

MASSACHUSETTS PORT AUTHORITY

Statements of Net Position

June 30, 2015 and 2014

(In thousands)

	<u>2015</u>	<u>2014</u>
		<u>(Restated)</u>
Current assets:		
Cash and cash equivalents	\$ 54,568	\$ 41,696
Investments	80,224	35,020
Restricted cash and cash equivalents	358,614	180,043
Restricted investments	177,357	169,594
Accounts receivable		
Trade, net	57,921	59,836
Grants receivable	55,807	29,573
Total receivables (net)	<u>113,728</u>	<u>89,409</u>
Prepaid expenses and other assets	9,761	7,150
Total current assets	<u>794,252</u>	<u>522,912</u>
Noncurrent assets:		
Investments	73,475	66,587
Restricted investments	256,025	286,489
Prepaid expenses and other assets	6,320	7,318
Investment in joint venture	2,395	2,263
Net OPEB asset	56,669	55,418
Capital assets-not being depreciated	429,133	357,770
Capital assets-being depreciated-net	<u>2,531,224</u>	<u>2,542,874</u>
Total noncurrent assets	<u>3,355,241</u>	<u>3,318,719</u>
Total assets	<u>4,149,493</u>	<u>3,841,631</u>
Deferred outflows of resources		
Deferred loss on refunding of bonds	17,821	20,017
Deferred loss on expected vs actual Pension Plan experience	1,771	—
Total deferred outflows of resources	<u>19,592</u>	<u>20,017</u>
Current liabilities:		
Accounts payable and accrued expenses	117,806	102,714
Compensated absences	1,415	1,483
Contract retainage	10,165	12,561
Current portion of long term debt	257,621	84,665
Commercial notes payable	150,000	150,000
Accrued interest on bonds payable	35,555	35,304
Unearned revenues	10,017	5,219
Total current liabilities	<u>582,579</u>	<u>391,946</u>
Noncurrent liabilities:		
Accrued expenses	10,242	19,604
Compensated absences	18,105	18,974
Net pension liability	28,209	23,687
Long-term debt, net	1,527,614	1,501,803
Unearned revenues	9,965	8,982
Total noncurrent liabilities	<u>1,594,135</u>	<u>1,573,050</u>
Total liabilities	<u>2,176,714</u>	<u>1,964,996</u>
Deferred inflows of resources		
Deferred gain on Pension Plan investments	13,735	25,442
Total deferred inflows of resources	<u>13,735</u>	<u>25,442</u>
Net position		
Net investment in capital assets	1,272,271	1,227,358
Restricted		
Bond funds	193,825	201,754
Project funds	219,221	214,772
Passenger facility charges	68,016	65,951
Customer facility charges	12,009	1,571
Other purposes	23,835	25,472
Total restricted	<u>516,906</u>	<u>509,520</u>
Unrestricted	189,459	134,332
Total net position	<u>\$ 1,978,636</u>	<u>\$ 1,871,210</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS PORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2015 and 2014

(In thousands)

	<u>2015</u>	<u>2014</u> (Restated)
Operating revenues:		
Aviation rentals	\$ 185,953	\$ 181,007
Aviation parking	149,155	136,733
Aviation shuttle bus	15,717	12,283
Aviation fees	135,044	124,718
Aviation concessions	82,662	77,838
Aviation operating grants and other	3,894	3,763
Maritime fees, rentals and other	68,435	62,148
Real estate fees, rents and other	22,069	23,981
Total operating revenues	<u>662,929</u>	<u>622,471</u>
Operating expenses:		
Aviation operations and maintenance	256,519	237,235
Maritime operations and maintenance	54,231	49,974
Real estate operations and maintenance	10,428	9,477
General and administrative	59,064	53,809
Payments in lieu of taxes	19,282	18,444
Pension and other post-employment benefits	14,844	16,814
Other	8,005	9,454
Total operating expenses before depreciation and amortization	422,373	395,207
Depreciation and amortization	227,158	217,767
Total operating expenses	<u>649,531</u>	<u>612,974</u>
Operating income	<u>13,398</u>	<u>9,497</u>
Nonoperating revenues and (expenses):		
Passenger facility charges	65,807	62,682
Customer facility charges	30,768	29,963
Investment income	7,405	6,642
Net increase in the fair value of investments	527	1,976
Other revenues	10,091	10,547
Settlement of claims	—	1,792
Terminal A debt service contribution	(10,918)	(11,839)
Other expenses	(956)	(1,407)
Gain on sale of equipment	180	90
Interest expense	(64,829)	(64,973)
Total nonoperating revenues (expenses), net	<u>38,075</u>	<u>35,473</u>
Increase in net position before capital contributions	51,473	44,970
Capital contributions	55,953	56,124
Increase in net position	107,426	101,094
Net position, beginning of year	1,871,210	1,770,116
Net position, end of year	\$ <u>1,978,636</u>	\$ <u>1,871,210</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS PORT AUTHORITY

Combining Schedule of Net Position

June 30, 2015

(In thousands)

	Authority Operations	PFC Program	CFC Program	Eliminations	Combined Totals
Current assets:					
Cash and cash equivalents	\$ 54,568	\$ —	\$ —	\$ —	\$ 54,568
Investments	80,224	—	—	—	80,224
Restricted cash and cash equivalents	293,464	47,185	17,965	—	358,614
Restricted investments	159,190	12,336	5,831	—	177,357
Accounts receivable					
Trade, net	47,672	6,978	3,271	—	57,921
Grants	55,807	—	—	—	55,807
Total receivables, net	103,479	6,978	3,271	—	113,728
Prepaid expenses and other assets	9,597	107	57	—	9,761
Interfund transfer Authority Loan	6,000	—	—	(6,000)	—
Total current assets	706,522	66,606	27,124	(6,000)	794,252
Noncurrent assets:					
Investments	73,475	—	—	—	73,475
Restricted investments	229,503	4,340	22,182	—	256,025
Prepaid expenses and other assets, long-term	5,021	98	1,201	—	6,320
Investment in joint venture	2,395	—	—	—	2,395
Net OPEB asset	56,669	—	—	—	56,669
Capital assets-not being depreciated	421,093	7,585	455	—	429,133
Capital assets-being depreciated-net	1,825,708	413,252	292,264	—	2,531,224
Total noncurrent assets	2,613,864	425,275	316,102	—	3,355,241
Total assets	3,320,386	491,881	343,226	(6,000)	4,149,493
Deferred outflows of resources					
Deferred loss on refunding of bonds	17,186	635	—	—	17,821
Deferred loss on expected vs actual Plan experience	1,771	—	—	—	1,771
Total deferred outflows of resources	18,957	635	—	—	19,592
Current liabilities:					
Accounts payable and accrued expenses	116,982	747	77	—	117,806
Compensated absences	1,415	—	—	—	1,415
Contract retainage	9,657	—	508	—	10,165
Current portion of long-term debt	236,220	18,091	3,310	—	257,621
Commercial notes payable	150,000	—	—	—	150,000
Interfund transfer Authority Loan	—	—	6,000	(6,000)	—
Accrued interest payable	27,428	2,281	5,846	—	35,555
Unearned revenues	9,338	—	679	—	10,017
Total current liabilities	551,040	21,119	16,420	(6,000)	582,579
Noncurrent liabilities					
Accrued expenses	9,640	—	602	—	10,242
Compensated absences	18,105	—	—	—	18,105
Net pension liability	28,209	—	—	—	28,209
Long-term debt, net	1,251,399	75,800	200,415	—	1,527,614
Unearned revenues	9,965	—	—	—	9,965
Total noncurrent liabilities	1,317,318	75,800	201,017	—	1,594,135
Total liabilities	1,868,358	96,919	217,437	(6,000)	2,176,714
Deferred inflows of resources					
Deferred gain on Plan investments	13,735	—	—	—	13,735
Total deferred inflows of resources	13,735	—	—	—	13,735
Net investment in capital assets	830,910	327,581	113,780	—	1,272,271
Restricted for other purposes					
Bond funds	193,825	—	—	—	193,825
Project funds	219,221	—	—	—	219,221
Passenger facility charges	—	68,016	—	—	68,016
Customer facility charges	—	—	12,009	—	12,009
Other purposes	23,835	—	—	—	23,835
Total restricted	436,881	68,016	12,009	—	516,906
Unrestricted	189,459	—	—	—	189,459
Total net position	\$ 1,457,250	\$ 395,597	\$ 125,789	\$ —	\$ 1,978,636

See accompanying independent auditors' report.

**Reconciliation of Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the 1978 Trust Agreement to the Financial Statement:
Trust Operating Results and Change in Net Assets
(Unaudited)**

Presented below are the revenues and operating expenses as determined in accordance with the 1978 Trust Agreement, and a reconciliation to net assets as determined under accounting principles generally accepted in the United States of America ("GAAP") for the period presented.

	(Unaudited)			Net change	6/30/2015	6/30/2014
(In Thousands)	<u>Airport Properties</u>	<u>Port Properties</u>	<u>Investment Income</u>	<u>in the fair value of investments</u>	<u>Fiscal Year 2015 Total</u>	<u>Fiscal Year 2014 Total</u>
Trust revenues:						
Pledged revenues	\$ 568,020	\$ 90,279	\$ -	\$ -	\$ 658,299	\$ 617,427
Operating grants	3,930	530	-	-	4,460	3,498
Subtotal	<u>571,950</u>	<u>90,809</u>	<u>-</u>	<u>-</u>	<u>662,759</u>	<u>620,925</u>
Operating interest income	-	-	3,830	-	3,830	3,208
Adjustment for uncollectible accounts	166	(198)	-	-	(32)	(465)
Total Trust Revenues	<u>572,116</u>	<u>90,611</u>	<u>3,830</u>	<u>-</u>	<u>666,557</u>	<u>623,668</u>
Trust operating expenses:						
Operations and maintenance	251,150	64,619	-	-	315,769	292,143
Administration	48,965	12,004	-	-	60,969	56,521
Insurance	6,607	1,979	-	-	8,586	8,906
Pension	9,591	1,555	-	-	11,146	11,990
Other Postemployment Benefits (1978 Trust)	10,125	1,875	-	-	12,000	14,000
Total Trust Expenses	<u>326,438</u>	<u>82,032</u>	<u>-</u>	<u>-</u>	<u>408,470</u>	<u>383,560</u>
Excess of revenues over operating Expenses as prescribed by the 1978 Trust Agreement	245,678	8,579	3,830	-	258,087	240,108
ADD: Revenues recognized under GAAP which are excluded under 1978 Trust Agreement:						
Investment income self insurance / others	-	-	2,123	-	2,123	1,919
Passenger facility charge (PFC)-Logan	65,807	-	-	-	65,807	62,682
Investment income PFC-FAA	-	-	82	-	82	69
Investment income PFC-Non FAA	-	-	986	-	986	1,029
Customer facility charge (CFC)	30,768	-	-	-	30,768	29,963
Investment income CFC	-	-	384	-	384	417
Capital grant revenue	55,609	344	-	-	55,953	56,124
Gain/Loss on sale of equipment	164	16	-	-	180	90
Realized net increase in the fair value of investments	-	-	-	122	122	428
Unrealized net increase in the fair value of investments	-	-	-	405	405	1,548
Administration Expenses	1,609	296	-	-	1,905	2,370
Operating revenues	512	(306)	-	-	206	1,510
Adjust for Operating Grant	(36)	-	-	-	(36)	36
Settlement of claims	-	-	-	-	-	1,792
Nonoperating other revenues	10,084	7	-	-	10,091	10,547
Pension	7,707	1,249	-	-	8,956	9,316
LESS: Expenses recognized under GAAP which are excluded under 1978 Trust Agreement:						
PILOT	(17,354)	(1,928)	-	-	(19,282)	(18,444)
Other Postemployment Benefits	(557)	(97)	-	-	(654)	(140)
Self insurance cost	(123)	735	-	-	612	(95)
Interest expense	(63,216)	(1,613)	-	-	(64,829)	(64,973)
Depreciation and amortization (1)	(210,778)	(16,380)	-	-	(227,158)	(217,767)
Operating expenses	(5,368)	(41)	-	-	(5,409)	(4,201)
Adjustment for uncollectible accounts-nonTrust fund	1	-	-	-	1	12
Terminal A debt service contributions by PFC	(10,918)	-	-	-	(10,918)	(11,839)
Nonoperating other expenses	(956)	-	-	-	(956)	(1,407)
Increase / (decrease) in net assets	<u>\$ 108,633</u>	<u>\$ (9,139)</u>	<u>\$ 7,405</u>	<u>\$ 527</u>	<u>\$ 107,426</u>	<u>\$ 101,094</u>

(1) Capital Assets are depreciated under GAAP but not under 1978 Trust Agreement.

107,426

Schedule II

MASSACHUSETTS PORT AUTHORITY

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2015

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Operating revenues:				
Aviation rentals	\$ 185,953	\$ —	\$ —	\$ 185,953
Aviation parking	149,155	—	—	149,155
Aviation shuttle bus	15,717	—	—	15,717
Aviation fees	135,044	—	—	135,044
Aviation concessions	82,662	—	—	82,662
Aviation operating grants and other	3,894	—	—	3,894
Maritime fees, rentals and other	68,435	—	—	68,435
Real estate fees, rents and other	22,069	—	—	22,069
Total operating revenues	<u>662,929</u>	<u>—</u>	<u>—</u>	<u>662,929</u>
Operating expenses:				
Aviation operations and maintenance	256,519	—	—	256,519
Maritime operations and maintenance	54,231	—	—	54,231
Real estate operations and maintenance	10,428	—	—	10,428
General and administrative	59,064	—	—	59,064
Payments in lieu of taxes	19,282	—	—	19,282
Pension and other post-employment benefits	14,844	—	—	14,844
Other	8,005	—	—	8,005
Total operating expenses before depreciation and amortization	<u>422,373</u>	<u>—</u>	<u>—</u>	<u>422,373</u>
Depreciation and amortization	173,058	39,850	14,250	227,158
Total operating expenses	<u>595,431</u>	<u>39,850</u>	<u>14,250</u>	<u>649,531</u>
Operating income (loss)	<u>67,498</u>	<u>(39,850)</u>	<u>(14,250)</u>	<u>13,398</u>
Nonoperating revenues and (expenses):				
Passenger facility charges	—	65,807	—	65,807
Customer facility charges	—	—	30,768	30,768
Investment income	5,953	1,068	384	7,405
Net (decrease)/increase in the fair value of investments	516	(5)	16	527
Other revenues	10,040	—	51	10,091
Settlement of claims	—	—	—	—
Terminal A debt service contribution	—	(10,918)	—	(10,918)
Other expenses	171	(358)	(769)	(956)
Gain on sale of equipment	180	—	—	180
Interest expense	(49,491)	(4,033)	(11,305)	(64,829)
Total nonoperating (expense) revenue, net	<u>(32,631)</u>	<u>51,561</u>	<u>19,145</u>	<u>38,075</u>
Increase in net position before capital contributions	34,867	11,711	4,895	51,473
Capital contributions	55,951	—	2	55,953
Increase in net position	<u>90,818</u>	<u>11,711</u>	<u>4,897</u>	<u>107,426</u>
Net position, beginning of year	<u>1,366,432</u>	<u>383,886</u>	<u>120,892</u>	<u>1,871,210</u>
Net position, end of year	<u>\$ 1,457,250</u>	<u>\$ 395,597</u>	<u>\$ 125,789</u>	<u>\$ 1,978,636</u>

See accompanying independent auditors' report.