cancel or cash settle their respective swaps, in whole or in part, beginning in 2012, at their discretion. If any of the swaps are terminated, any associated variable rate debt will no longer carry a synthetic fixed interest rate. Also, if at the time of termination the counterparty suffers a loss, the Port Authority would be liable to the counterparty for a payment calculated pursuant to the agreement with respect to such loss.

Rollover Risk

The Port Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. Currently, there are no swaps exposed to rollover risk. However, if a swap were to be terminated prior to the maturity of the associated debt, the Port Authority would not realize the synthetic rate offered by the swap on the underlying issue.

Note E – Reserves

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which required the Port Authority to create the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2009, the General Reserve Fund balance was $1,412,221,440 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 asset obligations (versatile structure obligations, commercial paper obligations, variable rate master notes, and interest rate exchange contracts (swaps) executed after 2005), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other 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, interest rate exchange contracts (swaps) executed prior to 2005, and the Fund buy-out obligation) are paid in the same manner and from the same sources as operating expenses. Special Project Bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund. The moneys in the reserve funds may be accumulated or applied only to purposes set forth in legislation and the agreements with the holders of the Port Authority's obligations pertaining thereto. At December 31, 2009, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F – Funding Provided by Others

During 2009 and 2008, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating programs

- K-9 Program – The FAA and the Transportation Security Administration (TSA) provided funding for operating costs associated with the training and care of explosive detection dogs. Amounts received in connection with this program were approximately $1,011,000 in 2009 and $1,486,000 in 2008.

- Airport Screening Program – The TSA provided approximately $344,000 in 2009 and $430,000 in 2008 to fund operating costs incurred by Port Authority police personnel involved with airport screening programs at JFK and EWR.

- U.S. Department of State (USDOS) – In 2009, the Port Authority received $1,828,000 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

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

2. Grants and Contributions in Aid of Construction

- Subsequent to September 11, 2001, the Port Authority entered into various agreements with federal and state agencies for programs associated with security related projects through which the Port Authority would be reimbursed for eligible expenses. Amounts for such security related projects in 2009 and 2008 were approximately $9 million and $26 million, respectively.

- The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Amounts recognized from the FTA for the WTC Transportation Hub, including the restoration of the permanent WTC PATH Terminal, in 2009 and 2008 were approximately $287 million and $198 million, respectively. Amounts recognized from the FAA under the Airport Improvement Program in 2009 and 2008 were approximately $79 million and $92 million, respectively. All other contributions in aid of construction (including amounts receivable) totaled approximately $18 million in 2009 and $4 million in 2008.

Note G - Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $1 billion in 2009 and approximately $968 million in 2008.

2. Property held for lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport, the World Trade Center and the Newark Legal and Communications Center. Investments in such facilities, as of December 31, 2009, include property associated with minimum rentals derived from the leases. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with an entire facility.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Future minimum rentals scheduled to be received on operating leases in effect on December 31, 2009 are:

Year ending December 31:	(In thousands)
2010	$ 925,822
2011	836,783
2012	830,548
2013	829,951
2014	830,046
Later years	101,213,960
Total future minimum rentals (a)	$105,467,110

(a) Includes future rentals of approximately $95 billion attributable to World Trade Center leases (see Note K).

3. Property leased from others

Rental expenses under leases, including payments to the Cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of replacement office space due to the destruction of the World Trade Center, aggregated $264 million in 2009 and $261 million in 2008.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2009 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:	(In thousands)
2010	$ 232,581
2011	230,965
2012	228,447
2013	228,329
2014	227,445
2015-2019	996,425
2020-2024	886,126
2025-2029	881,572
2030-2034	870,000
2035-2065*	3,629,000
Total future minimum rent payments	$8,410,890

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

Note H – Regional Programs

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

- **Regional Development Facility** – This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that $250 million of capital funds would be made available in connection with the

Governors' Program of June 1983. As of December 31, 2009, approximately $247 million in net expenditures have been approved under this program.

- **Regional Economic Development Program** – This facility is to be comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. Net expenditures on projects authorized under this program totaled approximately $389 million as of December 31, 2009.

- **Oak Point Rail Freight Link** – The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. As of December 31, 2009, the Port Authority has provided approximately $102 million for this rail project, of which approximately $63 million was made available through the Regional Development Facility and the Regional Economic Development Program.

- **New Jersey Marine Development Program** – This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed $27 million. All funds under this program have been fully allocated to various projects.

- **New York Transportation, Economic Development and Infrastructure Renewal Program** – This facility was established to provide up to $250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2009, $239 million has been spent on projects associated with this program.

- **Regional Transportation Program** – This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. As of December 31, 2009, approximately $388 million has been expended under this program.

- **Hudson-Raritan Estuary Resources Program** – This facility was established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority's capital program. The cost of real property acquired under this program is not to exceed $60 million. As of December 31, 2009, more than $28 million has been expended under this program.

- **Regional Rail Freight Program** – This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to $50 million. As of December 31, 2009, all funds under this program have been fully allocated to various rail freight projects.

- **Meadowlands Passenger Rail Facility** – This facility, which will link New Jersey Transit's (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, will encourage greater use of PATH service since NJT plans to run shuttle service at peak times from Hoboken to the facility. The improved level of passenger rail service provided by the facility will also serve to ease traffic congestion on the Port Authority's interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to $150 million towards the project's capital costs. As of December 31, 2009, all funds under this program have been fully expended.

As of December 31, 2009, a total of $2 billion has been expended for regional programs. Costs for these programs are deferred and amortized over the period benefited, up to a maximum of 15 years. The unamortized costs of the regional programs are as follows:

	Dec. 31, 2008	Project Expenditures	Amortization	Dec. 31, 2009
		(In thousands)		
Regional Development Facility	$ 53,134	$ 500	$ 6,395	$ 47,239
Regional Economic Development Program	162,006	-	19,884	142,122
Oak Point Rail Freight Link	13,039	-	1,630	11,409
New Jersey Marine Development Program	6,696	-	834	5,862
New York Transportation, Economic Development and Infrastructure Renewal Program	179,015	4,200	15,307	167,908
Regional Transportation Program	187,344	12,011	15,593	183,762
Hudson-Raritan Estuary Resources Program	21,207	3,875	1,675	23,407
Regional Rail Freight Program	35,494	-	3,333	32,161
Meadowlands Passenger Rail Facility	131,747	5,614	9,966	127,395
Total unamortized costs of regional programs	$789,682	$26,200	$74,617	$741,265

2. Bi-State Initiatives – From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2009, the Port Authority expended approximately $18 million on regional initiatives, bringing the total amount spent to date to $109 million.

3. Buy-out of Fund for Regional Development – In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. An agreement among the Port Authority and the States of New York and New Jersey with respect to the

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

Note I - Pension Plans and Other Employee Benefits

1. Pension Plans

a. Generally, full-time employees of the Port Authority (but not its wholly owned entities) are required to join one of two cost-sharing multiple-employer defined benefit pension plans, the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the "Retirement System". The New York State Constitution provides that membership in a pension or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired. In December 2009, legislation was adopted generally applicable to employees hired on or after January 1, 2010; certain changes may also affect PFRS member employees hired between July 1, 2009 and January 8, 2010. The following discussion does not reflect this legislation, pending detailed advice from the Retirement System.

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

Employer contributions to the Retirement System are determined based on an actuarial valuation of the present value of future benefits for active and retired members. When the actuarially determined value of benefits is greater than the assets to be used for the payment of benefits, the difference must be made up through employer contributions. That difference is amortized over the working lives of current members to determine the required annual contribution. Separate calculations are done for each plan, since each plan allows for different benefits. However, in no case will the employer's annual contribution to the Retirement System be less than 4.5% of covered payroll, including years in which the investment performance of the New York State Common Retirement Fund would make a lower contribution possible.

The Port Authority's covered ERS and PFRS payroll expense for 2009 was approximately $416 million and $212 million, respectively.

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

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		($ In thousands)		
2009	$29,526	7.1%	$32,960	15.6%
2008	$31,052	7.9%	$34,718	16.1%
2007	$33,967	8.8%	$33,101	16.5%

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

In 2009, employee contributions of approximately $8.9 million to the ERS represented 2.1% of the payroll for employees covered by ERS.

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

b. Employees of PATH are not eligible to participate in New York State's Retirement System. For most of its union employees, PATH contributes to supplemental pension plans. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. Eligibility for all benefits prior to normal retirement requires the completion of at least five years of vested service and depends upon years of credited service and monthly benefit rates in effect at the time of retirement. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 2009 for these employees was approximately $79 million. For the year 2009, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled approximately $6 million, which represented approximately 7.6% of the total PATH covered payroll for 2009. Contributions were approximately $5 million and $4 million for 2008 and 2007, respectively.

c. Presently, none of the Port Authority's other wholly owned entities have employees covered by pension plans.

2. Other Employee Benefits

Benefit Plans

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for active and retired employees of the Port Authority and PATH (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as "participants." Contributions toward the costs of some of these benefits are required of certain participants. These contributions generally range from 10% to 50% of the Port Authority or PATH's cost of the benefit and depend on a number of factors, including status of the participants, type of benefit, hire date, years of service, and retirement date. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH. The actuarially determined valuation of these benefits is reviewed annually for the purpose of estimating the present value of future benefits for participants.

The Port Authority implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2006. In December 2006, the Port Authority established a restricted fund to provide funding for retiree health, prescription, dental, vision and life insurance coverage and other non-pension postemployment benefits.

Actuarial Methods and Assumptions

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

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

In the January 1, 2009 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a 6% investment rate of return, representing the estimated yield on investments expected to be used for the payment of benefits; an annual medical healthcare cost trend rate of 5% in 2009, declining to an ultimate rate of 4.5% in 2010; a pharmacy benefit cost of 6% in 2009, gradually declining to an ultimate rate of 5% in 2011; and a dental benefits trend rate of 4.5% per year. In addition, the unfunded, unrecognized actuarial accrued liability is being amortized as a level dollar amount over a period of 30 years.

Other Postemployment Benefit Costs and Obligations

The annual non-pension postemployment benefit (OPEB) cost is actuarially determined in accordance with the parameters of GASB Statement No. 45, which also forms the basis for calculating the annual required contribution (ARC) for the Port Authority and PATH. The ARC represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization of the difference between the actuarial accrued liability and amounts previously recognized. The Port Authority has been recognizing OPEB costs since 1985. The following reflects the components of the 2009 annual OPEB cost, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2009 actuarial valuation:

	(In millions)
Normal actuarial cost	$ 30.9
Amortization cost	85.9
Interest on Excess Contribution	(2.6)
ARC	114.2
OPEB payments	(90.2)
Increase in net OPEB obligation	24.0
Net accrued OPEB obligation as of 12/31/08	606.3
OPEB obligation as of 12/31/09	630.3
Trust contributions	(55.0)
Net accrued OPEB obligation as of 12/31/09	$ 575.3

As of January 1, 2009, the actuarially accrued liability for these benefits totaled approximately $1.9 billion. The difference between the actuarial accrued liability of $1.9 billion and the sum of the $606.3 million liability previously recognized and the $100 million in trust assets is being amortized using an open amortization approach over a 30 year period.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved effective January 1, 2006. Effective January 1, 2009, the Port Authority contracted with Express Scripts, Inc. for an Employee Group Waiver Plan (CMS approved series 800 plan) covering its retirees. Under the contract, Express Scripts assumed responsibility for the administrative and compliance obligations imposed by CMS. In 2009, CMS payments to Express Scripts, on behalf of the Port Authority, totaled approximately $3.8 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2009 and the two preceding years, were as follows:

Year	**ARC**	**OPEB Payments As a % of ARC**	**Net Accrued OPEB Obligation**
	($ In thousands)		
2009	$ 114,270	127%	$ 575,314
2008	103,053	122%	606,256
2007	109,236	106%	628,561

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for post employment benefits. Effective June 2009, the Port Authority's quarterly contribution to The Port Authority of New York and New Jersey Retiree Health Benefits Trust, with Wells Fargo Bank, N.A-Institutional Trust Services serving as the Trustee, increased from $10 million to $15 million. In 2008 and 2009, contributions to the Trust totaled $40 million and $55 million, respectively.

OPEB Trust net assets, the actuarial accrued liability, the unfunded actuarial accrued liability for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded actuarial liability to covered payroll for the three most recent valuation dates were as follows:

Valuation Date	OPEB Trust Net Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Benefit Liability	Covered Payroll for Active Employees Covered by the Plans	Ratio of the Unfunded Actuarial Liability to Covered Payroll
			($ In millions)		
1/1/2009	$100	$1,898	$1,798	$719	250%
1/1/2008	83	1,772	1,689	699	242%
1/1/2007	40	1,844	1,804	663	272%

Following are the Statements of Net Assets and Changes in Net Assets held in trust for OPEB for 2009 and 2008. The activities are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

Statements of Trust Net Assets

	December 31, 2009	December 31, 2008
	(In thousands)	
ASSETS		
Cash	**$ 5,386**	$ 13,869
Investments, at fair value:		
Bond/Equity Funds	**174,379**	85,774
Total Investments	**174,379**	85,774
Total assets	**179,765**	99,643
LIABILITIES		
Total liabilities	**-**	-
NET ASSETS HELD IN TRUST FOR OPEB	**$ 179,765**	$ 99,643

Statements of Changes in Trust Net Assets

	Year Ended December 31,	
	2009	2008
	(In thousands)	
Additions		
Contributions	**$ 55,000**	$40,000
Total contributions	**55,000**	40,000
Investment Income:		
Net change in fair value of investments	**20,831**	(26,031)
Interest income	**4,458**	2,775
Total Net Investment gain (loss)	**25,289**	(23,256)
Deductions		
Administrative expenses and fees	**(167)**	(57)
Total deductions	**(167)**	(57)
Net Increase	**80,122**	16,687
Trust net assets, January 1	**99,643**	82,956
NET ASSETS HELD IN TRUST FOR OPEB	**$179,765**	$99,643

The audited financial statements for the years ended December 31, 2009 and December 31, 2008 of the Port Authority of New York and New Jersey Retiree Health Benefits Trust, which provides additional information concerning trust assets, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 1 PATH Plaza, Jersey City, New Jersey 07306.

Note J – Commitments and Certain Charges to Operations

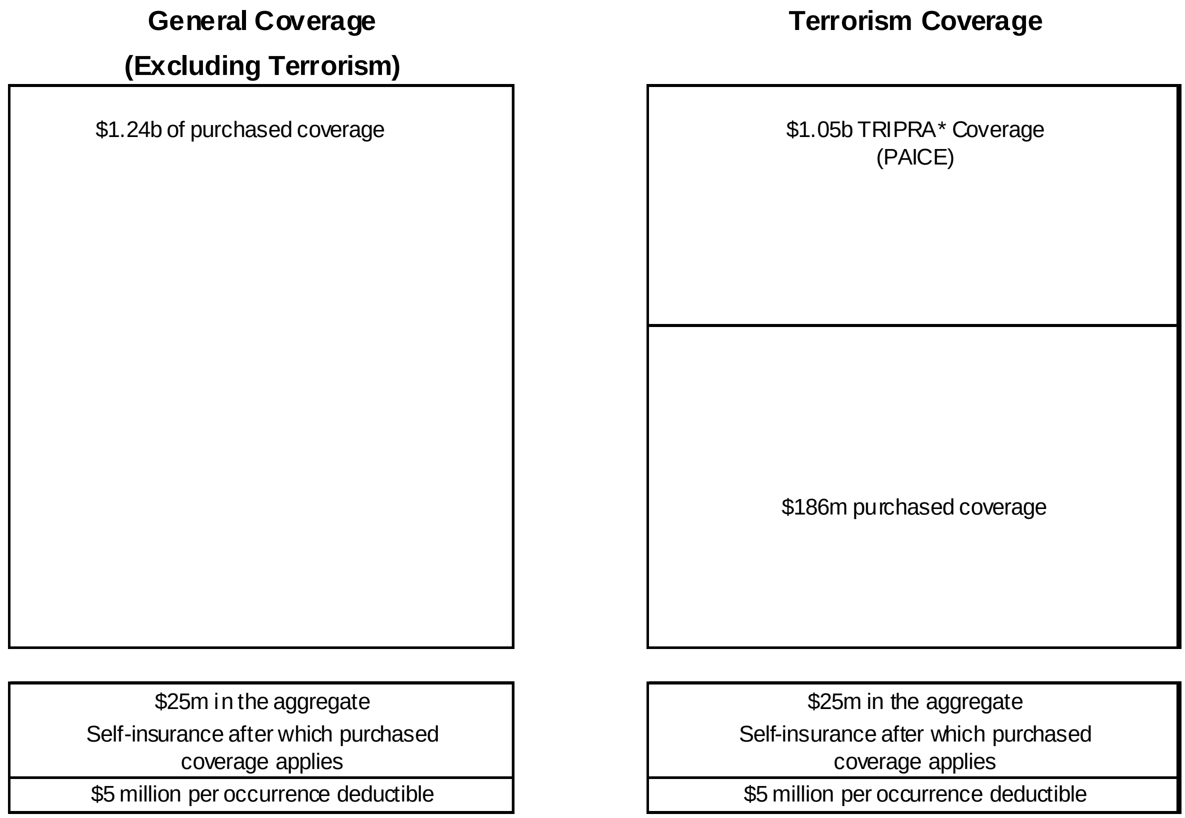
1. On December 10, 2009, the Board of Commissioners of the Port Authority adopted the annual budget for 2010. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2009, the Port Authority had entered into various construction contracts totaling approximately $5.3 billion, which are expected to be completed within the next three years.

3. The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, purchase of insurance through its captive insurance entity, PAICE, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. In view of the current state of the insurance industry, availability of coverage may be constrained and premium costs may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

a. Property damage and loss of revenue insurance program:

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2009 and expires on June 1, 2010) provides for coverage as follows:



* On December 26, 2007, the Federal government enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), which replaced the Federal reinsurance provisions of the Terrorism Risk Insurance Act of 2002 (TRIA) and added reinsurance for acts of domestic terrorism in addition to acts of foreign terrorism through December 31, 2014. Under TRIPRA, the Federal government reinsures 85% of certified terrorism losses, subject to a $100 million deductible and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of $100 billion. No federal payments are made under this program until the aggregate industry insured losses from acts of terrorism exceed $100 million.

Wind Coverage
(Sub-limit to General Coverage)

$300m purchased coverage

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

b. Public liability insurance program:

(1) Aviation facilities

The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2009 and expires on October 27, 2010) provides for coverage as follows:

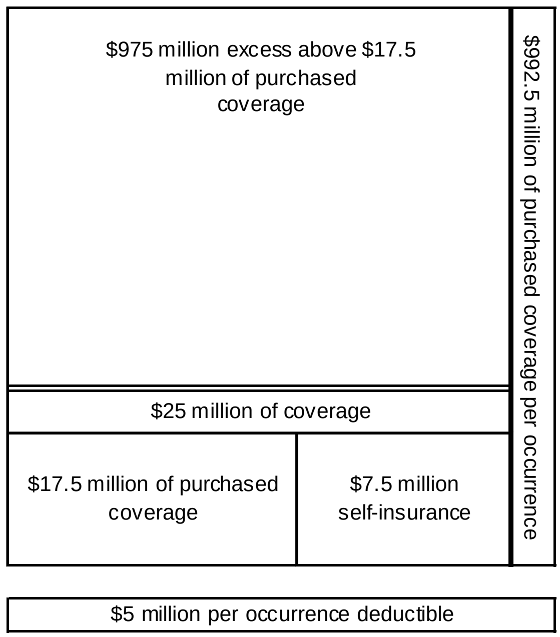
General Coverage (Excluding Terrorism)	Terrorism Coverage
$1.25 billion per occurrence and in the aggregate of purchased coverage	$1.25 billion aviation war risk** per occurrence and in the aggregate of purchased coverage
$3 million per occurrence deductible	

** Aviation war risk generally includes war, hijacking and other perils, both domestically and internationally.

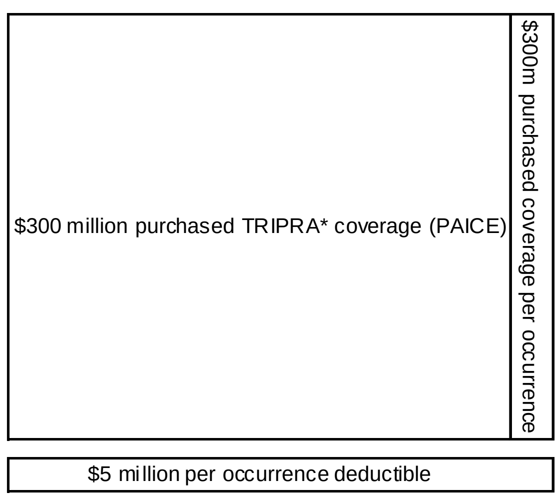
(2) Non-Aviation facilities

The Port Authority's public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2009 and which expires on October 27, 2010) provides for coverage as follows:

General Coverage
(Excluding Terrorism)



Terrorism Coverage



* See footnote on page 57.

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

4. In providing for uninsured potential losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses by charging operating expense as liabilities are incurred. As of December 31, 2009, approximately $74 million constituted appropriated reserves for self-insurance in the operating fund.

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for unpaid claims is based upon the estimated cost of settling the claims, which includes a review of estimated claims expenses, estimated recoveries and a provision for claims incurred but not reported. Changes in the liability amounts in 2009 and 2008 were:

	Beginning Balance	**Additions and Changes**	**Payments**	**Year-end Balance**
		(In thousands)		
2009	$30,250	$12,072	$5,505	$36,817
2008	23,679	14,000	7,429	30,250

5. On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity LLC (PAICE), for the purpose of insuring certain risk exposures of the Port Authority and its wholly owned entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business, in connection with workers compensation, general liability, builders risk, property and terrorism insurance coverages for the Port Authority and its wholly owned entities. With the passage of the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), PAICE assumed coverage for acts of domestic terrorism with respect to the Port Authority's public liability and property damage and loss of revenue insurance programs in addition to the previously provided coverage for acts of foreign terrorism. In addition, as of December 31, 2009, PAICE is providing the first $1,000,000 in coverage under the Workers' Compensation portion, and the first $500,000 in coverage under the general liability aspect of the Port Authority's contractor's insurance program.

Any changes in the lines of insurance being provided by PAICE or its capitalization are subject to prior approval of the Port Authority Board of Commissioners' Committee on Finance. PAICE also provides periodic reports with respect to its general operations to the Port Authority's Board of Commissioners.

The financial results for PAICE for the year ended December 31, 2009 follow. Amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to reflect intercompany transfers between the Port Authority and PAICE (see Schedule E).

Financial Position	(In thousands)
Total Assets	$158,006
Total Liabilities	86,045
Net Assets	$ 71,961
Operating Results	
Revenues	$ 45,644
Expenses	19,289
Net Income	$ 26,355
Changes in Net Assets	
Balance at January 1, 2009	$ 45,606
Net Income	26,355
Balance at December 31, 2009	$ 71,961

6. The 2009 balance of "Other amounts receivable, net" on the Consolidated Statements of Net Assets consists of the anticipated recovery of the approximately $270 million net book value of various assets which comprised components of the World Trade Center complex destroyed on September 11, 2001; approximately $33 million representing advance payments to Phoenix Constructors and DCM Erectors Inc. for work performed in connection with the WTC Transportation Hub; approximately $21 million representing the balance due from the private full service vendor operating the plant at the Essex County Resource Recovery Facility under the conditional sale agreement through which the vendor financed a portion of the construction costs of the plant; approximately $40 million in net long-term receivables from Port Authority tenants and approximately $1 million representing the balance due from Howland Hook Container Terminal, Inc. for the purchase of 7 cargo cranes.

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

8. For PATH employees who are not covered by collective bargaining agreements (PATH exempt employees), the Port Authority has recognized, as a matter of policy, an obligation to provide supplemental post-employment payments resulting in amounts generally comparable to benefits available to similarly situated Port Authority employees. Such payments for PATH exempt employees totaled approximately $3 million in each of years 2009 and 2008.

9. The 2009 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2008	Additions	Deductions	Dec. 31, 2009
		(In thousands)		
Workers' compensation liability	$ 41,864	$ 20,166	$21,518	$ 40,512
Claims liability	30,250	12,072	5,505	36,817
Pollution Remediation	30,204	4,120	5,898	28,426
PATH exempt employees supplemental	24,255	3,951	2,970	25,236
Asset forfeiture	7,602	1,015	296	8,321
Contractors Insurance Program-WTC	29,472	-	22,160	7,312
Surety and security deposits	7,844	520	1,188	7,176
Other	5,591	7,114	76	12,629
Gross other liabilities	$177,082	$48,958	$59,611	166,429
Less current portion:				
Workers' compensation liability				14,298
PATH exempt employees supplemental				2,821
Total other non-current liabilities				$149,310

10. During 2009, $8.6 million in capital expenditures previously included in Facilities, net were determined to represent costs for projects at various Port Authority facilities that will not proceed forward to completion, or for preliminary engineering and design work related to alternative analyses no longer considered viable for ongoing projects. As a result, these charges were transferred to operating expense.

11. During 2009, the Port Authority provided both voluntary and involuntary termination benefits, including severance payments based primarily on years of service and continued limited access to health, dental and life insurance, to 93 employees. Port Authority costs totaled approximately $4.7 million in 2009 for these severance programs. As of December 31, 2009, all severance amounts were recognized.

12. The Port Authority implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2008 with an initial recognition of a $34 million operating expense provision for pollution remediation obligations. In 2009, the Port Authority recognized an additional $4 million in pollution remediation obligations, thus increasing the cumulative amount recognized to date to $38 million, net of $2.1 million in expected recoveries. A corresponding liability has been recorded on the Consolidated Statements of Net Assets and the Consolidated

Statements of Revenues, Expenses and Changes in Net Assets. The expense provision was measured at its current value utilizing the prescribed expected cash flow method.

As of December 31, 2009, the pollution remediation liability totaled $28.4 million, primarily consisting of future remediation activities associated with asbestos removal, lead abatement, ground water contamination, soil contamination, and arsenic contamination at Port Authority facilities.

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

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

The terms of the original net leases established both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority. The net lessees obtained property damage and business interruption insurance in a combined single limit of approximately $3.5 billion per occurrence. The net lessees recovered approximately $4.57 billion against available policy limits of approximately $4.68 billion. Approximately $2.3 billion of these funds has been used for the net lessees' business interruption expenses, including the payment of rent to the Port Authority, the prepayment of the mortgage loan entered into on July 24, 2001 by the Silverstein net lessees with GMAC Commercial Mortgage Corporation in the amount of approximately $562 million, and the purchase by the Port Authority on December 23, 2003 of the retail net lessee from Westfield for $140 million as well as certain of their World Trade Center redevelopment expenses. The Port Authority now owns 100% of the membership interest in and is the sole managing member of the retail net lessee, a single purpose entity, which is now known as WTC Retail LLC.

Conceptual Framework for the Redevelopment of the Office and Retail Components of the World Trade Center

In connection with the implementation of the conceptual framework for the redevelopment of the WTC, the Port Authority acquired, as of November 16, 2006, 100% membership interests in 1 World Trade Center LLC, the net lessee of One World Trade Center and Tower 5, comprising, in the aggregate, approximately 3.8 million square feet of office space. The other office net lessees, the Silverstein net lessees, are responsible for the development of Towers 2, 3 and 4, comprising, in the aggregate, approximately 6.2 million square feet of office space.

The Port Authority missed certain of the turnover dates provided in the 2006 Master Development Agreement among the Port Authority, PATH, 1 World Trade Center LLC, WTC Retail LLC, and the Silverstein net lessees, for the sites for Towers 2, 3 and 4 and, as a result paid approximately $140 million in liquidated damages to the respective Silverstein net lessees of these sites. As of August 24, 2009, the Port Authority satisfied all of its site turnover obligations under the Master Development Agreement.

The Master Development Agreement provides that, with certain limited exceptions, any dispute arising thereunder among the parties shall be resolved by a three-member arbitration panel agreed upon by the parties for these purposes. On August 4, 2009, the Silverstein net lessees of Towers 2, 3 and 4 filed an arbitration notice requesting that the arbitration panel grant them certain relief and reserved the right to commence a second arbitration in which they allege that they will show that the Master Development Agreement was the product of the Port Authority's negligent misrepresentation and/or fraud and in which they will seek an award of monetary damages, including rescission damages totaling at least $2.75 billion, which will be dedicated to the project. On January 26, 2010, the arbitration panel denied the majority of the net lessees' requests for relief, finding that they were not entitled to schedule realignment or rent relief at this time, nor a determination that the Port Authority was in material breach of its obligations in the Master Development Agreement. The arbitration panel, did, however eliminate certain cross default provisions relating to the net lessees' tower completion obligations. The panel also directed the Port Authority and the net lessees to return to the negotiating table and attempt to agree on a schedule for the completion of the Port Authority's infrastructure elements and the net lessees' towers and report back to the panel, which retained continuing jurisdiction over this matter.

Future minimum rentals (see Note G) include rentals of approximately $95 billion attributable to the World Trade Center net leases described above. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the World Trade Center will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties. The net lessees' ability to meet these contractual commitments may be affected by the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

The Memorial

On July 6, 2006, the Board of Commissioners authorized the Port Authority to enter into an agreement with the Lower Manhattan Development Corporation (LMDC), the National September 11 Memorial and Memorial Museum at the World Trade Center (the Memorial Foundation), the City of New York and the State of New York for the construction by the Port Authority of the World Trade Center Memorial. The agreement establishes the general areas of responsibility of the parties for the design, development, construction, financing and operation of the project, which will include the

Memorial and Memorial Museum, the Museum Pavilion (Pavilion) and the related common and exclusive infrastructure.

In connection with the funding of the costs of the construction of the project, the Memorial Foundation and the LMDC are responsible for providing $280 million and $250 million, respectively, for the Memorial and Memorial Museum; the State of New York is responsible for providing $80 million for the Pavilion and the Port Authority is responsible for providing up to $150 million for the infrastructure. The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial Museum or the Pavilion.

Accounting

In 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. In connection with the recovery for and redevelopment of certain assets comprising the World Trade Center, the receivable has been reduced to approximately $270 million on the Port Authority's financial statements for the year ended December 31, 2009.

As of December 31, 2009, recoverable amounts of approximately $2 billion comprising $1.61 billion in proceeds from the Port Authority's insurance policies and $413 million from FEMA have been recognized by the Port Authority. Of this amount, $1.51 billion has been recognized as revenue net of $463 million of expenses related to the events of September 11, 2001, and the balance of approximately $68 million has been applied to a portion of the outstanding receivable representing the net book value of the properties destroyed. In 2004, the Port Authority reached the maximum allowable amount allocated by FEMA for reimbursement of the Port Authority's costs relating to the events of September 11, 2001.

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Schedule A - Revenues and Reserves
(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2009			2008
	Operating Fund	Reserve Funds	Combined Total	Combined Total
		(In thousands)		
Gross operating revenues:				
Rentals	$ 1,115,652	$ -	**$1,115,652**	$1,079,634
Tolls and fares	1,068,105	-	**1,068,105**	1,054,801
Aviation fees	839,327	-	**839,327**	816,628
Parking and other	316,005	-	**316,005**	328,220
Utilities	140,817	-	**140,817**	169,576
Rentals - Special Project Bonds Projects	72,337	-	**72,337**	78,693
Total gross operating revenues	3,552,243	-	**3,552,243**	3,527,552
Operating expenses:				
Employee compensation, including benefits	974,154	-	**974,154**	941,289
Contract services	683,418	-	**683,418**	670,489
Rents and amounts in-lieu-of taxes	276,830	-	**276,830**	274,916
Materials, equipment and other	263,682	-	**263,682**	314,722
Utilities	168,249	-	**168,249**	183,583
Interest on Special Project Bonds	72,337	-	**72,337**	78,693
Total operating expenses	2,438,670	-	**2,438,670**	2,463,692
Amounts in connection with operating asset obligations	55,058	-	**55,058**	41,301
Net (recoverables) related to the events of September 11, 2001	(202,978)	-	**(202,978)**	(457,918)
Net operating revenues	1,261,493	-	**1,261,493**	1,480,477
Financial income:				
Interest income	21,157	41,239	**62,396**	84,207
Net increase (decrease) in fair value of investments	(2,360)	81,100	**78,740**	(103,744)
Contributions in aid of construction	382,978	-	**382,978**	313,078
Application of Passenger Facility Charges	205,164	-	**205,164**	215,407
Application of 1WTC LLC/WTC Retail LLC Insurance Proceeds	266,676	-	**266,676**	411,278
Restricted Net Revenues - PAICE	3,177	-	**3,177**	(4,311)
Grants	10,613	-	**10,613**	9,811
Pass-through grant program payments	(1,120)	-	**(1,120)**	(3,130)
Net revenues available for debt service and reserves	2,147,778	122,339	**2,270,117**	2,403,073
Debt service:				
Interest on bonds and other asset financing obligations	427,384	8,938	**436,322**	437,972
Debt maturities and retirements	147,370	-	**147,370**	152,275
Repayment of asset financing obligations	-	13,525	**13,525**	80,775
Total debt service	574,754	22,463	**597,217**	671,022
Transfers to reserves	$ (1,573,024)	1,573,024	**-**	-
Revenues after debt service and transfers to reserves		1,672,900	**1,672,900**	1,732,051
Direct investment in facilities		(1,522,096)	**(1,522,096)**	(1,514,369)
Change in appropriations for self-insurance		6,463	**6,463**	2,123
Increase in reserves		157,267	**157,267**	219,805
Reserve balances, January 1		2,392,729	**2,392,729**	2,172,924
Reserve balances, December 31		$2,549,996	**$2,549,996**	$2,392,729

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

	December 31, 2009				2008
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 628,265	$ 782,826	$ 475,683	**$ 1,886,774**	$ 350,714
Restricted cash:					
1 WTC LLC/WTC Retail LLC insurance proceeds	90,249	-	-	**90,249**	305,470
Passenger Facility Charges	3	-	-	**3**	2
Port Authority Insurance Captive Entity, LLC	12,709	-	-	**12,709**	15,718
Investments	1,563	249,903	698,750	**950,216**	1,272,071
Restricted Investments	366	-	-	**366**	4,449
Current receivables, net	263,470	102,560	-	**366,030**	374,005
Other current assets	48,411	155,600	-	**204,011**	180,799
Restricted receivables and other assets	31,949	-	-	**31,949**	35,324
Total current assets	1,076,985	1,290,889	1,174,433	**3,542,307**	2,538,552
Noncurrent assets:					
Restricted cash	6,820	-	-	**6,820**	7,346
Investments	149,009	-	1,375,563	**1,524,572**	2,004,202
Restricted Investments - PAICE	113,116	-	-	**113,116**	68,341
Other amounts receivable, net	40,609	324,245	-	**364,854**	535,155
Deferred charges and other noncurrent assets	1,294,138	172,887	-	**1,467,025**	1,499,888
Restricted deferred / other noncurrent assets - PAICE	12,195	-	-	**12,195**	15,908
Amounts receivable - Special Project Bonds Projects	-	1,054,294	-	**1,054,294**	1,107,006
Invested in facilities	-	31,238,032	-	**31,238,032**	28,616,523
Total noncurrent assets	1,615,887	32,789,458	1,375,563	**35,780,908**	33,854,369
Total assets	2,692,872	34,080,347	2,549,996	**39,323,215**	36,392,921
LIABILITIES					
Current liabilities:					
Accounts payable	241,025	503,712	-	**744,737**	716,799
Accrued interest and other current liabilities	384,066	22,552	-	**406,618**	515,780
Restricted other liabilities - PAICE	391	-	-	**391**	271
Accrued payroll and other employee benefits	150,812	-	-	**150,812**	131,820
Deferred income:					
1 WTC LLC/WTC Retail LLC insurance proceeds	90,249	-	-	**90,249**	305,470
Passenger Facility Charges	17,513	-	-	**17,513**	20,938
Restricted Net Revenues - PAICE	2,488	-	-	**2,488**	5,665
Current portion bonds and other asset financing obligations	153,696	835,995	-	**989,691**	979,796
Total current liabilities	1,040,240	1,362,259	-	**2,402,499**	2,676,539
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	579,213	-	-	**579,213**	609,326
Other noncurrent liabilities	132,640	16,670	-	**149,310**	160,375
Restricted other noncurrent liabilities - PAICE	48,472	-	-	**48,472**	35,141
Amounts payable - Special Project Bonds	-	1,064,380	-	**1,064,380**	1,118,105
Bonds and other asset financing obligations	768,269	11,686,354	-	**12,454,623**	11,002,512
Total noncurrent liabilities	1,528,594	12,767,404	-	**14,295,998**	12,925,459
Total liabilities	2,568,834	14,129,663	-	**16,698,497**	15,601,998
NET ASSETS	$ 124,038	$ 19,950,684	$ 2,549,996	**$ 22,624,718**	$ 20,790,923
Net assets are composed of:					
Facility infrastructure investment	$ 50,000	$ 19,950,684	$ -	**$ 20,000,684**	$ 18,317,692
Reserves	-	-	2,549,996	**2,549,996**	2,392,729
Appropriated reserves for self-insurance	74,038	-	-	**74,038**	80,502
Net assets	$ 124,038	$ 19,950,684	$ 2,549,996	**$ 22,624,718**	$ 20,790,923

See notes to Consolidated Financial Statements

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

	Year ended December 31, 2009			2008
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
		(In thousands)		
Balance, January 1	$ 1,270,215	$ 1,122,514	**$ 2,392,729**	$ 2,172,924
Increase in reserve funds *	142,006	1,553,357	**1,695,363**	1,841,623
	1,412,221	2,675,871	**4,088,092**	4,014,547
Applications:				
Repayment of asset financing obligations	-	13,525	**13,525**	80,775
Interest on asset financing obligations	-	8,938	**8,938**	28,797
Direct investment in facilities	-	1,522,096	**1,522,096**	1,514,369
Self-insurance	-	(6,463)	**(6,463)**	(2,123)
Total applications	-	1,538,096	**1,538,096**	1,621,818
Balance, December 31	$ 1,412,221	$ 1,137,775	**$ 2,549,996**	$ 2,392,729

* Consists of net transfers from operating fund and income on investments, including fair market valuation adjustments of $79 million and $(104) million for 2009 and 2008, respectively.

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the year ended December 31, 2009

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

Financial Trends – Schedule D-1

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

Debt Capacity – Schedule D-2

The Port Authority has several forms of outstanding obligations.

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

Demographic and Economic Information – Schedule D-3

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

Operating Information – Schedule D-4

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

Schedule D-1 - Selected Statistical Financial Trends Data

	2009	2008	2007	2006
		(In thousands)		
Net Assets are composed of: (a)				
Invested in capital assets net of related debt	**$ 8,415,993**	$ 7,526,446	$6,609,691	$5,872,518
Restricted	**211,725**	409,800	719,306	208,771
Unrestricted	**2,050,064**	1,895,118	1,608,284	1,553,114
Net Assets	**$10,677,782**	$ 9,831,364	$8,937,281	$7,634,403
Revenues, Expenses and Changes in Net Assets:				
Gross operating revenues:				
Rentals	**$ 1,115,652**	$ 1,079,634	$ 986,663	$ 952,431
Tolls and Fares	**1,068,105**	1,054,801	800,244	798,682
Aviation Fees	**839,327**	816,628	781,355	716,700
Parking and other fees	**316,005**	328,220	387,966	335,019
Utilities	**140,817**	169,576	149,537	146,822
Rentals associated with Special Project Bonds	**72,337**	78,693	85,861	88,884
Gross operating revenues	**3,552,243**	3,527,552	3,191,626	$ 3,038,538
Operating expenses:				
Employee compensation, including benefits	**974,154**	941,289	922,671	840,640
Contract services	**683,418**	670,489	587,730	590,197
Materials, equipment and other	**263,682**	314,722	212,147	187,996
Rents and amounts in-lieu-of taxes	**276,830**	274,916	271,073	254,178
Utilities	**168,249**	183,583	167,912	150,729
Interest on Special Project Bonds	**72,337**	78,693	85,861	88,884
Operating expenses	**2,438,670**	2,463,692	2,247,394	2,112,624
Net recoverables (expenses) related to the events				
of September 11, 2001	**202,978**	457,918	(4,563)	(2,069)
Depreciation of facilities	**(712,331)**	(644,620)	(632,553)	(674,940)
Amortization of costs for regional programs	**(74,617)**	(70,840)	(59,316)	(49,319)
Income from operations	**529,603**	806,318	247,800	199,586
Income on investments (including fair value adjustment)	**146,561**	(4,976)	229,812	137,968
Interest expense on bonds and other asset financing	**(501,892)**	(488,463)	(493,689)	(454,134)
Gain (loss) on disposition of assets	**27,125**	7	17,011	(3,741)
Contributions in aid of construction	**382,978**	313,078	313,504	250,904
Passenger Facility Charges	**201,737**	211,667	221,380	192,509
1 WTC LLC/WTC Retail LLC insurance proceeds	**50,813**	49,771	760,467	184,901
Grants	**10,613**	9,811	11,310	17,469
Capital funding provided by others	**-**	-	-	-
Pass-through grant program payments	**(1,120)**	(3,130)	(4,717)	(6,832)
Increase in net assets December 31,	**$ 846,418**	$ 894,083	$1,302,878	$ 518,630

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

2005	2004	2003	2002	2001	2000
$ 5,725,929	$ 5,563,683	$ 5,397,959	$ 4,492,027	$ 3,814,967	$ -
17,916	14,651	15,153	16,505	245,319	-
1,371,928	1,375,533	1,389,219	1,410,763	1,119,047	-
$ 7,115,773	$ 6,953,867	$ 6,802,331	$ 5,919,295	$ 5,179,333	$ 4,963,571
$ 928,395	$ 877,306	$ 858,414	$ 832,527	$ 976,054	$ 1,218,093
787,381	788,333	758,326	774,337	750,782	616,722
748,811	714,766	705,302	672,175	560,951	382,604
296,663	269,413	234,261	197,912	202,864	219,985
147,795	121,436	112,555	97,184	126,956	113,054
91,648	93,570	95,193	96,448	97,195	97,870
3,000,693	2,864,824	2,764,051	2,670,583	2,714,802	2,648,328
870,784	806,890	769,711	777,146	654,074	648,171
564,332	545,404	543,927	622,781	600,686	619,462
168,139	141,367	150,961	135,321	157,004	133,166
243,411	252,658	237,014	140,614	96,401	131,431
149,604	141,476	122,445	113,880	140,436	142,261
91,648	93,570	95,193	96,448	97,195	97,870
2,087,918	1,981,365	1,919,251	1,886,190	1,745,796	1,772,361
(3,358)	(4,985)	664,211	474,663	(270,334)	-
(643,732)	(575,539)	(488,986)	(406,484)	(422,739)	(410,936)
(42,996)	(38,677)	(32,112)	(28,762)	(20,014)	(19,749)
222,689	264,258	987,913	823,810	255,919	445,282
105,579	59,047	66,148	97,812	144,618	167,028
(422,334)	(391,870)	(344,755)	(336,725)	(338,332)	(361,912)
(55)	-	787	-	-	1,620
107,262	81,173	57,568	36,258	40,070	-
134,429	125,532	109,111	110,471	113,487	120,404
-	-	-	-	-	-
14,336	13,396	34,501	19,892	-	-
-	-	-	-	-	36,173
-	-	(28,237)	(11,556)	-	-
$ 161,906	$ 151,536	$ 883,036	$ 739,962	$ 215,762	$ 408,595

Schedule D-2 - Selected Statistical Debt Capacity Data

	2009	2008	2007 (In thousands)	2006
Gross Operating Revenues	**$ 3,552,243**	$ 3,527,552	$ 3,191,626	$ 3,038,538
Operating expenses	**(2,438,670)**	(2,463,692)	(2,247,394)	(2,112,624)
Net recoverables (expenses) related to the events of September 11, 2001	**202,978**	457,918	(4,563)	(2,069)
Amounts in connection with operating asset obligations	**(55,058)**	(41,301)	(40,787)	(42,391)
Net operating revenues	**1,261,493**	1,480,477	898,882	881,454
Financial income	**141,136**	(19,537)	208,274	134,806
Grants and contributions in aid-of-construction, net	**392,471**	319,759	320,097	261,541
Application of Passenger Facility Charges	**205,164**	215,407	220,583	186,555
Application of 1WTC LLC/WTC LLC Retail Insurance Proceeds	**266,676**	411,278	305,532	-
Restricted Net Revenues - PAICE	**3,177**	(4,311)	(1,354)	-
Net Revenues available for debt service and reserves	**2,270,117**	2,403,073	1,952,014	1,464,356
DEBT SERVICE - OPERATIONS				
Interest on bonds and other asset financing obligations	**(427,384)**	(409,175)	(417,209)	(379,361)
Times, interest earned (a)	**5.31**	5.87	4.68	3.86
Debt maturities and retirements	**(147,370)**	(152,275)	(177,160)	(254,210)
Times, debt service earned (a)	**3.95**	4.28	3.28	2.31
DEBT SERVICE - RESERVES				
Direct investment in facilities	**(1,522,096)**	(1,514,369)	(808,694)	(490,750)
Debt retirement acceleration	**-**	-	-	-
Change in appropriations for self-insurance	**6,463**	2,123	(3,220)	(4,968)
Interest on bonds and other asset financing obligations	**(8,938)**	(28,797)	(36,077)	(26,587)
Repayment of asset financing obligations	**(13,525)**	(80,775)	(110,424)	(109,934)
Net increase (decrease) in reserves	**157,267**	219,805	399,230	198,546
RESERVE BALANCES				
January 1	**2,392,729**	2,172,924	1,773,694	1,575,148
December 31	**$ 2,549,996**	$ 2,392,729	$ 2,172,924	$ 1,773,694
Reserve funds balances represented by:				
General Reserve	**1,412,221**	1,270,215	1,238,915	1,198,499
Consolidated Bond Reserve	**1,137,775**	1,122,514	934,009	575,195
Total	**$ 2,549,996**	$ 2,392,729	$ 2,172,924	$ 1,773,694
OBLIGATIONS AT DECEMBER 31				
Consolidated Bonds and Notes	**$ 12,284,449**	$ 10,794,831	$ 9,495,419	$ 9,659,104
Fund Buy-out obligation	**386,480**	398,262	409,128	419,155
Amounts payable - Special Project Bonds	**1,064,380**	1,118,105	1,264,735	1,311,100
Variable rate master notes	**90,990**	90,990	90,990	130,990
Commercial paper notes	**321,010**	186,040	238,950	270,740
Versatile structure obligations	**250,900**	399,700	1,205,600	519,600
Port Authority equipment notes	**110,485**	112,485	93,460	93,460
Total obligations	**$ 14,508,694**	$ 13,100,413	$ 12,798,282	$ 12,404,149
DEBT RETIRED THROUGH INCOME:				
Annual	**160,895**	233,050	287,584	364,144
Cumulative	**$ 7,118,401**	$ 6,957,506	$ 6,724,456	$ 6,436,872

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

Times, interest earned	**4.84**	4.75	4.69	3.87
Times, debt service earned	**3.60**	3.46	3.29	2.31

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

2005	2004	2003	2002	2001	2000
$ 3,000,693	$ 2,864,824	$ 2,764,051	$ 2,670,583	$ 2,714,802	$ 2,648,328
(2,087,918)	(1,981,365)	(1,919,251)	(1,886,190)	(1,745,796)	(1,772,361)
(3,358)	(4,985)	664,211	474,663	(270,334)	-
(48,008)	(34,609)	(35,113)	(35,960)	(36,696)	(37,188)
861,409	843,865	1,473,898	1,223,096	661,976	838,779
103,572	57,403	61,765	95,962	143,381	162,811
121,598	94,569	63,832	44,594	40,070	-
113,649	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,200,228	995,837	1,599,495	1,363,652	845,427	1,001,590
(355,068)	(345,129)	(291,514)	(282,635)	(266,944)	(318,912)
3.38	2.89	5.49	4.82	3.17	3.14
(205,220)	(211,870)	(698,280)	(181,250)	(171,340)	(158,435)
2.14	1.79	1.62	2.94	1.93	2.10
(626,813)	(285,441)	(542,260)	(433,747)	(462,129)	(404,388)
-	(110,075)	(183,120)	(283,502)	(25,000)	(60,000)
(5,325)	249	(15,201)	(19,017)	14,270	(5,101)
(17,645)	(8,684)	(6,860)	(15,828)	(27,964)	-
(12,205)	(10,737)	(6,329)	(5,863)	(6,390)	(10)
(22,048)	24,150	(144,069)	141,810	(100,070)	54,744
1,597,196	1,573,046	1,717,115	1,575,305	1,675,375	1,620,631
$ 1,575,148	$ 1,597,196	$ 1,573,046	$ 1,717,115	$ 1,575,305	$ 1,675,375
1,068,790	1,068,790	948,902	907,075	880,041	848,095
506,358	528,406	624,144	810,040	695,264	827,280
$ 1,575,148	$ 1,597,196	$ 1,573,046	$ 1,717,115	$ 1,575,305	$ 1,675,375
$ 8,328,644	$ 8,273,573	$ 7,053,296	$ 6,630,205	$ 6,092,735	$ 5,889,613
420,660	422,050	423,330	424,513	425,606	419,696
1,354,425	1,393,920	1,420,240	1,442,450	1,457,705	1,468,965
130,990	130,990	149,990	149,990	214,990	214,990
282,095	280,315	249,200	180,408	356,880	251,885
532,100	544,000	554,500	560,600	566,000	571,300
47,105	65,105	61,800	107,100	112,100	84,200
$ 11,096,019	$ 11,109,953	$ 9,912,356	$ 9,495,266	$ 9,226,016	$ 8,900,649
217,425	332,682	887,729	470,615	202,730	218,445
$ 6,072,728	$ 5,855,303	$ 5,522,621	$ 4,634,892	$ 4,164,277	$ 3,961,547
3.39	2.90	3.21	3.15	4.18	3.14
2.15	1.80	0.94	1.92	2.55	2.10

Schedule D-3 Selected Statistical Demographic and Economic Data

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

	Population (2)	Total Personal Income (3)	Per-capita Personal Income (2) (3)	Employment (4)	Unemployment Rate (5)
	(In thousands)				
2009 (1)	**17,443**	**$930,999,224**	**$53.37**	**7,867.2**	**8.60%**
2008	17,366	$968,734,166	$55.78	8,040.7	5.30%
2007	17,170	$919,496,976	$53.55	8,017.2	4.50%
2006	17,178	$834,929,262	$48.60	7,894.2	4.70%
2005	17,181	$781,458,630	$45.48	7,796.8	5.00%
2004	17,143	$749,190,737	$43.70	7,739.5	5.80%
2003	17,089	$699,191,901	$40.91	7,714.4	6.70%
2002	17,021	$687,559,899	$40.39	7,748.1	6.60%
2001	16,941	$690,877,666	$40.79	7,891.9	5.00%
2000	16,789	$674,214,026	$40.16	7,954.1	4.60%

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

	2009	2000
Education & Health Services	**17.8%**	14.9%
Government	**15.4%**	14.7%
Professional & Business Services	**15.4%**	15.3%
Retail Trade	**9.6%**	10.0%
Financial Activities	**9.1%**	9.8%
Leisure & Hospitality	**7.7%**	6.7%
Manufacturing	**4.8%**	7.6%
Wholesale Trade	**5.0%**	5.3%
Other Services	**4.4%**	4.0%
Construction	**3.8%**	3.8%
TWU*	**3.7%**	4.0%
Information	**3.3%**	3.9%

(1) Data for 2009 is preliminary and subject to revision.
(2) Source - US Census Bureau, years 2000-2008, 2009 data estimate by Global Insight
(3) Source - US Bureau of Economic Analysis, years 2000-2007, 2008-2009 data estimate by Global Insight
(4) Source - US Bureau of Labor Statistics
(5) Source - US Bureau of Labor Statistics, years 2000-2008, 2009 New York and New Jersey Departments of Labor
(6) Employment statistics by major industries are provided by the New York and New Jersey Departments of Labor by labor areas and include a limited number of locales immediately surrounding the 17-county New York-New Jersey region. These labor areas consist of 23 counties in the metropolitan area. The Port Authority's 17-county region comprises approximately 93% of the employment in the larger 23-county region. The inclusion of these areas is not expected to impact labor employment by industry. The presentation of the region's labor by industry for years 2009 and 2000 provides additional historical perspective on the region's labor force that primarily comprises the Port Authority's customer base. Industry definitions can be found at the US Department of Labor Statistics website at www.bls.gov/bls/naics.htm.

* Transportation, Warehousing and Utilities

Schedule D-4 Selected Statistical Operating Data

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Authorized Port Authority staffing levels:										
Tunnels, Bridges and Terminals	**911**	940	910	938	1,010	1,039	1,023	1,034	1,058	1,030
PATH	**1,081**	1,088	1,075	1,080	1,089	1,092	1,093	1,095	1,072	1,000
Port Commerce facilities	**172**	179	168	175	183	187	191	192	193	173
Air Terminal facilities	**958**	978	918	953	989	999	999	997	998	934
Development (a)	**82**	86	77	-	-	-	-	-	-	-
Other operational and support activities (b)	**2,030**	2,082	2,208	2,259	2,382	2,403	2,409	2,418	2,447	2,402
Subtotal	**5,234**	5,353	5,356	5,405	5,653	5,720	5,715	5,736	5,768	5,539
Public Safety and Security	**1,743**	1,774	1,772	1,776	1,541	1,547	1,519	1,499	1,425	1,375
Total	**6,977**	7,127	7,128	7,181	7,194	7,267	7,234	7,235	7,193	6,914
Facility Traffic and Other Indicators:						(In thousands)				
INTERSTATE TRANSPORTATION NETWORK										
Tunnels and Bridges (Total Eastbound Traffic)										
George Washington Bridge	**52,126**	52,947	53,956	54,265	53,612	54,202	52,971	54,674	53,467	54,327
Lincoln Tunnel	**20,248**	20,937	21,842	21,933	21,794	21,733	21,078	20,931	20,987	22,005
Holland Tunnel	**16,609**	16,871	17,349	17,365	16,982	16,963	16,566	15,764	14,616	17,797
Staten Island Bridges	**32,517**	32,970	33,857	33,457	33,479	33,649	33,205	33,875	32,812	32,194
Total vehicles	**121,500**	123,725	127,004	127,020	125,867	126,547	123,820	125,244	121,882	126,323
Automobiles	**110,755**	112,176	115,349	115,506	114,481	115,219	112,869	114,005	110,753	115,149
Buses	**3,119**	3,158	3,139	3,140	3,137	3,123	3,041	3,121	2,842	2,571
Trucks	**7,626**	8,391	8,516	8,374	8,249	8,205	7,910	8,118	8,287	8,603
Total vehicles	**121,500**	123,725	127,004	127,020	125,867	126,547	123,820	125,244	121,882	126,323
Bus Facility Terminals										
Bus facilities passengers	**75,821**	76,236	71,540	72,731	69,060	69,871	69,428	69,236	71,560	71,360
Bus movements	**3,392**	3,375	3,361	3,394	3,346	3,426	3,447	3,561	3,515	3,532
PATH										
Total Passengers	**72,281**	74,956	71,592	66,966	60,787	57,725	47,920	51,920	69,791	74,087
Passenger weekday average	**243**	253	242	227	206	194	160	174	241	255
Total Interstate Transportation Network Net Capital Expenditures	**$ 935,147**	$ 834,742	$ 660,620	$ 491,269	$ 471,306	$ 463,652	$ 751,509	$ 474,978	$ 198,725	$ 209,567
PORT COMMERCE										
Containers in twenty foot equivalent units (TEU) (in thousands)	**4,562**	5,249	5,298	5,015	4,793	4,478	4,068	3,749	3,316	3,051
International waterborne vehicles (in thousands)	**440**	724	790	725	625	670	608	634	611	668
Waterborne bulk commodities (in metric tons) (in millions)	**4**	5	7	6	5	5	3	2	4	3
Total Port Commerce Net Capital Expenditures	**$ 174,459**	$ 181,772	$ 288,677	$ 228,873	$ 220,545	$ 258,669	$ 298,162	$ 209,942	$ 97,151	$ 105,959
THREE MAJOR AIR TERMINALS										
John F. Kennedy International Airport total passengers	**45,915**	47,790	47,717	42,630	40,892	37,517	31,737	29,939	29,351	32,828
LaGuardia Airport total passengers	**22,143**	23,077	24,985	25,810	25,889	24,452	22,483	21,987	22,525	25,360
Newark Liberty International Airport total passengers	**33,424**	35,347	36,367	35,692	33,078	31,908	29,451	29,221	31,100	34,189
Total passengers	**101,482**	106,214	109,069	104,132	99,859	93,877	83,671	81,147	82,976	92,377
Domestic passengers	**67,921**	71,579	75,546	73,163	70,223	66,329	59,655	57,320	58,225	63,962
International passengers	**33,561**	34,635	33,523	30,969	29,636	27,548	24,016	23,827	24,751	28,415
Total passengers	**101,482**	106,214	109,069	104,132	99,859	93,877	83,671	81,147	82,976	92,377
Total Cargo-tons	**1,921**	2,343	2,620	2,697	2,695	2,799	2,723	2,583	2,451	2,955
Revenue Mail-tons	**204**	237	227	194	180	194	188	147	239	322
Total Plane Movements	**1,181**	1,249	1,271	1,222	1,191	1,156	1,020	1,056	1,101	1,179
Total Air Terminals Net Capital Expenditures	**$ 658,292**	$ 624,700	$ 685,787	$ 587,265	$ 501,476	$ 410,581	$ 560,695	$ 784,711	$ 1,043,477	$ 811,742

(a) Development Department was established in early 2007.

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

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2009							2008
	Gross Operating Revenues	**Operating Expenses(a)**	**Depreciation & Amortization**	**Income (Loss) from Operations**	**Interest & Other Expenses(b)**	**PFCs, Grants & Other**	**Net Income (Loss)**	Net Income (Loss)
				(In thousands)				
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 445,537	$ 123,347	$ 37,655	$ 284,535	$ 20,162	$ 465	**$ 264,838**	$ 269,026
Holland Tunnel	120,297	68,760	18,326	33,211	7,881	342	**25,672**	16,672
Lincoln Tunnel	154,593	83,920	33,289	37,384	13,473	914	**24,825**	7,977
Bayonne Bridge	27,423	27,430	5,965	(5,972)	4,902	109	**(10,765)**	(7,417)
Goethals Bridge	120,121	22,543	8,683	88,895	5,331	97	**83,661**	79,331
Outerbridge Crossing	108,388	21,514	11,279	75,595	3,088	96	**72,603**	66,891
P. A. Bus Terminal	32,954	89,282	20,253	(76,581)	9,923	373	**(86,131)**	(99,241)
Subtotal - Tunnels, Bridges & Terminals	1,009,313	436,796	135,450	437,067	64,760	2,396	**374,703**	333,239
PATH	103,652	291,830	102,980	(291,158)	41,152	5,331	**(326,979)**	(333,694)
Permanent WTC PATH Terminal	-	-	12,295	(12,295)	-	286,589	**274,294**	190,175
Journal Square Transportation Center	2,411	9,044	5,802	(12,435)	2,538	-	**(14,973)**	(16,182)
Subtotal - PATH	106,063	300,874	121,077	(315,888)	43,690	291,920	**(67,658)**	(159,701)
Ferry Transportation	123	1,170	3,615	(4,662)	3,275	1,134	**(6,803)**	(4,873)
Access to the Regions Core (ARC)	-	-	-	-	884	-	**(884)**	(158)
Total Interstate Transportation Network	1,115,499	738,840	260,142	116,517	112,609	295,450	**299,358**	168,507
AIR TERMINALS								
LaGuardia	302,901	223,960	32,859	46,082	14,997	13,159	**44,244**	59,415
JFK International	971,966	642,580	135,794	193,592	69,206	44,966	**169,352**	123,357
Newark Liberty International	729,120	403,866	110,699	214,555	53,426	15,545	**176,674**	132,288
Teterboro	31,897	18,410	9,770	3,717	4,156	7,443	**7,004**	7,983
Stewart International	7,346	16,931	-	(9,585)	-	4,593	**(4,992)**	(3,473)
Heliport	(139)	331	-	(470)	-	-	**(470)**	2,262
PFC Program	-	-	72,408	(72,408)	4,998	201,737	**124,331**	138,115
Total Air Terminals	2,043,091	1,306,078	361,530	375,483	146,783	287,443	**516,143**	459,947
PORT COMMERCE								
Port Newark	81,766	66,460	20,466	(5,160)	11,133	1,477	**(14,816)**	(20,058)
Elizabeth Marine Terminal	96,058	23,810	36,591	35,657	27,173	68	**8,552**	(13,821)
Brooklyn	4,390	10,117	387	(6,114)	865	32	**(6,947)**	(12,453)
Red Hook	2,420	3,424	27	(1,031)	-	-	**(1,031)**	(4,672)
Howland Hook	12,907	9,097	14,836	(11,026)	10,696	-	**(21,722)**	(23,685)
Greenville Yard	335	18	-	317	-	-	**317**	318
Auto Marine	7,159	10,190	2,092	(5,123)	1,132	-	**(6,255)**	(7,476)
NYNJ Rail LLC	826	4,124	905	(4,203)	55	724	**(3,534)**	(1,206)
Total Port Commerce	205,861	127,240	75,304	3,317	51,054	2,301	**(45,436)**	(83,053)
DEVELOPMENT								
Essex County Resource Recovery	68,354	66,411	1,412	531	(897)	-	**1,428**	10,997
Industrial Park at Elizabeth	979	103	237	639	258	-	**381**	201
Bathgate	4,655	1,908	1,466	1,281	370	-	**911**	151
Teleport	14,364	13,653	1,994	(1,283)	615	-	**(1,898)**	(3,964)
Newark Legal & Communications Center	3,575	2,980	3,078	(2,483)	1,053	-	**(3,536)**	(2,963)
Queens West	756	-	743	13	(25,092)	-	**25,105**	(1,799)
Hoboken South	5,920	191	2,845	2,884	2,188	-	**696**	619
Total Development	98,603	85,246	11,775	1,582	(21,505)	-	**23,087**	3,242
WORLD TRADE CENTER								
World Trade Center	88,771	15,576	-	73,195	(11,852)	-	**85,047**	91,980
One World Trade Center	-	3,304	-	(3,304)	(361)	27,483	**24,540**	28,392
WTC Tower 5	-	441	-	(441)	(98)	12,933	**12,590**	14,237
WTC Site	418	137,333	2,137	(139,052)	-	10,135	**(128,917)**	(110,524)
WTC Retail LLC	-	1,694	1,443	(3,137)	(339)	10,396	**7,598**	8,687
Total World Trade Center	89,189	158,348	3,580	(72,739)	(12,650)	60,947	**858**	32,772
Port Authority Insurance Captive Entity, LLC	-	4,592	-	(4,592)	(1,415)	-	**(3,177)**	4,311
Regional Programs	-	18,326	74,617	(92,943)	54,450	-	**(147,393)**	(149,561)
Recoverables related to the events of September 11, 2001	-	-	-	202,978	-	-	**202,978**	457,918
Total Port Authority	$ 3,552,243	$ 2,438,670	$ 786,948	$ 529,603	$ 329,326	$ 646,141	**$ 846,418**	$ 894,083

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

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

Schedule F - Information on Port Authority Capital Program Components

	Facilities, net Dec. 31, 2008	Net Capital Expenditures	Depreciation *	Facilities, net Dec. 31, 2009
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 777,519	$ 56,654	$ 37,655	$ 796,518
Holland Tunnel	359,233	21,556	18,326	362,463
Lincoln Tunnel	481,690	18,785	33,289	467,186
Bayonne Bridge	174,248	15,871	5,965	184,154
Goethals Bridge	241,824	15,673	8,683	248,814
Outerbridge Crossing	108,166	969	11,279	97,856
P. A. Bus Terminal	433,569	45,884	20,253	459,200
Subtotal - Tunnels, Bridges & Terminals	2,576,249	175,392	135,450	2,616,191
PATH	1,361,862	319,809	94,346	1,587,325
Temporary WTC PATH Terminal	330,150	-	8,634	321,516
Permanent WTC PATH Terminal	922,418	414,152	12,295	1,324,275
Journal Square Transportation Center	89,403	7,041	5,802	90,642
Subtotal - PATH	2,703,833	741,002	121,077	3,323,758
Ferry Transportation	104,167	7,397	3,615	107,949
Access to the Regions Core (ARC)	36,457	11,356	-	47,813
Total Interstate Transportation Network	5,420,706	935,147	260,142	6,095,711
AIR TERMINALS				
LaGuardia	735,543	118,907	32,859	821,591
JFK International	2,522,345	190,038	135,794	2,576,589
Newark Liberty International	2,007,809	101,022	110,699	1,998,132
Teterboro	177,253	28,191	9,770	195,674
Stewart International	9,353	19,969	-	29,322
Heliport	-	-	-	-
PFC Program	1,690,008	200,165	72,408	1,817,765
Total Air Terminals	7,142,311	658,292	361,530	7,439,073
PORT COMMERCE				
Port Newark	532,181	85,329	20,466	597,044
Elizabeth Marine Terminal	1,037,430	44,976	36,591	1,045,815
Brooklyn	27,495	3,847	387	30,955
Red Hook	123	(21)	27	75
Howland Hook	398,123	37,053	14,836	420,340
NYNJ Rail LLC	4,907	1,736	905	5,738
Auto Marine & Greenville Yard	41,355	1,539	2,092	40,802
Total Port Commerce	2,041,614	174,459	75,304	2,140,769
DEVELOPMENT				
Essex County Resource Recovery	15,525	-	1,412	14,113
Industrial Park at Elizabeth	8,037	-	237	7,800
Bathgate	12,528	-	1,466	11,062
Teleport	21,519	1,332	1,994	20,857
Newark Legal & Communications Center	35,512	-	3,078	32,434
Queens West	143,850	17,997	74,606	87,241
Hoboken South	84,566	3,908	2,845	85,629
Total Development	321,537	23,237	85,638	259,136
WORLD TRADE CENTER				
World Trade Center	80,269	-	-	80,269
WTC Site	750,715	507,149	2,137	1,255,727
WTC Retail LLC	179,146	84,488	1,443	262,191
One World Trade Center	553,897	311,583	-	865,480
Total World Trade Center	1,564,027	903,220	3,580	2,463,667
FACILITIES, NET	$ 16,490,195	$ 2,694,355	$ 786,194	$ 18,398,356
REGIONAL PROGRAMS	$ 789,682	$ 26,200	$ 74,617	$ 741,265

* Depreciation includes the book value of assets disposed of in 2009 (see Note B).

Schedule G - Facility Traffic*

TUNNELS AND BRIDGES

(Eastbound Traffic)	2009	2008
All Crossings		
Automobiles	**110,755,000**	112,176,000
Buses	**3,119,000**	3,158,000
Trucks	**7,626,000**	8,391,000
Total vehicles	**121,500,000**	123,725,000
George Washington Bridge		
Automobiles	**47,686,000**	48,112,000
Buses	**520,000**	550,000
Trucks	**3,920,000**	4,285,000
Total vehicles	**52,126,000**	52,947,000
Lincoln Tunnel		
Automobiles	**16,879,000**	17,402,000
Buses	**2,128,000**	2,122,000
Trucks	**1,241,000**	1,413,000
Total vehicles	**20,248,000**	20,937,000
Holland Tunnel		
Automobiles	**16,269,000**	16,521,000
Buses	**254,000**	253,000
Trucks	**86,000**	97,000
Total vehicles	**16,609,000**	16,871,000
Staten Island Bridges		
Automobiles	**29,921,000**	30,141,000
Buses	**217,000**	233,000
Trucks	**2,379,000**	2,596,000
Total vehicles	**32,517,000**	32,970,000

AIR TERMINALS

	2009	2008
Totals at the Three Major Airports		
Plane movements	**1,180,666**	1,249,312
Passengers	**101,481,515**	106,213,651
Cargo-tons	**1,920,606**	2,343,415
Revenue mail-tons	**204,485**	237,087
John F. Kennedy International Airport		
Plane movements	**414,920**	437,969
Passengers	**45,915,069**	47,789,855
Domestic	**24,015,380**	25,405,948
International	**21,899,689**	22,383,907
Cargo-tons	**1,155,742**	1,473,809
LaGuardia Airport		
Plane movements	**353,834**	378,402
Passengers	**22,142,336**	23,076,903
Domestic	**21,132,113**	21,945,239
International	**1,010,223**	1,131,664
Cargo-tons	**6,712**	8,889
Newark Liberty International Airport		
Plane movements	**411,912**	432,941
Passengers	**33,424,110**	35,346,893
Domestic	**22,772,660**	24,227,815
International	**10,651,450**	11,119,078
Cargo-tons	**758,152**	860,717

PATH

	2009	2008
Total passengers	**72,281,000**	74,956,000
Passenger weekday average	**243,000**	253,000

MARINE TERMINALS

	2009	2008
All Terminals		
Containers	**2,652,209**	3,068,935
General cargo (a) (Metric tons)	**28,240,770**	33,633,613
Containers in twenty foot equivalent units	**4,561,527**	5,265,053
International waterborne vehicles	**440,463**	723,550
Waterborne bulk commodities (in metric tons)	**4,469,876**	4,549,572
New Jersey Marine Terminals		
Containers	**2,156,961**	2,499,054
New York Marine Terminals		
Containers	**495,248**	569,881

TERMINALS

	2009	2008
All Bus Facilities		
Passengers	**75,821,000**	76,236,000
Bus movements	**3,392,400**	3,374,590
Port Authority Bus Terminal		
Passengers	**64,585,000**	64,390,000
Bus movements	**2,240,000**	2,225,000
George Washington Bridge Bus Station		
Passengers	**4,425,000**	5,288,000
Bus movements	**295,000**	324,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**6,811,000**	6,558,000
Bus movements	**857,400**	825,590

*Some 2008 and 2009 numbers reflect revised and estimated data, respectively.

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