

The Port Authority of New York and New Jersey

Condensed Consolidated Financial Statements as of and for the
Nine-Month Period Ended September 30, 2016 (Unaudited)

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

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THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

The following is an overview of the financial activities of the Port Authority of New York and New Jersey (The Port Authority) and its component units as of and for the nine-month period ended September 30, 2016. This overview is intended to serve as an introduction to the unaudited condensed consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be read in conjunction with the Port Authority's audited financial statements and appended note disclosures for the Year ended December 31, 2015.

The unaudited financial results for the nine-month period ended September 30, 2016 contained in these schedules are not necessarily indicative of the results for the annual period ending December 31, 2016.

Management's Discussion and Analysis(Unaudited)

Management's Discussion and Analysis provides an assessment of how the Port Authority's financial position has changed and identifies the economic factors that, in management's view, significantly affected the Port Authority's overall financial position.

The Condensed Consolidated Financial Statements(Unaudited)

The Statements of Net Position provide information about the nature and amounts of investments in resources (assets) and the obligations to the Port Authority's (liabilities), with the difference between the two reported as Net Position (equity).

The Statements of Revenues, Expenses and Changes in Net Position show how the Port Authority's overall net position changed during the nine-month period ended September 30, 2016 and September 30, 2015.

The Statements of Cash Flows provide information about the Port Authority's cash receipts, cash payments, and net changes in cash resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities for the nine-month period ended September 30, 2016 and September 30, 2015.

2. FINANCIAL REPORTING ENTITY

The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. 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 primarily 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 and port fees, and other charges for the use of, and privileges at certain of the Port Authority's facilities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

3. BASIS OF ACCOUNTING

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

The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The preparation of the condensed 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 condensed 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.

4. FINANCIAL STATEMENT COMPARISON FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016

Net Position (Equity)

The Port Authority's overall net position (equity) totaled \$16.4 billion at September 30, 2016, an increase of \$872 million from December 31, 2015. This increase is comprised of income from operations of \$718 million and income from non-operating activities of \$154 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

	September 30, 2016	September 30, 2015	Variance
		(In thousands)	
Gross operating revenues	\$ 3,837,306	\$ 3,592,751	\$244,555
Operating expenses	(2,214,636)	(2,116,414)	(98,222)
Depreciation and Amortization	(904,099)	(871,522)	(32,577)
Net revenue related to Superstorm Sandy	-	41	(41)
Income from operations	718,571	604,856	113,715
Financial income*	32,402	36,838	(4,436)
Interest expense, net**	(674,852)	(638,545)	(36,307)
Grants and other non-operating revenues/(expenses)***	59,941	31,214	28,727
Capital contributions and Passenger Facility Charges (PFC's)	736,089	597,335	138,754
Income from non-operating activities	153,580	26,842	126,738
Increase in net position	\$ 872,151	\$ 631,698	\$240,453

*Includes changes to the fair market value of investments of \$9.4 million in 2016 and \$5.8 million in 2015, respectively.

**Includes reimbursements received by the Port Authority related to Tower 4 Liberty Bond debt service payments of \$27.6 million in 2016 and 2015, respectively.

***Includes pass-through grant payments to sub-recipients of \$6.3 million in 2016 and \$21.8 million in 2015, respectively.

Income from Operations:

The Port Authority generated \$718 million in income from operations in the first nine-months of 2016, comprised of gross operating revenues of \$3.8 billion offset by operating expenses and depreciation of \$3.1 billion.

Gross operating revenues of \$3.8 billion increased \$245 million or 6.8% from the same nine-month period in 2015. Toll revenue at the Port Authority's six (6) vehicular crossings increased \$118 million or 10.4% primarily due to the final scheduled toll increase approved in September 2011 that became effective in December 2015, and an overall increase in vehicular traffic of 3.0%. Rental revenue increased \$90 million or 8.4% primarily due to increases in fixed and percentage rentals at One World Trade Center (WTC) due to increased occupancy, One WTC Observation Deck, which opened to the public in mid-2015, and Aviation facilities. Aviation fees, which are formulaically calculated based on actual capital investment and operating and maintenance expenses incurred by the Port Authority at its three major airports increased \$26 million primarily due to the recovery of capital investment. Port Authority Trans-Hudson Corporation (PATH) fares increased \$6 million or 4.4% due to a 3.8% increase in passenger activity.

Operating expenses of \$2.2 billion increased \$98 million or 4.6% from the same nine-month period in 2015.

Total employee compensation, including employer provided fringe benefits of \$977 million increased approximately \$104 million or 12.0% million primarily due to variances in actuarially determined costs related to employer sponsored healthcare and pension plans provided to active and retired employees.

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AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

Total materials and services of \$1.2 billion decreased \$6.2 million or 1% primarily due to a \$23 million decrease in utility consumption and billing rates at Port Authority facilities due to milder weather conditions. Offsetting these decreases is an increase of \$17 million in third-party payments related to WTC and PATH operations, including, security, building and site maintenance, WTC payments in lieu of taxes (PILOT) to the City of New York and WTC property insurance. WTC cost increases are a result of the continued phase-in to operations of various facilities.

Depreciation and amortization of \$904 million increased \$33 million or 3.7% from the same nine-month period of 2015 resulting from the placement into service of \$3.4 billion of capital construction in 2015 and an additional \$2.1 billion in capital construction through the third quarter of 2016. These capital infrastructure assets, primarily located at WTC, Tunnels Bridges & Terminals (TB&T) and Aviation facilities are ready for their intended use and are being depreciated over their estimated useful life.

Income from Non-Operating Activities:

Income from non-operating activities of \$154 million increased \$127 million from the same nine-month period of 2015, primarily due to a \$125 million increase in Contributions in aid of construction from third parties, primarily related to the redevelopment of the WTC site and a \$13 million increase in Passenger Facility Charges (PFC's) at Aviation facilities due to a 4.6% increase in passenger activity. Grants in connection with operating activities, including pass-through grant payments increased \$28 million primarily due to federal funding received in relation to Urban Area Security Initiatives (UASI) and baggage screening projects at aviation facilities. Offsetting these increases was a \$41 million increase in net interest expense (interest expense less financial income) related to Port Authority financing obligations.

Assets:

Port Authority assets totaled \$45.4 billion at September 30, 2016, an increase of \$1.1 billion from December 31, 2015. This overall increase is primarily due to:

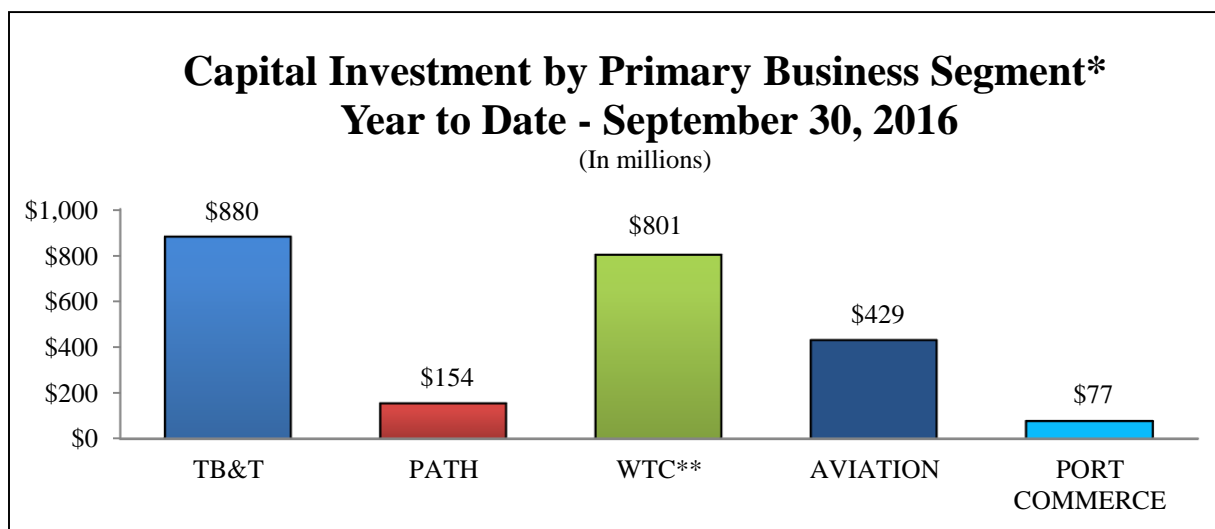
Facilities, net, including capital investment funded via capital contributions from third-parties totaled \$34.2 billion at September 30, 2016, an increase of approximately \$1.5 billion from December 2015. This net increase was primarily due to the Port Authority's continued capital investment in its operating facilities as outlined in the 2014-2023 ten-year capital plan. For additional information related to the Port Authority's current ten-year capital plan, please refer to Port Authority's website at: <http://www.panynj.gov/corporate-information/pdf/2014-public-capital-plan.pdf>.

The following chart depicts capital investment in Port Authority facilities of \$2.3 billion, including contributed capital amounts from third parties for the first nine months of 2016, summarized by primary business segment:

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)



*Excludes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

**Capital Investment includes capital investment related to the WTC Transportation Hub.

Cash (including restricted amounts) balances of \$1.6 billion increased \$227 million when compared to December 2015. Cash flows from operations of \$1.5 billion and \$811 million received in connection with the maturity of investments were utilized to fund \$2.1 billion in capital construction, debt service on and the refunding of outstanding capital debt obligations.

Total cash flows of \$227 million increased \$599 million from the same nine-month period of 2015. Cash flows generated from operations and investing activities of \$2.4 billion increased \$1.1 billion from the same nine-month period of 2015. This overall increase in cash flows is primarily due to increased tolls at the Port Authority's six (6) vehicular crossings, PATH fares, increased rentals at Aviation facilities and One WTC, and the maturity of investments related to consolidated bond proceeds received in October 2015 and invested on an interim basis until utilized for purposes of refunding certain outstanding debt obligations in January and October 2016, respectively. Offsetting these increases was a \$499 million decrease in cash balances related to the refunding of certain consolidated bonds in January 2016 and a decrease in the sale of consolidated bonds allocated for purposes of funding capital construction.

Port Authority Investments of \$4.3 billion, excluding Port Authority Insurance Captive Entity (PAICE) restricted investments, decreased \$758 million from December 31, 2015 primarily due to the maturity of investments comprised of consolidated bond proceeds issued in October 2015 for purposes of refunding existing consolidated bonded debt obligations of \$336 million in January 2016 and \$315 million scheduled to occur in October 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

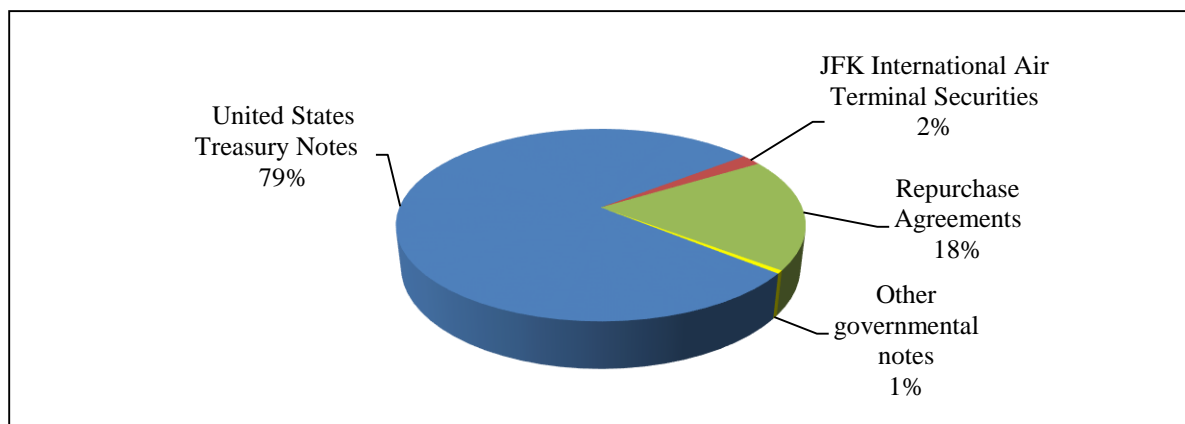
Port Authority Investments, at fair value

Investment Type*	at September 30, 2016	Weighted Average Maturity (In days)
	(In thousands)	
United States Treasury Notes	\$ 3,346,075	431
JFK International Air Terminal LLC obligations	79,718	3,365
Repurchase Agreements	804,453	5
Other governmental notes	21,934	268
Total Investments**	\$ 4,252,180	
Portfolio Weighted Average Maturity (In days)		405

*Excludes \$1.4 billion of Collateralized Bank Accounts that are classified as cash equivalents and approximately \$1.1 billion in investments that are on deposit in a restricted trust dedicated to Other Postemployment Employee Benefits (OPEB).

**Excludes accrued interest receivable amounts of \$9.4 million.

Port Authority Investments Asset Allocation:



Port Authority Insurance Captive Entity (PAICE) restricted investments of \$224 million, increased \$39 million from December 31, 2015 primarily due to the investment of insurance premiums received from the Port Authority for certain insurable risks.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

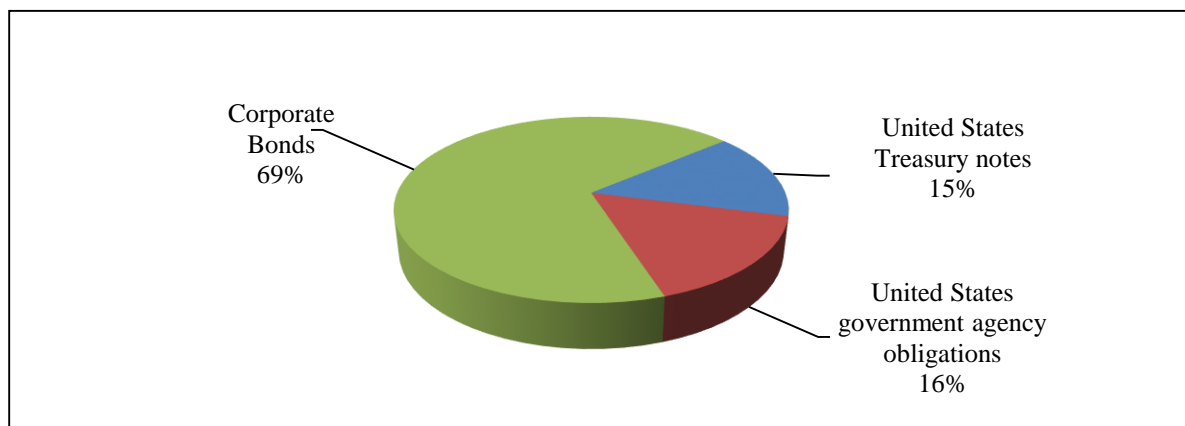
AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

PAICE Investments, at fair value

Investment Type	at September 30, 2016	Weighted Average Maturity (In days)
	(In thousands)	
United States Treasury Notes	\$ 33,482	1,023
United States Government Agency Obligations	35,472	530
Corporate Bonds	153,027	1,178
Total Investments*	\$ 221,981	
Portfolio weighted average maturity (In days)		1,051

*Excludes accrued interest receivable of \$1.7 million.

PAICE Investments Asset Allocation:



Liabilities:

Port Authority Liabilities totaled \$29.4 billion at September 30, 2016, an increase of \$371 million from December 31, 2015.

Bonds and other asset financing obligations, including Tower 4 Liberty Bonds, decreased \$265 million primarily due to the refunding of \$336 million of consolidated bonds in January 2016 and \$108 million in debt maturities. Offsetting these amounts was an increase of \$224 million related to the Goethals Bridge Replacement Project (GBRP) Developer Financing Arrangement (DFA).

Accrued payroll, pension and employee benefits increased \$311 million primarily due to an increase in the Port Authority's proportionate share of the New York State Local Retirement System's (NYSLRS) Net Pension Liability (NPL) and Port Authority provided Other Post-Employment Benefits (OPEB).

Accounts payable increased \$116 million primarily due to increases in accrued amounts related to the LGA Redevelopment Project, Lincoln Tunnel Access Project and Bayonne Bridge Navigational Clearance Project.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

Included in total liabilities are Port Authority bonds and other asset financing obligations totaling \$23 billion at September 30, 2016. A summary of outstanding bonds and other asset financing obligations follows:

Bonds and Other Financing Obligations*

	Opening Balance Dec. 31, 2015	Issued/ Accrued	Refunded/ Retired	Ending Balance Sept. 30, 2016
	(In millions)			
Consolidated Bonds and Notes	\$ 21,020	\$ 513	\$ 990	\$ 20,543
Commercial Paper Notes	426	1,420	1,410	436
Variable Rate Master Notes	78	-	-	78
Fund for Regional				
Development Buy-Out Obligation	254	14	51	217
MOTBY Obligation	44	14	3	55
GBRP DFA Obligation	431	224	-	655
Subtotal-Principal	\$ 22,253	\$ 2,185	\$ 2,454	\$ 21,984
Add: Unamortized premium/(discount)	768	39	35	772
Total	\$ 23,021	\$ 2,224	\$ 2,489	\$ 22,756

*Excludes amounts payable associated with Special Project Bonds projects of \$1.4 billion and Tower 4 Liberty Bonds of \$1.2 billion.

Through the third quarter of 2016, the Port Authority issued two (2) series of consolidated bonds, the One Hundred Ninety-fifth Series and the One Hundred Ninety-sixth Series, totaling \$513 million for the purposes of refunding existing debt obligations. The corresponding refunding occurred in May 2016.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in the third quarter of 2016 remained the same when compared to December 2015. During the third quarter of 2016, Standard and Poor's (S&P), Fitch Ratings and Moody's Investors Service considered the Port Authority's outlook stable.

Obligation	S&P	Fitch Ratings	Moody's Investors Service
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

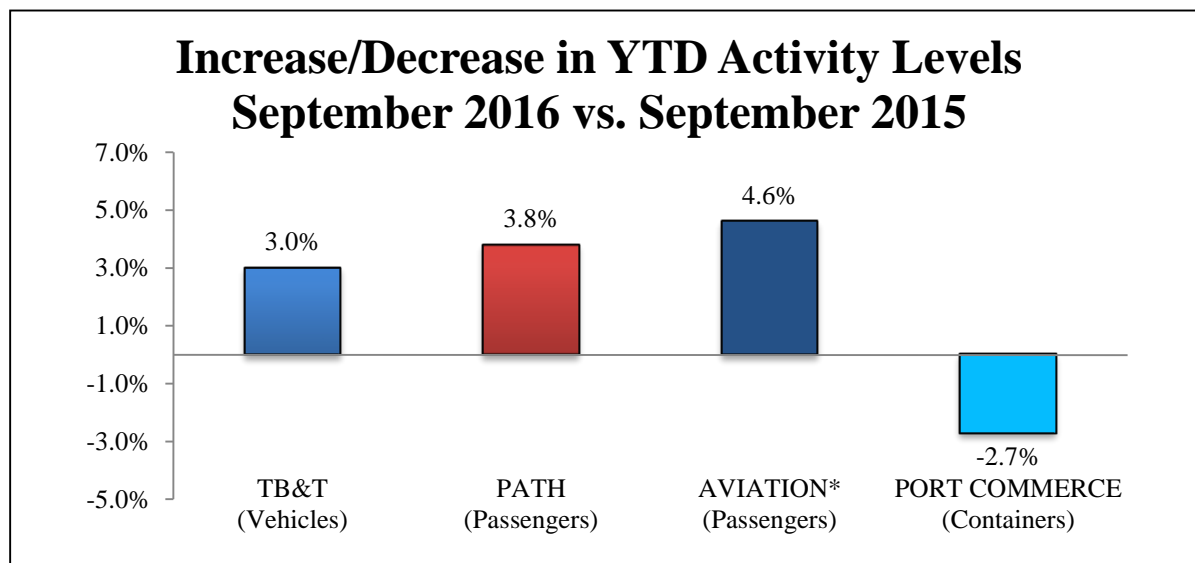
Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)

5. FACILITY TRAFFIC



*Excludes Atlantic City International Airport passenger activity.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION – UNAUDITED*

	SEPTEMBER 30, 2016	DECEMBER 31, 2015
	<hr/> (In thousands) <hr/>	
Assets		
Facilities, net	\$ 34,152,875	\$ 32,666,774
Cash, including restricted amounts	1,575,056	1,347,698
Port Authority investments	4,261,611	5,019,418
PAICE restricted investments	223,677	184,633
Receivables, including restricted amounts	759,192	560,290
Amounts receivable - Special Project Bonds projects	1,436,647	1,435,940
Amounts receivable - Tower 4 Liberty Bonds	1,247,014	1,247,473
Unamortized costs for regional programs	232,300	280,874
Other assets	1,558,396	1,605,142
Total assets	<hr/> 45,446,768 <hr/>	<hr/> 44,348,242 <hr/>
Deferred outflows of resources		
Loss on debt refunding's	81,588	97,337
Pension related amounts	369,702	155,259
Total deferred outflows of resources	<hr/> 451,290 <hr/>	<hr/> 252,596 <hr/>
Liabilities		
Bonds and other asset financing obligations	22,755,792	23,020,394
Amounts payable - Special Project Bonds projects	1,436,647	1,435,940
Amounts payable - Tower 4 Liberty Bonds	1,247,014	1,247,473
Accounts payable	1,186,756	1,071,047
Accrued payroll, pension and employee benefits	977,735	666,468
Unearned income related to WTC Retail	739,355	704,697
Accrued interest and other liabilities	1,069,396	896,174
Total liabilities	<hr/> 29,412,695 <hr/>	<hr/> 29,042,193 <hr/>
Deferred inflows of resources		
Gain on debt refunding's	24,671	21,527
Pension related amounts	58,978	7,555
Total deferred inflows of resources	<hr/> 83,649 <hr/>	<hr/> 29,082 <hr/>
Net position	<hr/> \$ 16,401,714 <hr/>	<hr/> \$ 15,529,563 <hr/>

**CONDENSED CONSOLIDATED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION – UNAUDITED***

	NINE-MONTHS ENDED SEPTEMBER 30, 2016	2015
	<hr/> (In thousands) <hr/>	
Gross operating revenues	\$3,837,306	\$ 3,592,751
Operating expenses	(2,214,636)	(2,116,414)
Depreciation and amortization	(904,099)	(871,522)
Net revenue related to Superstorm Sandy	-	41
Income from operations	<hr/> 718,571 <hr/>	<hr/> 604,856 <hr/>
Non-operating expenses, net	(582,509)	(570,493)
Capital contributions and PFC's	736,089	597,335
Income/(Loss) from non-operating activities	<hr/> 153,580 <hr/>	<hr/> 26,842 <hr/>
Increase in net position	<hr/> \$ 872,151 <hr/>	<hr/> \$ 631,698 <hr/>
Net position, January 1	<hr/> 15,529,563 <hr/>	<hr/> 14,774,540 <hr/>
Net position, September 30	<hr/> \$ 16,401,714 <hr/>	<hr/> \$ 15,406,238 <hr/>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED*

	NINE-MONTHS ENDED SEPTEMBER 30, 2016	2015
	(In thousands)	
Net cash provided by operating activities	\$ 1,539,620	\$ 1,295,292
Net cash (used for) noncapital financing activities	(45,117)	(42,681)
Net cash (used for) capital construction and related financing activities	(2,078,189)	(1,580,754)
Net cash provided for (used for) investing activities	<u>811,044</u>	<u>(43,806)</u>
Net increase / (decrease) in cash	227,358	(371,949)
Cash at beginning of year	<u>1,347,698</u>	<u>1,845,491</u>
Cash at nine-months ended	<u>\$ 1,575,056</u>	<u>\$ 1,473,542</u>

* The unaudited Condensed Consolidated Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows have been prepared, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with accounting principles generally accepted in the United States of America. This unaudited condensed financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2015.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION ON PORT AUTHORITY FACILITIES - UNAUDITED

(In thousands)

Nine-month period ended September 30, 2016							
	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$1,301,813	\$ 379,469	\$ 142,282	\$ 780,062	\$ 72,824	\$ 2,591	\$ 709,829
PATH	144,340	309,353	140,385	(305,398)	121,108	174,493**	(252,013)
Aviation	1,968,520	1,187,842	330,799	449,879	125,899	234,228	558,208
Port Commerce	215,032	114,169	70,589	30,274	80,434	10,200	(39,960)
World Trade Center	188,473	213,656	154,662	(179,845)	153,625	314,577	(18,893)
Other***	19,128	10,147	65,382	(56,401)	28,619	-	(85,020)
Net Revenue related to Superstorm Sandy	-	-	-	-	-	-	-
Increase in net position	\$3,837,306	\$2,214,636	\$ 904,099	\$ 718,571	\$ 582,509	\$736,089	\$ 872,151

Nine-month period ended September 30, 2015							
	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$ 1,182,402	\$ 367,381	\$ 122,034	\$ 692,987	\$ 70,677	\$ 1,604	\$ 623,914
PATH	136,162	282,650	159,176	(305,664)	93,438	159,728**	(239,374)
Aviation	1,896,190	1,159,622	315,089	421,479	158,805	213,488	476,162
Port Commerce	208,561	114,504	67,480	26,577	68,132	5,548	(36,007)
World Trade Center	149,061	178,593	141,606	(171,138)	143,552	216,967	(97,723)
Other***	20,375	13,664	66,137	(59,426)	35,889	-	(95,315)
Net Revenue related to Superstorm Sandy	-	-	-	41	-	-	41
Increase in net position	\$ 3,592,751	\$2,116,414	\$ 871,522	\$ 604,856	\$ 570,493	\$ 597,335	\$ 631,698

* Amounts include allocated net interest expense (interest expense less financial income), 4 WTC Liberty Bond debt service reimbursements, Grants in connection with operating activities, Pass-through grant program payments; and gains or losses generated by the disposition of assets, if any.

** PATH Capital Contributions include Federal Transit Administration (FTA) funding related to the construction of the WTC Transportation Hub.

*** Other includes Development Facilities, Regional Facilities and Programs, Ferry Transportation, Access to the Regions Core and PAICE.

Note: These unaudited schedules related to Port Authority Facilities have been prepared, subject to audit, adjustment and reconciliation, solely for general information purpose, in accordance with accounting principles generally accepted in the United States of America. This unaudited financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2015.