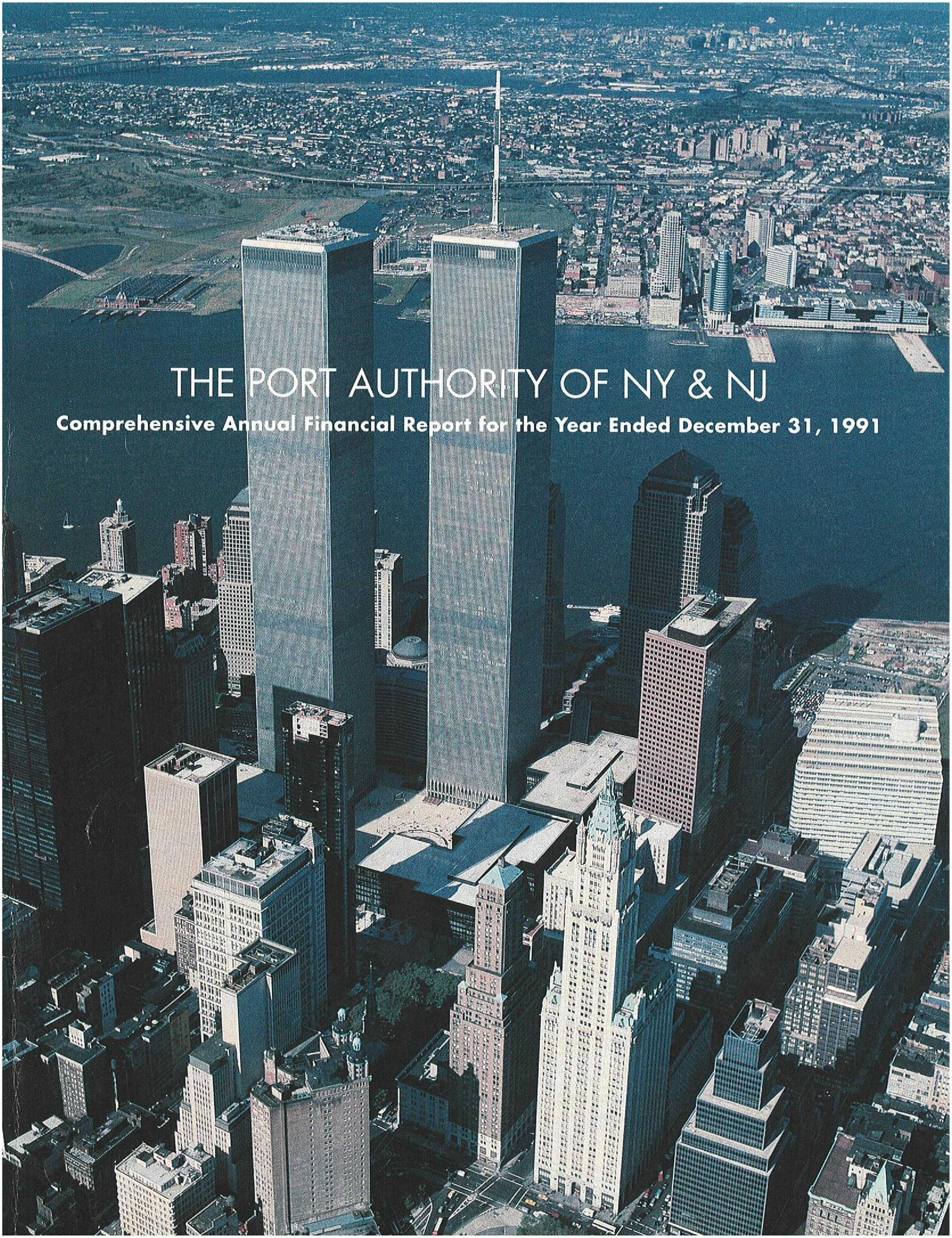

THE PORT AUTHORITY OF NY & NJ

Comprehensive Annual Financial Report for the Year Ended December 31, 1991

About the Cover

From the landmark World Trade Center in lower Manhattan, the regional panorama sweeps across the Hudson River to Hudson and Essex counties in New Jersey.

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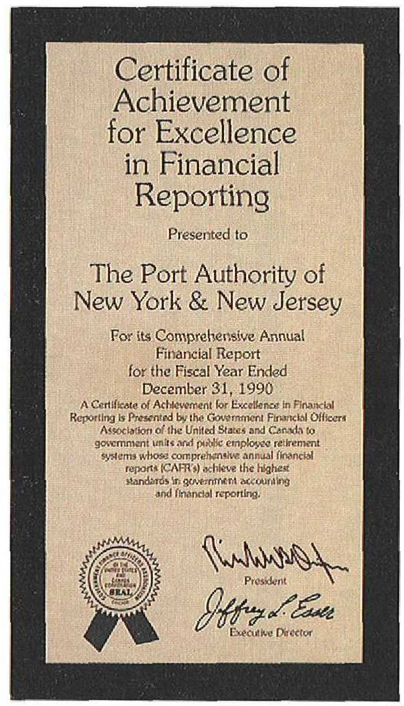
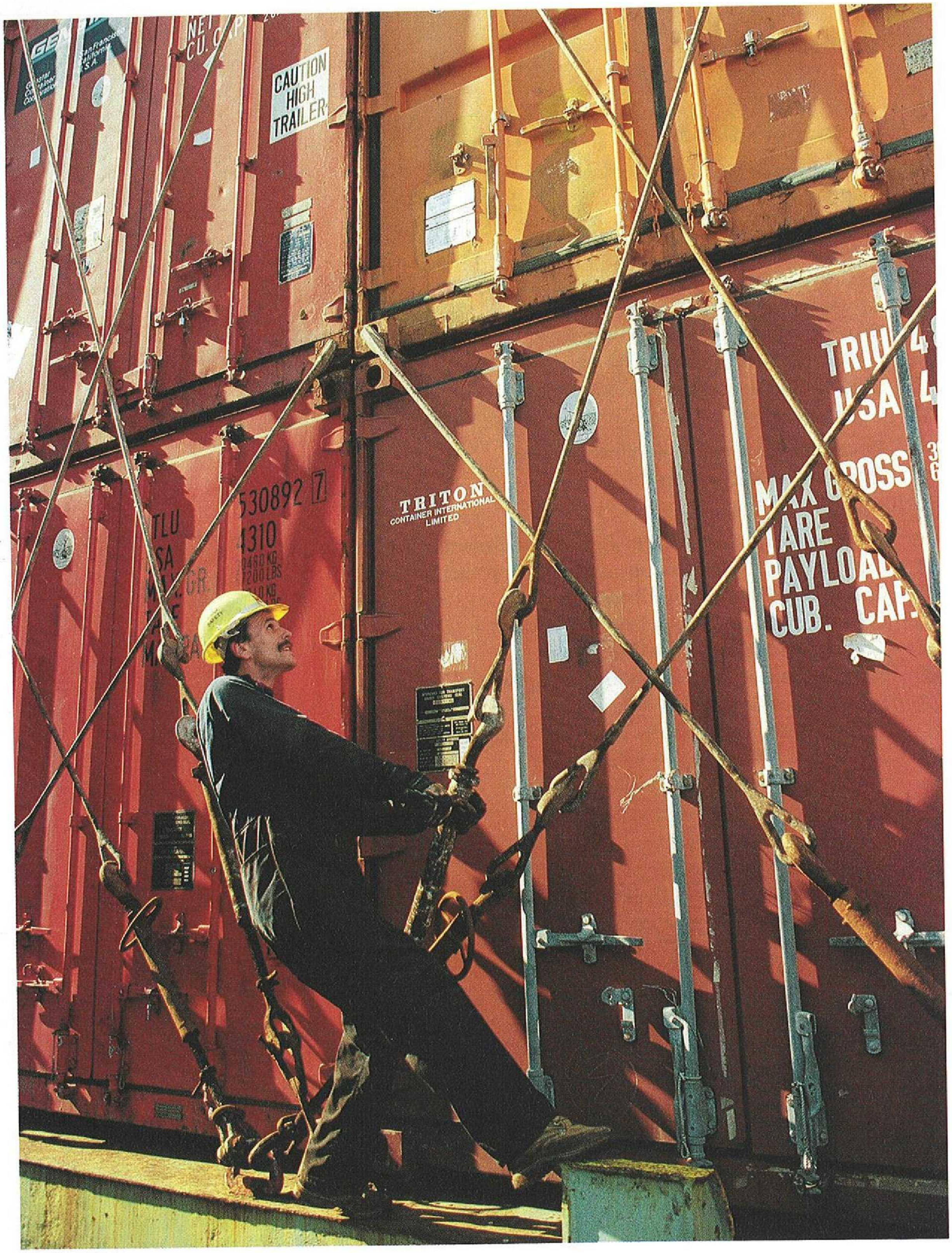


For the seventh consecutive year, The Port Authority of New York and New Jersey was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for its 1990 Comprehensive Annual Financial Report.

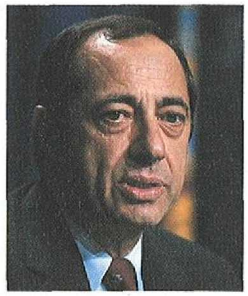
The 1991 Port Authority of NY & NJ Annual Report is printed on recycled paper.



The New York-New Jersey port industry, a vital asset to the region, accounts for more than 180,000 jobs and $4.7 billion in wages and salaries.

Honorable Mario M. Cuomo, Governor
State of New York

Honorable James J. Florio, Governor
State of New Jersey



Your Excellencies:

We are pleased to submit to you and to the legislatures of New York and New Jersey this 1991 Annual Report of The Port Authority of New York and New Jersey, pursuant to the bistate Port Compact of 1921.

The people of the region will not recall 1991 as a year of prosperity and progress. Caught up in the consequences of a national recession, frustrated by the halting response from Washington, and uncertain about America's place in the changing global economy, few are likely to look beyond the immediate distress and disappointment to seek signs of future economic expansion. Following your leadership, however, we at the Port Authority have tried to keep our focus on building the foundation for a sustained and powerful regional economic recovery. It has not been easy, but it is happening.

The agency has been directly affected by the economic downturn. Our basic functions and sources of revenue have felt the impact of the recession. Traffic has declined at the river crossings and the airports. The World Trade Center could not escape the consequences of the soft market for office space. And, while there are reasons for optimism, we cannot be satisfied with the sort of year we had in the shipping business. Our response to these adverse conditions has been significant and in some cases dramatic.

We have made adjustments in the agency's operating budget designed to realize savings in the neighborhood of $80 million without negative effects on service to our customers. We have reduced the agency's staff by over 300 positions and remain committed to an increasingly rigorous program of productivity improvement. Our goal is to maintain public confidence in the accountability of this institution to the region it serves. As importantly, we have insisted on maintaining the immense commitment to the future represented by our ongoing $5 billion capital program.

We hold to the view expressed in our last report: that the pessimism so often expressed today about the region is as unrealistic as was the vaulting optimism that characterized the "get-rich-quick" attitude in the 1980s. Rather, we believe that regional prosperity is built, bit-by-bit, through hard work, investment, and sacrifice over the long haul. Those values lie behind the policy choices we have made with your guidance over the last year. Our belief in this approach is manifest in the rebuilding program at the airports (including a reinforced commitment to ground transportation links), in the upgrading of the World Trade Center, in the modernization of the river crossings, in the improvements at our marine terminals, and in the other investments in tomorrow set in motion over the last few years.

The Board of Commissioners and the Port Authority staff recognize that the continuing leadership and support of the Governors of New York and New Jersey is the key prerequisite of the continuation of our efforts to contribute to the region's growth and prosperity. We look forward to another year of cooperation and progress.

Sincerely,

Richard C. Leone
Chairman

Vincent Tese
Vice-Chairman
April 9, 1992

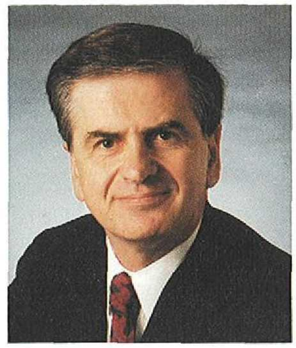
Board of Commissioners

Origins of the Port Authority

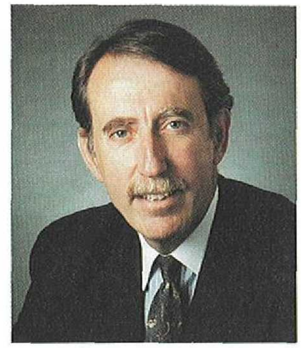
The Port Authority of New York and New Jersey was established on April 30, 1921. It was the first interstate agency ever created under a clause of the Constitution permitting compacts between states with Congressional consent.

The new agency's area of jurisdiction was called the "Port District," a 17-county bistate region generally within a 25-mile radius of the Statue of Liberty.

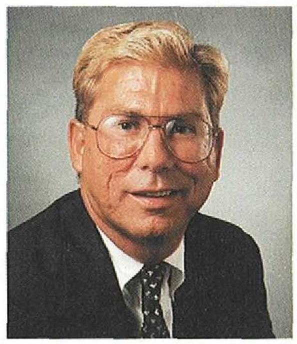
The mandate of the agency was to promote and protect the commerce of the bistate port and to undertake port and regional improvements not likely to be financed by private enterprise nor to be attempted by either state alone: a modern wharfage for the harbor shared by the two states, tunnel and bridge connections between the states and, in general, trade and transportation projects to promote the region's economic well-being.



Richard C. Leone
Director
Twentieth Century Fund

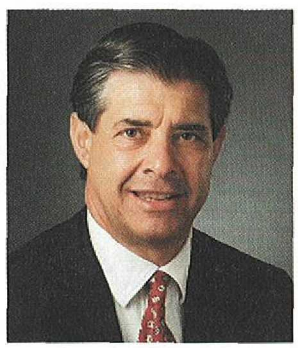


Vincent Tese
Chairman & Chief Executive Officer
Urban Development Corp.

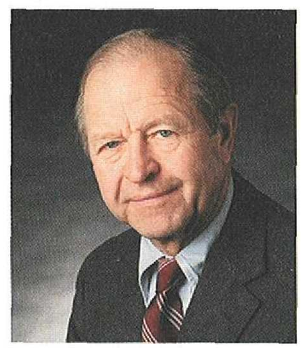


Tonio Burgos
President
Tonio Burgos & Assocs., Inc.

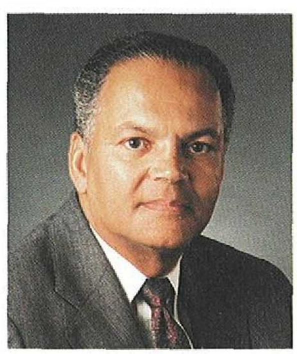
Hazel Frank Gluck
President
Public Policy Advisors, Inc.



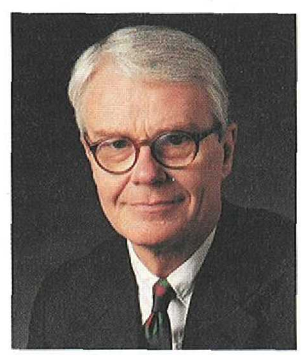
Arthur M. Goldberg
Chairman and Chief Executive Officer
Bally Manufacturing Corporation



James G. Hellmuth
Consultant

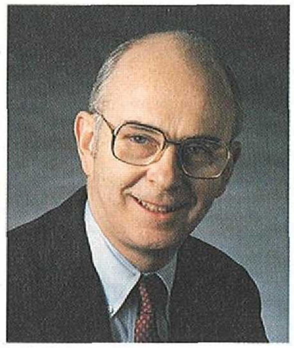


Henry F. Henderson, Jr.
President
H. F. Henderson Industries

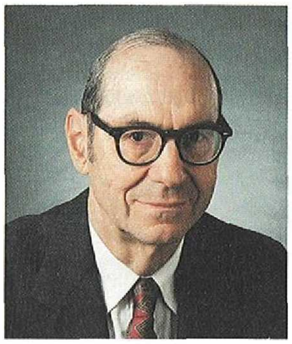


William K. Hutchison
Partner
Christenson & Hutchison

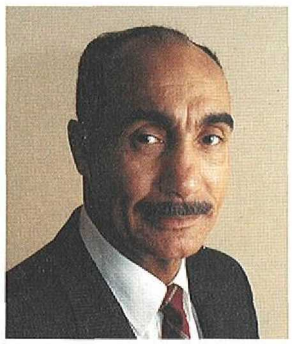
Philip D. Kaltenbacher
Chairman and Chief Executive Officer
Seton Company



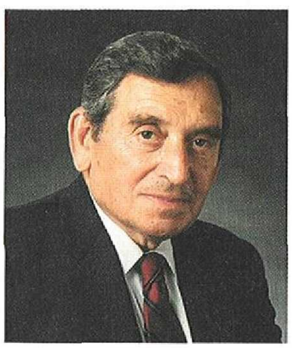
John G. McGoldrick
Attorney
Schulte Roth & Zabel



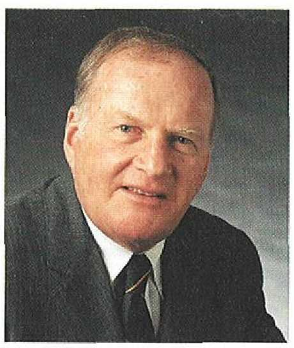
George D. O'Neill
President
Meriwether Capital Corporation



Basil A. Paterson
Attorney
Meyer, Suozzi, English & Klein, P.C.

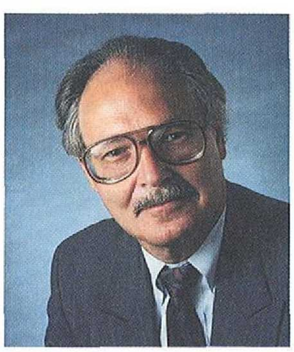


Howard Schulman
Attorney



Robert Van Buren
Chairman of the Executive Committee
Midlantic Corporation

Robert F. Wagner
Attorney
Fischbein • Badillo • Wagner



Stanley Brezenoff
Executive Director

Governance of the Port Authority

The Governor of each state appoints six Commissioners to the agency's Board of Commissioners, each appointment subject to the approval of the respective state senate.

The twelve Commissioners serve as public officials without remuneration.

The Governors retain the right to veto the actions of the Commissioners. The Port Authority may proceed only with those projects the two states authorize.

The Board of Commissioners appoints an Executive Director to effect its policies. The Executive Director manages day-to-day operations through the Aviation, Port, Interstate Transportation, World Trade, and Regional Development line departments as well as staff departments such as Engineering and Public Safety.

Board of Commissioners

Richard C. Leone, Chairman
Vincent Tese, Vice Chairman[1]
Tonio Burgos[2]
Hazel Frank Gluck
Arthur M. Goldberg[4]
James G. Hellmuth
Henry F. Henderson, Jr.
William K. Hutchison[4]
Philip D. Kaltenbacher
John G. McGoldrick
George D. O'Neill[3]
Basil A. Paterson
Howard Schulman[2]
Robert Van Buren
Robert F. Wagner[1]

[1] *Commissioner Tese joined the Board on July 15, 1991, succeeding the late Vice Chairman Robert F. Wagner, who died on February 12, 1991. Commissioner Tese was elected Vice Chairman on January 7, 1992.*

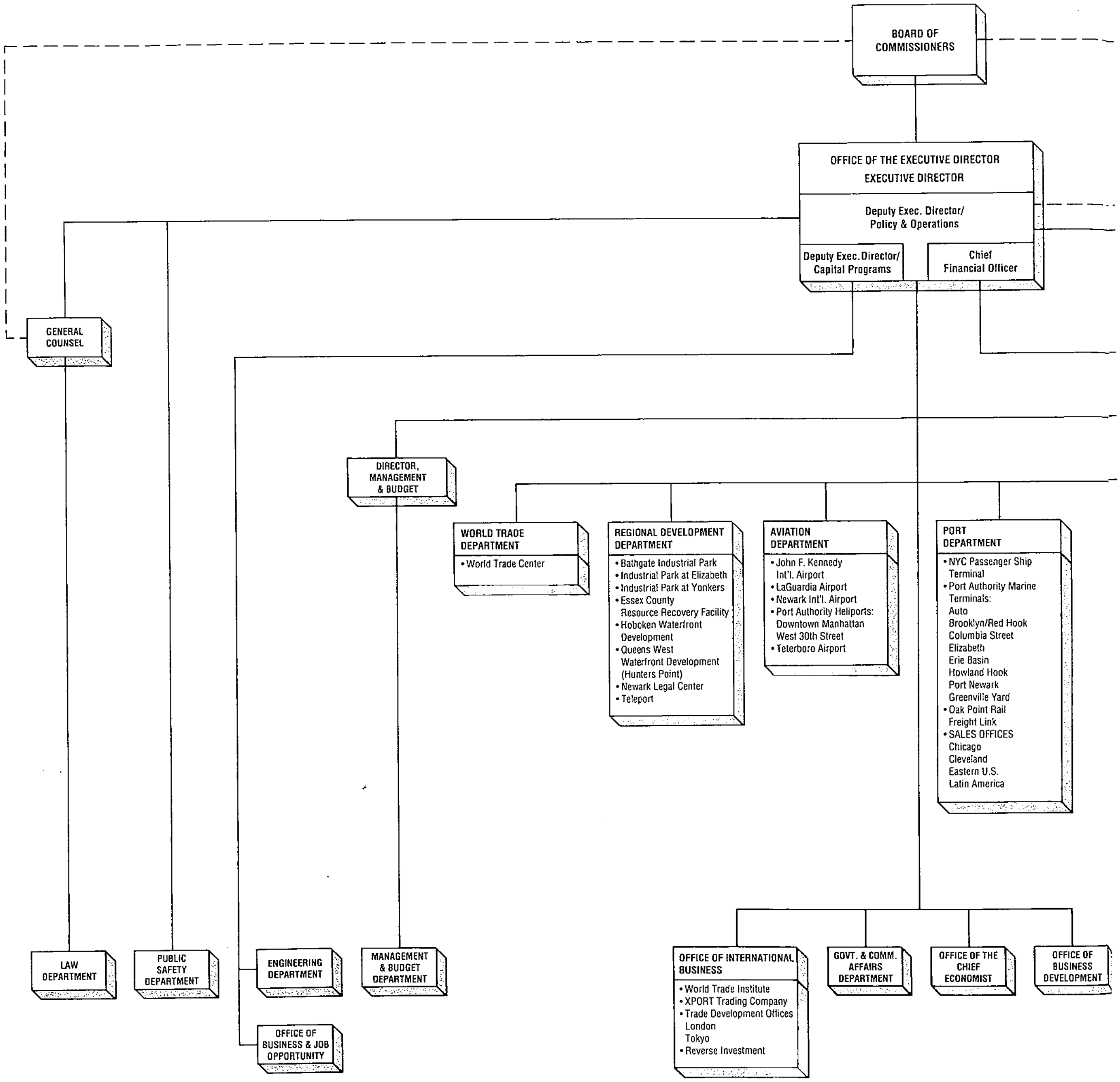
[2] *Commissioner Burgos joined the Board on July 9, 1991, succeeding Commissioner Schulman.*

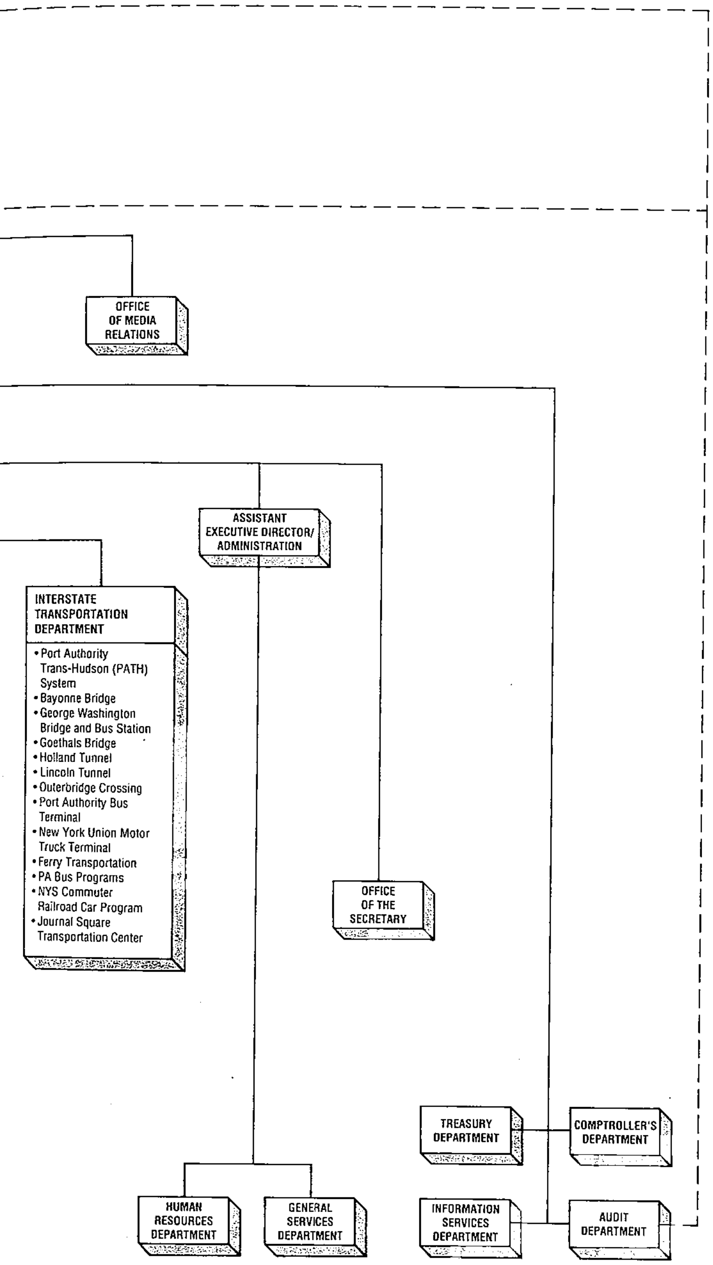
[3] *Commissioner O'Neill joined the Board on July 9, 1991, succeeding Commissioner Ronan, who resigned from the Board on December 29, 1990.*

[4] *Commissioner Goldberg joined the Board on January 15, 1992, succeeding Commissioner Hutchison.*

THE PORT AUTHORITY OF NY & NJ

Organization Chart





Current Officers and Directors

Stanley Brezenoff, *Executive Director*

Anthony E. Shorris, *Deputy Executive Director/ Policy & Operations*[1]

Joseph L. Vanacore, *Deputy Executive Director/ Capital Programs*

Barry Weintrob, *Chief Financial Officer*

Katy MacKay, *Assistant Executive Director/Administration*

Jeffrey S. Green, *General Counsel*[2]

Anthony J. Barber, *Interstate Transportation/COO*
A. Paul Blanco, *Comptroller*
John J. Collura, *Management & Budget*
Karen S. de Bartolomé, *Secretary*
Rebecca Doggett, *Office of Business & Job Opportunity*
Dorothy W. Dugger, *Government & Community Affairs*[3]
Eugene J. Fasullo, *Engineering and Chief Engineer*[4]
Frank Garcia, *Regional Development*[5]
Gene C. Gill, *General Services*
John E. Haupert, *Treasurer*
Wilma H. Horne, *Information Services*
Richard R. Kelly, *Interstate Transportation*
Charles Knox, *Public Safety*[6]
Louis J. LaCapra, *Human Resources*
Donald R. Lee, *Audit*
Lillian C. Liburdi, *Port*
Charles Maikish, *World Trade*[7]
Mark Marchese, *Office of Media Relations*[8]
David Z. Plavin, *Aviation*
Richard W. Roper, *Office of Business Development*[9]
Rosemary Scanlon, *Office of the Chief Economist*

Patrick J. Falvey, First Deputy Executive Director and General Counsel, retired July 6, 1991.

Morris Sloane, Director, Aviation Operations and Redevelopment, retired June 29, 1991.

1. *Appointed May 2, 1991*
2. *Appointed February 13, 1992*
3. *Appointed January 1, 1992*
4. *Rino M. Monti retired March 3, 1992; Eugene J. Fasullo appointed March 3, 1992*
5. *Appointed January 1, 1992*
6. *Appointed April 1, 1991*
7. *Appointed January 1, 1992*
8. *Appointed January 1, 1992*
9. *Emily Lloyd resigned January 31, 1992; Richard W. Roper appointed April 6, 1992*

In 1991, the Port Authority moved forward aggressively with its unprecedented capital construction program of infrastructure renewal and development.

THE EXECUTIVE DIRECTOR'S 1991 OVERVIEW: INVESTMENTS IN TOMORROW

The 70th anniversary of The Port Authority of New York and New Jersey is a good occasion for rethinking this agency's role in the region we serve. Coming as it does so near the turn of the century, it is a good time to take stock not only of what we have accomplished, but of how much is left to be done. This annual report offers a review of the year that has passed, and reflects much of the thinking we have been doing about the future of this region and of this agency.

Our mission is a clear one: we serve the people of the region. And we do so by developing, operating and maintaining facilities and systems critical to the bistate region's economy: our airports and marine terminals, our bridges and tunnels, the PATH rail transit system, the World Trade Center, and a host of other infrastructure and regional development projects and programs.

The Port Authority of New York and New Jersey has invested the equivalent of more than $20 billion in regional infrastructure renewal and development.

We owe it to the people we serve to provide high quality services, and to do so efficiently and honestly. That's the mission of this agency as we see it, and 1991 was a year in which we made much progress in advancing our goals. But we also understand how broad this mandate is and, even as our resources have been pressed by a weakening economy, how much more is still before us. The magnitude of the challenge before us, and the increasing interdependency of all of us in the region, make our partnerships with other public entities and with the private sector more critical than ever.

Sustaining the region's competitiveness is at the heart of the Port Authority's goals. As a public agency, we must be accountable to the people we serve, demonstrating every day how we have *enhanced services* to them, *increased our own productivity, enriched the environment* around us and most of all, to make this region's economy stronger and more competitive, *improved the infrastructure* for which we are the custodians.

In the pages which follow, we describe how each major unit of the Port Authority has advanced our common mission, many times in collaboration with public and private sector partners as well as through community outreach efforts. This annual report also chronicles the impact of an economic recession that deepened drastically in 1991—with the sharpest declines noted in the first quarter as a result of the war in the Persian Gulf. Concern over the war reduced the number of air passengers traveling for either business or vacation and altered the volumes and patterns of cargo movements and international investment decisions. There were some mixed signs of recovery in the spring and summer after the war ended, but consumer and business confidence fell during the latter months of the year with the sluggishness in the domestic recovery, and with the spreading weakness in the economies of Europe and Japan.

As a result of the recession, traffic and business activity declined at almost all Port Authority facilities: in the volumes of air passengers, both domestic and international; in volumes of cargo movements by ocean and air; in the volumes of traffic at the six interstate vehicular crossings and on PATH. Leasing activity also edged down throughout New York City and the metropolitan region, as well as at the World Trade Center, although the facility continued to maintain an occupancy level exceeding overall lower Manhattan rates. Visitor spending in hotels and restaurants and at Port Authority facilities similarly declined from the high levels set in recent years. The major exceptions to these retrenchment patterns were continued ridership increases on the Hoboken-lower Manhattan ferry service, up 38 percent, and in the volume of activity at the recently opened resource recovery facility in Essex County, New Jersey.

Productivity

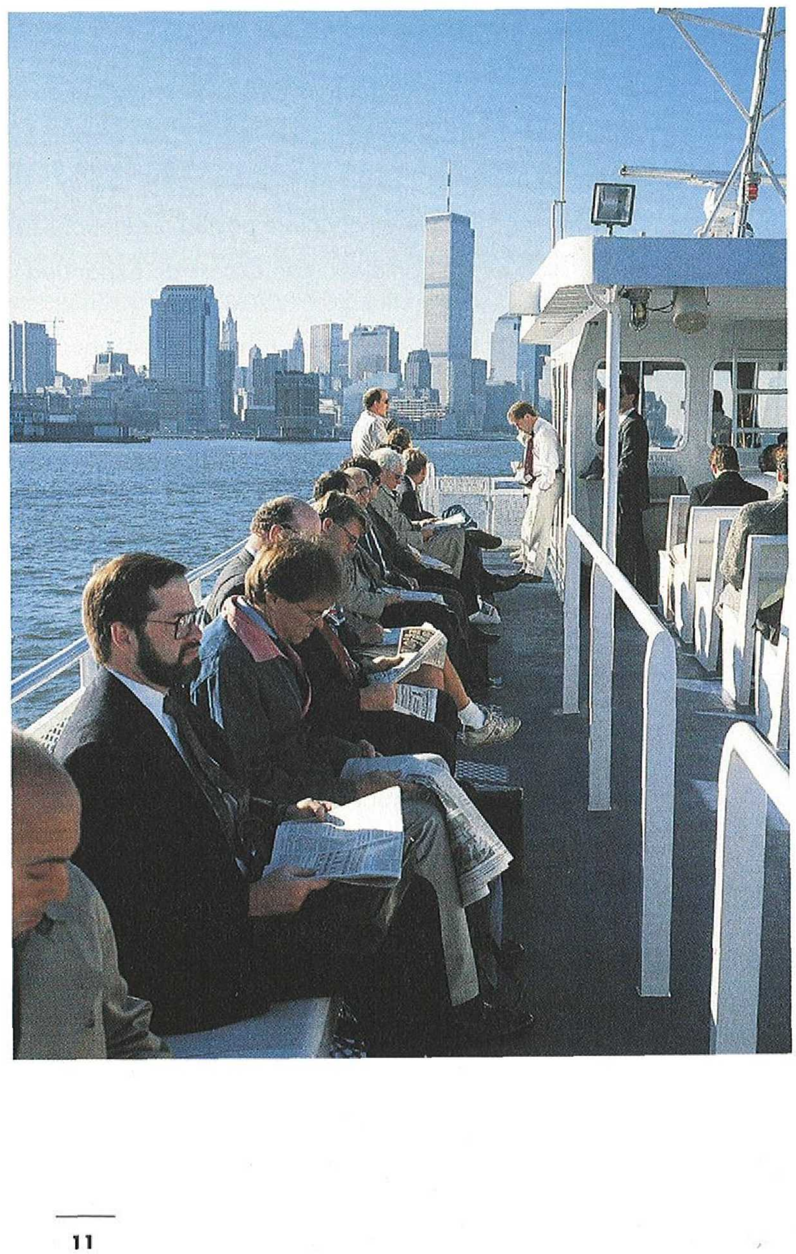
Port Authority revenues fell about $50 million short of projection in 1991. However, through aggressive cost-containment efforts we were able to keep our revenues and expenses in balance. Implementing the largest program of cost controls in our history, the agency froze all hiring for the first half of 1991; held salaries at 1990 levels; reduced staff by more than 300 positions; reduced overtime for the first time in seven years; and limited the use of consultants. We also sold one helicopter and placed a second up for sale; reduced business travel by 25 percent; cut marketing and advertising programs; merged and consolidated several departments and functions; and deferred non-essential equipment purchases and office relocations. In other efforts, we took advantage of the historically low long-term interest rates through the forward refundings of two high-coupon Consolidated Bond issues, which resulted in present value savings of $42 million.

Infrastructure Renewal

Savings from all of our efforts to contain costs and improve productivity totaled more than $80 million—enabling the Port Authority to move forward in 1991 with substantial capital investments in our primary business areas: aviation, interstate transportation, port commerce, world trade and economic development. Capital expenditures for the year totaled $629 million as we completed many major projects, made steady progress on others and launched new ones.

At our airports, new roadways were opened at John F. Kennedy International and LaGuardia, while construction of the region's first airport monorail system was begun at Newark International. Looking ahead to future airport development needs, we announced plans to ask the Federal Aviation Administration for authority to impose a Passenger Facility Charge (PFC) of $3-per-enplaning-passenger at the three airports. If approved, the PFC would provide a new source of revenue for critical airport improvements such as ground transportation links. For more than two decades, transportation planners have considered transit connections to the metropolitan airports as vital to our region's future competitiveness. This ambitious objective now seems within reach. It is one of the Port Authority's highest priorities and, working with the Governors of both states, we expect planning to move forward aggressively in 1992.

On our interstate transportation system, redevelopment work ranged from reconstruction of the Lincoln Tunnel's North Tube to the start of rehabilitation of the Port Authority Bus



At a New Jersey Construction Contracts Clearinghouse in Newark (top) and a similar event in New York at the World Trade Center (above), small contractors receive information about bidding, financing and construction schedules—all part of ongoing Port Authority efforts to improve opportunities for the region's small businesses, many minority- and women-owned.

An exception to 1991 retrenchment patterns, the Hoboken-Battery Park City (lower Manhattan) ferry service posted a 38 percent increase in ridership to 1.5 million passengers.

Terminal's South Wing Concourse areas leading to commuter bus platforms. Modernization of the World Trade Center continued during the year to sustain the complex's pre-eminence as a first class address and maintain its competitiveness in the metropolitan office marketplace. At the New York-New Jersey port, we completed roadway and electrical improvements at the Howland Hook Marine Terminal and a major berth expansion at the Red Hook Container Terminal.

Service Improvements

Along with capital development projects, the Port Authority's business agenda also continued to stress our long-standing commitment to providing quality customer service. Improvements in services during 1991 are reflected in new and expanded facilities, more cost effective operations and special customer service outreach programs.

Travelers who use the region's three major airports benefited from a special hospitality and courtesy training program for frontline workers such as bus drivers, parking lot attendants and taxi dispatchers—all often the first point of contact for an air traveler. The program earned real dividends: a 50 percent reduction in traveler complaints and a substantial increase in commendations for courtesy, friendliness and overall service.

In ongoing efforts to improve the environment at the Port Authority Bus Terminal, we introduced a program designed to fulfill our responsibility to our patrons and also be responsive to the needs of homeless people who come to the facility. Under the program, called "Operation Alternative," people who violate posted regulations face eviction and summonses. Those in need of help, such as the homeless, can access an expanded range of social services provided by various organizations.

The World Trade Center developed a number of improvements to enhance customer service in areas such as lease processing and tenant office space alterations. For the port, an industry outreach program was introduced to help us better understand tenant and customer needs and business issues at our marine terminals. Providing customers with a forum to comment on service is also the goal of our PATHursday program, which continued to get considerable patron attention and participation during the year. The program gives PATH riders an opportunity to meet with management every Thursday at the World Trade Center terminal.

Regional Partnerships

In fulfilling our service agenda and infrastructure improvements, many projects were undertaken through public sector and community partnerships as well as ventures with private businesses. Notable capital development projects include a number of airport construction and terminal refurbishment projects by our airline partners. Other transportation and economic development projects in New York and New Jersey, requested by each Governor, were undertaken or authorized through the Regional Economic Development Program. The program was established to undertake up to $200 million of such projects for each state not otherwise a part of other Port Authority facilities.

Port Authority partnerships also reflected a reaffirmation of our commitment to expand economic opportunities for small regional businesses, many of which are owned by women and minorities. These companies were awarded $85 million in Port Authority contracts in 1991. Further, through our Treasury Department, small regional underwriting firms participated in the sale of Consolidated Bonds, the Seventy-fourth Series, for the second straight year. A $100 million issue was sold on a negotiated basis to an underwriting group that included nine women- and minority-owned firms and 24 other small regional firms as co-managers.

The Environment

Just as important as our business development efforts is our commitment to the fragile environment around us. In 1991, we remained committed to operating Port Authority facilities in an environmentally sound manner and continued to work with tenants, private industry, community groups and federal, state and local agencies to further various projects. We are members of the New York/New Jersey Harbor Estuary Program, the New York Bight Restoration Plan and the New York State Hudson River Estuary Management Plan. We were, in fact, the first port authority in the nation to participate in the national estuary program.

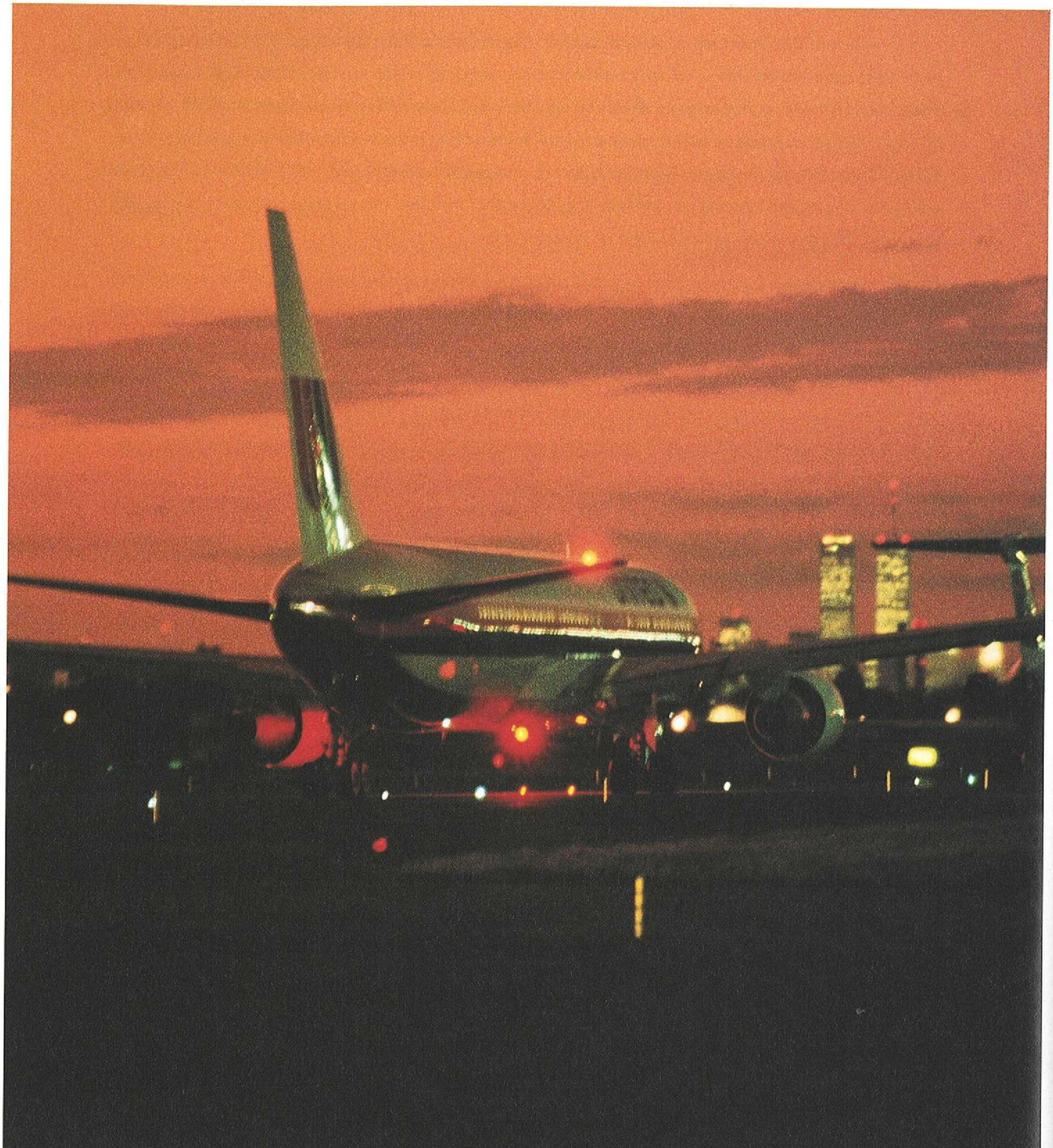
Recycling is also central to our efforts. In 1991, paper recycling was fully implemented at all of the Port Authority's New Jersey facilities and will be accomplished at all New York facilities by the end of 1992. Our commitment to purchase recyclable products whenever possible is also an important component of our recycling program. Another project, the privately run Essex County Resource Recovery Facility, built with funds provided by the Port Authority, marked its first full year of operation, processing 870,000 tons of municipal solid waste. The solid waste-to-energy plant processed refuse from Bergen, Hudson and Essex counties and produced more than 450 million kilowatt hours of electricity—enough power to service nearly 38,000 homes.

* * * * *

These environmental initiatives, our capital program, ongoing service and productivity enhancements and continuing regional partnerships comprised the central themes of Port Authority activity in 1991. All were realized through the hard work and professionalism of the bistate agency's 9,300 line and staff employees, whose unwavering dedication during an economically difficult year I truly appreciate. We hope that the regional economy will begin to recover from the adverse effects of the recession as soon as the end of 1992. Yet whatever the economic context, our focus is clear: to maintain this region's position as the country's most vital, most dynamic place to live, work and prosper—now and in the future.

Stanley Brezenoff

Stanley Brezenoff
Executive Director



Early-evening flight departs from John F. Kennedy International Airport, the country's leading gateway for international travelers and air cargo.

AVIATION: BUILDING FOR FUTURE GROWTH

The aviation complex operated by the Port Authority links the region with the nation and the world. Internationally and domestically, the three major airports—John F. Kennedy International, Newark International and LaGuardia—posted weakened passenger and cargo traffic in 1991, but continued to be the busiest regional aviation system in the country.

Total volume was more than 68 million air travelers and 1.8 million cargo tons, down 9 percent and 4 percent respectively from 1990 levels. These declines were a direct result of the national and international economic downturn and the impact of the war in the Persian Gulf. Despite the weakened passenger and cargo traffic, however, modernization and capacity expansion at the three airports advanced full speed to position the regional aviation complex for future growth. Looking to the future, the Port Authority has submitted an application to the Federal Aviation Administration for authority to impose a $3-per-enplaning-passenger fee at the three major airports it operates that, if approved, will make possible millions of dollars worth of ground access improvements.

The regional aviation industry generates $22 billion a year in economic activity, 245,000 jobs and $6.6 billion in wages and salaries.

Infrastructure Modernization

At Kennedy International, the first major new international passenger terminal to be built in 20 years will provide the additional capacity needed for projected increases in overseas travelers by the turn of the century. When completed in 1996, the $250 million, 600,000-square-foot facility will be built and shared by Air France, Japan Airlines, and Lufthansa German Airlines on the site of the former Eastern Air Lines Terminal.

To accommodate domestic passenger growth, construction of a new East End Terminal at LaGuardia Airport progressed steadily. The new terminal will have up to 12 wide-body aircraft gates and will significantly improve the airport's ability to handle the large numbers of passengers traveling on that type of aircraft.

Kennedy's ground traffic flow was improved in December when a new roadway opened connecting the Van Wyck and JFK expressways with the airport's central terminal area. The new roadway completed the first phase of a four-part airport roadway redevelopment project.

Construction of the centerpiece of Newark International's redevelopment program—a $378 million monorail system—began in June. When completed in late 1994, the automated, driverless system will link the airport's three passenger terminals, two long-term parking lots and on-airport car rental areas. A dozen six-car trains will travel at 90-second intervals along the two-mile system during peak periods, providing international and domestic passengers with fast, convenient transportation 24 hours a day. Construction was also authorized at Newark for a new multi-tenant air cargo complex —two buildings that will consist of about 265,000 square feet of warehouse space and 55,000 square feet of office space. Work is scheduled to begin in 1992 and be completed in 1993.

New upper level roadway at LaGuardia Airport doubles capacity from three lanes to six.

Announcing plans for the first new international passenger terminal to be built at John F. Kennedy International Airport in 20 years are (left to right) Port Authority Chairman Richard C. Leone, New York Governor Mario Cuomo and Port Authority Executive Director Stanley Brezenoff.

A model of the new monorail under construction at Newark International Airport is viewed by (left to right) Port Authority Chairman Richard C. Leone, New Jersey Governor Jim Florio and Port Authority Executive Director Stanley Brezenoff.

Productivity and Service Gains

Many of the capital projects completed, planned or under way at the three airports also bolstered passenger services. At Kennedy, services for overseas passengers were enhanced with the completion of a $50 million modernization of the International Arrivals Building and Customs Hall. Improvements include new baggage facilities, new waiting areas for tour groups and individual travelers, improved food facilities and better signage at airline counters.

Improved services at Newark for international travelers will be achieved through the expansion and refurbishment of federal inspection facilities adjacent to Newark's Terminal B International Arrivals Center. The expansion will enable inspectors to process up to 3,000 arriving passengers per hour compared with the existing capacity of 1,800 per hour.

We reached a milestone in LaGuardia's redevelopment on July 3rd when the Central Terminal Building's expanded upper level roadway was opened in time for the busy Fourth of July holiday. Six new lanes have doubled capacity and helped eliminate backups in front of the terminal and on the approach ramp from the Grand Central Parkway.

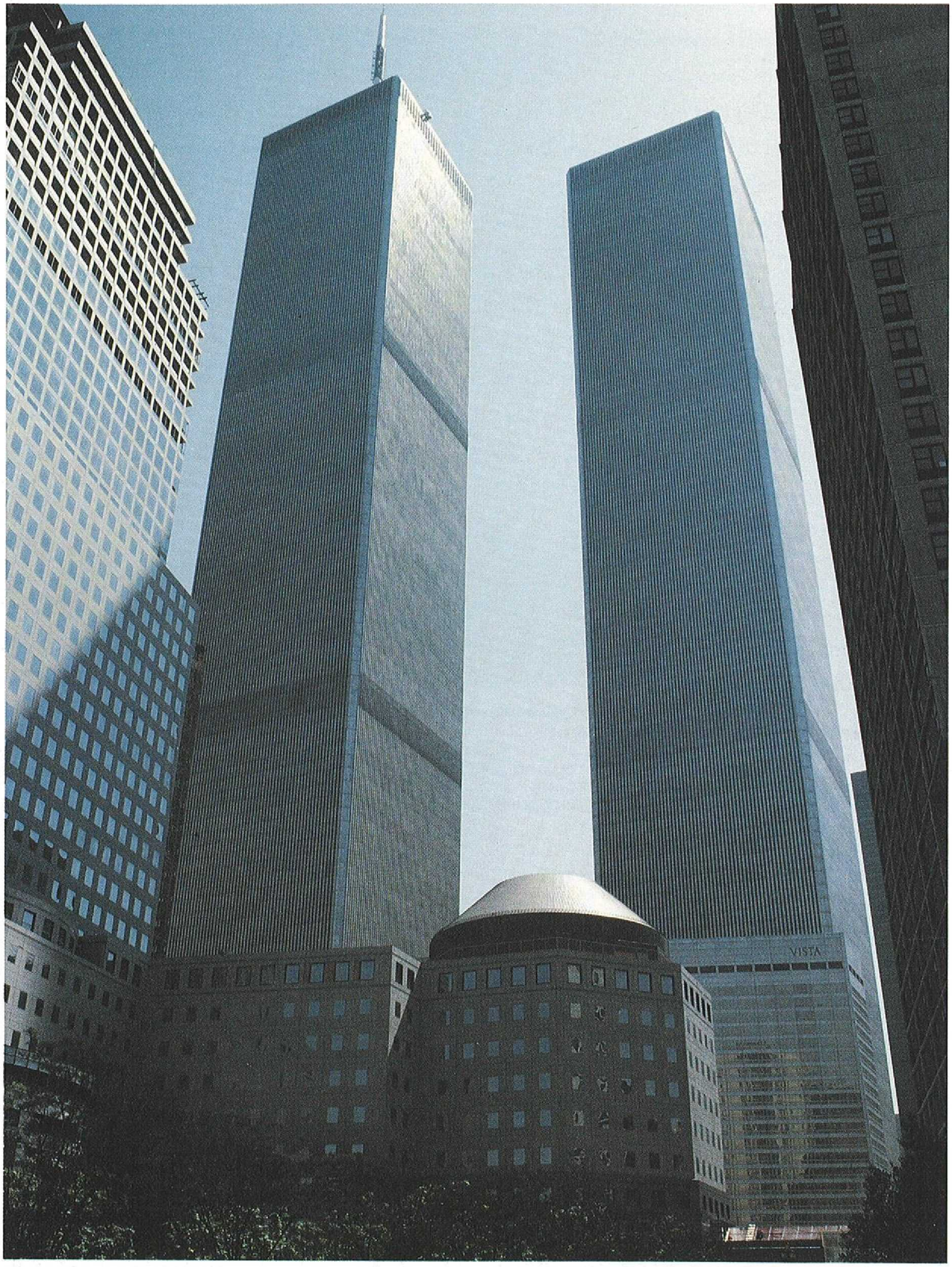
At Newark, Kennedy and LaGuardia, a new computerized parking lot revenue collection system was installed to speed up patrons' departure by permitting credit card payment or prepayment at machines inside selected passenger terminals. The system will also reduce maintenance and operating costs.

Partnerships and the Environment

Projects to improve regional competitiveness in the cargo business were undertaken through several partnership ventures and private sector investment. Kennedy's position as the nation's leading international air cargo center was bolstered by a lease agreement with Japan Airlines for construction of a new air cargo facility and general aviation terminal. The $115 million, 831,000-square-foot cargo building will be among the largest and most modern of its kind. The project will include a $45 million investment by the Port Authority and will create approximately 500 construction jobs and 100 permanent jobs when the facility opens for business in 1993. In addition, ground was broken at Kennedy in September for a $31.5 million, 200,000-square-foot facility to handle imports and exports of fresh produce, pharmaceuticals and other perishables. It is being built by Perishables Center Corporation of Mount Vernon, NY, under a 25-year lease with the Port Authority.

In cooperation with the Federal Aviation Administration, soundproofing work was completed at two schools in the vicinity of Kennedy International. Since the soundproofing program began in 1983, the Port Authority has invested $38.5 million in over 30 schools near our airports.

The first meeting of the Newark International Airport Aviation Advisory Committee was held in August to provide guidance to the Port Authority on the further development and operation of the airport. Members include community, civic, labor and business leaders from the Northern New Jersey airport community and representatives from the New Jersey Coalition Against Aircraft Noise.



The World Trade Center accommodates an average daily population of 40,000 people who work there and another 90,000 business and leisure visitors.

WORLD TRADE & ECONOMIC DEVELOPMENT: BOLSTERING REGIONAL BUSINESS

World Trade and Economic Development[1] business activities during the year focused on improving regional competitiveness. This was accomplished through ongoing facility modernization projects and aggressive marketing and sales efforts to encourage domestic and international investment in the region, attract new business and generate jobs.

At the World Trade Center, 35 new firms, including 16 foreign companies, moved into 133,000 square feet of office space. Thirty-two existing office tenants renewed their leases, while another 31 tenants expanded or relocated to larger offices in the complex. The World Trade Center's occupancy rate averaged nearly 90 percent of available space in 1991, compared with an average rate of about 83 percent in the rest of lower Manhattan. Among new tenants, a lease was signed in December with the Republic of Russia for a Russian Trade and Cultural Center that will open in 1992. The new 74,000-square-foot center will be Russia's first in the U.S. It will house exhibition space, an information center, retail stores, administrative offices—and a Russian restaurant.

The World Trade Center, which contains about 12 million square feet of rentable space, houses nearly 500 firms representing 62 different countries.

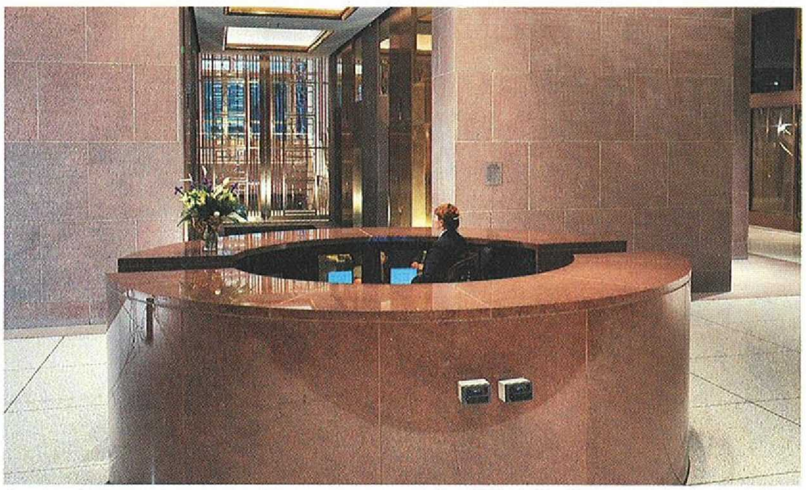
The Port Authority's industrial parks also continued to attract tenants and business. At the Industrial Park at Yonkers, New York, the principal tenant, a rail car manufacturer, is building subway work cars for the New York City Transit Authority, monorail cars for the Pittsburgh and Denver airports and vehicles for Miami's downtown people mover system. At the Industrial Park at Elizabeth, New Jersey, an agreement was reached for 72,000 square feet of space for a warehouser/distributor of general merchandise, including household appliances, antique furniture and cosmetics. The additional space will allow this locally based company to expand its import/export business and create more jobs. All industrial space in existing buildings was fully rented or committed at the Bathgate Industrial Park in the South Bronx. Seven tenants, ranging from a pharmaceuticals manufacturer to a packager of consumer goods, occupy 450,000 square feet and employ some 1,450 workers, 70 percent of them local residents.

The Newark Legal Center gained four new tenants—two law firms, a national bank and a retail vendor—and provided expanded space for an existing tenant. At the Teleport communications complex on Staten Island, agreement was reached between Teleport Associates and American Express Travel Related Services for 35,000 square feet at Teleport II.

In another business development area, the Port Authority's ongoing Reverse Investment Program to attract foreign companies to the region resulted in agreements with 13 firms that will create over 400 new jobs. Since 1988, some 72 foreign companies identified through this program have

[1] As of January 1, 1992, the World Trade & Economic Development Department was restructured into the World Trade Department; the Regional Development Department; and the Office of International Business.

Alexey Tsaregorodtsev, Chief of Staff to the Vice President of the Republic of Russia, proclaims "I Love New York" in Russian at a lease signing ceremony for a Russian Trade and Cultural Center to open at the World Trade Center in 1992.



The Newark Legal Center, a state-of-the-art facility in the downtown area of New Jersey's largest city, gained four new tenants in 1991.

XPORT exhibits at trade shows throughout Europe in 1991 showcased electronics, instrumentation, apparel, medical and environmental products from New York and New Jersey.

opened businesses here, employing more than 3,300 people. Boosting the export of locally manufactured goods, a record $25 million in sales for 70 small and medium-sized regional client companies was generated by XPORT, the Port Authority's overseas trading company. XPORT trade shows throughout Europe were jointly sponsored with New Jersey and New York State Trade Office partners, trade associations and industry organizations.

The World Trade Institute, headquartered at the World Trade Center, expanded its services in 1991. The expansion includes an agreement with Montclair State College in New Jersey to offer a joint International Trade Certificate Program, and affiliation programs with other world trade centers in the U.S. and abroad. During the year, the Institute offered more than 690 courses, seminars and training programs at the World Trade Center and other major cities, attended by some 7,000 participants from more than 70 nations.

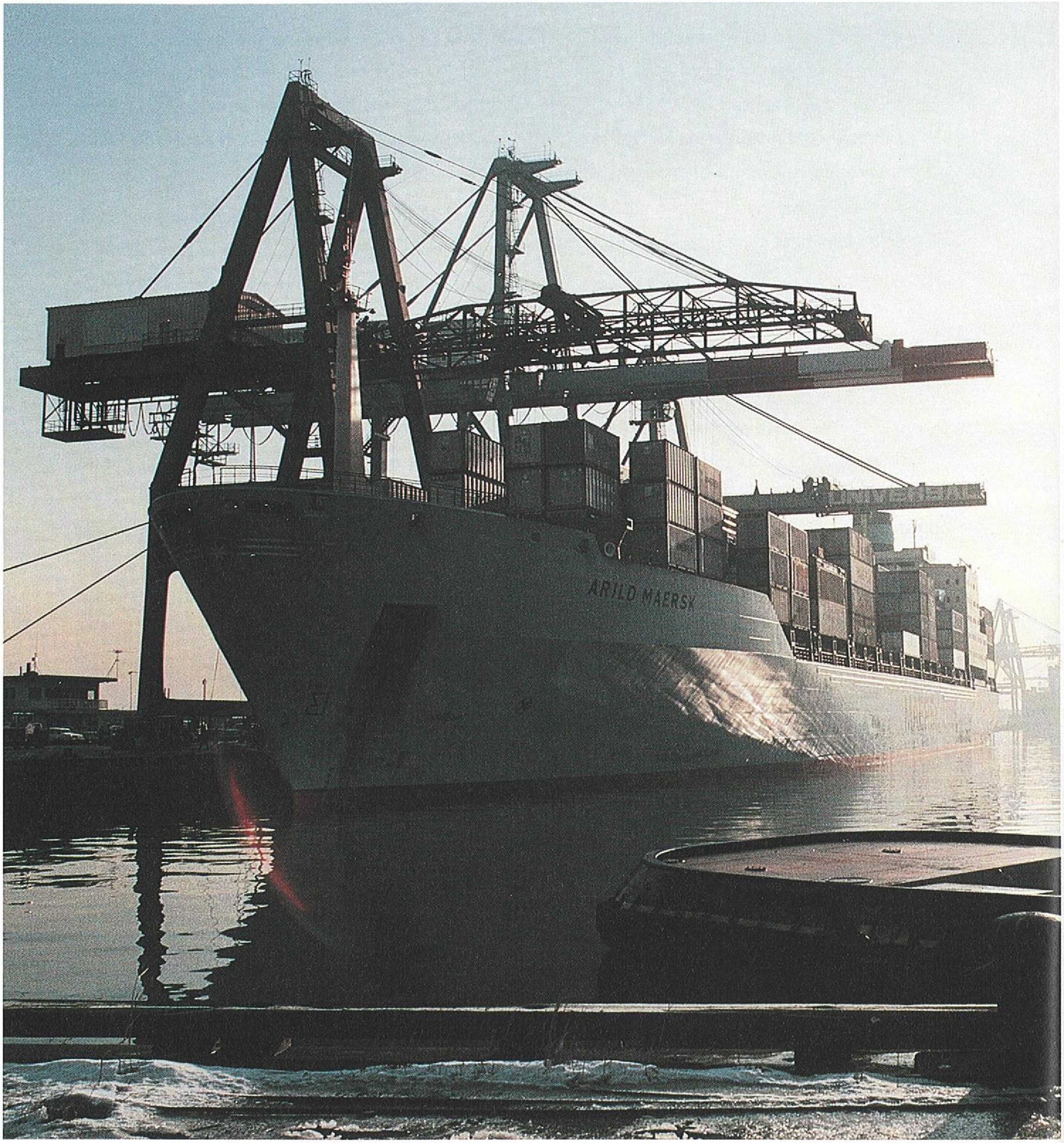
Infrastructure Renewal and Service Improvements

To maintain the World Trade Center's status as a premier office complex, capital improvements included rehabilitation of all public spaces on multi-tenanted floors, cooling system upgrades and new underground electrical connections for added efficiencies. One of the most visible components of the modernization program was the aesthetic and functional upgrade of the complex's express elevators to improve safety, durability and reliability. In addition, plans for a massive upgrade and expansion of public dining facilities at the World Trade Center were announced in December, with most of the new restaurants scheduled to open by the end of 1992. The Vista Hotel at the World Trade Center is also slated for an upgrade. A $20 million refurbishment program was announced by the Port Authority and the hotel's operator, Hilton International, which will initially fund and be responsible for the refurbishment program.

Partnerships and the Environment

The World Trade Center leads the nation in office paper recycling. The facility, which recycles up to six tons of paper daily, expanded its program in 1991 to also include newspapers, aluminum cans, glass bottles and polystyrene.

Advancing our commitment to waterfront revitalization, the Port Authority Board authorized the agency's participation in the Queens West Waterfront Development, a 9-million-square-foot project at Hunters Point on the Long Island City waterfront. The project will transform approximately 90 acres of under-used waterfront property along the East River (across from the United Nations) into a vital commercial, residential and recreational area and provide about 9,000 permanent jobs. In New Jersey, the Port Authority Board authorized renewed discussions with the City of Hoboken on the City's new proposal for development of its piers. All physical work on the Hoboken piers was suspended in 1990, following a City referendum in July that narrowly defeated the Hoboken/Port Authority redevelopment plan. The Hoboken City Council voted for a new arrangement with the Port Authority and a new referendum on that arrangement is scheduled for March 1992.



Containership arrives at the Port Newark-Elizabeth Marine Terminal where capital improvements completed in 1991 helped meet the operational needs of tenants.

PORT: STRENGTHENING REGIONAL COMPETITIVENESS

The port of New York and New Jersey is the largest North Atlantic port in the U.S., with more than 5,000 ships and 100 steamship lines calling here annually—and that means big business for the region. Although business at our port facilities was down in 1991 compared with previous years, the agency's commitment to strengthen the region's position as a center for maritime commerce continued unabated.

Oceanborne general cargo decreased 3 percent in 1991, reflecting the regional and worldwide recession. Also contributing to the downturn were over-capacity at East Coast ports, continued competition from West Coast ports, and the impact of the Gulf War on some U.S. trading partners in the Middle East. Nevertheless, we remained highly competitive.

The New York-New Jersey port generates more than $18 billion annually in regional economic activity.

Productivity

For the third straight year, the port's tonnage assessment was reduced. Since 1989, the New York Shipping Association and the International Longshoremen's Association have agreed to reduce average container assessments paid by steamship lines by $90 when containers move more than 260 miles to or from the bistate port. Our Container Incentive Program also helped offset the cost of moving import and export containers by rail. These continued cost reductions, as well as increased focus on service to port customers, are expected to enhance our competitiveness with other East Coast ports.

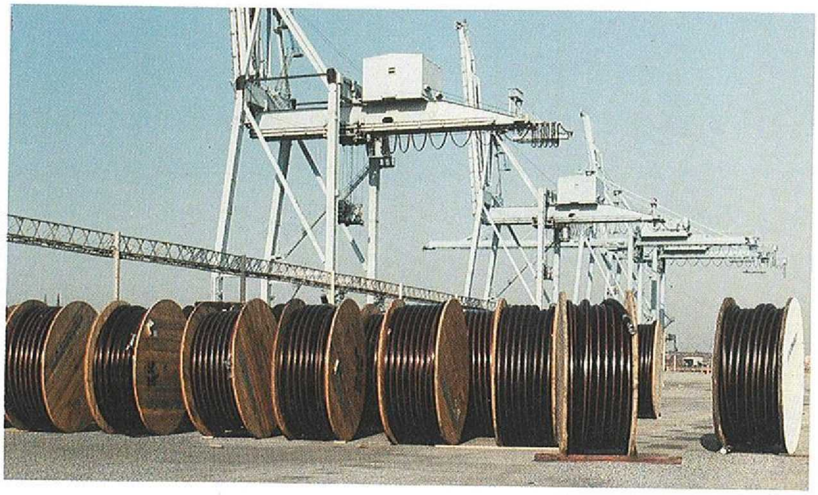
The port's competitive position benefited from a major marketing effort that led to the establishment of a new trade route when Neptune Orient Lines began shipping direct to New York from Singapore via the Suez Canal. As manufacturing has moved from Northern Asia to Southeast Asia, Singapore has become the world's busiest port. The all-water route through the Suez Canal to New York saves at least three days of transport time over the currently used Pacific route.

Our competitive position was further improved when the Canadian Pacific Railway acquired the Delaware and Hudson Rail System in June and opened direct rail access to the Midwest and Canada from the Port Newark-Elizabeth Marine Terminal.

In another key business development project, the sale of portions of Erie Basin, the former site of Fishport, was approved by the Port Authority Board. The site will be used as a base for barge operations and repair and will enable the consolidation of the tug and barge industry that had been scattered at various locations on both sides of the harbor. Erie Basin's retention for working waterfront and related maritime use marked an important achievement for the region's port industry.

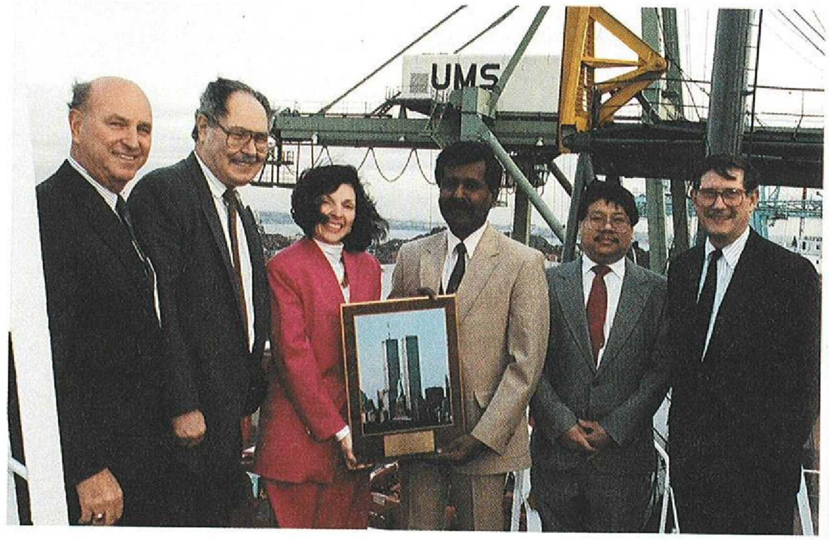
Infrastructure Renewal and Service Improvements

A capital investment of $48 million during the year helped meet business development needs and position the port for renewed growth. At the Port Newark-Elizabeth Marine Terminal, for



Coils of flexible ducts await installation as part of the renewal of the Howland Hook Marine Terminal's electrical distribution system.

Commemorating the beginning of a new trade route direct to New York from Singapore by Neptune Orient Lines are (left to right) Robert E. Martin, President, Universal Maritime Services; Port Authority Executive Director Stanley Brezenoff, and Port Department Director Lillian C. Liburdi; Captain Paster Fernando, Master, MV Neptune Agate; and Dominic Chew, Senior Vice President, Commercial, and Rolf D. Hartman, Chairman, Tricom Shipping Agencies, Inc., representing Neptune Orient Lines LTD.



Conrail's new on-dock rail service at the Elizabeth-Port Authority Marine Terminal features double-stack trains—the most cost effective method of moving cargo by rail.

example, several capital projects designed to meet the operational needs of tenants were completed. These included widening of key roads and intersections to accommodate longer and wider trucks, signage improvements throughout the facilities, and complete refurbishment of several warehouses.

An $11 million berth expansion project was completed at the Red Hook Container Terminal as part of an agreement with New York City and New York State, providing additional capacity to accommodate forecasted cargo volumes. Red Hook, which can handle container, roll-on/roll-off and breakbulk vessels, includes more than 168 acres of upland area and warehouse space on the Brooklyn waterfront.

Two components of a $25 million major capital improvement program continued at the Howland Hook Marine Terminal, including repair and replacement of most of its electrical system and repaving of the entire facility. These improvements were accompanied by the development of a marketing plan to attract new tenants to Howland Hook, which covers 187 acres in Staten Island along the Arthur Kill north of the Goethals Bridge.

Partnerships and the Environment

At the Elizabeth-Port Authority Marine Terminal, Conrail began its Expressrail on-dock rail service. Conrail has contracted Maher Terminals as the operator. The current site is an interim arrangement until a permanent facility is completed. The new on-dock service is capable of handling doublestack rail movements and, since its opening in August, rail volume has nearly doubled at the port. Doublestack trains—which carry cargo containers stacked one on top of the other, two-high, on flatbed rail cars—are the most cost effective method of moving cargo by rail.

To help offset the potential impact of the planned 10-year reconstruction of the Gowanus Expressway on the operation of the Red Hook terminal, the New York State Urban Development Corporation, with funds provided by the Port Authority, created the Gowanus Mitigation Fund to sponsor a barge ferry service to shuttle containers between Red Hook and Port Newark. The barge service began in early October on an as-needed basis. Volume grew steadily and by year's end the barge service was carrying 60 containers per trip and making two trips a day.

Work began during the year on the rock removal portion of a dredging project to widen and deepen the Kill Van Kull and Newark Bay channels. A layer of bedrock begins at 35 feet and must be removed to reach the optimum channel depth of 40 feet, which will enable the largest class of containerships to access the port.

When completed in 1994, the dredging will have also widened the port's major shipping channels to a minimum of 500 feet. The project is a joint effort of the Port Authority and the U.S. Army Corps of Engineers. While moving ahead with this critical work, we are sensitive to environmental concerns related to the disposal of dredged material. We are actively exploring new technologies for the handling of dredged material.

Main concourse area bustles at the Port Authority Bus Terminal, the world's busiest, handling 6,900 buses and 183,000 passengers on a typical weekday in 1991.

INTERSTATE TRANSPORTATION: RENEWING VITAL LINKS

The George Washington Bridge turned 60 years old in 1991. So did the Bayonne Bridge. Renewal of these and our other aging interstate crossings—all more than half a century old—continued as the core of a multi-faceted capital program to improve regional mobility and patron services on one of the most heavily used transportation networks in the United States.

This network includes the Lincoln and Holland tunnels; George Washington Bridge and three Staten Island bridges—Bayonne, Goethals and Outerbridge Crossing; PATH rail transit system; trans-Hudson ferry service; two Manhattan bus terminals; and the Journal Square Transportation Center in Jersey City.

More than 65 million tons of cargo are transported eastbound by truck annually across the Port Authority's six trans-Hudson crossings.

Infrastructure Renewal

Redevelopment projects at these interstate facilities accounted for $183 million in capital expenditures and were carried out with minimal disruptions in the movement of people and goods through this vital transportation network. As one example, the new Holland Tunnel toll plaza was completed in 1991, following a three-year period of intense construction activity during which time 38 million eastbound vehicles used the facility without experiencing major delays due to the construction.

Reconstruction of the Lincoln Tunnel's North Tube also reached its final phase in 1991. A stainless steel section of ceiling at the New York entrance will be installed in early 1992 to prevent overheight vehicles from entering the tunnel and damaging the new ceramic tile ceiling. Rehabilitation of the South Tube is also planned, with work scheduled to begin in early 1993.

In other key capital construction areas, work progressed on a $20 million project to rehabilitate the 30-year-old roadway on the lower level ramps connecting the George Washington Bridge with Manhattan highways. This project will extend the lifespan of the roadway and reduce delays caused by potholes and other problems associated with older roadways. Work also began on the rehabilitation of the Port Authority Bus Terminal's South Wing Concourse areas leading to third and fourth floor bus platforms. It will include installation of new floor and wall tile and rehabilitation of stairs, doors, and directional signs.

On PATH, seven major stations will be more accessible to elderly and disabled patrons when work is completed on a $30 million reconstruction project in 1992. New elevators and modified ramps, doorways and station platform gaps will enable passengers in wheelchairs to board trains more easily. Passenger assistance telephones and flashing exit signs and audible alarms to alert hearing and visually impaired riders in case of emergency are also being installed.

On October 11, a containership with an extended boom struck the Bayonne Bridge, which connects Bayonne, New Jersey, with Staten Island. The accident caused extensive structural

The new Holland Tunnel entrance plaza, opened in June, features nine toll lanes—one more than the old plaza.

After a containership damaged the Bayonne Bridge, exemplary repair efforts returned the bridge to normal operation only one month after the accident.

A new elevator at PATH's World Trade Center terminal will improve accessibility for patrons with disabilities. Viewing construction progress are Clarelle P. Charles, Project Manager; Michael A. Scott, General Superintendent of PATH Operations; and John Del Colle, Associate Executive Director of the Eastern Paralyzed Veterans Association, which assisted in planning the project.

damage and the bridge was closed to traffic. Through the exemplary efforts of the Port Authority's Interstate Transportation and Engineering staff, partial service was restored within two weeks and the bridge returned to normal operation only one month after the accident.

Service Enhancements

Along with redevelopment and maintenance projects, activities during the year also produced a variety of patron service enhancements—from increased security enforcement at the Port Authority Bus Terminal to added commuting convenience on PATH.

At the Bus Terminal, the Port Authority introduced a new program to help strike a balance between the needs of the traveling public and the needs of the homeless who congregate at the facility. Called "Operation Alternative," the program was launched in December to combine rigorous enforcement of the Bus Terminal's posted rules and regulations with increased access to social services for people who need help.

"Operation Alternative" focuses on such infractions as loitering, panhandling, drinking alcoholic beverages, smoking, and creating unsafe or unsanitary conditions. People who are breaking these rules are directed either to stop or to leave the premises. Homeless or ill individuals in need of help are offered referrals and transportation to a range of social services available from city and state agencies or not-for-profit organizations through a social services office on-site at the Bus Terminal. Port Authority Police at the terminal received specialized training in assisting individuals, consistent with the Port Authority's statutory responsibilities.

Also at the Bus Terminal, a new bakery/restaurant and a $2.5 million bowling complex were added to the tenant roster as a result of the Port Authority's aggressive business development program to enhance the facility's retail businesses.

In other service areas, installation of PATH's QuickCard system was completed at all stations. The system makes commuting more convenient by allowing passengers to pass through turnstiles simply by inserting a magnetically encoded fare card. QuickCard has been well received by riders, with ticket sales exceeding the million dollar mark in April.

Two new PATH emergency ventilation projects neared completion in 1991. These projects, at Morton Street in Manhattan and at 15th Street east of Washington Boulevard in Jersey City, will enhance safety and improve service through modern ventilation fans, additional emergency exits and new electrical sub-stations.

Partnerships and the Environment

The Port Authority continues to manage and improve its interstate transportation services with the goals of promoting the widest possible use of transit and more efficient vehicular travel. The agency joined in initial efforts by New Jersey and New York officials to address renewed federal Clean Air Act requirements to reduce air pollution in the region.

In 1991, testing of an Electronic Toll Collection (ETC) system at the Goethals Bridge was completed, including specifications for common tags and readers, which will allow for the introduction of a universal one-tag ETC system for the New York-New Jersey-Pennsylvania area. ETC will provide motorists with a convenient alternative to conventional toll payment and improve regional mobility and the environment by speeding the flow of traffic.

The Port Authority also administers TRANSCOM on behalf of the member agencies. A coalition of 14 New York and New Jersey agencies, TRANSCOM received the Institute of Transportation Engineers 1991 National Achievement Award for outstanding communication efforts in improving the operation of the region's highway network and mitigating the impacts of major construction and traffic disruptions.

TransitCenter introduced TransitLink in December to provide employers with regional transit information and services to encourage employees to use mass transit. Eighteen major companies representing over 100,000 employees have enrolled.

TransitCenter's TransitChek program also grew substantially in 1991, with sales up 20 percent to nearly $3.5 million. TransitChek enables companies in this region to use Federal tax incentives to encourage commutation by mass transit. TransitCenter is a public-private alliance established by the Port Authority, the New York State Metropolitan Transportation Authority and New Jersey Transit Corporation to work with the region's businesses to promote mass transit use by employees.

During the year, the Port Authority continued to work cooperatively with other transportation planning and coordinating groups in both states to help improve the interstate network. These included, among others, the North Jersey Transportation Coordinating Committee, the New York Metropolitan Transportation Council, the New Jersey Transportation Executive Council and the Bi-State Transportation Forum.

Ongoing efforts are targeted to advancing a regional goods movement strategy; long-range planning for improved transit to the core of our region; and strategies needed to help improve our air quality. Key interagency projects include the Secaucus Transfer Station in New Jersey, which will improve commuting to midtown Manhattan from Northeastern New Jersey and Orange and Rockland Counties in New York; and the Oak Point Rail Freight Link in New York City to improve freight access to the City and Long Island.

COMMUNITY PARTNERSHIPS

While upgrading facilities and services in 1991, the Port Authority remained committed to new and ongoing outreach efforts to meet a broad range of community needs.

Through the Office of Business and Job Opportunity, the Port Authority advanced initiatives to expand contracting opportunities for small businesses, many of which are minority- and women-owned. A new component of the Small Business Enterprise (SBE) program, for example, gives participating vendors a 5 percent preference on certain Port Authority purchase contracts under $200,000. If an SBE bid is within 5 percent of the lowest qualified vendor bid, the SBE will win the contract at its original bid price. The program, open to all of the more than 800 certified SBE vendors in New York and New Jersey, is designed to increase small enterprise participation in Port Authority contracting.

The Port Authority's regional commitment extends beyond the operation of facilities.

Information about construction contracts, technical assistance on how to bid and financing advice from industry leaders highlighted a Construction Contracts Clearinghouse in Newark in March and at the World Trade Center in June for small, minority- and women-owned construction businesses.

Subtitled "Priming the Pump for Business Growth in 1991," both events gave participants an opportunity to network with many of the major providers of construction contracts in the two states, while also getting current information on construction schedules for public and private projects. The events were sponsored by the Port Authority, several New Jersey and New York State agencies, private construction firms and business support organizations. There were more than 30 contracting exhibitors at each Construction Contracts Clearinghouse.

Furthering Port Authority efforts to expand career opportunities for regional residents, a Career Center is scheduled to open at the World Trade Center in mid-1992. It will provide employee recruitment, placement and training services to ensure that companies at the World Trade Center can continue to obtain well-qualified personnel and to assist New York and New Jersey residents in finding career-oriented jobs.

A program to prepare and counsel adult education students for regional career opportunities was established at the State University of New York's Educational Opportunity Center (EOC) of the Bronx. The EOC, a tenant at the Bathgate Industrial Park, moved into its new permanent facility in 1991. Administered by Bronx Community College of the City University of New York, the facility can serve up to 2,500 local residents a year, providing vital skills and vocational training that would otherwise be unavailable. An adjunct day care facility is being readied for a 1992 opening.

Among other community partnerships:

• Efforts to keep Staten Island's Stapleton Naval Base open were successful through the cooperative initiatives of the Port Authority, Staten Island Borough President's Office, U.S. Representative's Office, the Staten Island Chamber of Commerce and the Homeport Task Force. The facility had been targeted for closure by the U.S. Base Closure Commission.

• Under the Port Authority's Local Assistance Program (LAP), a conceptual master plan was prepared for the redevelopment of downtown Paterson, New Jersey, and its Great Falls Historic District. LAP assists older urban areas to self-initiate economic redevelopment projects.

• To improve services available to foreign and domestic visitors and strengthen the region's trade industry, the Gateway America Committee was established by a coalition of top business and civic leaders and public officials. Tourism is one of the region's largest sources of economic activity, generating more than $17 billion in annual expenditures. Among its projects, the Gateway America Committee will focus on expanding visitor centers at key tourist destinations; providing multi-lingual aids for restaurants, hotels, cultural and entertainment facilities; and training the region's service employees. The Port Authority administers the program on behalf of the participating organizations.

• A World Trade Center Visitor Information Center opened in June. The information booth, staffed by specially trained volunteers from nearby senior citizen centers, provides information on World Trade Center activities and events, area shopping, public transportation and other tourist tips. Including the Port Authority, other sponsors are the Lower Manhattan Cultural Council, the New York City Convention and Visitors Bureau, the Gateway America Committee, and TransitCenter.

FINANCIAL SECTION

THE PORT AUTHORITY OF NY & NJ

One World Trade Center
New York, N.Y. 10048

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

The Comprehensive Annual Financial Report of The Port Authority of New York and New Jersey, including its wholly-owned subsidiaries, for the year ended December 31, 1991, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Port Authority. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the Port Authority's financial results of operations, financial position, and cash flows in accordance with the requirements of generally accepted accounting principles and Port Authority bond resolutions. This report also briefly describes basic policies and major activities undertaken during the year ended December 31, 1991. The purpose of this transmittal letter is to discuss the items listed below in a formal and comprehensive manner.

Reporting Entity and its Services

The Port Authority of New York and New Jersey is a municipal corporate instrumentality and political subdivision of the States of New York and New Jersey, created in 1921 by Compact between the two States and thereafter consented to by the Congress of the United States, which undertakes only those projects authorized by the two States. It is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the Port District, which comprises an area of about 1,500 square miles in both States centering about New York Harbor.

The Governor of each State appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective State Senate. The Commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy and appoint an Executive Director to implement it, and also appoint a General Counsel to act as legal advisor to the Board and to the Executive Director. Governors from either State have from time to time exercised their statutory power to review and to veto the actions of Commissioners from their respective State.

The Executive Director is responsible for the management of the daily operations of the agency's 39 facilities through line and staff departments and guides proposals to the point of presentation to the Board of Commissioners. The Executive Director is also responsible for implementing such proposals after presentation to and approval by the Board.

As a public corporation serving the people of the New York-New Jersey metropolitan region, the Port Authority combines sound business and governmental principles and practices and is dedicated to providing high quality public service and operating efficiency. To assist in guiding the operation of each of the departments, detailed policies and procedures are published and communicated to employees.

The Compact envisions the Port Authority as being financially self-sustaining and, as such, it must raise the funds necessary for the construction or acquisition of facilities upon the basis of its own credit. The agency has neither the power to pledge the credit of either State or any municipality nor to levy taxes or assessments.

Non-Financial Information

Information concerning current and future economic conditions and how they may impact on operations and the future commitment of the agency's resources are presented as part of the Introductory Section. Highlights of current and future initiatives and programs for each of the agency's major business areas are also presented in the Introductory Section.

Accounting System and Budgetary Control

The Port Authority's consolidated financial statements are prepared in accordance with generally accepted accounting principles, include information on Port Authority operations by operating segment, and are prepared on the accrual basis of accounting. Where appropriate, statements and schedules reflect amounts, including provisions for claims made against the Port Authority, based on estimates and judgments which the Port Authority believes to be sound. These financial statement presentations do not in any way change the net revenues or reserves of the Port Authority or their application as they are defined and governed by requirements of law and the Port Authority's bond resolutions and as they are reflected in Schedules A, B and C. The Port Authority conducts its operations in accordance with such resolutions and legal requirements. Reconciliations of the Consolidated Statement of Income to Schedule A, Revenues and Reserves, and the Consolidated Statement of Financial Position to Schedule B, Assets and Liabilities, are included in Note A of the Consolidated Financial Statements on page 48.

In conformance with the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity", the accounts of Port Authority Trans-Hudson Corporation and the Newark Legal and Communications Center Urban Renewal Corporation are consolidated in the accompanying financial statements, while the assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements since it does not meet the criteria for inclusion as part of the reporting entity.

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

The Port Authority's annual budget is a financial planning tool outlining the estimated expenditures for programs already authorized or to be considered by the Board of Commissioners. It is developed as part of a business planning process which includes a comprehensive review of the Port Authority's mission and multi-year business strategies, programs, policies and projects, both operating and capital, required to carry out that mission. Approval of the budget by the Board of Commissioners does not in itself authorize any specific expenditures or projects. Each new capital project must be separately considered and approved. Upon approval, the budget becomes a means of achieving systematic review of program expenditures to ensure they are made consistent with statutory, contractual and other commitments of the Port Authority, the policies and financial decisions of the Board of Commissioners, and the requirements of the By-Laws of the Port Authority.

Results of Operations

Gross operating revenues totalled $1,856,895,000 in 1991, an increase of $166,165,000 or 9.8% over 1990. This growth is primarily attributable to the effect of the 1991 toll increase, the first full year of operations of the Essex County Resource Recovery Facility, and higher flight fees due to the recovery of higher costs at all the airports. Operating expenses totalled $1,337,406,000 in 1991, an increase of $55,108,000 or 4.3% over 1990, mainly reflecting the full year of operations of the Essex County Resource Recovery Facility, and higher bad debt expense.

Portfolio Management

The Port Authority's long-term investments are in securities of or guaranteed by the United States Government and in Port Authority bonds. Earnings of $47,165,000 on long-term investments were recorded pursuant to Port Authority bond resolutions.

Short-term investments consisted primarily of United States Government securities (including such securities held pursuant to repurchase agreements), securities of United States Government Agencies and in limited amounts of commercial paper. In addition, short-term investments were also made, in connection with certain interest rate exchange contracts, with investment firms and banking institutions and, in connection with certain interest rate options contracts, with primary dealers in United States Treasury securities. Earnings on short-term investments pursuant to Port Authority bond resolutions totalled $27,649,000, which includes approximately $6,000,000 of earnings distributed to capital.

Combined earnings on such long-term and short-term investments decreased from 1990 by approximately 4.9%, primarily due to a declining interest rate environment.

The balance of financial income credited to operations pursuant to Port Authority bond resolutions consists principally of interest on loans in connection with the Essex County Resource Recovery Facility and conditional installment sales of office units at the Newark Legal and Communications Center.

Financial Position

During 1991, Port Authority capital investments totalled $629,000,000, increasing Invested in Facilities to $9,162,000,000. This increase is partially due to additional investment of $272,000,000 in Air Terminals primarily for improvements and the rehabilitation of roadways, taxiways and buildings at LaGuardia Airport and John F. Kennedy International Airport, and the JFK and Newark Redevelopment Programs. Investment in Interstate Transportation Network facilities increased by $183,000,000, primarily as a result of expenditures related to PATH's safety projects, Harrison Maintenance Facility, new fare collection system, and systems control and communications projects, the rehabilitation of ramps at the George Washington Bridge, the Lincoln Tunnel North Tube Rehabilitation project, and the Holland Tunnel Plaza Redevelopment project. Capital expenditures for improvements at the World Trade Center were the primary factors for a $40,000,000 increase in investment in World Trade and Economic Development facilities. Investment in Port facilities increased by $48,000,000, mainly due to capital expenditures for improvements at Port Newark, the Elizabeth-Port Authority Marine Terminal and the Red Hook Container Terminal. Other capital investment rose by $85,000,000 led by investment in Regional and Other Programs of $68,000,000 mainly due to capital expenditures for sludge treatment facilities and the Oak Point Rail Freight Link. Finally, capitalized bond issuance costs totalled $17,000,000.

Risk Management

The Port Authority presently carries insurance or requires such insurance to be carried upon all of its facilities now in operation against direct physical loss or damage and loss of revenue resulting therefrom, in such amounts, with such deductibles or exceptions, with such exclusions of portions of facilities, and against such hazards, if available, as it deems appropriate. The Port Authority also carries excess public liability insurance in connection with all of its facilities against such hazards, and in such amounts, if available, as it deems appropriate. The Port Authority provides for uninsured potential losses through its self-insurance program by appropriation from the Consolidated Bond Reserve Fund to the Operating Fund and provides for losses by charging operating expenses as incurred.

Debt Administration

On December 31, 1991, Outstanding Obligations of the Port Authority pursuant to Port Authority bond resolutions totalled $5,130,051,000 as shown in Schedule B and as detailed in Note D of the Consolidated Financial Statements on pages 71 and 51 through 55 respectively. Outstanding Consolidated Bonds and Notes as of December 31, 1991, pursuant to Port Authority bond resolutions totalled $4,056,744,000. In 1991, the Port Authority issued Consolidated Bonds, Seventy-first, Seventy-third, Seventy-fourth and Seventy-sixth Series, and Consolidated Notes, Series RR, for purposes of capital expenditures in connection with the facilities of the Port Authority and/or refunding certain bonds, notes or other obligations of the Port Authority.

In view of the favorable climate of declining interest rates in 1991, the Port Authority also issued Consolidated Bonds, Seventy-second Series, in the principal amount of $100,000,000 for forward delivery on October 1, 1992. Upon receipt, the proceeds of this issue will be expended for purposes of capital expenditures in connection with Port Authority facilities and/or refunding of certain bonds, notes or other obligations of the Port Authority.

The Port Authority also undertook refundings, on a current as well as on a forward delivery basis. Consolidated Bonds, Seventy-fifth Series, were issued for forward delivery on March 3, 1994 in the principal amount of $85,760,000. The proceeds of this issue will be used to refund Consolidated Bonds, Fifty-first Series, which are first callable on June 1, 1994. This refunding transaction will achieve net present value savings of more than $26,000,000 in interest costs. An additional refunding transaction was also initiated during the year involving the issuance of Consolidated Notes, Series RR, due May 15, 1994, in the principal amount of $97,000,000 for the purpose of refunding Consolidated Bonds, Forty-second Series, which were called on July 15, 1991.

The Port Authority also participated in the market for municipal bond futures contracts traded on the Chicago Board of Trade. These contracts are used to manage interest rate exposure on future bond issuance. Gains and losses on interest rate futures contracts are accounted for as interest income or interest expense over the life of the bond series on which exposure was managed.

Consolidated Bonds (which includes Consolidated Notes) are direct and general obligations of the Port Authority and the full faith and credit of the Port Authority are pledged to the payment of debt service thereon. All Consolidated Bonds, including any which may hereafter be issued, are also equally and ratably secured by a pledge of the net revenues of all existing facilities of the Port Authority and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds.

To effectuate its programs, statutes which required the Port Authority to create the General Reserve Fund also established the principle of pooling revenues from facilities with established earning power to aid in the development of new projects. The statutes also provide for the utilization of available net revenues to maintain the General Reserve Fund at the prescribed amount of 10% of the total par value of all outstanding bonds legal for investment as defined in the General Reserve Fund statutes (except for New York State Guaranteed Commuter Car Bonds).

At present, the General Reserve Fund is only pledged in support of all outstanding Consolidated Bonds and Notes now or hereafter issued in the manner and to the extent specified in the Consolidated Bond Resolution and is not pledged in support of any other obligations of the Port Authority.

Before the Port Authority may finance an additional facility for the first time with Consolidated Bonds (including Consolidated Notes) or other bonds secured by a pledge of the General Reserve Fund, the Port Authority's Board of Commissioners must first certify its opinion that the issuance of such bonds will not materially impair the Port Authority's sound credit standing, the investment status of Consolidated Bonds or the Port Authority's ability to fulfill its commitments, including its undertakings to the holders of Consolidated Bonds. Unless such certification is made, neither the General Reserve Fund nor the Consolidated Bond Reserve Fund may be applied for purposes in connection with the additional facility. In addition, in 1973 the legislatures of New York and New Jersey repealed, for bonds issued after Consolidated Bonds, Thirty-ninth Series, Due 2007, a statutory covenant adopted in 1962 by the States of New York and New Jersey, limiting the Port Authority's ability to apply pledged revenues and reserves to deficit passenger railroad facilities (other than the PATH System).

As of year-end 1991, outstanding Port Authority Consolidated Bonds were rated AA- by Standard & Poor's Corporation and Fitch Investors Service, Inc., and A1 by Moody's Investors Service. Outstanding Consolidated Notes were rated SP-1+ by Standard & Poor's, F-1+ by Fitch's, and MIG-1 by Moody's, the highest short-term debt rating given by each of the rating agencies. As of year-end 1991, outstanding Commercial Paper Notes were rated A-1+ by Standard & Poor's Corporation, F-1+ by Fitch's, and P-1 by Moody's, the highest rating given by each of the rating agencies. A rating is an evaluation of credit-worthiness performed from time to time by an independent service.

In addition to Consolidated Bonds and Consolidated Notes, the Port Authority is authorized to finance construction and acquisition of its facilities with a number of other obligations.

The Port Authority Commercial Paper Program provides for Port Authority commercial paper obligations to be issued, in an aggregate principal amount outstanding at any one time not in excess of $300,000,000 in two separate series. Each of such series is limited to a maximum aggregate principal amount outstanding at any one time of $150,000,000. The total amount outstanding for both series at December 31, 1991 was $116,430,000. The principal of and interest on Port Authority commercial paper obligations are special obligations of the Port Authority, payable from the sources of payment and to the extent provided in the Port Authority Commercial Paper Resolution.

The Port Authority's Variable Rate Master Note Program provides for Variable Rate Master Notes to be issued, under agreements with selected banks, trust companies and financial institutions, in an aggregate amount outstanding at any one time not in excess of $250,000,000. As of December 31, 1991, the total principal amount outstanding under these agreements, evidenced by notes which are subject to prepayment at the option of the Port Authority or upon demand of the noteholder, was $217,000,000. Net Variable Rate Master Notes issued in 1991 totalled $35,000,000. These proceeds were used to refund certain Port Authority commercial paper obligations. The principal of and interest on variable rate master notes are special obligations of the Authority, payable from the sources of payment and to the extent provided in the Port Authority Variable Rate Master Note Resolution.

The Port Authority's Operating Equipment Lease-Financing Program provides for lease-financing transactions with an aggregate principal amount outstanding at any one time not to exeed $75,000,000. As of December 31, 1991, the total principal amount outstanding under this program was $24,060,000. Expenses incurred with respect to each letting of equipment under the program are payable in the same manner and out of the same revenues as operating expenses, with the principal amount of the transactions represented by such lettings subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions.

In 1990, the Port Authority and the States of New York and New Jersey agreed to terminate the Fund for Regional Development (see Note I-1). In consideration of the Funds interest in the subleased space in the World Trade Center the Port Authority has agreed to make a series of fifty-nine semi-annual payments to the States, beginning March 1992. The cost to the Port Authority in connection with the termination of the Fund agreement was approximately $430,500,000. Expenses incurred with respect to the acquisition of the assets and liabilities of the Fund for Regional Development are also payable in the same manner and out of the same revenues as operating expenses.

On December 14, 1989, the Port Authority established and authorized the issuance and sale (as amended May 10, 1990) of Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines, Inc., and Eastern Air Lines, Inc. On June 12, 1990, the Port Authority issued a combined aggregate principal amount of $202,075,000 of the Series 2 Bonds. Continental is operating under protection of Chapter 11 of the United States Bankruptcy Code and, in its bankruptcy proceedings, has affirmed the lease for the passenger terminal. Eastern, the other airline tenant, ceased scheduled operations on January 18, 1991. By order dated January 8, 1992, the United States Bankruptcy Court approved the assignment by Continental to USAir, Inc. of Continental's leasehold interest in such passenger terminal (with Continental to remain liable under such lease).

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 is to be 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.

It is the Port Authority's policy to retire debt as rapidly as sound financial management permits and to maintain, at year-end, in its reserve funds, a combined amount equal to at least the amount of the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

Interest on the Port Authority's debt charged to operations and reserves in 1991, pursuant to Port Authority bond resolutions, totalled $227,619,000. Bonded debt repayment through operations and reserves amounted to $67,057,000 which includes long-term bonds with a par value of $63,185,000 retired through mandatory sinking fund and maturity payments, long-term bonds with a par value of $3,352,000 retired in anticipation of future requirements, and repayment of commercial paper obligations of $520,000. Therefore, total debt service charged to net revenues and reserves was $294,676,000 which does not include amounts relating to New York State Guaranteed Commuter Car Bonds and Special Project Bonds. Capitalized interest for the year ended 1991 totalled $61,328,000.

Reserve Funds

At year-end 1991, the General Reserve Fund balance was $471,280,963 and met the prescribed statutory amount of 10% of the total par value of all outstanding bonds legal for investment as defined in the General Reserve Fund statutes. On December 31, 1991, the Consolidated Bond Reserve Fund had a balance of $357,256,000 after application of $187,305,000 to direct investment in facilities, $520,000 for repayment of commercial paper obligations, $4,005,000 for payments in connection with a leasehold acquisition and an appropriation of $1,218,000 to self-insurance. The sum of these Reserve Funds was $828,537,000, which at year-end 1991 exceeded the next two years' mandatory debt service on bonds secured by a pledge of the General Reserve Fund.

Bond covenants require that the Reserve Funds be maintained as cash or invested in certain government securities. At year-end, $827,537,000 was invested in such securities and $1,000,000 was maintained as cash.

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Port Authority in accordance with generally accepted auditing standards. The firm meets directly with the Audit Committee of the Board of Commissioners. Also performed as part of the annual examination is a study and evaluation of the system of internal accounting control. Both reports are included in the Comprehensive Annual Financial Report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting, for the seventh consecutive year, to The Port Authority of New York and New Jersey for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 1990.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

February 28, 1992

Executive Director

Chief Financial Officer

Deloitte &
Touche

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Hon. John G. McGoldrick, Chair
and Members of the Audit Committee of
The Port Authority of New York and New Jersey
New York, New York

We have made a study and evaluation of the system of internal accounting control of The Port Authority of New York and New Jersey in effect at October 31, 1991. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants and was performed concurrently with our audit of the Port Authority's financial statements for the year ending December 31, 1991.

Management of the Port Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of the system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and, where appropriate, in accordance with the Port Authority's bond resolutions.

Because of inherent limitations in any system of internal accounting control, errors or irregularities nevertheless may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In our opinion, the Port Authority's system of internal accounting control in effect at October 31, 1991, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the Port Authority's financial statements.

Deloitte & Touche

November 27, 1991

Member
DRT International

Deloitte & Touche

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Opinion of Independent Auditors

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

We have audited the accompanying consolidated statements of financial position of The Port Authority of New York and New Jersey and its wholly-owned subsidiaries as of December 31, 1991 and 1990 and the related consolidated statements of income and cash flow for the years then ended. We also audited the financial information included in Schedules A through E. These financial statements and schedules are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Port Authority of New York and New Jersey and its wholly-owned subsidiaries as of December 31, 1991 and 1990, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles. The accompanying Schedules A through C have been prepared pursuant to the requirements of law and Port Authority bond resolutions. The accounting principles followed in the preparation of these schedules differ in some respects from generally accepted accounting principles as described in Note A-13. In our opinion, Schedules A, B and C present fairly, in all material respects, the consolidated assets and liabilities of the Authority at December 31, 1991 and the consolidated revenues and reserves for the year then ended in conformity with the accounting principles described in Note A-13.

Also, in our opinion, the supplementary information presented in Schedule D for each of the years in the ten year period ended December 31, 1991 are fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, Schedule E presents fairly, in all material respects, the assets and liabilities of the New York State Commuter Car Program at December 31, 1991 and 1990, in conformity with the basis of accounting described therein.

Deloitte & Touche

February 28, 1992

Member
DRT International

Consolidated Statement of Income

	Year Ended December 31, (In thousands) 1991	1990
Gross operating revenues (Note L)	**$1,856,895**	$1,690,730
Operating expenses:		
Employee compensation, including benefits	**544,335**	521,705
Materials, equipment, supplies and contract services	**392,975**	323,044
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	**110,625**	120,144
Heat, light and power	**82,498**	79,253
Other (Note K-4)	**206,973**	238,152
Total operating expenses	**1,337,406**	1,282,298
Amortization of Facilities, at cost (Note B-1)	**217,343**	193,173
Amortization of costs for Bus, Regional and Other Programs (Note I-4)	**38,882**	35,056
Loss on Fishport (Note K-7)	**28,529**	—
Income from operations	**234,735**	180,203
Financial income and expense:		
Income on investments	**82,999**	84,051
Gain on purchase of Port Authority bonds in connection with current sinking fund requirements	**1,311**	1,931
Interest expense in connection with capital asset financing, net of capitalized interest	**(231,260)**	(197,648)
Interest expense in connection with operating asset acquisitions	**(30,669)**	(29,052)
Loss on sale of assets	**(615)**	(8,953)
Income before extraordinary item	**56,501**	30,532
Extraordinary item		
Gain on purchase of Port Authority bonds in connection with future sinking fund requirements	**3,477**	200
Net income	**59,978**	30,732
Add: amortization of assets acquired with government contributions in aid of construction (Note G)	**18,188**	14,884
Increase in net income invested in Port Authority facilities, operations and reserves	**78,166**	45,616
Balance, January 1	**2,182,003**	2,136,387
Net income invested in Port Authority facilities, operations and reserves, December 31	**$2,260,169**	$2,182,003

See Notes to Consolidated Financial Statements.

Consolidated Statement of Financial Position

	1991	1990
	December 31, (In thousands)	
Assets		
Facilities, at cost (Note B-1)	**$8,308,720**	$7,783,624
Less accumulated amortization of facilities	**2,736,977**	2,509,286
Facilities, net	**5,571,743**	5,274,338
Cash (Note C)	**51,318**	19,568
Investments (Note C)	**948,913**	845,144
Accounts receivable (net of allowance for doubtful accounts of $57,985,000 in 1991 and $30,985,000 in 1990) (Note M-1)	**78,913**	84,586
Other amounts receivable (net of allowance for doubtful accounts of $4,050,000 in 1991 and $9,173,000 in 1990) (Note M-1)	**324,924**	308,346
Amounts receivable in connection with Special Project Bonds	**284,656**	284,319
Unamortized costs for Bus, Regional and Other Programs (Note I)	**302,619**	273,013
Unamortized costs for Fund buy-out (Note I)	**426,282**	428,674
Other assets	**300,477**	242,203
Total assets	**8,289,845**	7,760,191
Liabilities		
Consolidated Bonds and Notes (Note D-1)	**3,991,775**	3,667,772
Obligations in connection with capital asset financing (Note D-2)	**367,239**	388,489
Obligations in connection with operating asset acquisitions (Note D-3)	**407,493**	381,127
Amounts payable in connection with Special Project Bonds (Note D-4)	**284,656**	284,319
Accounts payable	**228,602**	217,037
Accrued pension, retirement and other employee benefits (Note J)	**223,286**	189,491
Accrued interest and other liabilities	**241,889**	200,831
Total liabilities	**5,744,940**	5,329,066
Net assets	**$2,544,905**	$2,431,125
Net assets are composed of:		
Net income invested in Port Authority facilities, operations and reserves	**$2,260,169**	$2,182,003
Government contributions in aid of construction (Note G)	**284,736**	249,122
Net assets	**$2,544,905**	$2,431,125

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Year Ended December 31, (In thousands) 1991	1990
1. Cash flows from operating activities:		
Cash received from operations	**$1,834,970**	$1,643,531
Cash paid to or on behalf of employees	**(517,198)**	(493,819)
Cash paid to suppliers	**(619,104)**	(593,856)
Cash paid to municipalities	**(107,366)**	(132,858)
Net cash provided by operating activities	**591,302**	422,998
Cash flows from capital and related financing activities:		
Proceeds from sales of capital obligations	**347,221**	697,068
Proceeds from capital obligations issued for refunding purposes	**2,115,735**	2,233,700
Principal paid on capital obligations	**(45,700)**	(44,387)
Principal paid through capital obligations refundings	**(2,115,735)**	(2,233,700)
Interest paid on capital obligations	**(288,464)**	(263,032)
Investment in facilities and construction of capital assets	**(568,442)**	(863,652)
Investment in Bus, Regional and Other Programs	**(46,940)**	(46,175)
Proceeds from sale of facilities	**8**	—
Proceeds from financing the sale of assets	**2,715**	1,079
Financial income allocated to capital projects	**6,123**	12,420
Net borrowing under operating equipment-lease financing obligations	**—**	(2,045)
Interest paid on operating equipment-lease financing obligations	**(996)**	(1,485)
Government contributions in aid of construction	**53,803**	23,726
Net cash used for capital and related financing activities	**(540,672)**	(486,483)
Cash flows from investing activities:		
Purchase of investment securities	**(3,388,452)**	(4,954,735)
Proceeds from sale and maturity of investment securities	**3,319,754**	4,941,581
Interest received on investments	**34,564**	56,914
Miscellaneous financial income	**15,254**	6,908
Net cash provided by investing activities	**(18,880)**	50,668
Net increase (decrease) in cash	**31,750**	(12,817)
Cash at beginning of year	**19,568**	32,385
Cash at end of year	**$ 51,318**	$ 19,568

(Consolidated Statement of Cash Flows continued on next page.)

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows (continued)

	Year Ended December 31, (In thousands) 1991	1990
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$234,735**	$180,203
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Amortization of Facilities, at cost	**217,343**	193,173
Amortization of costs of Bus, Regional and Other Programs	**38,882**	35,056
Loss on Fishport	**28,529**	—
Amortization of certain other assets	**51,367**	67,294
Provision for uncollectible receivables	**34,902**	21,660
Change in operating assets and operating liabilities:		
(Increase) decrease in receivables	**(21,925)**	87,823
(Increase) in prepaid expenses	**(55,341)**	(47,237)
Increase (decrease) in accounts payable	**10,714**	(19,983)
Increase in accrued pension and other employee benefits	**14,901**	12,439
Increase (decrease) in interest and other liabilities	**39,249**	(10,948)
(Decrease) increase in deferred income	**(1,035)**	2,723
Decrease (increase) in deferred costs	**2,392**	(428,674)
(Decrease) increase in other operating obligations	**(3,411)**	329,469
Total adjustments	**356,567**	242,795
Net cash provided by operating activities	**$591,302**	$422,998

3. Non-Cash Investing, Capital and Financing Activities:

In 1990, the Port Authority acquired the net assets of the Fund for Regional Development (Fund) including the Fund's interest in the subleased space at the World Trade Center. (See Note D-3 and Note I.)

4. Capital obligations consist of Consolidated Bonds and Notes, obligations in connection with capital asset financing and amounts payable in connection with Special Project Bonds.

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note A-Summary of Significant Accounting Policies:

1. The Port Authority of New York and New Jersey, created in 1921 by Compact between the two States and thereafter consented to by the Congress of the United States, has no stockholders or equity holders; cash derived from operations and other cash received must be disbursed for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily in the form of tolls, fares, fees, rentals and other user charges.

2. The financial statements and schedules include the accounts of the Port Authority and its wholly-owned subsidiaries, Port Authority Trans-Hudson Corporation (PATH) and the Newark Legal and Communications Center Urban Renewal Corporation, consistent with the criteria set forth in the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Reporting Entity". In accordance with the provisions of law, Port Authority resolutions and agreements with others, and based upon the criteria contained in the Codification, the Port Authority does not have the ability to exercise oversight responsibility (as defined in the Codification) with respect to the New York State Commuter Car Program (see Note F-4) and, therefore, the assets and liabilities of the New York State Commuter Car Program are not included in the Port Authority's financial statements.

3. Facilities are carried at cost and include the expenditure of Federal and State grants to acquire, construct, place in operation and improve the facilities of the Port Authority (see Note G). Facility capital costs include net interest expense incurred from the date of issuance of debt for purposes of a capital project until completion of such project (see Note B). "Facilities, at cost" does not include Bus Programs or Regional and Other Programs, undertaken at the request of the respective Governor of the States of New Jersey or New York (see Note I).

4. Inventories, which are included in "other assets" on the Consolidated Statement of Financial Position, are valued at the lower of average cost or market value.

5. Investments in long-term securities, other than the Port Authority's Consolidated Bonds, are valued at amortized cost. Investments in short-term securities, other than such Port Authority bonds, are valued at the lower of their aggregate amortized cost or market value.

Port Authority Consolidated Bonds purchased by the Port Authority serve to reduce debt on Consolidated Bonds and Notes and are not included in investments. (See Note C.) Interest expense and interest earnings relating to such Port Authority bonds so purchased are not included in "interest expense in connection with capital asset financing, net of capitalized interest" and "income on investments". Gains on purchase of such Port Authority bonds in connection with future sinking fund requirements (those scheduled to occur more than one year from date of purchase) are separately classified as an "extraordinary item".

6. Amortization of Facilities, at cost is computed on the straight-line method based on estimated useful lives of the related assets including those paid for by government contributions. In distributing net income to net assets, a charge representing amortization of assets acquired with contributions is made against the related contributions accounts. (See Note B and Note G.)

7. Costs of the Bus, Regional and Other Programs are amortized on a straight line basis; the buy-out of the Fund for Regional Development is amortized in proportion to its future expected revenue flow. (See Note I.)

8. Certain operating expenditures which provide benefits for periods exceeding one year are deferred and amortized over the period benefited. These unamortized deferred amounts are included in "other assets".

9. The Port Authority provides for uninsured potential losses through its self-insurance program by appropriations from the Consolidated Bond Reserve Fund to the operating fund and provides for losses by charging operating expenses as incurred.

10. For purposes of the Consolidated Statement of Cash Flows, cash consists of cash on hand and demand deposits.

11. The sale of office-space units at the Newark Legal and Communications Center are accounted for pursuant to the installment method of accounting.

12. "Net income (loss)" presented by operating segment consists of "income (loss) from operations" less net interest expense and gain (loss) on sale of assets (see Note L). Net interest expense (interest expense less financial income) that cannot be specifically identified with any particular operating segment is allocated to all operating segments on the basis of unamortized investment in use (completed construction less accumulated amortization). Financial income or interest expense which can be specifically identified with a particular facility within an operating segment is credited/charged directly to that segment. These amounts include interest income on funds advanced to the private vendor to construct the Essex County Resource Recovery facility and income on funds advanced to tenants at the Newark Legal and Communications Center. The components of interest expense specifically identified to a facility are interest on the Vista Hotel mortgage and interest on the buyout of the Fund for Regional Development (see Note D-2-c and D-3-b). Gain or loss generated by the sale of assets is included in the calculation of net income (loss) for the operating segment from which the assets were sold.

13. Schedules A, B and C have been prepared in accordance with the requirements of law and Port Authority bond resolutions which differ in some respects from generally accepted accounting principles, as follows:

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 thereto are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds (see Note F).

The Port Authority's bond resolutions provide that net operating revenues shall not include an allowance for depreciation on (amortization of) facilities other than of ancillary equipment. Thus, depreciation (amortization) 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 "debt retired through income" and to "appropriated reserves invested in facilities", respectively.

Costs incurred in connection with financing the acquisition of operating assets are paid in the same manner and out of the same revenues as operating expenses of the Port Authority.

Expenditures for Bus, Regional and Other Programs are included in "invested in facilities" in accordance with Port Authority bond resolutions.

Port Authority bonds purchased by the Port Authority remain outstanding and are included in "Investments" and in "Consolidated Bonds and Notes" until retirement. (See Schedule B.) Interest expense and interest earnings relating to such Port Authority bonds purchased are included as interest on bonds and notes and income on investments. Consolidated Bonds and Notes are recorded at par value. Discounts and premiums are capitalized at time of issuance.

Furthermore, to reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from "invested in facilities". However, in the event of the sale of assets removed from service, the amount of proceeds received from such sale is deducted from "invested in facilities".

A reconciliation of Schedules A and B to the Consolidated Statements follows:

Consolidated Statement of Income to Schedule A, Revenues and Reserves

	Year Ended December 31, 1991	1990
	(In thousands)	
Net Income reported on Consolidated Statement of Income	$ 59,978	$ 30,732
Add: Amortization of Facilities, at cost	217,343	193,173
Amortization of costs for Bus, Regional and Other Programs	38,882	35,056
Amortization of discount and premium	1,231	828
Loss on Fishport	28,529	—
Loss on sale of assets	615	8,953
	346,578	268,742
Less: Debt maturities and retirements	63,185	59,675
Repayment of commercial paper obligations	520	1,734
Debt retirement acceleration	3,352	—
Payments pertaining to leasehold acquisition	540	490
Direct investment in facilities	187,305	235,984
Appropriations for self-insurance	1,218	(351)
	256,120	297,532
Increase (decrease) in reserves reported on Schedule A, Revenues and Reserves (Pursuant to Port Authority bond resolutions)	$ 90,458	($ 28,790)

Consolidated Statement of Financial Position to Schedule B, Assets and Liabilities

	December 31, 1991	1990
	(In thousands)	
Net assets reported on Consolidated Statement of Financial Position	$2,544,905	$2,431,125
Add: Accumulated amortization of Facilities, at cost	2,736,977	2,509,286
Accumulated retirements and gains and losses on disposal of invested in facilities	174,217	155,418
Cumulative amortization of costs for Bus, Regional and Other Programs	309,340	270,457
Amortized discounts and premiums	8,012	6,781
Net assets reported on Schedule B, Assets and Liabilities (Pursuant to Port Authority bond resolutions)	$5,773,451	$5,373,067

14. The 1990 financial statements contain certain reclassifications which have been made in order to conform to the classifications used in 1991.

Note B – Facilities:

1. Cost of facilities (see Note A-3) is comprised of the following:

	December 31, 1991	1990
	(In thousands)	
Completed construction:		
Interstate Transportation Network	$2,312,849	$ 2,088,057
Air Terminals	2,685,550	2,431,377
Marine & Other Facilities	823,522	787,013
World Trade & Economic Development Facilities	1,491,673	1,434,714
	7,313,594	6,741,161
Construction in progress	995,126	1,042,463
Facilities, at cost	$8,308,720	$ 7,783,624

Asset lives used in the calculation of amortization are generally as follows:

Tunnels and Bridges	100 years
Buildings	25 to 50 years
Runways and other paving	15 to 25 years
Machinery and equipment	5 to 35 years

2. Net interest expense added to cost of facilities was $55,551,000 in 1991 and $66,191,000 in 1990.

Note C – Cash and Investments:

1. The components of cash and investments are:

CASH	December 31, 1991	1990
	(In thousands)	
Cash on hand	$ 1,795	$ 1,543
Demand deposits	49,523	18,025
Total cash	$51,318	$19,568

INVESTMENTS	December 31, 1991 Principal Amount	Quoted Market	Book Value	1990 Book Value
	(In thousands)			
Short-term				
United States Treasury Bills	$411,035	$405,137	$403,538	$255,651
United States Treasury Notes	—	—	—	19,997
United States Treasury obligations held pursuant to repurchase agreements	36,700	36,700	36,700	144,230
Commercial paper notes	251	251	251	—
Total short-term	$447,986	$442,088	440,489	419,878
Long-term				
United States Treasury Bonds and Notes	540,160	521,487	500,967	417,836
Total long-term	$540,160	$521,487	500,967	417,836
Bonds of The Port Authority of New York and New Jersey	$ 6,011		6,011	27,909
Accrued interest receivable			7,457	7,430
Investments (pursuant to Port Authority bond resolutions)			954,924	873,053
Less: Bonds of The Port Authority of New York and New Jersey			6,011	27,909
Investments			$948,913	$845,144

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks or banking institutions with offices located in the Port District provided that the total funds on deposit in any bank does not exceed 50 percent of the bank's combined capital and permanent surplus. Also, funds of the Port Authority must be fully secured by deposit of collateral having a minimum market value of 110 percent of targeted average daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). Actual daily balances may differ from the targeted daily balance. The collateral must consist of obligations of the United States of America, the Port Authority, the State of New York or the State of New Jersey held in custodial bank accounts in banks or banking institutions in the Port District having combined capital and surplus in excess of $1,000,000.

Total actual bank balances were $49,302,000 as of December 31, 1991. In accordance with the aforementioned policy, $22,980,000 was either secured through the FDIC or was fully collateralized by collateral held by a third party financial institution and held by such institution in the Port Authority's name and $725,000 was fully collateralized by collateral held by a financial institution's trust department or the financial institution's agent in the Port Authority's name. The balance of $25,597,000 was not collateralized. Of this amount, $20,575,000 represented bank balances held by the Port Authority's custodian to pay for securities purchased by the Authority which were not delivered as scheduled. The transaction was settled on the next business day, with interest income accruing to the Port Authority from December 31, 1991.

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 the Committee on Finance. The Port Authority invests the proceeds of its obligations, on an interim basis, pursuant to the abovementioned agreements and in conformance with applicable Federal law and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time accounts. Reserve funds may be invested in obligations of (or fully guaranteed by) the United States of America, the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and negotiated and secured by a pledge of the General Reserve Fund. Operating funds may presently be invested in direct obligations of the United States of America and obligations of United States government agencies and sponsored enterprises and in limited amounts of investment grade negotiable certificates of deposit, negotiable bankers' acceptances and commercial paper and United States Treasury and municipal bond futures contracts traded on the Chicago Board of Trade and in connection with certain interest rate exchange contracts with investment firms and banking institutions and certain interest rate options contracts with primary dealers in United States Treasury securities. Operating funds may also be invested in the amounts required by and in the instruments provided for under the New York State Deferred Compensation Plan for Employees of the State of New York and Other Participating Public Jurisdictions. The Board of Commissioners of the Port Authority has from time to time authorized certain other investments of operating funds.

The Treasurer of the Port Authority, consistent with the abovementioned agreements, authorizations of the Board of Commissioners of the Port Authority or the Committee on Finance, and guidelines established from time to time, executes individual investment transactions which are reported on a monthly basis. These investment transactions are executed with recognized and established securities dealers and commercial banks. Securities transactions are conducted in the open market at competitive prices. The securities (including securities held pursuant to repurchase agreements) are held by the Port Authority's custodian in the Port Authority's name and payment for all transactions is upon receipt of the securities.

In addition, consistent with the abovementioned agreements, authorizations and guidelines, the Treasurer has entered into master repurchase and reverse repurchase agreements with primary dealers in United States Treasury securities. During 1991, repurchase agreements ranged as high as $210,000,000 outstanding at any one time, and reverse repurchase agreements ranged as high as $45,000,000 outstanding at any one time. During 1991, interest income from repurchase agreements amounted to $6,758,000; interest expense from reverse repurchase agreements amounted to $288,000. (See Note M-2.)

Investments, including interest receivable, in various types of securities totalled $948,913,000 and $845,144,000 at December 31, 1991 and 1990, respectively. Although no significant investments in commercial paper, Federal Farm Credit Bank Discount Notes or interest rate options contracts were held at December 31, 1991, investment balances during the year ranged as high as $40,000,000 for commercial paper and $15,000,000 for Federal Farm Credit Bank Discount Notes.

Note D – Outstanding Obligations

Proceeds from the obligations noted with "(*)" on original issuance were "private activity bonds" under the Internal Revenue Code of 1986, as amended, subject to the alternative minimum tax imposed under such Code with respect to individuals and corporations.

1. Consolidated Bonds and Notes (see Note E-1)

A. Consolidated Bonds (a):		Dec. 31, 1990	Issued	Accreted	Refunded/ Retired	Dec. 31, 1991
				(In thousands)		
Nineteenth series	3 1/2% due 1991	$ 2,000	$ —	$ —	$ 2,000	$ —
Twentieth series	3 1/4% due 1993	6,825	—	—	2,275	4,550
Twenty-first series	3.40% due 1993	4,875	—	—	1,625	3,250
Twenty-second series	3 3/8% due 1993	4,875	—	—	1,625	3,250
Twenty-third series	3 3/8% due 1994	6,500	—	—	1,625	4,875
Twenty-fourth series	3 1/2% due 1994	6,500	—	—	1,625	4,875
Twenty-sixth series	3 1/2% due 1995	11,375	—	—	2,275	9,100
Twenty-seventh series	3 3/8% due 1995	7,750	—	—	1,500	6,250
Twenty-eighth series	3 3/8% due 1996	9,750	—	—	1,625	8,125
Twenty-ninth series	3 1/2% due 1996	9,750	—	—	1,625	8,125
Thirtieth series	3 5/8% due 1998	10,250	—	—	1,250	9,000
Thirty-first series	4% due 2002	60,000	—	—	29,050	30,950
Thirty-second series	5% due 2003	65,000	—	—	5,000	60,000
Thirty-third series	4 3/4% due 2003	65,000	—	—	5,000	60,000
Thirty-fourth series	5 1/2% due 2003	79,000	—	—	4,000	75,000
Thirty-fifth series	6 5/8% due 2005	86,000	—	—	3,000	83,000
Thirty-sixth series	6.4% due 2005	43,000	—	—	1,500	41,500
Thirty-seventh series	6% due 2006	89,000	—	—	3,000	86,000
Thirty-eighth series	5 3/8% due 2006	89,000	—	—	3,000	86,000
Thirty-ninth series	5.80% due 2007	136,500	—	—	3,000	133,500
Fortieth series	6% due 2008	93,000	—	—	2,000	91,000
Forty-first series	5 1/2% due 2008	93,000	—	—	2,000	91,000
Forty-second series	8.20% due 2011	97,000	—	—	97,000	—
Forty-third series	7% due 2011	48,500	—	—	500	48,000
Forty-fifth series	6 1/2% due 2012	73,500	—	—	750	72,750
Forty-sixth series	6% due 2013	73,875	—	—	375	73,500
Forty-seventh series	6 1/2% due 2013	98,500	—	—	500	98,000
Forty-eighth series	6 3/4% due 2014	74,250	—	—	375	73,875
Fiftieth series	10 1/8% due 2017	100,000	—	—	—	100,000
Fifty-first series	11% due 2019	85,760	—	—	—	85,760
Series fifty-one E	(b) due 2014	14,240	—	—	—	14,240
Fifty-second series	(c) due 2014	100,000	—	—	—	100,000
Fifty-third series	8.70% due 2020	100,000	—	—	—	100,000
Fifty-fourth series	(d) due 2020	100,000	—	—	—	100,000
Fifty-fifth series	(e) due 2020	200,000	—	—	—	200,000
Fifty-sixth series	7 1/8% due 2021	100,000	—	—	—	100,000
Fifty-seventh series	6 3/4% due 2021	100,000	—	—	—	100,000
Fifty-eighth series	7 1/2% due 2017	100,000	—	—	—	100,000
Fifty-ninth series*	7 3/4% due 2023	100,000	—	—	—	100,000
Sixtieth series*	8 1/4% due 2023	100,000	—	—	—	100,000
Sixty-first series*	6 1/2%–8 1/8% due 1991–2023	96,000	—	—	2,000	94,000
Sixty-second series*	7 3/4% –8% due 2004–2023	100,000	—	—	—	100,000
Sixty-third series*	7 5/8%–7 7/8% due 2004–2024	100,000	—	—	—	100,000
Sixty-fourth series	7%–7 3/8% due 1991–2014	98,000	—	—	2,000	96,000
Sixty-fifth series	7%–7 1/8% due 2004–2024	100,000	—	—	—	100,000
Sixty-sixth series*	7%–7 1/4% due 2004–2024	100,000	—	—	—	100,000
Sixty-seventh series	6.8%–6.9% due 2005–2025	100,000	—	—	—	100,000
Sixty-eighth series*	7 1/8%–7 1/4% due 2005–2025	100,000	—	—	—	100,000
Sixty-ninth series	5.9%–7 1/8% due 1991–2025 (f)	100,445	—	919	1,135	100,229
Seventieth series*	7%–7 1/4% due 2005–2025	100,000	—	—	—	100,000
Seventy-first series	(g) due 1992-2026	—	100,000	—	—	100,000
Seventy-second series	7.4% due 2012, 7.35% due 2027	—	(h)	—	—	—
Seventy-third series*	6 1/2%– 6 3/4% due 2006-2026	—	100,000	—	—	100,000
Seventy-fourth series	4.6%–6 3/4% due 1992-2026(i)	—	103,649	391	—	104,040
Seventy-fifth series	7.1% due 2014, 7.1% due 2019	—	(j)	—	—	—
Seventy-sixth series*	6.3%–6 1/2% due 2006-2026	—	100,000	—	—	100,000
Total Consolidated Bonds pursuant to Port Authority bond resolutions		$3,639,020	$403,649	$ 1,310	$184,235	$3,859,744

1. Consolidated Bonds and Notes (continued)

B. Consolidated Notes (a):		Dec. 31, 1990	Issued	Accreted	Refunded/ Retired	Dec. 31, 1991
				(In thousands)		
Series QQ	6 1/4% due March 15, 1993	$ 100,000	$ —	$ —	$ —	$ 100,000
Series RR	5.2% due May 15, 1994	—	97,000	—	—	97,000
Total Consolidated Notes pursuant to Port Authority bond resolutions		100,000	97,000	—	—	197,000
Total Consolidated Bonds and Notes pursuant to Port Authority bond resolutions		3,739,020	$500,649	$1,310	$ 184,235	4,056,744
Less: Amortized cost of Port Authority bonds purchased by the Port Authority		27,909				6,011
Unamortized discount and premium (k)		43,339				58,958
Consolidated Bonds and Notes (l)		$3,667,772				$3,991,775

(a) All Consolidated Bonds and Notes are equally and ratably secured by a pledge of the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities and any additional facilities which may be financed in whole or in part through the media of Consolidated Bonds and Notes (see Note F), in the manner and to the extent provided in the Consolidated Bond Resolution.

(b) Interest rate, 12% per annum, until June 1, 1994, and 7% per annum thereafter until maturity or prior redemption.

(c) Interest rate, 9% per annum, subject to an annual option, commencing on November 1, 1994, and on each November 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, set on each semi-annual interest payment date for the ensuing six months ranging from 8% to 12% per annum.

(d) Interest rate, 7% per annum, subject to a semi-annual option, commencing on December 1, 1988, and on each June 1 and December 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, set on each semi-annual interest payment date for the ensuing six months ranging from 5% to 10% per annum. As of December 31, 1991, $27,815,000 of this series was so converted.

(e) Interest rate, 6 3/4% per annum, subject to a semi-annual option, commencing on December 1, 1988, and on each June 1 and December 1 thereafter, of the registered holder to exercise a one-time election to convert to a variable interest rate, set on each semi-annual interest payment date for the ensuing six months ranging from 5% to 9 1/2% per annum. As of December 31, 1991, $120,885,000 of this series was so converted.

(f) Includes $12,388,000 (initial amounts) serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2000 to 2011, in total aggregate maturity amounts of $38,270,000.

(g) Serial bonds with interest rates ranging from 5.7% to 12% per annum, due 1992-2012 and term bonds with interest rate of 6 1/2% per annum, due 2026.

(h) Sold on March 7, 1991, on the basis that $100,000,000 in aggregate principal amount of such bonds will be delivered by the Port Authority and paid for by the purchaser on October 1, 1992, or on such other date as the Port Authority and the purchaser may agree, pursuant to a contract of purchase pertaining to such bonds.

(i) Includes $14,204,000 (initial amounts) serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2002 to 2014, in total aggregate maturity amounts of $44,555,000.

(j) Sold on September 30, 1991, on the basis that $85,760,000 in aggregate principal amount of such bonds will be delivered by the Port Authority and paid for on March 3, 1994, or on such other date as the Port Authority and purchaser may agree, pursuant to a contract of purchase pertaining to such bonds (for the purpose of refunding on June 1, 1994, $85,760,000 Consolidated Bonds, fifty-first series).

(k) Gain or loss on futures contracts transactions have been classified as premium or discount, respectively. (See Note M-2.)

(l) Five-year debt-service on Consolidated Bonds and Notes outstanding on December 31, 1991 is:

Year Ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
1992	$ 67,308	$ 288,486	$ 355,794
1993	172,099	285,252	457,351
1994	169,367	282,054	451,421
1995	75,911	273,230	349,141
1996	77,075	268,799	345,874
	$561,760	$1,397,821	$1,959,581

Consolidated Bonds and Notes outstanding as of February 28, 1992 (pursuant to Port Authority bond resolutions) totalled $4,157,064,000.

2. Obligations in Connection with Capital Asset Financing

The components of obligations in connection with capital asset financing are:

	Dec. 31, 1990	(In thousands)	Dec. 31, 1991
Commercial paper obligations	$172,140		$116,430
Variable rate master notes	182,000		217,000
Leasehold acquisition obligation	34,349		33,809
	$388,489		$367,239

A. Commercial paper obligations (see Note E-2)	Dec. 31, 1990	Issued	Refunded/ Repaid	Dec. 31, 1991
		(In thousands)		
Series A*				
Commercial paper notes	$ 87,275	$1,045,610	$1,078,235	$ 54,650
Bank line of credit	2,016	110,738	109,079	3,675
Total series A	89,291	1,156,348	1,187,314	58,325
Series B				
Commercial paper notes	80,370	723,200	748,325	55,245
Bank line of credit	2,479	63,299	62,918	2,860
Total series B	82,849	786,499	811,243	58,105
Commercial paper obligations	$172,140	$1,942,847	$1,998,557	$116,430

Interest rates for all commercial paper obligations ranged in 1991 from 1.5% to 5% per annum.

As of February 28, 1992, commercial paper obligations outstanding totalled $105,910,000.

B. Variable rate master notes (see Note E-3)	Dec. 31, 1990	Issued	Refunded/ Retired	Dec. 31, 1991
		(In thousands)		
Variable rate master notes				
Agreement 1989-2R*	$ 15,000	$ —	$ —	$ 15,000
Agreement 1989-3/4R	15,000	—	—	15,000
Agreement 1989-5	30,000	—	—	30,000
Agreement 1989-6	75,000	—	—	75,000
Agreement 1990-1	10,000	—	—	10,000
Agreement 1990-2	12,000	—	—	12,000
Agreement 1990-3*	25,000	—	—	25,000
Agreement 1991-1*	—	8,800	—	8,800
Agreement 1991-2*	—	6,400	—	6,400
Agreement 1991-3*	—	9,800	—	9,800
Agreement 1991-4*	—	6,000	—	6,000
Agreement 1991-5*	—	4,000	—	4,000
Variable rate master notes	$182,000	$ 35,000	$ —	$217,000

Interest rates, variable based upon specified indices, ranged in 1991 from 2.82% to 9.25%.

As of February 28, 1992, variable rate master notes outstanding totalled $250,000,000

C. Leashold acquisition obligation	Dec. 31, 1990	Additions	Payments	Dec. 31, 1991
		(In thousands)		
	$ 34,349	$ —	$ 540	$ 33,809

The World Trade Center includes a hotel which was constructed by private interests and which was, until June 30, 1989, operated pursuant to certain lease agreements with a private tenant. On June 30, 1989, the Port Authority acquired such tenant's leasehold, subject to a pre-existing leasehold mortgage which was not assumed by the Port Authority. The Port Authority pays amounts equal to those due to the leasehold mortgagee on notes secured by such mortgage. The notes, which bear interest at a minimum rate of 9.8% per annum plus a variable amount based on specified operating indices, are for a term of 30 years ending 2011. The interest rate in 1991 was 10.16%.

As of February 28, 1992, the leasehold acquisition obligation outstanding totalled $33,713,000.

3. Obligations in Connection with Operating Asset Acquisitions

The components of obligations in connection with operating asset acquisitions are:

	Dec. 31, 1990		Dec. 31, 1991
		(In thousands)	
Operating equipment—lease financing obligations	$ 24,060		$ 24,060
Fund buy-out obligation	357,067		383,433
	$381,127		$407,493

A. Operating equipment—lease financing obligations (see Note E-4)

	Dec. 31, 1990	Additions	Payments	Dec. 31, 1991
			(In thousands)	
Master financing lease (dated as of 12/1/88)	$ 24,060	$ —	$ —	$ 24,060

Interest rates, variable based upon specified indices, ranged in 1991 from 2.6% to 4.75%.

As of February 28, 1992, operating equipment–lease financing obligations outstanding totalled $26,152,000.

B. Fund buy-out obligation (see Note I)

Dec. 31, 1990	Accretion (a)	Payments	Dec. 31, 1991
		(In thousands)	
$357,067	$ 29,777	$ 3,411	$383,433

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

(b) Five-year payments of the Fund buy-out obligation outstanding on December 31, 1991 are:

Year Ending December 31:	Payments (In thousands)
1992	$ 28,063
1993	28,063
1994	28,063
1995	28,063
1996	28,063
	$140,315

As of February 28, 1992, the Fund buy-out obligation outstanding totalled $388,564,000.

4. Amounts Payable in Connection with Special Project Bonds (see Note E-5)

	Dec. 31, 1990	Issued	Refunded/ Retired	Dec. 31, 1991
			(In thousands)	
Series 1, Delta Air Lines, Inc. Project (a) (b)				
First installment, 10 1/2% due 2002	$ 10,015	$ —	$ —	$ 10,015
Second installment, 10 1/2% due 2008	86,485	—	—	86,485
	96,500	$ —	$ —	96,500
Less: unamortized discount and premium	3,148			3,049
Total—Series 1	93,352			93,451
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a) (c)*				
First installment, 9% due 2006	51,180	$ —	$ —	51,180
Second installment, 9% due 2010	30,000	—	—	30,000
Third installment, 9 1/8% due 2015	120,895	—	—	120,895
	202,075	$ —	$ —	202,075
Less: unamortized discount and premium	11,108			10,870
Total—Series 2	190,967			191,205
Grand total	$284,319			$284,656

4. Amounts payable in connection with Special Project Bonds (continued)

(a) 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 is to be 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.

(b) On June 9, 1983, the Port Authority established and authorized the issuance and sale of Special Project Bonds, Series 1, Delta Air Lines, Inc. Project, in connection with a project including the construction of a passenger terminal building at LaGuardia Airport to be leased to Delta Air Lines, Inc. On August 11, 1983, the Port Authority issued a combined aggregate principal amount of $96,500,000.

(c) On December 14, 1989, the Port Authority established and authorized the issuance and sale (as amended May 10, 1990) of Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, in connection with a project including the construction of a passenger terminal at LaGuardia Airport leased to and to be occupied by Continental Airlines, Inc., and Eastern Air Lines, Inc. On June 12, 1990, the Port Authority issued a combined aggregate principal amount of $202,075,000 of the Series 2 Bonds. Continental Airlines, Inc. is operating under protection of Chapter 11 of the United States Bankruptcy Code and, in its bankruptcy proceedings, has affirmed the lease for the passenger terminal. Eastern Air Lines, Inc., the other airline tenant, ceased scheduled operations on January 18, 1991. By order dated January 8, 1992, the United States Bankruptcy Court for the District of Delaware approved the assignment by Continental to USAir, Inc. of Continental's leasehold interest in such passenger terminal (with Continental to remain liable under such lease).

Note E – Financing:

1. The Port Authority finances construction and acquisition of its facilities primarily by issuing bonds, notes and other obligations and through application of its reserve funds. Details of outstanding obligations are described in Note D.

On November 14, 1991, the Board of Commissioners authorized, among other obligations, Consolidated Bonds Seventy-seventh Series through Eighty-sixth Series, inclusive, at a principal amount of up to $200,000,000 each; and Consolidated Notes, Series SS, Series TT, Series UU, and Series VV at a principal amount of up to $200,000,000 each. The maximum aggregate principal amount of such bonds which may be sold is $1,000,000,000; the maximum aggregate principal amount of such notes which may be sold is $300,000,000. The maximum interest rate which each series of bonds or notes may bear is 12% per annum.

2. The Port Authority has established an issue of special obligations now known as Port Authority commercial paper obligations. The Port Authority's commercial paper program, which has been amended and supplemented from time to time, presently provides for Port Authority commercial paper obligations to be issued until December 31, 1995, in an aggregate principal amount outstanding at any one time not in excess of $300,000,000 in two separate series. Each of such series includes commercial paper notes; a bank line of credit in the amount of $30,000,000 to provide for certain authorized expenditures which would periodically be reduced through the sale of commercial paper notes; and a bank stand-by revolving credit facility in the principal amount of up to $150,000,000 to provide program liquidity in the event commercial paper notes cannot be refunded at their maturity due to market conditions, and is limited to a maximum aggregate principal amount outstanding at any one time of $150,000,000. (See Note D-2.)

Under the terms of the commercial paper program and the agreements entered into thereunder, the payment of the principal of and interest on Port Authority commercial paper obligations of each series shall be payable from the proceeds of the commercial paper notes of such series or other obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues as defined for purposes of commercial paper obligations, deposited to 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 when due. Payment of the principal of and interest on commercial paper obligations is subject in all respects to the payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes. Commercial paper obligations, and the interest thereon, are not secured by or payable from the General Reserve Fund.

3. The Port Authority has established an issue of special obligations now known as Port Authority Variable Rate Master Notes. The Port Authority's variable rate master note program, which has been amended from time to time, presently provides for Port Authority Variable Rate Master Notes to be issued, under agreements to be entered into with selected banks, trust companies and financial institutions, in an aggregate principal amount outstanding at any one time not in excess of $250,000,000. (See Note D-2.)

The payment of the principal and interest on Port Authority Variable Rate Master Notes is a special obligation of the Port Authority payable solely from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes or from net revenues (as defined for purposes of Port Authority Variable Rate Master Notes) deposited to 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 when due. Payment of the principal of and interest on Port Authority Variable Rate Master Notes is subject in all respects to the payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and to the payment into the General Reserve Fund of the amount necessary to maintain such Fund at the amount specified in the General Reserve Fund statutes. Port Authority Variable Rate Master Notes, and the interest thereon, are not secured by or payable from the General Reserve Fund.

4. The Port Authority has established a program of lease-financing transactions to facilitate the purchase of a portion of the operating equipment used at its facilities. The program, which has been amended and supplemented from time to time, presently provides for lease-financing transactions with an aggregate principal amount outstanding at any one time not to exceed \$75,000,000. Lease-financing transactions under the program may be entered into on and prior to December 31, 1996 (see Note D-3). Expenses incurred with respect to each letting of equipment under the program are payable in the same manner and out of the same revenues as operating expenses, with the principal amount of the transactions represented by such lettings subject to prepayment at the option of the Port Authority or upon demand of the participants in such transactions.

5. The Port Authority has established an issue of special limited obligations known as Special Project Bonds which are secured in the manner and payable to the extent provided solely in the resolutions applicable to such 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 of and interest on Special Project Bonds.

Special Project Bonds of any particular series may be issued only for the purpose of providing a single project for a lessee or for the purpose of refunding all or any part of a prior series of Special Project Bonds, or a combination of such purposes. Each series of Special Project Bonds is to be issued under separate resolution and may be issued in one or more installments as the Port Authority may determine. (See Note D-4.)

6. The Port Authority provides for certain capital expenditures by making temporary applications of moneys available in the capital fund (other than proceeds of its obligations), subject to reimbursement through the issuance of Port Authority obligations. Such reimbursed amounts are then available for use consistent with Port Authority budget and capital program projections for the original purposes intended.

Note F–Reserves:

1. General Reserve Fund statutes provide for the Port Authority to utilize surplus revenues, as defined in the statutes, from facilities financed by bonds legal for investment, as defined in the applicable statutes, to maintain the General Reserve Fund in an amount equal to at least 10 percent of outstanding bonds legal for investment, except for New York State Guaranteed Commuter Car Bonds. At December 31,1991, the General Reserve Fund balance was \$471,281,000 and met the prescribed statutory amount. The Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' debt service on outstanding debt secured by a pledge of the General Reserve Fund.

At December 31,1991, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and specified marketable securities. (See Note C-3.)

2. All net revenues of the Port Authority's existing facilities (cars acquired under the New York State Commuter Car Program are not included in "facilities of the Port Authority" for these purposes, see Note A-2), after deducting payments for debt service upon all Consolidated Bonds and Notes and such amounts as may be required to maintain the General Reserve Fund at its statutory amount, are to be paid into the Consolidated Bond Reserve Fund. Consolidated Bonds have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of said facilities of the Port Authority and any additional facility financed by Consolidated Bonds. The moneys in the Consolidated Bond Reserve Fund may be applied only to the purposes stated in the Consolidated Bond Resolution.

3. At present, the General Reserve Fund is only pledged in support of all outstanding Consolidated Bonds and Notes now or hereafter issued in the manner and to the extent specified in the Consolidated Bond Resolution and is not pledged in support of any other obligations of the Port Authority.

4. New York State Guaranteed Commuter Car Bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars by the Port Authority to railroads in New York. Commuter Car Bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority (see Note A-2). In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of debt service is fully and unconditionally guaranteed by the State of New York. New York State Guaranteed Commuter Car Bonds outstanding at December 31, 1991 totalled $58,115,000 (see Schedule E).

Note G-Government Contributions in Aid of Construction:

The Port Authority receives contributions in aid of construction for capital purposes from government agencies. Federal funding from the Airport Improvement and the Airport Development Aid Programs was $53,803,000 in 1991 and $23,726,000 in 1990.

Charges representing amortization of assets relating to government contributions were $18,188,000 in 1991 and $14,884,000 in 1990.

	December 31, 1991	1990
	(In thousands)	
Cumulative government contributions:	$458,516	$404,713
Less: Accumulated amortization of assets acquired with government contributions	173,780	155,591
Government contributions in aid of construction	$284,736	$249,122

Note H-Lease Commitments:

1. Operating lease revenues

Gross operating revenues attributable to minimum rentals associated with operating leases amounted to approximately $582,593,000 in 1991 and approximately $548,899,000 in 1990.

2. Property held for lease

The Port Authority (or one of its subsidiaries) has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus and truck terminals, rail facilities, industrial parks, the Newark Legal and Communications Center, the Teleport, and the World Trade Center.

Minimum future rentals scheduled to be received on operating leases in effect on December 31, 1991 are:

Year Ending December 31:	(In thousands)
1992	$ 437,588
1993	383,388
1994	355,048
1995	334,415
1996	297,671
Later years	2,533,713
Total minimum future rentals	$4,341,823

Investments in such facilities as of December 31, 1991 include property associated with minimum rentals derived from operating leases (see Note B). 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.

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, aggregated $69,987,000 in 1991 and $80,365,000 in 1990. The terms of such leases expire at various times from 1992 to 2031 and may be renewed for additional periods. Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 1991 are detailed below and additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year Ending December 31:	(In thousands)
1992	$ 36,953
1993	36,045
1994	35,629
1995	33,891
1996	33,964
Later Years	918,967
Total minimum future rentals	$1,095,449

Note I – Deferred Costs

1. Buy-out of Fund for Regional Development

In 1983, the Fund for Regional Development (Fund) was established to sublease space in the World Trade Center that was previously held by the State of New York as tenant. The agreement among the States of New York and New Jersey and the Port Authority which established 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 Fund's assets, liabilities, revenues, expenses and reserves 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. In consideration of the Fund's interest in the subleased space in the World Trade Center the Port Authority has agreed to make a series of fifty-nine semi-annual payments to the States, beginning March 1992. The cost to the Port Authority in connection with the termination of the Fund agreement was approximately $430,500,000, which included the net present value of the payments to the States of $326,000,000, the assumption of the Fund's net liabilities of $101,000,000 and additional liabilities of $3,500,000 to New York State as a result of the termination agreement.

2. Bus Programs

The Port Authority was authorized, pursuant to legislation to acquire, develop and finance, subject to appropriate certifications pursuant to Port Authority bond resolutions and to bi-state legislation, up to $440,000,000 for mass transportation projects consisting of buses and ancillary bus facilities, with up to $220,000,000 to be allocated in each State, for the purpose of leasing, selling or transferring such buses and ancillary bus facilities to either State or to any public authority, agency, commission, city or county thereof. The appropriate certifications were made in 1979 and 1982.

The Port Authority is not permitted to incur operating or maintenance expenses in connection with its programs to provide buses and bus related facilities and the Port Authority does not expect to derive any revenue from this capital investment. Further, the bus or ancillary bus facility lessee is required to defend and to provide for indemnification of the Port Authority against any liability by reason of the programs, subject to appropriations or other funds which are or become legally available for this purpose.

3. Regional and Other Programs

Pursuant to recommendations outlined by the Governors of New York and New Jersey in June 1983, March 1987 and March 1991 and to existing legislation, subject to necessary and appropriate authorizations, the Port Authority has certified several facilities described briefly below under which certain economic development, transportation and infrastructure renewal projects, not otherwise a part of Port Authority facilities, have been and/or will in the future be undertaken:

a. Regional Development Facility. The Governors' Program of June 1983 provided for a Port Authority commitment of up to $250,000,000 for economic development and infrastructure renewal projects, $137,500,000 for projects in the State of New Jersey and $112,500,000 for projects in the State of New York. The Regional Development Facility was established in 1987 to undertake such projects not otherwise a part of other Port Authority facilities. Projects authorized in connection with the Governors' Program include improvement of Conrail's Northern Branch rail freight line in New Jersey; Port Authority participation in the Harlem International Trade Center in upper Manhattan, New York, and assisting in the development of the Metropolitan Technology Center in Brooklyn, New York. As of December 31, 1991, $250,000,000 had been authorized, of which $138,729,000 was associated with the Regional Development Facility and $111,271,000 was associated with other Port Authority facilities.

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

c. The Regional Economic Development Program. Pursuant to the Governors' recommendations of March 1987 and March 1991 it is anticipated that the Port Authority provide up to $400,000,000 for transportation and economic development projects, of which $200,000,000 is to be allocated for projects for each State. The Regional Economic Development Program was established to undertake such projects not otherwise a part of other Port Authority facilities. This Program has provided additional funds for the development of the Metropolitan Technology Center in Brooklyn, New York; Port Authority participation in the development of the Liberty Science Center in Jersey City, New Jersey; and capital improvements in connection with certain sludge treatment facilities in New Jersey. As of December 31, 1991, the Port Authority authorized $59,749,000 associated with the Regional Economic Development Program and $1,675,000 associated with other Port Authority facilities. It is anticipated that additional projects within the specified parameters will be authorized in the future.

d. Oak Point Rail Freight Link. The Port Authority is participating with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link in the Bronx, New York. This project was originally authorized in December 1980 for $38,750,000. Subsequent authorizations under the Regional Economic Development Program, including action taken by the Board of Commissioners on February 13, 1992, have increased the Port Authority's total commitment to this project to $106,250,000.

4. Costs for the Fund buy-out, Bus Programs and Regional and Other Programs are deferred and amortized over the period benefited. As of December 31, 1991, the unamortized costs and annual amortization are as follows:

	Unamortized Costs	1991 Amortization
	(In thousands)	
Buy-out of Fund for Regional Development	$426,282	$ 2,392
Bus Programs and Regional and Other Programs:		
Bus Programs		
New York	$ 64,383	$16,845
New Jersey	69,749	18,257
Subtotal	134,132	35,102
Regional Programs		
Harlem International Trade Center	48,332	1,667
Metropolitan Technology Center	16,544	453
Conrail freight line	11,209	344
Liberty Science Center	5,983	17
Sludge treatment facilities	23,927	133
Oak Point Freight Link	12,500	—
Miscellaneous other projects	5,805	140
Subtotal	124,300	2,754
Other Programs		
Oak Point Freight Link	37,724	1,026
New Jersey Marine Development	6,463	—
Subtotal	44,187	1,026
Total Bus Programs and Regional and Other Programs	$302,619	$38,882

Note J - Pension and Retirement Plans and Related Benefits:

1. Employees of the Port Authority are covered by the Social Security Act administered by the Social Security Administration and by one of two cost-sharing multiple-employer public employees' retirement systems: the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS). The ERS was established in 1921 while the PFRS was established as a separate entity in 1967, and the systems are governed by the New York Retirement and Social Security Law (the Retirement Law).

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. As a general rule, all full-time Port Authority employees (except those individuals who are currently receiving a pension on the basis of employment with New York State or public entities in the state) join one of these two public employees' retirement systems.

The ERS and the PFRS provide retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited service, and optional methods of benefit payment. There are four ERS "tiers" of membership and two PFRS "tiers" related to date of initial membership; provisions for each tier differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance, the date of membership and the contributory or non-contributory nature of the plan. Generally, an employee has the right to a vested benefit after ten years of credited public service.

Contributions are not required from police personnel or from those non-police employees who joined the ERS prior to July 27, 1976. Non-police personnel who became members of the ERS on July 27, 1976 and thereafter are presently required to contribute three percent of their annual gross wages. The Port Authority's payroll expense for 1991 was $419,016,000 of which $311,921,000 and $102,338,000 represent the cost for employees covered by ERS and PFRS, respectively. Participating employers are required to pay for funding the Retirement Systems on a current basis. Contributions for periods of service in the fiscal years ending March 31, 1988 and 1989 are being amortized with interest over 17 years commencing in 1989. Amortization payments excluding interest in 1991 to the two

Retirement Systems totalled $1,824,000. The remaining liability for 1988 and 1989 Port Authority contributions amounting to $50,703,000 is included in "accrued pension, retirement and other employee benefits". In November of each year, the ERS and PFRS bill participating employers for their share of total estimated contributions due for the fiscal year ending March 31 of the succeeding year. The prepayment of $2,438,000 for the first three months of 1992 is included in "other assets".

Effective April 1, 1990, the funding policy for the Retirement Systems changed from the aggregated cost funding method to a modified projected unit credit funding method. The unit credit approach attributes costs by crediting each employee in each year with a distinct unit of pension cost. This new method uses a rolling amortization period for differences between actuarial assets and actuarial accrued liabilities, of which approximately 17% of such differences are recognized each year in determining the funding amount.

In 1991, Port Authority contributions, excluding the amortization payment, totalled $9,234,000 for the PFRS. No contribution was required for the ERS. These contributions for the PFRS represented approximately 2.2% of the total Port Authority covered payroll for 1991. The Port Authority's contribution for the PFRS amounted to approximately 6.6% of the total amount billed by the systems to participating employers. It is anticipated that this reduction in employer contributions will be followed by significant employer contribution increases in future years.

Governmental Accounting Standards Board Statement No. 5 requires employers participating in a cost-sharing multiple-employer public employee retirement system to disclose certain information which the standard requires the system itself to disclose. Based on information supplied by the Retirement Systems, the "total pension benefit obligation" shown below is the actuarial present value of credited projected benefits. It is the standardized disclosure measure, namely the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in future years as a result of employee service to date.

Also disclosed by the Retirement Systems, as of March 31, 1991, the assets in excess of pension benefit obligation were as follows:

	ERS	PFRS	TOTAL
		(In millions)	
Total pension benefit obligation	$40,080	$8,060	$48,140
Net assets available for pension benefits	42,915	7,624	50,539
Assets in excess of/(unfunded) pension benefit obligation	$ 2,835	($ 436)	$ 2,399

The "Net Assets Available for Benefits" as reported in the supplement to the 1991 Annual Report of the New York State and Local Retirement Systems, includes $1,341,000,000 of accrued employer contributions related to periods prior to the statement date that have not been paid to the retirement systems as of March 31, 1991, but which are to be received over the next 15 years.

Calculations of total pension benefit obligation, valuation methods, and ten year historical trend information is available from the Comptroller of the State of New York, Albany, N.Y.

Employees of Port Authority Trans-Hudson Corporation (PATH), a wholly-owned subsidiary of the Port Authority, are covered by the provisions of the Railroad Retirement Act administered by the United States Railroad Retirement Board and by single-employer supplemental pension plans established by PATH.

In order to make pension benefits provided for PATH exempt employees (those not covered by collective bargaining agreements) generally comparable to those available to Port Authority employees, a non-contributory, supplemental pension plan was authorized by PATH on August 6, 1964, and amended from time to time thereafter. The PATH Exempt Employees' Supplemental Pension Plan provides an annual pension (for covered exempt employees) related to years of credited service and final average salary, death benefits, vesting of the service retirement benefit after a set period of credited service, and optional methods of benefit payment. A liability account has been established by the Port Authority with respect to the payment of future pension benefits for the PATH Exempt Employees' Supplemental Pension Plan. There are a total of 118 active and 31 retired employees covered under this plan. The PATH payroll expense for 1991 was $55,055,000 of which $7,021,000 represented the cost for exempt employees. The actuarially determined valuation of this unfunded pension benefit obligation liability, last completed in 1989, is reviewed periodically for the purpose of adjusting the annual accruals. In 1991 PATH recognized $1,060,000 of expense representing 1.9% of the total PATH covered payroll. As of December 31, 1991, the balance of this liability was $6,307,000 and is included in "accrued pension, retirement and other employee benefits" on the Consolidated Statement of Financial Position.

PATH has also entered into collective bargaining agreements with various unions under which PATH funds non-contributory supplemental pension plans for union employees. Trustees, appointed by the various unions, are responsible for the administration of these pension plans. PATH payroll expense in 1991 for these employees was $48,034,000. For the year 1991, contributions made by PATH in accordance with the terms of various collective bargaining agreements totalled $1,827,000, which represented approximately 3.3% of the total PATH covered payroll for 1991. PATH employees active on or after March 1, 1982, who are members of a recognized collective bargaining unit are automatically plan members of these defined contribution plans. Newly hired employees become plan participants after a 60 day probationary period. Eligibility for all benefits prior to normal retirement requires the completion of at least ten years of vested service. The pension amount depends on the employee's years of credited service (up to a maximum of 30) and the monthly benefit rate in effect at the time of retirement.

2. The Port Authority and PATH provide certain health care, dental and life insurance benefits for active employees and for employees who have retired from the Port Authority or PATH (and for eligible dependents and survivors of active and retired employees). Contributions towards the costs of some of these benefits are required of certain active and/or retired employees. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid directly by the Port Authority or PATH. Prior to 1985, the cost of these benefits was recognized as an expense of the period in which such premiums or benefit claims were paid. Beginning in 1985, the cost of these benefits also includes an annual accrual for prior service costs of these benefits for retired and active employees and their dependents. These accruals are to be made each year, on a consistent basis, until this prior service cost is fully recognized. The actuarially determined valuation, last completed in 1989, is reviewed periodically for the purpose of adjusting the annual accruals. Based on that study, the actuarially determined present value of future benefits for prior service by active and retired employees and their dependents, to be paid after retirement, has been estimated to be $269,000,000 as of December 31, 1991, and consists of the following:

	Port Authority	PATH	TOTAL
		(In millions)	
Retirees	$138.4	$ 6.0	$144.4
Active	118.0	6.6	124.6
TOTAL	$256.4	$12.6	$269.0

The obligation accrued to date is $85,450,000.

The cost of providing health care, dental and life insurance benefits, not including the accrual for prior service costs, totalled approximately $65,875,000 in 1991 and $61,622,000 in 1990. Retired employees constitute 32 percent of the total of employees and retired employees of the Port Authority and PATH covered by one or more of these plans. The cost of providing these benefits for such retired employees (and their eligible dependents) is not separable from the cost of providing similar benefits for active employees (and their eligible dependents).

3. The Port Authority and PATH offer eligible employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1986, as amended. The plan permits participants to defer a portion of their salary until future years. Amounts deferred are generally not available to employees until termination of employment, retirement, death, or unforeseeable emergency.

The Port Authority has appointed the New York State Deferred Compensation Board as the exclusive agent for the Port Authority and PATH, to exercise on its behalf the powers conferred by the deferred compensation plan.

All amounts deferred under the plan, all property and rights purchased with these amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the participating employee or other beneficiary) solely the property and rights of the Port Authority or PATH (without being restricted to the provisions of benefits under the plan), subject to claims of the general creditors of either. Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of each participant's account.

Deferred compensation plan assets of approximately $63,272,000 in 1991 and $44,378,000 in 1990 are included at market value in "other assets" and the liability to participants is included in "accrued pension, retirement and other employee benefits" on the Consolidated Statement of Financial Position.

Note K – Commitments and Certain Charges to Operations

1. Effective April 7, 1991, passenger automobile tolls at the Port Authority's six Hudson River vehicular crossings were increased from $3.00 to $4.00 and truck tolls from $3.00 per axle to $4.00 per axle.

2. Each year, as part of the Authority's business planning process, and in conjunction with the development of its annual budget, Port Authority staff prepare a capital plan for the next five-year period, reflecting the degree of completion under the prior year's five-year plan and the current assessment of the potential need for capital expenditures for the modernization, renovation, rehabilitation, expansion or acquisition of existing and additional facilities in order to continue to maintain appropriate levels of service. The first year of the plan is incorporated into the annual budget of the Port Authority, which is adopted by the Board of Commissioners of the Port Authority.

On January 7, 1992, the Board of Commissioners adopted the annual budget for 1992. The related 1992-

1996 business plan was also reviewed by the Board of Commissioners at that time. Approval of the budget by the Board of Commissioners of the Port Authority, based on financial projections developed as part of the Port Authority business planning process, does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions of the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

Major projects underway include, but are not limited to, redevelopment at Newark and John F. Kennedy International Airports, roadway and taxiway modifications at John F. Kennedy International Airport, central terminal building and roadway modifications at LaGuardia Airport, capital improvements related to safety, maintenance, rehabilitation and improvement of the PATH system, redevelopment and rehabilitation of the Holland and Lincoln Tunnels, rehabilitation programs at marine terminals in Staten Island and Brooklyn, New York, and Newark and Elizabeth, New Jersey, and the Regional and Other Programs (see Note I).

The Port Authority presently also has under study a number of additional projects or facilities. In this connection, the Port Authority presently is participating in evaluating, with appropriate government officials and agencies in both States, certain port, airport and mixed-use waterfront development projects; development of foreign trade zones and distribution centers; diverse projects involving regional development facilities; expansion of capacity at the Staten Island bridges; and activities to ease the burdens on and improve access to Trans-Hudson transportation facilities.

In order for the Port Authority to undertake some of the additional projects currently under study, appropriate legislative authorization would be required and such projects could, if undertaken, involve capital expenditures by the Port Authority; in the case of additional facilities, moreover, no Port Authority capital funds are committed to capital projects without appropriate certifications and authorizations.

At December 31, 1991, pursuant to various contracts entered into by the Port Authority, approximately $757,655,000 of construction was expected to be completed within the next three years.

The 1992 budget anticipates gross capital expenditures for the year 1992 to be approximately $822,000,000 including a portion of the allocations related to the contracts and programs described above, as well as the other ongoing capital construction programs of the Port Authority.

3. It is expected that costs of construction and operation of Port Authority facilities will continue to increase and that there will be an increasing need for capital investment for the modernization, renovation or rehabilitation of existing and additional facilities in order for the Port Authority to continue to maintain appropriate levels of service. Operating revenues and construction costs in connection with Port Authority facilities are subject to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, commerce, energy and environmental permits and approvals and environmental impact analyses. Additionally, resolution of environmental matters which may arise during the course of construction, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority. It is also expected that increases from time to time will continue to be necessary in the Port Authority's tolls, fares, landing and dockage fees, rentals and other charges, or that either planned capital expenditures will be curtailed or reductions in services and associated expenditures will occur, or both, so that the expenses payable from gross operating revenues, the payment of debt service and the fulfillment of Port Authority statutory, contractual and other commitments, will continue to be provided for in accordance with the requirements therefor and agreements with the holders of Port Authority obligations.

4. "Other expenses" of $206,973,000 in 1991 and $238,152,000 in 1990 include amounts for insurance, telephone, payment of interest on Special Project Bonds, write-offs and certain other operating, development and administrative expenses. Write-offs of $25,073,000 in 1991 primarily consisted of certain administrative and engineering costs incurred by the John F. Kennedy International Airport Redevelopment Program.

5. The Port Authority's Essex County Resource Recovery Facility, located in Newark, New Jersey, became operational in December 1990. This facility is being operated by a private full service vendor that provides municipal solid waste disposal services. As of December 31, 1991, the Port Authority had provided $199,357,000 to such private full service vendor under a conditional sale agreement through which such vendor is financing a portion of the construction costs of the plant. This amount provided by the Port Authority is included in "other amounts receivable" on the Consolidated Statement of Financial Position (see Note M-1).

6. On January 7, 1992, the Board of Commissioners authorized application to the Federal Aviation Administration to obtain the authority to impose and to use a passenger facility charge (PFC) of $3 per enplaned passenger at LaGuardia, John F. Kennedy International and Newark International Airports and to seek approval to spend $21,000,000 to fund planning, environmental and other studies for a proposed passenger distribution system at John F. Kennedy International Airport, an automated guideway transit system associated with LaGuardia and John F. Kennedy International Airports, an automated guideway transit system at Newark International Airport and other ground access projects at LaGuardia and Newark International Airports. The PFC would be collected by the airlines on behalf of the Port Authority and used by the Port Authority to support approved airport-related capital construction projects.

7. On September 12, 1991, the Board of Commissioners of the Port Authority determined that a significant portion (approximately 72%) of the Erie Basin-Port Authority Marine Terminal (Fishport) was no longer required for the purpose for which it was originally acquired and authorized the sale of such portion to a joint venture of two marine-service companies, for a purchase price of $2,350,000. The sale occurred on January 17, 1992 and the unamortized cost of the property sold at such time was approximately $30,879,000. The difference in these amounts has been reflected as an expense in the 1991 Consolidated Statement of Income.

Note L – Information on Port Authority Operations by Operating Segment:

1. Operating Results

Gross operating income (loss) consists of revenues from operations less operating and maintenance expenses and amortization . Net income consists of income (loss) from operations less net interest expense (interest expense less financial income) and gain (loss) on sale of assets.

1991	Interstate Transportation Network	Air Terminals	Marine & Other Facilities (In thousands)	World Trade & Econ. Dev. Facilities	Combined Total
Gross operating revenues	$ 539,694	$ 793,973	$ 95,817	$ 427,411	$1,856,895
Interdepartmental revenues	3,606	—	856	55,645	
Revenues from operations	$ 543,300	$ 793,973	$ 96,673	$ 483,056	
Gross operating income (loss)	$ 88,897	$ 201,397	($ 1,241)	$ 116,700	$ 405,753
General administrative and development expenses	(74,139)	(48,216)	(7,041)	(13,093)	(142,489)
Loss on Fishport	—	—	(28,529)	—	(28,529)
Income (loss) from operations	$ 14,758	$ 153,181	($ 36,811)	$ 103,607	$ 234,735
Net income (loss)	($ 47,403)	$ 111,786	($ 52,450)	$ 48,045	$ 59,978
1990					
Gross operating revenues	$ 461,884	$ 764,450	$ 92,043	$ 372,353	$1,690,730
Interdepartmental revenues	3,572	—	819	61,430	
Revenues from operations	$ 465,456	$ 764,450	$ 92,862	$ 433,783	
Gross operating income (loss)	$ 35,694	$ 187,415	$ 8,060	$ 128,361	$ 359,530
General administrative and development expenses	(91,348)	(58,283)	(7,119)	(22,577)	(179,327)
Income (loss) from operations	($ 55,654)	$ 129,132	$ 941	$ 105,784	$ 180,203
Net income (loss)	($ 101,498)	$ 96,500	($ 12,597)	$ 48,327	$ 30,732

2. Asset Information

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

1991 Assets	Interstate Transportation Network	Air Terminals	Marine & Other Facilities (In thousands)	World Trade & Econ. Dev. Facilities	Total Assets
Facilities, net-beginning of year	$1,931,363	$1,536,958	$638,276	$1,167,741	$5,274,338
Net capital expenditures	183,237	272,280	47,552	40,208	543,277
Amortization (including loss on Fishport)	(59,076)	(101,183)	(50,431)	(35,182)	(245,872)
Facilities, net-end of year	2,055,524	$1,708,055	635,397	$ 1,172,767	5,571,743
Unamortized costs for Bus, Regional and Other Programs	264,895		37,724		302,619
Total	$2,320,419		$ 673,121		5,874,362
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out and other assets					2,415,483
Total assets					$8,289,845
1990 Assets					
Facilities, net-beginning of year	$1,706,732	$1,373,666	$592,027	$1,178,489	$4,850,914
Net capital expenditures	272,944	255,456	67,258	20,939	616,597
Amortization	(48,313)	(92,164)	(21,009)	(31,687)	(193,173)
Facilities, net-end of year	1,931,363	$1,536,958	638,276	$1,167,741	5,274,338
Unamortized costs for Bus, Regional and Other Programs	242,236		30,777		273,013
Total	$2,173,599		$669,053		5,547,351
Cash, investments, accounts receivable, other amounts receivable, unamortized costs for Fund buy-out and other assets					2,212,840
Total assets					$7,760,191

Note M – Receivables and Off-Balance-Sheet Risk

1. Accounts receivable and other amounts receivable

The Port Authority evaluates the financial capacity of its prospective tenants (customers) to determine their ability to pay their bills on a timely basis. When it is deemed necessary, security deposits in the form of cash, marketable securities issued by either the United States of America, the Port Authority, or the States of New York and New Jersey, or irrevocable letters of credit, are obtained from such tenants at the time of entering into agreements with them. At December 31, 1991, the total amount of security in cash and marketable securities held by the Port Authority was $4,707,000. In addition the Port Authority was holding letters of credit totalling $16,376,000.

Accounts receivable balance at December 31, 1991 was $78,913,000. Of that amount, accounts receivable for aviation facilities amounted to $50,000,000. This concentration is significant, as airline carriers and related services are affected by airline industry market conditions and other factors.

The Port Authority owns and/or operates four airports and two commercial heliports to serve the Port District. National economic conditions have historically had a significant impact on fiscal conditions in the air traffic industry. In 1990 and 1991, industry-wide air traffic was adversely affected by a number of factors including the national and regional economies and the crisis in the Middle East. At present Continental Airlines, Inc., America West Airlines, Inc. and Braniff International Airlines are operating under protection of Chapter 11 of the United States Bankruptcy Code. On January 31, 1992, Trans World Airlines also filed a petition seeking reorganization under Chapter 11 of the United States Bankruptcy Code. Eastern Air Lines, Inc., which had been operating under protection of Chapter 11 of the United States Bankruptcy Code, ceased scheduled operations permanently on January 18, 1991, and is currently liquidating its assets under Chapter 11 of such Code. On November 13, 1991, Midway Airlines, Inc., which had been operating under protection of Chapter 11 of the United States Bankruptcy Code, announced the cessation of its scheduled operations. Additionally, on December 4, 1991, Pan Am Corporation advised the Port Authority that Pan Am Corporation (and its subsidiaries), which had been operating under Chapter 11 of the United States Bankruptcy Code, had ceased remaining scheduled flight operations at LaGuardia Airport, John F. Kennedy International Airport and Newark International Airport.

Notwithstanding the continuing financial and operating difficulties of several major carriers, all aircraft gate positions at the three airports are being utilized and it is presently expected that substantially all of such gate positions will continue to be used.

Other amounts receivable balance at December 31, 1991 consists primarily of:

	(In thousands)
Resource recovery installments receivable (see Note K-5.)	$199,357
Accrued revenue receivable	86,945
Installments sales contracts receivable	19,820
Deferred amounts receivable	17,838
Other	964
	$324,924

All accounts receivable and other amounts receivable balances are monitored and analyzed. The Port Authority establishes a reserve for estimated uncollectibles. The potential accounting loss for accounts receivable due to non-payment would be limited to the amounts shown on the Consolidated Statement of Financial Position.

2. Financial instruments

The Port Authority presently uses the off-balance sheet financial instruments described below to manage its financing and investment objectives. The notional or contractual amounts used to express the volume of these transactions do not necessarily represent the amounts potentially subject to risk.

The Port Authority enters into interest rate swap agreements for the purpose of reducing its overall cost of debt. Each swap transaction involves the exchange of fixed and variable rate interest payment obligations without the exchange of the underlying principal amounts. As of December 31, 1991, offsetting interest rate swap agreements were in place each for a notional principal amount of $10,000,000. The settlement of the fixed to variable interest rate exchange occurs quarterly, with the net difference between interest paid and interest received reflected as a decrease (or increase) to interest expense in connection with capital asset financing. Entering into interest rate swap agreements does subject the Port Authority to the possibility of financial loss in the event of nonperformance by the counterparty to the swap agreements and/or with respect to changes in market rates.

The Port Authority enters into municipal and United States Treasury bond futures contracts traded on the Chicago Board of Trade in a total aggregate amount not to exceed 1300 contracts, each with a principal amount of $100,000 outstanding at any one time. These contracts are used to manage interest rate exposure on future bond issuance or refunding. Gains and losses on interest rate futures contracts are recognized as interest income or interest expense over the life of the bond series hedged. The maximum number of contracts outstanding were 317 and 220 during 1991 and 1990 respectively.

In 1991 the Port Authority entered into reverse repurchase agreements (see Note C-3) whereby the Port Authority contracted to sell a 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. Securities sold under reverse repurchase agreements are sold at market value, which minimizes the possibility of financial loss (credit risk) should the counterparty default on its obligation to resell the securities back to the Port Authority.

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

	1991 Operating Fund	1991 Reserve Funds (Schedule C)	1991 Combined Total	1990 Combined Total
			Year Ended December 31, (In thousands)	
Gross operating revenues	$1,856,895	$ —	**$1,856,895**	$1,690,730
Operating expenses:				
Employee compensation, including benefits	544,335	—	**544,335**	521,705
Materials, equipment, supplies and contract services	392,975	—	**392,975**	323,044
Rents (primarily related to airport leases) and amounts in-lieu-of taxes	110,625	—	**110,625**	120,144
Heat, light and power	82,498	—	**82,498**	79,253
Other (Note K-4)	206,973	—	**206,973**	238,152
Total operating expenses	1,337,406	—	**1,337,406**	1,282,298
Amounts in connection with operating asset acquisitions	30,669	—	**30,669**	29,052
Net operating revenues	488,820	—	**488,820**	379,380
Financial income				
Income on investments (includes gain of $4,788,000 in 1991 and $2,131,000 in 1990 on purchase of Port Authority bonds)	28,699	60,143	**88,842**	88,145
Net revenues available for debt service and reserves	517,519	60,143	**577,662**	467,525
Debt service				
Interest on bonds, notes and commercial paper obligations	227,619	—	**227,619**	195,176
Debt maturities and retirements	63,185	—	**63,185**	59,675
Repayment of commercial paper obligations	—	520	**520**	1,734
Debt retirement acceleration	3,352	—	**3,352**	—
Total debt service	294,156	520	**294,676**	256,585
Payments in connection with leasehold acquisition obligation	—	4,005	**4,005**	4,097
Transfers to reserves	($ 223,363)	223,363	—	—
Revenues after debt service and transfers to reserves		278,981	**278,981**	206,843
Direct investment in facilities		(187,305)	**(187,305)**	(235,984)
Appropriations for self-insurance		(1,218)	**(1,218)**	351
Increase (decrease) in reserves		90,458	**90,458**	(28,790)
Reserve balances, January 1		738,079	**738,079**	766,869
Reserve balances, December 31 (Schedule C)		$828,537	**$ 828,537**	$ 738,079

See Notes to Consolidated Financial Statements.

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

	1991			December 31, (In thousands)	1990
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
Assets					
Invested in facilities	$ —	$9,161,865	$ —	**$9,161,865**	$8,532,632
Cash (Note C)	49,827	491	1,000	**51,318**	19,568
Investments (Note C)	69,954	57,433	827,537	**954,924**	873,053
Accounts receivable (net of allowance for doubtful accounts of $57,985,000 in 1991 and $30,985,000 in 1990) (Note M-1)	77,913	1,000	—	**78,913**	84,586
Other amounts receivable (net of allowance for doubtful accounts of $4,050,000 in 1991 and $9,173,000 in 1990) (Note M-1)	95,372	229,552	—	**324,924**	308,346
Amounts receivable in connection with Special Project Bonds	—	284,656	—	**284,656**	284,319
Unamortized costs for Fund buy-out (Note I)	426,282	—	—	**426,282**	428,674
Other assets	284,921	29,476	—	**314,397**	256,459
Total assets	1,004,269	9,764,473	828,537	**11,597,279**	10,787,637
Liabilities					
Consolidated Bonds and Notes (Note D-1)	—	4,056,744	—	**4,056,744**	3,739,020
Obligations in connection with capital asset financing (Note D-2)	—	367,239	—	**367,239**	388,489
Obligations in connection with operating asset acquisitions (Note D-3)	407,493	—	—	**407,493**	381,467
Amounts payable in connection with Special Project Bonds (Note D-4)	—	298,575	—	**298,575**	298,575
Accounts payable	93,550	135,052	—	**228,602**	217,037
Accrued pension, retirement and other employee benefits (Note J)	223,286	—	—	**223,286**	189,491
Accrued interest and other liabilities	237,143	4,746	—	**241,889**	200,491
Total liabilities	961,472	4,862,356	—	**5,823,828**	5,414,570
Net assets	$ 42,797	$4,902,117	$828,537	**$5,773,451**	$5,373,067
Net assets are composed of:					
Debt retired through income	$ —	$2,822,742	$ —	**$2,822,742**	$2,755,143
Reserves (Schedule C)	—	—	828,537	**828,537**	738,079
Government contributions in aid of construction (Note G)	—	458,516	—	**458,516**	404,713
Appropriated reserves invested in facilities	—	1,620,859	—	**1,620,859**	1,433,553
Appropriated reserves for self-insurance	42,797	—	—	**42,797**	41,579
Net assets	$ 42,797	$4,902,117	$828,537	**$5,773,451**	$5,373,067

See Notes to Consolidated Financial Statements.

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

	1991			1990
	Year Ended December 31, (In thousands)			
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
Balance, January 1 (Note F)	$441,614	$296,465	**$ 738,079**	$766,869
Income on investments (includes gain on purchase of Port Authority bonds)	39,348	20,795	**60,143**	58,388
Transfers from operating fund	—	223,363	**223,363**	154,286
Reserve fund transfers	(9,681)	9,681	—	—
	471,281	550,304	**1,021,585**	979,543
Applications:				
Repayment of commercial paper obligations	—	520	**520**	1,734
Payments in connection with leasehold acquisition obligation	—	4,005	**4,005**	4,097
Direct investment in facilities	—	187,305	**187,305**	235,984
Self-insurance	—	1,218	**1,218**	(351)
Total applications	—	193,048	**193,048**	241,464
Balance, December 31 (Note F)	$471,281	$357,256	**$ 828,537**	$738,079

NOTE: The above schedule reflects the valuation of securities in accordance with the accounting principles stated in Note A-5. Had the market value of securities at December 31, 1991 been used, the respective reserve fund balances at December 31, 1991 would be:

General Reserve Fund	Consolidated Bond Reserve Fund
$471,281	$379,375

See Notes to Consolidated Financial Statements.

Schedule D **Selected Statistical Financial Data**

Year Ended December 31, (In thousands)

REVENUES AND EXPENSES	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
Gross operating revenues (A)	**$1,856,895**	$1,690,730	$1,526,780	$1,436,940	$1,331,438	$1,169,586	$1,100,840	$1,000,060	$ 848,584	$ 779,744
Operating expenses	**1,337,406**	1,282,298	1,124,218	1,092,502	993,256	937,820	859,843	706,895	610,287	557,303
Amounts in connection with operating asset acquisitions	**30,669**	29,052	1,533	—	—	—	—	—	—	—
Net operating revenues	**488,820**	379,380	401,029	344,438	338,182	231,766	240,997	293,165	238,297	222,441
Income on investments	**84,054**	86,014	92,094	76,858	59,613	76,998	85,644	85,836	71,626	88,664
Gain on purchase of Port Authority bonds	**4,788**	2,131	4,871	3,221	5,235	3,571	6,077	5,501	8,596	13,533
Security valuation adjustment	**—**	—	—	—	—	—	—	(19)	11	—
Net revenues available for debt service and reserves	**577,662**	467,525	497,994	424,517	403,030	312,335	332,718	384,483	318,530	324,638
DEBT SERVICE-OPERATIONS										
Interest on bonds, notes and commercial paper obligations	**(227,619)**	(195,176)	(174,673)	(155,143)	(135,678)	(116,980)	(109,972)	(116,352)	(110,024)	(101,818)
Times, interest earned (B)	**2.54**	2.40	2.85	2.74	2.97	2.67	3.02	3.30	2.87	3.16
Debt maturities and retirements	**(66,537)**	(59,675)	(52,425)	(49,125)	(54,475)	(55,350)	(48,074)	(18,593)	(32,433)	(30,387)
Times, debt service earned (B)	**1.96**	1.83	2.19	2.08	2.12	1.81	2.08	2.33	2.05	2.26
DEBT SERVICE-RESERVES										
Direct investment in facilities–reserves	**(187,305)**	(235,984)	(262,844)	(215,854)	(176,656)	(80,656)	(87,359)	(71,527)	(19,221)	(75,621)
Payments in connection with leasehold acquisition	**(4,005)**	(4,097)	(1,941)	—	—	—	—	—	—	—
Debt retirement acceleration	**—**	—	—	(2,750)	(2,800)	—	—	—	(20,000)	(20,000)
Appropriations for self-insurance–reserves	**(1,218)**	351	(2,272)	2,139	(2,929)	(4,260)	(4,063)	(489)	537	1,329
Repayment of commercial paper obligations	**(520)**	(1,734)	(1,068)	(522)	—	(13,178)	(55,964)	(85,389)	(100,089)	(37,422)
Debt service on bonds secured by trusts	**—**	—	—	—	—	(649)	(1,343)	(1,204)	(637)	(1,129)
Debt service on bank loans	**—**	—	—	—	—	—	—	—	(34,027)	(35,550)
Net increase (decrease) in reserves	**$ 90,458**	($ 28,790)	$ 2,771	$ 3,262	$ 30,492	$ 41,262	$ 25,943	$ 90,929	$ 2,636	$ 24,040
RESERVE BALANCES										
January 1	**738,079**	766,869	764,098	760,836	730,344	689,082	663,139	572,210	569,574	545,534
December 31	**$ 828,537**	$ 738,079	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574
Reserve fund balances represented by:										
General Reserve	**$ 471,281**	$ 441,614	$ 373,129	$ 335,886	$ 293,294	$ 287,357	$ 271,232	$ 236,166	$ 223,080	$ 223,080
Consolidated Bond Reserve	**357,256**	296,465	393,740	428,212	467,542	442,987	417,204	425,033	346,066	342,845
Special Reserve (C)	**—**	—	—	—	—	—	646	1,940	3,064	3,649
Total	**$ 828,537**	$ 738,079	$ 766,869	$ 764,098	$ 760,836	$ 730,344	$ 689,082	$ 663,139	$ 572,210	$ 569,574
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$4,056,744**	$3,739,020	$3,338,250	$3,105,675	$2,718,550	$2,759,825	$2,615,175	$2,263,249	$2,075,842	$2,127,275
Fund buy-out obligation	**383,433**	357,067	—	—	—	—	—	—	—	—
Amounts payable in connection with Special Project Bonds	**298,575**	298,575	96,500	96,500	96,500	96,500	96,500	96,500	96,500	—
Variable rate master notes	**217,000**	182,000	135,000	25,000	—	—	—	—	—	—
Commercial paper obligations	**116,430**	172,140	161,537	131,684	117,883	17,240	37,870	—	—	—
Leasehold acquisition obligation	**33,809**	34,349	34,839	—	—	—	—	—	—	—
Operating equipment-lease financing obligations	**24,060**	24,060	26,476	25,726	24,608	9,882	2,512	—	—	—
General and Refunding Bonds (D)	**—**	—	—	—	—	—	642	1,915	2,997	3,528
Bank loans (D)	**—**	—	—	—	—	—	—	—	—	31,250
Total obligations	**$5,130,051**	$4,807,211	$3,792,602	$3,384,585	$2,957,541	$2,883,447	$2,752,699	$2,361,664	$2,175,339	$2,162,053
INVESTED IN FACILITIES AT DECEMBER 31	**$9,161,865**	$8,532,632	$7,825,014	$7,050,152	$6,547,044	$5,876,771	$5,396,493	$5,050,775	$4,838,351	$4,574,583
DEBT RETIRED THROUGH INCOME:										
Annual	**$ 67,599**	$ 61,897	$ 53,719	$ 52,399	$ 57,275	$ 69,170	$ 105,310	$ 105,064	$ 184,303	$ 120,120
Cumulative	**$2,822,742**	$2,755,143	$2,693,246	$2,639,527	$2,587,128	$2,529,853	$2,460,683	$2,355,373	$2,250,309	$2,066,006

(A) Gross operating revenues reflect increased tolls adopted in 1991, 1987 and 1984 and increased PATH fares adopted in 1987, 1984 and 1983.

(B) In computing "times, interest earned" and "times, debt service earned", insignificant amounts of interest income and interest expense on debt previously accelerated have been included in "net revenues available for debt service and reserves" and "interest on bonds, notes and commercial paper obligations", respectively. In addition, debt maturities and retirements" has been adjusted to exclude the retirement of Consolidated Notes and debt retirement accelerations from operations, and to include scheduled retirement of debt previously accelerated as follows:

1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
$3,352	—	($2,750)	($2,800)	—	—	($1,560)	($29,731)	($12,193)	($11,016)

(C) Special Reserve Fund established in connection with prior lien bonds maintained in trust from December 31, 1970 through the retirement of General and Refunding Bonds.

(D) The Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all such obligations.

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

See Notes to Consolidated Financial Statements.

Schedule E

The Port Authority of New York and New Jersey
New York State Commuter Car Program
Assets and Liabilities

	December 31, (In thousands)	
	1991	1990
Assets		
Invested in commuter cars, at cost (A)	**$156,314**	$156,282
Cash and investments in U.S. Government securities, at cost (which approximates market)	**977**	2,183
Other assets	**522**	601
Total assets	**157,813**	159,066
Liabilities		
State Guaranteed Commuter Car Bonds (due 1992–1996)	**58,115**	65,880
Other liabilities	**8,653**	9,906
Total liabilities	**66,768**	75,786
Debt retired (A)	**$ 91,045**	$ 83,280

(A) Does not include $5,475,000 New York State Guaranteed Commuter Bonds, First Series, due 1962–1966, $8,250,000 New York State Guaranteed Commuter Bonds, Second Series, due 1963–1987, $6,000,000 New York State Guaranteed Commuter Bonds, Third Series, due 1964–1989, all of which have been retired, or the commuter cars associated with these series.

NOTE: Pursuant to legislation of the States of New York and New Jersey, the Port Authority is authorized and empowered, upon the election of either state, to purchase and lease railroad cars to commuter railroads of the electing state, and to borrow money for such purpose or for the repayment of advances from the electing state if such state has made itself liable for the repayment of the money so borrowed. By resolution dated April 12, 1962, the Port Authority established an issue of New York State Guaranteed Commuter Car Bonds. The information contained in this schedule has been prepared pursuant to such bond resolution and legislation. Such car bonds are secured by the net revenues of the Port Authority arising out of the lease of commuter railroad cars. The Metropolitan Transportation Authority currently leases railroad cars acquired under this program, in its own right and in connection with the assumption of equipment obligations of Consolidated Rail Corporation (ConRail) and of the Penn Central Transportation Company (and its successor, ConRail). Car bonds are not secured by any other revenues, reserves or assets of the Port Authority, are not general obligations of the Port Authority and are not secured by the full faith and credit of the Port Authority. In the event that lease revenues are not sufficient to provide for scheduled payment of principal and interest, the punctual payment of such debt service is fully and unconditionally guaranteed by New York State. Title to the cars is to be relinquished by the Port Authority after retirement of all obligations issued in connection with such cars. (See Note F-4.)

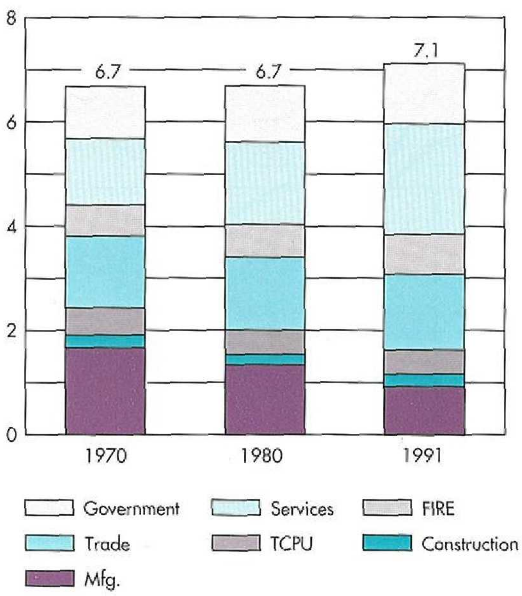
See Notes to Consolidated Financial Statements.

THE NEW YORK-NEW JERSEY METROPOLITAN REGION

The New York-New Jersey Metropolitan Region, the largest and most diversified in the nation, consists of New York City, the four suburban New York counties of Nassau, Rockland, Suffolk and Westchester, and the eight northern New Jersey counties of Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset and Union.

Area	3,900 Square Miles
Population 1991	15.5 Million
Total Labor Force 1991	7.7 Million
Retail Sales 1991	$110 Billion
Total Wage and Salary Jobs 1991	7.1 Million
Total Personal Income 1989	$367 Billion

NY-NJ Metropolitan Region Wage & Salary Employment by Major Industry 1970, 1980, 1991
(millions)



FIRE = Finance, Insurance, & Real Estate
TCPU = Transportation, Communications, & Public Utilities

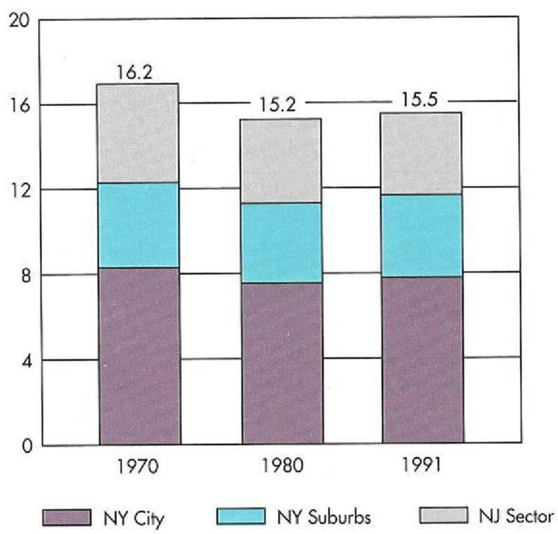
Sources: NY and NJ State Depts. of Labor

Index of Private Employment U.S. and NY-NJ Region 1969-1991
(index: 1969 = 100)

Sources: U.S. Bureau of Labor Statistics
NY and NJ State Depts. of Labor

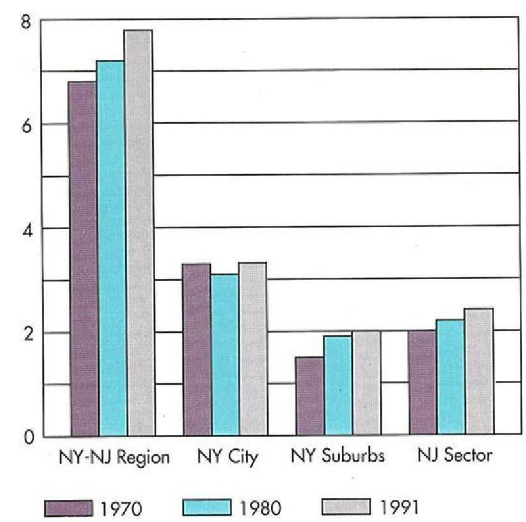
Demographics and Unemployment

Population
NY-NJ Metropolitan Region
1970, 1980, 1991
(in millions)



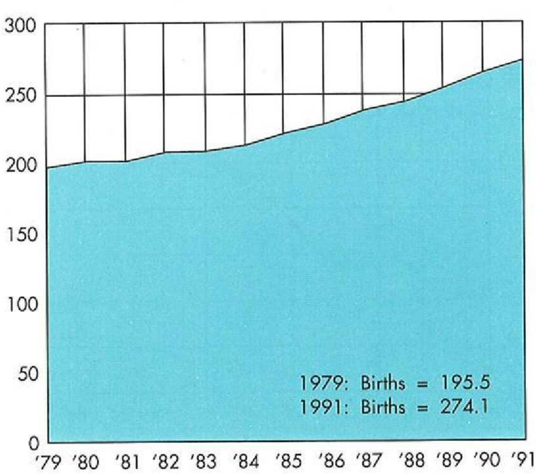
Source: U.S. Bureau of the Census

Total Labor Force
NY-NJ Metropolitan Region
1970, 1980, 1991
(millions)



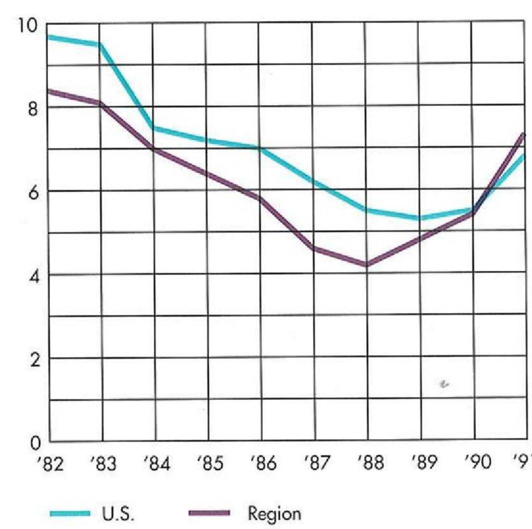
Sources: NY and NJ State Depts. of Labor

Number of Births
NY-NJ Metropolitan Region
1979-1991
(in thousands)



Sources: NY and NJ State Depts. of Health

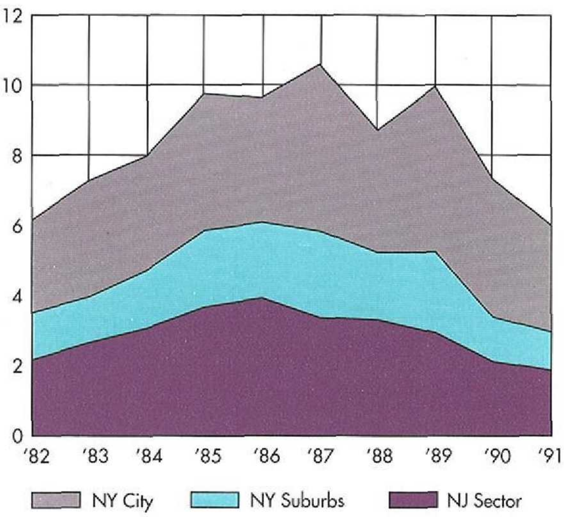
Unemployment Rates
U.S. and NY-NJ Region
1982-1991
(percent)



Sources: U.S. Bureau of Labor Statistics
NY and NJ State Depts. of Labor

Construction Activity and Inflation

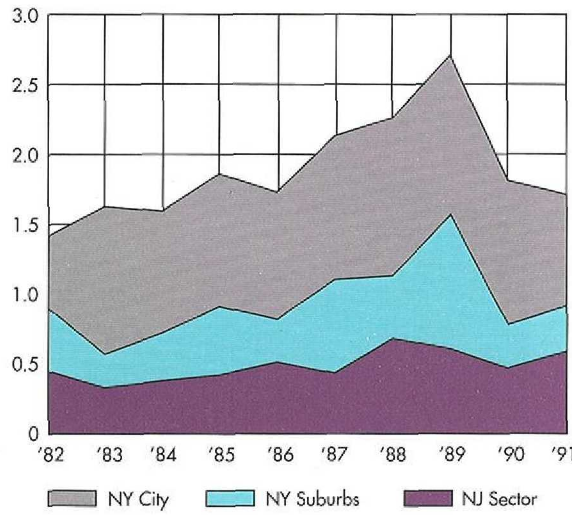
Total Construction Contract Awards
NY-NJ Metropolitan Region
1982-1991
(billions of 1982 dollars)



Note: Construction awards in 1982 dollars deflated by Engineering News Record's Building Cost Index

Source: FW Dodge. Reproduction not permitted without permission from FW Dodge

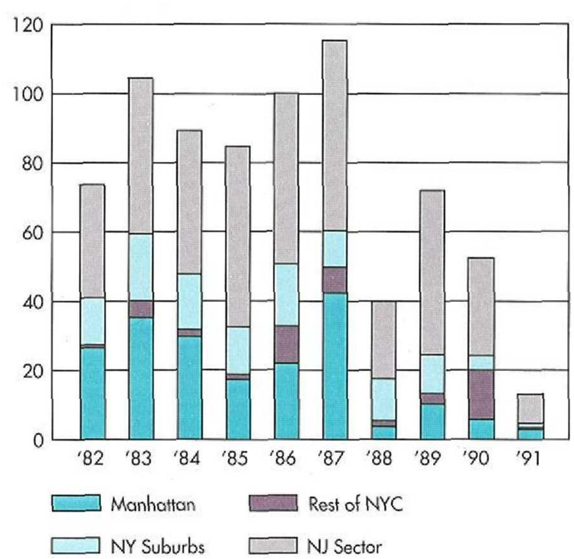
Infrastructure Construction Contract Awards
NY-NJ Metropolitan Region
1982-1991
(billions of 1982 dollars)



Note: Construction awards in 1982 dollars deflated by Engineering News Record's Building Cost Index

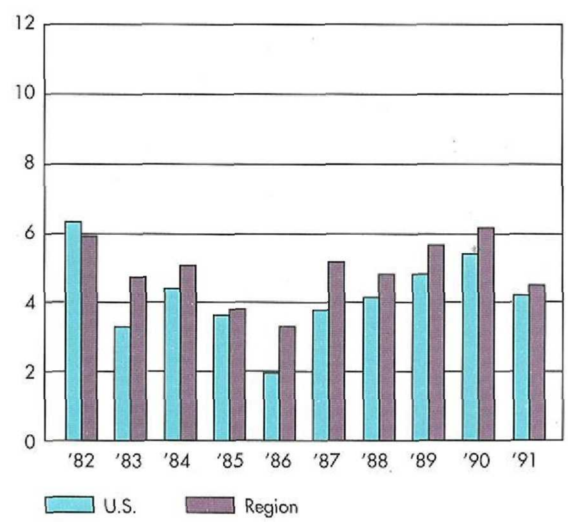
Source: FW Dodge. Reproduction not permitted without permission from FW Dodge

Office Building Contract Awards
NY-NJ Metropolitan Region
1982-1991
(index of square feet 1986 = 100)



Source: FW Dodge. Reproduction not permitted without permission from FW Dodge

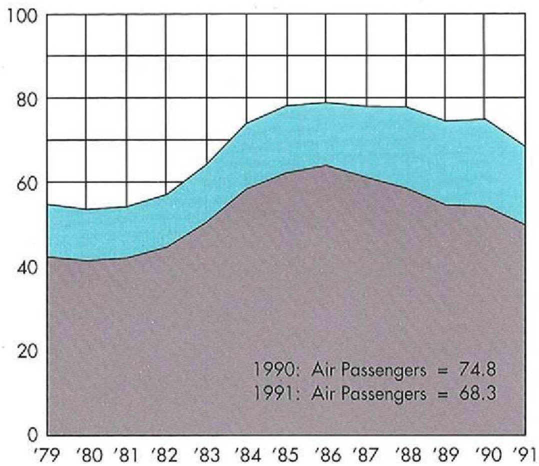
Percent Change in Consumer Price Index
U.S. and NY-NJ Metropolitan Region
1982-1991
(percent)



Source: U.S. Bureau of Labor Statistics

Regional Traffic Trends

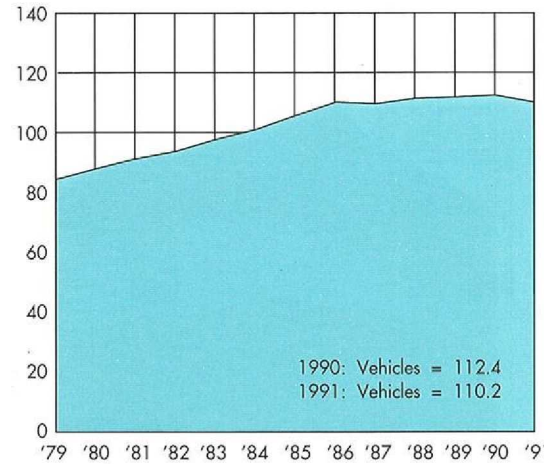
Domestic and International Air Passenger Traffic
NY-NJ Metropolitan Region
1979-1991
(millions)



International Domestic

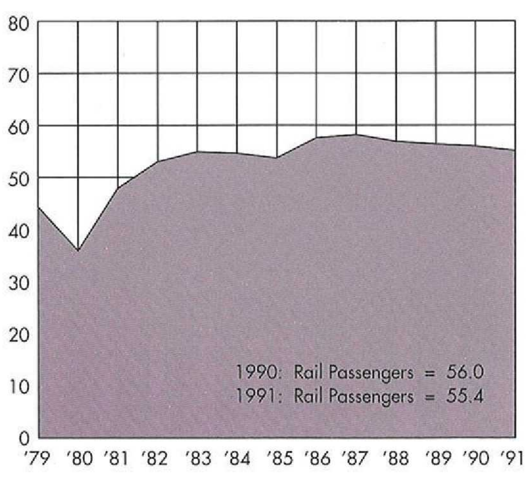
Note: Data were revised to reflect reclassification of Puerto Rico from an international to a domestic market. Also, prior to 1988, Canadian and Mexican passengers were included in domestic traffic data.
Source: The Port Authority of NY & NJ

Port Authority Tunnels and Bridges
Annual Eastbound Vehicular Traffic
1979-1991
(millions)



Source: The Port Authority of NY & NJ

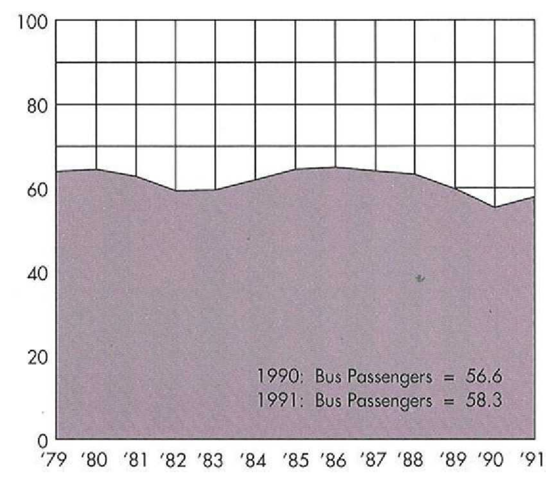
Port Authority Trans-Hudson
Rail Passenger Traffic
1979-1991
(millions)



Note: NY City Transit strike, April 1-13, 1980
PATH strike, June 12-August 31, 1980

Source: The Port Authority of NY & NJ

Bus Passenger Traffic
through Port Authority Terminals
1979-1991
(millions)

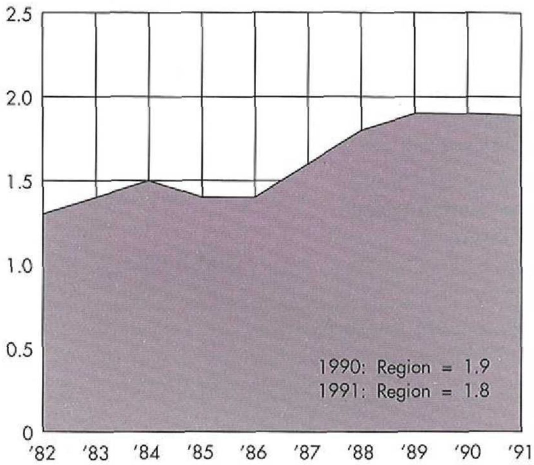


Note: Information excluded for the Journal Square Transportation Center

Source: The Port Authority of NY & NJ

Regional Cargo Trends

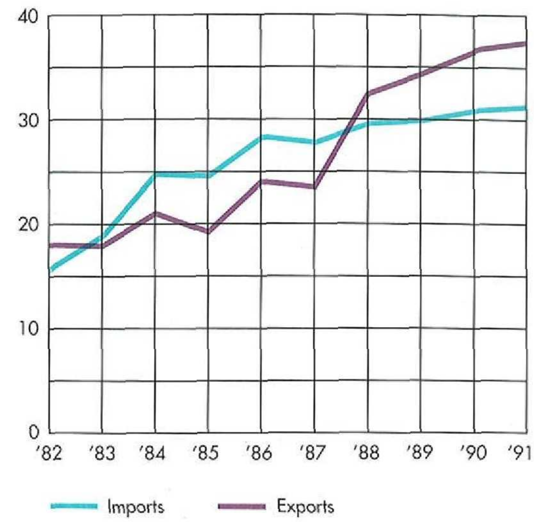
Air Cargo Traffic
NY-NJ Metropolitan Region
1982-1991
(millions of short tons)



Source: The Port Authority of NY & NJ

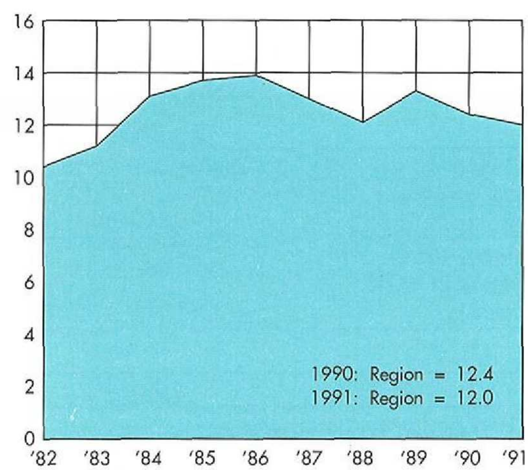
Value of the Port's Airborne Foreign Trade
1982-1991

(billions of dollars)



Sources: U.S. Bureau of the Census
The Port Authority of NY & NJ

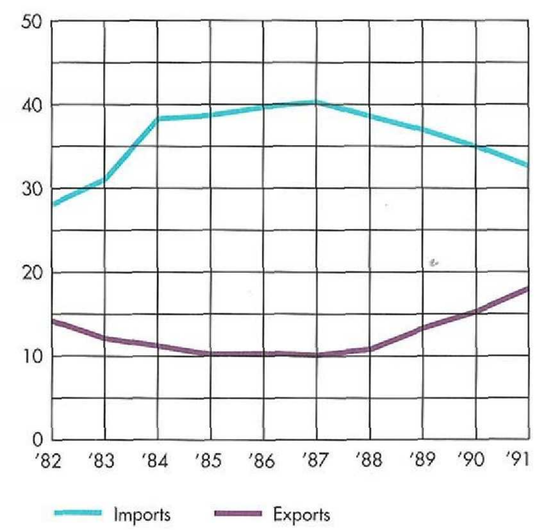
Oceanborne General Cargo
The Port of NY & NJ
1982-1991
(millions of long tons)



Sources: U.S. Bureau of the Census
The Port Authority of NY & NJ

Value of the Port's Oceanborne Foreign Trade
1982-1991

(billions of dollars)



Sources: U.S. Bureau of the Census
The Port Authority of NY & NJ

Facility Traffic

TUNNELS AND BRIDGES

(Eastbound Traffic in thousands)	1991	1990
All Crossings		
Automobiles	**101,061**	102,909
Buses	**2,050**	2,041
Trucks	**7,071**	7,445
Total vehicles	**110,182**	112,395
George Washington Bridge		
Automobiles	**44,109**	45,252
Buses	**249**	253
Trucks	**3,595**	3,844
Total vehicles	**47,953**	49,349
Lincoln Tunnel		
Automobiles	**17,251**	17,717
Buses	**1,502**	1,501
Trucks	**872**	926
Total vehicles	**19,625**	20,145
Holland Tunnel		
Automobiles	**14,146**	14,234
Buses	**113**	109
Trucks	**878**	936
Total vehicles	**15,137**	15,280
Staten Island Bridges		
Automobiles	**25,555**	25,706
Buses	**187**	178
Trucks	**1,726**	1,739
Total vehicles	**27,468**	27,622
Cumulative PA Investment in Tunnels and Bridges (In thousands)	**$1,185,000**	$1,112,300

AIR TERMINALS

	1991	1990
Totals at the Three Major Airports		
Plane movements	**983,000**	1,040,000
Passenger traffic	**68,298,000**	74,815,000
Cargo-tons	**1,823,000**	1,897,000
Revenue mail-tons	**217,000**	246,000
Kennedy International Airport		
Plane movements	**277,000**	304,000
Passenger traffic		
Total	**26,335,000**	29,794,000
Domestic	**11,667,000**	13,044,000
Overseas	**14,668,000**	16,750,000
Cargo-tons	**1,288,000**	1,331,000
LaGuardia Airport		
Plane movements	**327,000**	356,000
Passenger traffic	**19,686,000**	22,765,000
Cargo-tons	**66,000**	71,000
Newark International Airport		
Plane movements	**379,000**	380,000
Passenger traffic	**22,277,000**	22,256,000
Cargo-tons	**469,000**	495,000
Cumulative PA Investment in Air Terminals (In thousands)	**$3,168,400**	$2,888,100

TERMINALS

	1991	1990
All Bus Facilities		
Passengers	**67,100,000**	65,200,000
Bus movements	**3,067,000**	3,025,000
Port Authority Bus Terminal		
Passengers	**53,400,000**	51,800,000
Bus movements	**2,067,000**	2,005,000
George Washington Bridge Bus Station		
Passengers	**4,900,000**	4,800,000
Bus movements	**230,000**	220,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**8,800,000**	8,600,000
Bus movements	**770,000**	800,000
Cumulative PA Investment in Bus Facilities (In thousands)	**$445,800**	$435,300

MARINE TERMINALS

	1991	1990
All Terminals		
Ship arrivals	**2,910**	3,152
General cargo (A) (Long tons)	**11,985,600**	12,381,000
New Jersey Marine Terminals		
Ship arrivals	**2,394**	2,635
New York Marine Terminals		
Ship arrivals	**331**	366
Passenger Ship Terminal		
Ship arrivals	**187**	151
Passengers	**315,778**	271,157
Cumulative PA Investment in Marine Terminals (In thousands)	**$1,048,000**	$ 995,900

PATH

	1991	1990
Total passengers	**55,366,000**	56,019,000
Passenger weekday Average	**196,500**	199,300
Cumulative PA Investment in PATH (In thousands)	**$1,094,500**	$ 986,900

	1991	1990
Total Port Authority Cumulative Invested in Facilities, including the Above (In thousands)	**$9,161,900**	$8,532,600

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

Port Authority Facilities and Business Programs

AVIATION DEPARTMENT
- John F. Kennedy International Airport
- LaGuardia Airport
- Newark International Airport
- Port Authority Heliports:
  - Downtown Manhattan
  - West 30th Street
- Teterboro Airport

INTERSTATE TRANSPORTATION DEPARTMENT
- Bayonne Bridge
- George Washington Bridge and Bus Station
- Goethals Bridge
- Holland Tunnel
- Lincoln Tunnel
- Outerbridge Crossing
- Port Authority Bus Terminal
- New York Union Motor Truck Terminal
- Port Authority Trans-Hudson (PATH) System/ Journal Square Transportation Center
- Port Authority Bus Programs
- New York State Commuter Railroad Car Program
- Ferry Transportation

WORLD TRADE DEPARTMENT
- World Trade Center

OFFICE OF INTERNATIONAL BUSINESS
- World Trade Institute
- XPORT Trading Company
- Trade Development Offices:
  - London
  - Tokyo
- Reverse Investment

REGIONAL DEVELOPMENT DEPARTMENT
- Bathgate Industrial Park
- Industrial Park at Elizabeth
- Industrial Park at Yonkers
- Essex County Resource Recovery Facility
- Hoboken Waterfront Development
- Queens West Waterfront Development (Hunters Point)
- Newark Legal Center
- Teleport

PORT DEPARTMENT
- New York City Passenger Ship Terminal
- Port Authority Marine Terminals:
  - Auto
  - Brooklyn/Red Hook
  - Columbia Street
  - Elizabeth
  - Erie Basin
  - Howland Hook
  - Greenville Yard
  - Port Newark
- Oak Point Rail Freight Link

Sales Offices
- Chicago
- Cleveland
- Eastern United States
- Latin America

1991 Annual Report

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