

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



The Administration and Finance department is pleased to issue this comprehensive annual financial report for the fiscal year ending June 30, 2011. We are grateful to each department within the Massachusetts Port Authority for their assistance in the development of this important document.

The staff of the Aviation, Maritime, Capital Programs and Environmental Affairs, Legal, Information Technology, Internal Audit, Strategic Communications and Marketing departments helped us to assemble the operational, statistical, and financial components of this annual report which we intend to submit to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting.

The result of the diligent effort put forth by Massport staff members, including the Administration and Finance team, is a high-quality, informative and comprehensive report that allows the reader to better understand both the operational and financial management of the Aviation and Maritime business lines with the Massachusetts Port Authority.

The events and accomplishments detailed inside describe just some of the reasons the Massachusetts Port Authority continues to stand apart as a dynamic, versatile and adaptable public authority that for more than half a century has successfully met the challenges of providing for the ever-changing transportation needs of Boston, Massachusetts and New England.



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## ***Nonstop Asia Service***

Coming in April, East meets West for the first time when Japan Air Lines launches Logan Airport's first ever nonstop service to Asia. Nonstop service to the Far East has long been a top priority for business leaders in Boston, which had been the largest US market without nonstop Asian service. Now, the nearly 400,000 passengers who flew between Asia and Boston in 2010 will be able to enjoy Boeing's exciting new 787 Dreamliner aircraft when JAL begins service to Tokyo's Narita International Airport on April 22. The direct service is expected to facilitate new business partnerships between Massachusetts and Japan in such critical industries as health care, biotechnology, telecommunications, and higher education. Beginning with four flights a week, the Boston-Tokyo service is expected to generate \$174 million a year in regional economic impact once JAL increases service to once daily beginning in June, 2012.







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November 29, 2011

To the Members of the Massachusetts Port Authority:

We are pleased to submit the Comprehensive Annual Financial Report (“CAFR”) of the Massachusetts Port Authority (the “Authority” or “Massport”) as of and for the fiscal year ended June 30, 2011 (“fiscal year 2011”). This report was prepared by the Authority’s Administration and Finance Department. Responsibility for the accuracy of the presented data and the complete and fair presentation, including all disclosures, rests with the Authority. This report, in all material respects, presents fairly and discloses the Authority’s financial position, results of operations, and cash flows as of and for the year ended June 30, 2011 in accordance with the requirements of accounting principles generally accepted in the United States of America (“GAAP”).

Certain information within the CAFR has been presented based on the accounting principles prescribed under the Trust Agreement dated as of August 1, 1978, as amended (the “1978 Trust Agreement”), between the Authority and U.S. Bank National Association (successor-in-interest to State Street Bank and Trust Company), as Trustee, under the PFC Trust Agreement dated as of May 1, 1999 (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as Trustee, and under the CFC Trust Agreement dated as of May 18, 2011 (the “CFC Trust Agreement”) between the Authority and U.S. Bank National Association, as Trustee. Together the 1978 Trust Agreement, the PFC Trust Agreement, and the CFC Trust Agreement, collectively are called the “Trust Agreements” and collectively referred to as “Trust Accounting.” Specifically, information within the CAFR under the Annual Disclosure, PFC Disclosure and CFC Disclosure tabs are presented in accordance with the respective Trust Agreements. Please see Note 2 in the notes to the financial statements as of June 30, 2011 for the reconciliation between GAAP and Trust Accounting. In addition, tables S-4, S-5 and S-6 included in the Statistical Section of the CAFR present historical financial information based on Trust Accounting, and should be read in connection with the audited financial statements attached hereto.

### **Overview of the Massachusetts Port Authority**

The Authority was created by and exists pursuant to Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the “Enabling Act”) and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”). It is governed by a seven member board. Six members are appointed by the Governor of Massachusetts to staggered terms of seven years each, and the seventh is the Secretary of Transportation and Chief Executive Officer of the Massachusetts Department of Transportation (“MassDOT”). Members are not compensated for their service.

On May 31, 2011, Mr. Thomas J. Kinton, Jr. retired from the Authority as the CEO and Executive Director. The Members of the Authority have appointed Chief Legal Counsel David S. Mackey to serve as interim CEO and Executive Director of the Authority effective June 1, 2011. In this position, Mr. Mackey is responsible for all Aviation and Maritime business, operational, customer service and safety and security activities. In addition, Mr. Mackey is focused on future aviation and economic developments and long-term business strategies for the Authority.

The Authority's facilities include airport properties, comprising Boston-Logan International Airport ("Logan Airport"), Worcester Regional Airport ("Worcester Regional Airport") and Laurence G. Hanscom Field ("Hanscom Field") (collectively "Aviation"); the Paul W. Conley Marine Terminal ("Conley Terminal"); and various port properties, located in Charlestown, South Boston and East Boston (collectively the "Port"). Through December 31, 2009, the Authority also owned and operated the Maurice J. Tobin Memorial Bridge (the "Bridge"). As noted in Legislative Developments section of this document, the Authority transferred, without consideration, the Bridge to MassDOT on January 1, 2010 and acquired ownership of Worcester Regional Airport effective July 1, 2010.

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. Logan serves the 8<sup>th</sup> largest domestic origin-destination air travel market in the U.S during calendar year 2010. It is the primary source of the Authority's revenues. Hanscom Field is the region's premier general aviation airport and provides niche commercial service. The Port is New England's major port and provides a full range of services, from cruise ship to container ship handling. In addition to operating its facilities, the Authority is committed to providing the modern infrastructure necessary to support the transportation needs of the travelers and shippers in Boston, the Commonwealth and New England.

The Authority operates its businesses to achieve six primary public service objectives which are to:

1. maintain and enhance safety and security at Massport-owned facilities;
2. provide high quality standards of service, superior facilities and customer convenience to the 28.4 million aviation passengers at Logan Airport, 307,224 cruise passengers, and Massport's primary shipping partners that service 106,857 containers of product at the Port;
3. keep operating costs low to assist Massport's business partners during this continued period of economic uncertainty as well as maximize revenue opportunities from all business lines;
4. allocate sufficient resources to build and maintain Massport's transportation facilities that promote local and regional economic prosperity and development;
5. be an industry leader in clean energy and environmental concerns and implement operational and capital initiatives intended to reduce greenhouse gas levels and decrease the Airport's dependency on fossil fuels for energy, at the same time, effectively and efficiently operating its facilities, and providing services to its constituents;
6. and be a good corporate neighbor towards the surrounding communities affected by all of our business operations.

The Authority's business consists of two distinct operating departments: Aviation and the Port. During fiscal year 2011, the Authority generated approximately \$537.6 million in operating revenues from these departments, which represented an increase of \$9.7 million or 1.8% compared to fiscal year 2010. Operating expenses were approximately \$524.3 million, an increase of \$16.8 million, or 3.3% from fiscal year 2010. Please see further discussion in the MD&A section.

### **Economic Conditions and Local Economy**

Currently, Massport is operating in a period of economic uncertainty in the aviation industry and the economy as a whole, but the Authority's management believes that its Aviation business can withstand these turbulent economic times based on the following three strategic advantages: Logan Airport (i) serves the 8<sup>th</sup> largest O&D market in the United States and nine out of ten passengers using Massport's facilities call the Boston area home or come to the region to visit, vacation or to conduct business, (ii) is the second largest U.S. international gateway airport among non-hub airports based on the number of



international passengers, and (iii) is less exposed to industry consolidations since few airlines have overlapping routes, no single carrier dominates service and Logan Airport does not serve as any airline's hub.

As an origination and destination ("O&D") airport, Logan Airport has a variety of low cost and legacy carrier airlines with no one carrier dominating Boston's aviation market. During fiscal year 2011, the largest airline accounted for approximately 14.5% of total landing fee and terminal rent revenues. In addition, the top three airlines at Logan Airport accounted for 35.5% of its total landing fee and terminal rental revenues.

Logan Airport serves the Boston-Cambridge-Quincy Metropolitan Area consisting of Essex, Middlesex, Norfolk, Plymouth and Suffolk counties in Massachusetts and Rockingham and Strafford counties in New Hampshire. According to the Census Bureau for 2009 this metropolitan area (the "Boston MSA") is the nation's 10<sup>th</sup> largest measured by population and 9<sup>th</sup> largest regional economy measured by gross metropolitan product.

The strength of a regional economy correlates with the demand for resident airline traffic, as well as business travel by both residents and visitors. Leisure travel to this area is related to the health of the broader U.S. economy and the attractiveness of the region as a personal travel destination. According to the U.S. Commerce Department's Bureau of Economic Analysis, in 2009 the Boston MSA had personal income that was 11% higher than that of New England and 35% higher than that of the nation as a whole.

Since 1993, unemployment rates in the Boston area have been lower than in the nation. According to the Bureau of Labor Statistics 2010 estimates, the unemployment rate in the Boston MSA was 8.0%, equal to the New England rate, yet below the national average of 9.6%. The lower unemployment rate reflects the resilience of the technology, health care and higher education sectors and the effects of federal stimulus funding for local scientific and medical research. The Boston MSA's substantial concentration of universities, colleges, hospitals and medical research facilities results in a greater share of 2010 employment in this sector (20.4%) than the national average (15.0%). Similarly, in the Boston MSA the professional/business services sector accounts for 16.4% of employment compared to a national average of 12.8%. Each of these sectors generates a significant demand for air travel.

Boston and its surrounding region is a popular destination for tourists from throughout the United States and around the world. Boston is one of the top-ranking destinations for overseas visitors to the United States ranking 9<sup>th</sup> in the nation in 2009, just ahead of Chicago. Also, Boston is home to two major convention centers - the John B. Hynes Veterans Memorial Convention Center (the "Hynes Center") and the Boston Convention & Exhibition Center ("BCEC"). Boston has been named one of North America's top 10 convention destinations by *Tradeshows Week* magazine every year since 2006.

Logan Airport ranked 10<sup>th</sup> among U.S. airports in terms of domestic O&D passengers in the 12 months ended June 30, 2010, ahead of major connecting hub airports, such as Dallas/Fort Worth, John F. Kennedy and Newark Liberty International.

In terms of international O&D passengers, Logan Airport ranked 7<sup>th</sup>, ahead of airports such as Orlando International, Bush Intercontinental and Washington-Dulles International. Logan Airport is New England's busiest in terms of both domestic and international O&D passengers.

Although Massport owns and operates other facilities important to the local economy, Logan Airport provides the primary economic stability to the Authority.

### **Legislative Developments**

In June 2009, the Massachusetts Transportation Reform Act (Chapters 25, 26 and 120 of the Acts of 2009, collectively, the “Transportation Reform Act”) was enacted and provided for the establishment of MassDOT on November 1, 2009. MassDOT includes the former Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. The Transportation Reform Act, among other things, specifically required the Authority to transfer the Bridge to MassDOT on January 1, 2010, without consideration. It also required the Authority to acquire Worcester Regional Airport from the City of Worcester, Massachusetts, which was completed on July 1, 2010 for \$15.1 million. Prior to the acquisition, the Authority had managed Worcester Regional Airport since January 2000. The Authority has integrated Worcester Regional Airport into the Authority’s overall business plans and operations.

### **Major Initiatives**

#### ***Capital Program***

On February 16, 2011, the Members of the Authority approved its capital program for fiscal years 2011 through 2015 (the “FY11-FY15 Capital Program”). The FY11-FY15 Capital Program represents a comprehensive and coordinated capital improvement and financial master plan for all Authority facilities. The program was developed in order to continue to fund security initiatives and airfield operation enhancements through maximizing Federal Aviation Administration (“FAA”) and Transportation Security Administration (“TSA”) grant receipts and utilizing a \$4.50 Passenger Facility Charge (“PFC”). Also, the program includes the construction of a new consolidated car rental facility specifically financed by a \$6.00 Customer Facility Charge (“CFC”). The FY11-FY15 Capital Program allocates a significant amount of funding to important initiatives including existing security challenges facing the aviation industry, maintaining and enhancing the public airfield and making improvements to the public parking facilities at the Airport. At the same time, the Authority continues to strive to avoid or minimize adverse local and regional impacts associated with operations at the Airport and the Authority’s other facilities. The FY11-FY15 Capital Program includes \$1.023 billion of capital projects. Funding for these projects will be provided from Massport- generated funds, FAA, TSA and other grant funding, bond proceeds, PFCs, CFCs and third party or other non-recourse funding sources. The Authority continues to place the highest priority on protecting its customers and making Logan Airport, Hanscom Field, Worcester Regional Airport and the Port, as safe and secure as possible.

#### **Federal Funding**

The Authority participates in the FAA’s Airport Improvement Program (“AIP”), which provides Airport and Airway Trust Fund money for airport development, airport planning and noise abatement programs. The FAA offers both entitlement and discretionary grants for eligible projects. AIP grant revenue in fiscal years 2011 and 2010 totaled \$19.6 million and \$31.3 million, respectively. AIP grant revenue represented approximately 87.0% and 91.0% of total capital grant revenue earned during fiscal year 2011 and 2010, respectively. In addition to the AIP Program, the Authority received Federal funding totaling of \$2.9 million and \$3.1 million during fiscal year 2011 and 2010, respectively, for environmental and security enhancements.

During fiscal year 2004, the Authority and the FAA executed a Letter of Intent (“LOI”) pursuant to which the FAA agreed to provide approximately \$90.8 million in grants over an eight-year period to assist the Authority with its airside improvement program. In fiscal year 2011, the Authority secured \$8.6 million in grants under the LOI, which was included in the \$19.6 million AIP grant revenue discussed above.

During fiscal year 2011, the Authority completed three airport development projects funded by the FAA through the American Recovery and Reinvestment Act (“ARRA”). The Authority received a total of \$15.1 million in ARRA funding from the FAA to (i) re-pave Logan Airport’s 7,000 foot runway (Runway 9/27) with environmentally-friendly “warm mix” asphalt which uses 20% less energy to manufacture, (ii)

install in-pavement centerline lights at Logan Airport's Taxiway A to enhance pilot visibility in this area and (iii) make taxiway improvements at Hanscom Field.

### **Passenger Facility Charge Program**

During fiscal year 2011, the Authority received approval from the FAA to increase the \$4.50 PFC collection authorization to \$1.4 billion. The projected expiration date for the collection is December 1, 2023. Please see further discussion in the MD&A section and Note 1 in the notes to the financial statements attached hereto.

### **Customer Facility Charge Program**

In fiscal year 2010, the Members of the Authority approved a CFC of \$6.00 per day for car rentals that originate from Logan Airport. CFCs and the proceeds from the CFC Bonds are being used to design and construct a Consolidated Rental Car Facility (the "ConRAC"). Please see Notes 1 and 5 to the financial statements attached hereto.

### **Financial Policies and Practices**

#### ***Internal Control Environment***

The Authority's financial statements are prepared on an accrual basis of accounting. The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the complete and accurate preparation of financial statements in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise funds. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Additionally, the Authority's Internal Audit function maintains oversight over the key areas of the Authority's business and financial processes and controls. The Authority's Internal Audit team evaluates the Authority's internal control structure. In addition, the Authority's Audit and Finance Committee plays a critical role in the oversight of the Authority's internal control structure. This committee meets with the senior staff of the Authority and has regular communication with the Authority's independent auditors, PricewaterhouseCoopers LLP. Internal Audit reports directly to the Authority's Audit and Finance Committee.

#### ***Budgetary Controls***

Operating budgetary controls and evaluations are accomplished by comparing actual interim and annual results with the budget. The Authority prepares budget and non-GAAP actual financial statements on a monthly basis and prepares unaudited GAAP financial statements on a quarterly basis.

If significant changes occur in the amounts available from expected funding sources, or if the costs of certain projects increase significantly, the Authority will reduce the scope of proposed projects, the overall capital program or both. Many of the commitments within the Authority's capital plan have already been authorized by the Authority and extend over several years. Nevertheless, each project within its capital program is a separate "module" that the Authority approves individually along with a separate project budget. This permits the Authority to undertake the construction and financing of each of these additional projects independently of other capital projects. The Authority believes that the modular design of the capital program significantly increases its ability to make adjustments in capital spending when necessary.

#### ***Cash Management and Investments***

All investments must be made pursuant to the Investment Policy adopted in fiscal year 2000 and amended in February 2010 by the Members of the Authority. The majority of the Authority's cash and investments

are held by the Trustees (in the Authority's name) under the Trust Agreements and are invested at the direction of the Authority. An investment committee meets monthly to review projected cash flow needs and investments, and an investment oversight committee meets quarterly to review the Authority's existing portfolios for compliance with the Investment Policy and external benchmarks, and to revise the existing investment strategies for the Authority's various funds, if necessary.

Cash collections during fiscal year 2011 of approximately \$536.3 million were sufficient to meet the Authority's operating expenses, make required debt service payments and make the necessary investments in its existing infrastructure assets and new capital programs for the continued benefit of its transportation constituents. For additional information regarding the Authority's cash management and investment policy please read the MD&A section and supporting notes.

### ***Capital Financing and Debt Management***

All debt must be issued pursuant to the Debt Issuance and Debt Management Policy adopted in February 2010 by the Members of the Authority. As of June 30, 2011 outstanding debt obligations of the Authority issued pursuant to the Trust Agreements totaled approximately \$1.63 billion including subordinated revenue bonds but excluding commercial paper. Special facilities revenue bonds issued on behalf of and payable by certain borrowers are excluded because they are not obligations of the Authority. In fiscal year 2011, the total amount applied to pay debt service on obligations issued pursuant to the 1978 Trust Agreement (not including subordinate obligations) and the PFC Trust Agreement was an aggregate of \$105.0 million and \$22.9 million, respectively. Due to the timing of the CFC Bonds issuance, there was no CFC Bonds debt service due in fiscal year 2011.

The rating agencies have recognized the value of the Authority's prudent financial management, revenue diversity and underlying market strengths. As of June 30, 2011, the Authority's revenue bonds had ratings of AA by Fitch, Aa3 by Moody's and AA- by S&P. The Authority has met or exceeded its debt service requirements, coverage ratios and other compliance issues related to the Trust Agreements.

For additional information regarding the Authority's capital financing and debt management policy please read the MD&A section and supporting notes.

## **OTHER INFORMATION**

### ***Independent Audit***

An audit of the Authority's financial statements as of and for fiscal years 2011 and 2010 has been completed by the Authority's independent auditor, PricewaterhouseCoopers LLP. Its report is included herein and includes an unqualified opinion on the Authority's financial statements.

### ***Awards***

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2010. This was the tenth consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Authority believes that its current CAFR continues to meet the Certificate of Achievement program's requirements, and it will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for fiscal year 2011.

### ***Acknowledgements***

We would like to take this opportunity to thank the Members of the Authority and our employees for their dedication and commitment to our mission - established more than 50 years ago - which is to be an

economic engine for the entire Commonwealth. Our efforts each day to provide high levels of customer service, safe, sound, and reliable infrastructure and a business climate that promotes and encourages investment in our properties are the characteristics that set this Authority apart. Additionally, we would like to thank all the employees of the airlines, shipping and cruise lines, and our tenants and business partners who are also an integral part of the Authority's success. Most importantly, we thank all of our loyal customers, whom we enjoy serving each and every day.

We dedicate this CAFR to the Authority's former CEO and Executive Director, Mr. Thomas J. Kinton, Jr. who recently retired after devoting over 35 years of professional service to the Authority. On behalf of everyone at Massport, we want to thank Mr. Kinton for his service, his leadership and his friendship, and wish him the very best in his retirement.

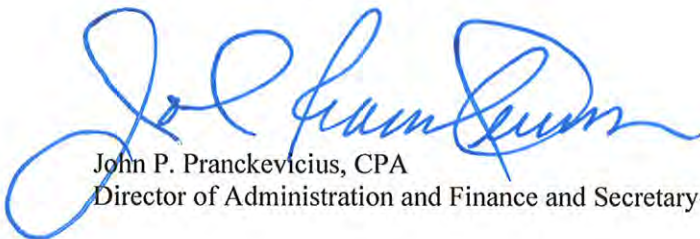
***Requests for Information***

For additional information concerning the Authority, please see the Authority's website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the website at <http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2011 are available at <http://www.emma.msrb.org> and from the Authority. The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer of the Massachusetts Port Authority.

Very truly yours,



David S. Mackey  
Interim CEO and Executive Director



John P. Prankevicius, CPA  
Director of Administration and Finance and Secretary-Treasurer



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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Massachusetts Port Authority

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

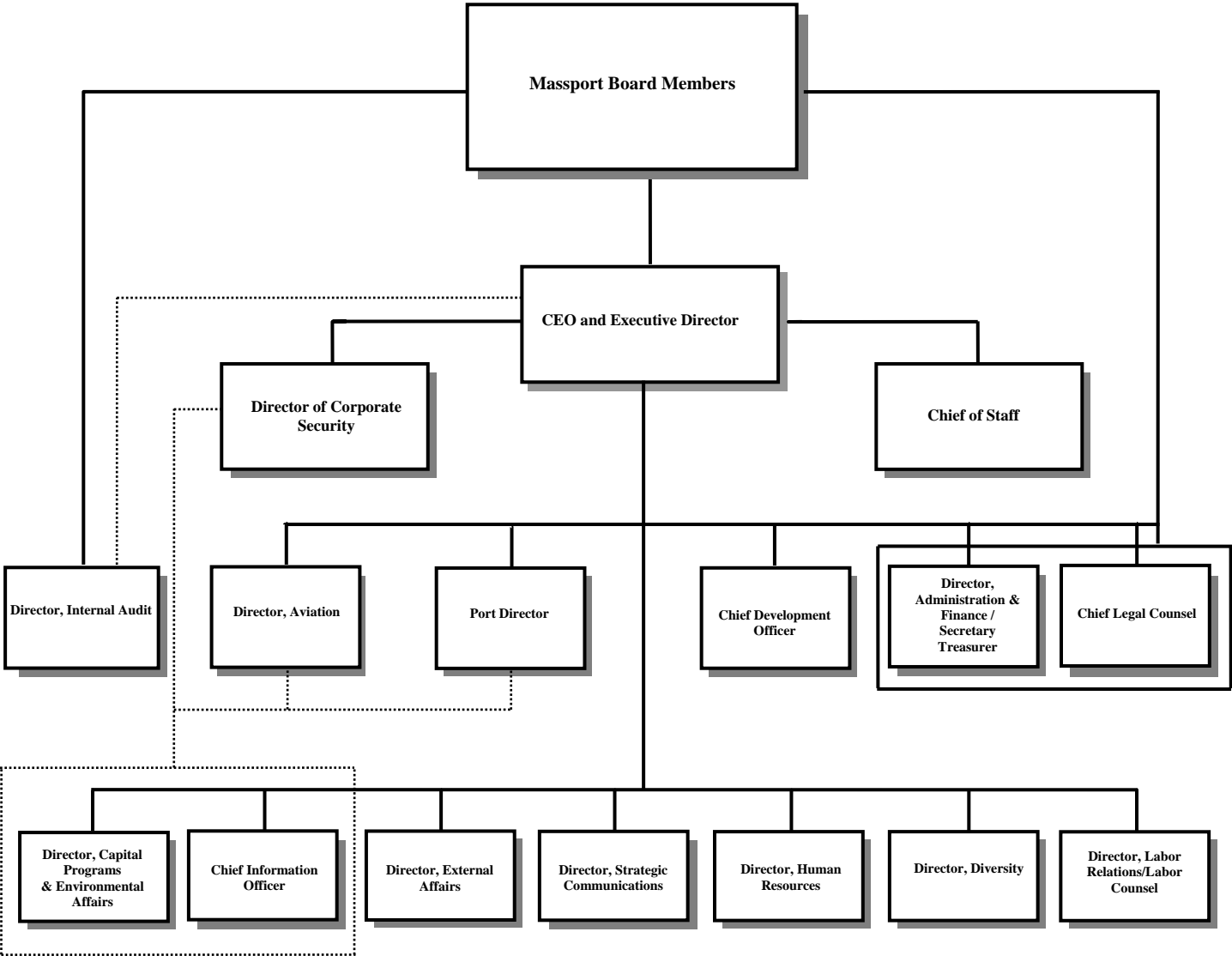


President

Executive Director

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Massport Organization Chart



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## ***Authority Board Members***

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The Authority consists of seven Members; six appointed by the Governor of Massachusetts to staggered terms of seven years each, and the Secretary and Chief Executive Officer of MassDOT.  
Members serve without compensation.

**Richard A. Davey**, Chairman, Secretary and Chief Executive Officer of MassDOT

**Michael Angelini**

**Douglas Husid**

**Paul J. McNally**

**Frederic Mulligan**

**Kathryn West**

**Vacant Position**

## ***Executive Staff***

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**David S. Mackey**, Interim CEO and Executive Director

**George K. Hertz**, Chief of Staff

**John P. Prankevicius**, Director of Administration and Finance/Secretary-Treasurer

**Francis X. Anglin**, Chief Information Officer

**Sandra Casey Buford**, Director of Diversity

**Edward C. Freni**, Director of Aviation

**David M. Gambone**, Director of Human Resources

**Michael A. Leone**, Port Director

**Danny T. Levy**, Director of Strategic Communications

**David S. Mackey**, Chief Legal Counsel

**Lowell L. Richards, III**, Chief Development Officer

**Houssam H. Sleiman**, Director of Capital Programs & Environmental Affairs

**Kelly B. Strong**, Director of Labor Relations/Labor Counsel

**Gail S. Titus**, Director of Internal Audit

**Dennis P. Treece**, Director of Corporate Security

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## ***American United Fire Boat***

Massport Fire Rescue made major gains to improve its emergency response capabilities when the department took ownership of a new high performance fire boat, christened American United. The new 79-foot Ranger 2400 Class fire boat is named in honor of American Airlines Flight 11 and United Airlines Flight 175, the two aircraft commandeered from Logan Airport on September 11, 2011. The vessel will replace the 40 year-old Howard W. Fitzpatrick. The American United can travel at 24 knots even when fully-loaded and gives Massport's emergency crews unmatched capabilities for quick emergency response, search and rescue, and fire-fighting. Its all-welded aluminium frame is ice-strengthened for operations year-round in Boston Harbor's often unforgiving conditions. The American United is equipped with two, 3,000 gallon-per-minute main fire pumps as well as a foam injection system. The fire boat is also equipped with 30 life rafts for potential water rescues and flood lighting and thermal imaging for effective night operations.



**MASSACHUSETTS PORT AUTHORITY**

Financial Statements, Required Supplementary Information, and  
Supplementary Schedules

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)





## **Report of Independent Auditors**

To the Members of the Massachusetts Port Authority:

In our opinion, the accompanying statements of net assets, and the related statements of revenues, expenses, and changes in net assets, and statements of cash flows present fairly, in all material respects, the financial position of the Massachusetts Port Authority (the "Authority") (a public instrumentality of The Commonwealth of Massachusetts) and the statements of trust net assets and the related statements of changes in trust net assets of the Massachusetts Port Authority Retiree Benefits Trust at June 30, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Management's Discussion and Analysis presented on pages 19 through 37 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Schedule of Pension Funding Progress and the Schedule of OPEB Funding Progress on page 78 is not a required part of basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedules presented on pages 79 through 82 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis only and are not a required part of the basic financial statements. Such information has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

*PricewaterhouseCoopers LLP*

September 27, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Introduction*

The following discussion and analysis of the financial performance and activity of the Massachusetts Port Authority (the "Authority") is intended to provide an introduction and an overview of the financial statements of the Authority as of and for the fiscal years ended June 30, 2011, 2010 and 2009, respectively. This discussion should be read in conjunction with the audited financial statements attached hereto. Management has established and maintains certain internal controls and procedures designed to ensure that the annual financial statements are free from material misstatement and that all required disclosures are made in its annual financial statements. Management has reviewed the Authority's current internal controls and procedures within the past ninety days and believes that such controls and procedures are adequate in order to record, process, summarize and report to management material information required to be disclosed by the Authority in its annual financial statements.

The Authority owns Logan Airport, Hanscom Field, Worcester Regional Airport ("Worcester Airport"), Conley Terminal and various other maritime properties (the "Port"). As of January 1, 2010, the Authority transferred the Tobin Bridge to the Massachusetts Department of Transportation ("MassDOT") and on July 1, 2010, the Authority purchased Worcester Regional Airport as required under the Transportation Reform Act of 2009. Please see Notes 1, 4 and 13 to the financial statements attached hereto. The Authority has no taxing power and is not taxpayer funded. It uses revenues from landing fees, parking fees, fees from terminal and other rentals, revenues from concessions, tolls, ground rents, and other charges to fund operating expenses. The Authority's revenues also fund its capital expenditures and include other sources such as federal grants, passenger facility charges ("PFCs"), and customer facility charges ("CFCs"). The Authority issues revenue bonds which are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement, respectively. The Authority's bonds do not constitute a debt or a pledge of the full faith and credit of the Commonwealth of Massachusetts or of any political subdivision thereof.

### **The Financial Statements**

The Authority's financial statements include three financial statements: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and the Statements of Cash Flows. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

The comparative Statements of Net Assets depict the Authority's financial position as of a point in time, specifically June 30, 2011, and 2010 and include all assets and liabilities of the Authority. The net assets represent the residual interest in the Authority's assets after liabilities are deducted. The Authority's net assets are divided into three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Please see Note 1 in the financial statements attached hereto for a discussion on the Authority's net assets.

The Statements of Revenues, Expenses and Changes in Net Assets report operating revenues, operating expenses, non operating revenue and expenses, and, at June 30, 2010, a special item related to the transfer of the Tobin Bridge to MassDOT, and other changes in net assets for the period ending of the fiscal year. Revenues and expenses are categorized as either operating or non operating based upon management's policies as established in accordance with definitions set forth by the GASB. Certain sources of the Authority's revenues, including PFCs, and CFCs, investment income and capital grants are reported as

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non operating revenues and their uses are restricted and generally are not available for operating purposes. Please see Note 1 in the financial statements for additional information.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classifies cash receipts and cash payments resulting from operating activities, capital and related financing activities, and investing activities.

### **Financial Highlights**

- Logan Airport serviced 28.4 million passengers in fiscal year 2011, a 2.1 million, or 8.0% increase in passengers when compared to fiscal year 2010. Factors contributing to Logan's passenger growth include the expansion of low cost carrier service to preferred destinations, increased market share from other regional airports, growth in legacy carrier service, and the recovering regional economy.
- The Authority issued \$214.1 million of Special Facilities Revenue Bonds which will be used to construct a consolidated rental car facility ("ConRAC") on Airport property. The bonds are secured by a pledge of \$6.00 CFC for each day a customer rents a car originating from Logan Airport.
- The Authority's net assets grew to \$1.69 billion, a \$64.5 million or 4.0% increase over last year. Operating revenues exceeded operating expenses by \$13.4 million, net non operating revenues were \$28.6 million, and capital grant revenue was \$22.5 million.
- The Authority also issued five series of revenue bonds in August 2010. The \$97.9 million of Series A bonds were issued to fund certain projects within the Authority's capital program and the Series B, C, D, and E Bonds were refunding bonds issued in the aggregate amount of \$326.5 million, generating over \$13.5 million in present value savings.
- At the Authority's request, the Federal Aviation Administration ("FAA") approved the Authority's PFC collection authority by an additional \$392.1 million dollars to finance in whole or in part eleven additional capital projects.

The Authority's net assets increased \$64.5 million or 4.0%, during fiscal year 2011. The net asset increase in fiscal year 2011 was a result of the recognition of \$22.5 million in capital grant revenues, generation of \$13.4 million of operating income, recognition of \$84.7 million in PFC and CFC revenues, and \$11.7 million of interest income. The above non operating income was offset by the recognition of \$60.0 million of interest expense on the Authority's bonds and notes during the fiscal year and other miscellaneous expenses of \$7.8 million.



## The Authority's Condensed Statements of Revenues, Expenses and Changes in Net Assets

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Operating revenues	\$ 537.6	\$ 527.9	\$ 9.7	1.8%
Operating expenses	354.8	343.4	11.4	3.3%
Depreciation and amortization	169.4	164.1	5.3	3.2%
Operating income	13.4	20.4	(7.0)	-34.3%
Nonoperating revenues (expenses):				
Passenger facility charges	58.5	58.6	(0.1)	-0.2%
Customer facility charges	26.2	20.7	5.5	26.6%
Investment income	11.7	14.9	(3.2)	-21.5%
Other income/(expense), net	(1.7)	2.5	(4.2)	-168.0%
PFC contribution to Terminal A debt service	(6.1)	-	(6.1)	-100.0%
Interest expense	(60.0)	(66.9)	6.9	-10.3%
Total nonoperating revenues (expenses), net	28.6	29.8	(1.2)	-4.0%
Capital grant revenue	22.5	34.3	(11.8)	-34.4%
Increase in net assets before special item	64.5	84.5	(20.0)	-23.7%
Transfer Tobin Bridge	-	(78.0)	78.0	-100.0%
Increase in net assets	\$ 64.5	\$ 6.5	\$ 58.0	892.3%

The Authority's net assets increased \$6.5 million or 0.4% during fiscal year 2010. The increase in net assets before the special item was \$84.5 million, a \$6.1 million or 7.8% increase over fiscal year 2009. The Authority generated \$20.4 million in operating income as cost reductions put into effect were more than the reduced level of revenues incurred as a result of the mid-year transfer of the Tobin Bridge. The Authority generated non operating income, net of \$29.8 million mainly from the recognition of revenues related to PFCs, CFCs, and interest income, offset by \$66.9 million of interest expense related to outstanding bonds and notes. The Authority also recognized \$34.3 million in various federal and state grants. To account for the Tobin Bridge transfer to MassDOT on January 1, 2010 the Authority recognized a special charge against net assets in the amount of \$78.0 million.

## The Authority's Condensed Statements of Revenues, Expenses and Changes in Net Assets

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Operating revenues	\$ 527.9	\$ 542.8	\$ (14.9)	-2.7%
Operating expenses	343.4	362.8	(19.4)	-5.3%
Depreciation and amortization	164.1	156.7	7.4	4.7%
Operating income	20.4	23.3	(2.9)	-12.4%
Nonoperating revenues (expenses):				
Passenger facility charges	58.6	50.1	8.5	17.0%
Customer facility charges	20.7	5.2	15.5	298.1%
Investment income	14.9	22.6	(7.7)	-34.1%
Other income/(expense), net	2.5	7.9	(5.4)	-68.4%
Interest expense	(66.9)	(73.7)	6.8	-9.2%
Total nonoperating revenues (expenses), net	29.8	12.1	17.7	146.3%
Capital grant revenue	34.3	43.0	(8.7)	-20.2%
Increase in net assets before special item	84.5	78.4	6.1	7.8%
Transfer Tobin Bridge	(78.0)	-	(78.0)	-100.0%
Increase in net assets	\$ 6.5	\$ 78.4	\$ (71.9)	-91.7%

### Operating Revenues

Operating revenues of the Authority consist primarily of fees, rentals, concessions and operating grants. Fees and other services ("Fee Revenue") are comprised essentially of parking fees, landing fees, and container handling fees. Rental revenues are earned through lease agreements for building and ground rents across the Authority's asset base, including Logan Airport, Hanscom Field, Worcester Airport and Port properties. Concession revenues consist primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus services, limousine services, and retail operations. The following table is a discussion of the Authority's major operating revenues as shown on the Authority's Condensed Statements of Revenues, Expenses and Changes in Net Assets.

### The Authority's Condensed Operating Revenues

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Operating revenues:				
Fees, tolls and other services	\$ 276.4	\$ 277.8	\$ (1.4)	-0.5%
Rentals	174.4	167.2	7.2	4.3%
Concessions	65.9	62.3	3.6	5.8%
Other, including operating grants	20.9	20.6	0.3	1.5%
Total operating revenues	\$ 537.6	\$ 527.9	\$ 9.7	1.8%

The Authority's operating revenues for fiscal year 2011 were \$537.6 million, an increase of \$9.7 million or 1.8% from fiscal year 2010. The increase in operating revenue is primarily attributable to 2.1 million more passengers serviced at Logan Airport in fiscal year 2011 which helped increase parking revenue,

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concession revenues, ground service revenues, and landing fees. The increase in Logan revenue helped offset the \$15.1 million loss of toll revenue as a result of the Tobin Bridge transfer to MassDOT.

### The Authority's Condensed Operating Revenues

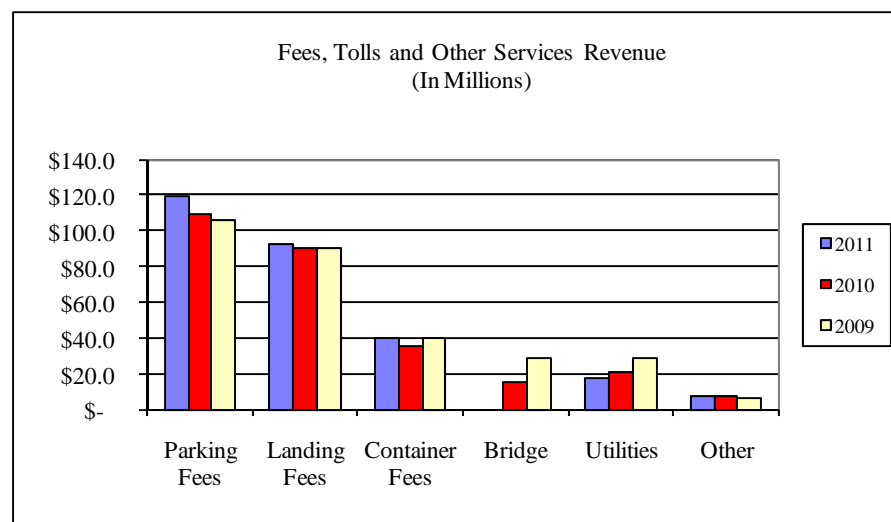
	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Operating revenues:				
Fees, tolls and other services	\$ 277.8	\$ 298.4	\$ (20.6)	-6.9%
Rentals	167.2	166.0	1.2	0.7%
Concessions	62.3	60.8	1.5	2.5%
Other, including operating grants	20.6	17.6	3.0	17.0%
Total operating revenues	<u>\$ 527.9</u>	<u>\$ 542.8</u>	<u>\$ (14.9)</u>	<u>-2.7%</u>

Fiscal year 2010 operating revenues when compared to fiscal year 2009 decreased \$14.9 million, or 2.7% to \$527.9 million. This decline in operating revenues is primarily attributable to the \$13.7 million reduction in Tobin Bridge revenue recognized by the Authority in fiscal year 2010 in comparison to fiscal year 2009 as a result of transferring the Tobin Bridge to MassDOT on January 1, 2010.

### *Fees, Tolls and Other Services*

Fees and other services revenues were \$276.4 million during fiscal year 2011, a \$1.4 million or 0.5% decrease when compared to \$277.8 million during fiscal year 2010. Landing fees and parking revenues were \$11.5 million or 5.8% higher in fiscal year 2011 than in fiscal year 2010. The Tobin Bridge toll revenue and the Authority wide utility revenue declined in fiscal year 2011 by approximately \$16.9 million. The decline is due primarily to the loss of \$15.1 million in toll revenue and lower utility revenues due to lower natural gas prices that are passed on to tenants. This was offset by an increase in container revenue at Conley Terminal of \$3.7 million.

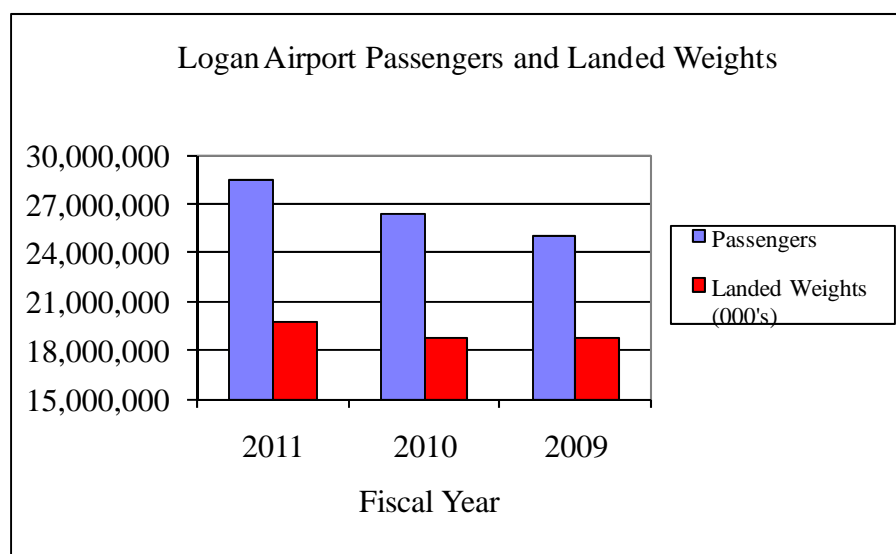
The following table is a presentation of the revenue components included in Fee Revenue by the Authority's primary business operations:



**Aviation Activity.** Logan Airport, Hanscom Field and Worcester Airport (collectively “Aviation”) parking fees, landing fees and utility fees comprise the majority of Aviation fee revenue. During fiscal year 2011, the Authority earned approximately \$226.9 million in Aviation fee revenue. This represented an increase of 4.1% as compared to the fiscal year 2010 total of \$218.0 million.

Logan Airport has experienced passenger growth for two consecutive years. In fiscal year 2011 Logan Airport serviced 28.4 million passengers, an increase of 2.1 million passengers, or 8.0% in comparison to the 26.3 million passengers served during fiscal year 2010. The increase in passenger activity can be attributed to the full year of service for the four new airlines serving Logan Airport, the recapture of passenger market share from other New England airports, growth in legacy carriers, and other economic factors. Logan airport served 26.3 million passengers in fiscal year 2010, an increase of 1.3 million passengers from the 25.0 million passengers Logan serviced in fiscal year 2009. Logan Airport’s aircraft operations (take-offs and landings) increased 4.0% in fiscal year 2011 to 362,000 operations when compared to the 348,000 aircraft operations in fiscal year 2010. Aircraft operations for fiscal year 2009 were 351,000. The increase in aircraft operations in fiscal year 2011 is mainly attributed to the growth in flights provided by low cost carriers at Logan Airport.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The scheduled airline fee structure is determined annually based on full cost recovery to maintain the landing field pursuant to an arrangement between the Authority and the respective airlines. Landing fees earned from airline activity were \$92.4 million during fiscal year 2011, a 2.0% increase compared to \$90.6 million earned during fiscal year 2010. Management cost controls limited overall airfield expenses during the year keeping landing fee revenue increases below the rate of inflation. In fiscal year 2010 landing fee revenue was \$90.6 million or less than a 1.0% increase over fiscal year 2009 landing fee revenue of \$89.9 million. During fiscal years 2011, 2010 and 2009, Logan Airport handled 19.71 billion pounds, 18.68 billion pounds, and 18.74 billion pounds of landed weight, respectively.



During fiscal year 2011, the Authority collected \$116.5 million in parking revenue, an increase of \$9.4 million or 8.8% compared to fiscal year 2010. This increase in parking revenues is attributable to the

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opening of the new economy parking garage and to the 8.0% increase in passenger volume experienced at the Authority properties in fiscal year 2011.

During fiscal year 2010, the Authority collected \$107.1 million in parking revenue, an increase of \$4.1 million or 4.0% compared to fiscal year 2009. This increase in parking revenues was attributable primarily to the 5.2% increase in passenger volume experienced at the Authority properties in fiscal year 2010.

**Port Activity.** The Port generated \$45.0 million in fee revenue during fiscal year 2011. This was an increase of \$4.4 million or a 10.8% from the fiscal year 2010 total of \$40.6 million. Terminal handling fees, which represent the majority of the Port's fee revenue activity, are fees charged to the shipping lines for the loading and unloading of containers from their vessels. During fiscal year 2011 the Port serviced 107,000 containers, 5.9% higher than the 101,000 containers serviced in fiscal year 2010. The higher container volume reflects an increase in imports and exports processed through the Port as the economy improved, unemployment in Massachusetts declined, and consumers and businesses increased spending. During fiscal year 2010 the Port generated \$40.6 million in Port revenue, a 8.6% or \$3.8 million decline over fiscal year 2009 revenues of \$44.4 million. The 101,000 containers serviced by the Port in fiscal year 2010 was 12.1% lower than the 115,000 containers serviced in fiscal year 2009. The contracting economy, lower business and individual consumption, and increase in unemployment resulted in fewer imports and exports processed by the Port in fiscal year 2010.

**Tobin Bridge Activity.** With the transfer of the Bridge to MassDOT in January 2010 the Authority did not earn any toll revenue in fiscal year 2011. The Authority operated the Tobin Bridge for the first six months of fiscal year 2010, during which time it realized \$15.1 million in Tobin Bridge revenue. This was a \$13.7 million or 47.4% decrease compared to the \$28.7 million in Tobin Bridge revenue recognized in the twelve months of fiscal year 2009.

### ***Rentals***

Logan Airport accounts for \$149.9 million or 86.0% of the \$174.4 million in total rental revenue recorded in the Authority's financial statements. Airport rental revenue is earned from airlines and other tenants for the terminal buildings, cargo and hangar space they occupy on airport property.

Rental revenues at Logan Airport were \$149.9 million, an increase of \$6.2 million or 4.3% in fiscal year 2011, when compared to the \$143.7 million in fiscal year 2010. The increase reflects the reduction in vacancy rates at Logan Airport's facilities as a result of adding new carriers at Logan Airport. In addition, the Authority collects rental revenue on Port properties and land that it owns. During fiscal year 2011, the Authority earned approximately \$14.8 million in rental revenue on Port properties, an increase of approximately \$1.1 million or 8.0% over fiscal year 2010. The combined total of rental revenue for Maritime Operations, Hanscom Airport and Worcester Airport was \$9.7 million in fiscal year 2011. This was 2.0% a \$200 thousand decline over the amount collected in fiscal year 2010. Rental revenue for Maritime Operations, Hanscom Airport and Worcester Airport in fiscal year 2011 was \$5.2 million, \$4.3 million and \$0.2 million, respectively.

During fiscal year 2010, Logan Airport rental revenues were \$143.7 million, an increase of \$1.0 million or 0.7% when compared to fiscal year 2009. The Port properties rental revenues of \$13.7 million was a \$0.7 million or 4.9% decrease when compared to fiscal year 2009. Rental revenues from Maritime Operations and Hanscom Field increased \$1.0 million or 11.2% due to the rental rate increases in existing ground leases that went into effect during fiscal year 2010.

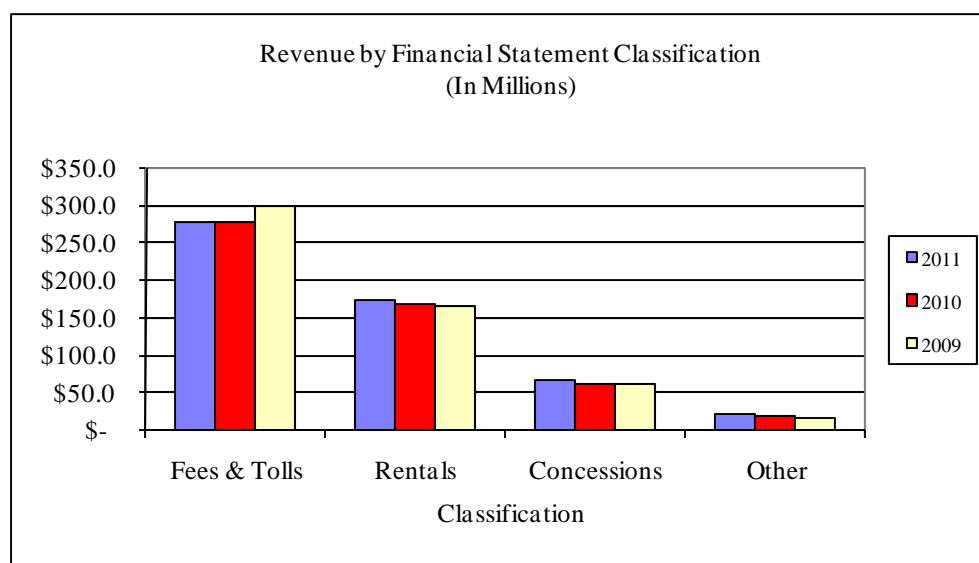
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## ***Concessions***

During fiscal year 2011, the Authority earned \$65.9 million in concessions revenue compared to \$62.3 million in fiscal year 2010, an increase of \$3.6 million or 5.8%. Concessions revenue consists of fees earned from ground services for airport passengers such as car rentals, taxis, bus and limousine services, as well as retail operations within the Airport's terminals. During fiscal year 2011, the Authority earned approximately \$35.0 million in ground service fees compared to \$33.8 million in fiscal year 2010. This represented an increase of \$1.2 million in ground service fees or approximately 3.6%, primarily from an increase in passenger activity serviced at Logan in fiscal year 2011. During fiscal year 2011, other concession revenues generated from food and beverage, news and gifts, duty free shops, specialty shops and other concessions totaled \$30.9 million in fiscal year 2011, an increase of \$2.5 million or 8.8% over the \$28.4 million collected in fiscal year 2010.

During fiscal year 2010, the Authority's concessions revenue totaled \$62.3 million an increase of \$1.5 million or 2.5% when compared to fiscal year 2009. During fiscal year 2010, the Authority's ground service fees increased \$0.8 million or 2.4% over fiscal year 2009. In fiscal year 2010, other concession revenues also increased by \$0.8 million or 2.9% over fiscal year 2009. The concessions revenue increase during fiscal year 2010 was primarily the result of the 5.2% increase in passenger activity.

The following depicts the Authority's significant revenue components by financial statement classification:



## ***Operating Expenses (including depreciation and amortization)***

Fiscal year 2011 operating expenses for the Authority were \$524.2 million, an increase of \$16.7 million or 3.3% compared to fiscal year 2010. The Authority had expense increases due to extraordinary winter weather, greater Maritime container volume and supplies for newly purchased cranes. Additionally, health insurance and earned benefits, and other general expenses including utilities, terminal maintenance, and computer services were higher to service the 2.1 million more airline passengers at Logan Airport. Considerable savings from fiscal year 2010 include a lower employer pension contribution resulting from the rebound in the stock market that distributed positive returns on pension assets, well negotiated insurance coverage pricing, and adjustments to other post employment benefit premiums. The non cash

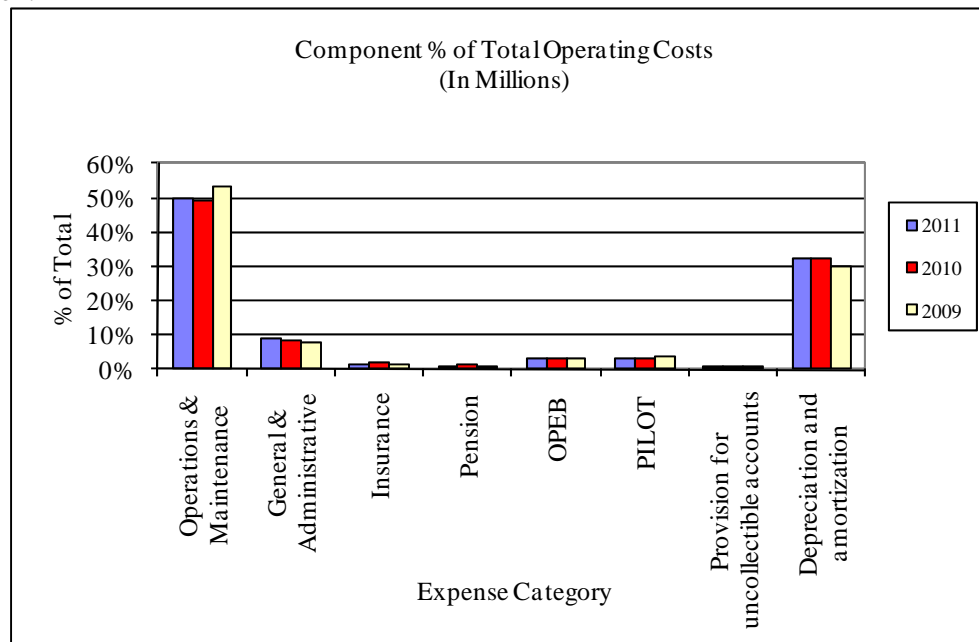
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depreciation expense increased by \$5.3 million or 3.2% as a result of new capital assets being placed into service during fiscal year 2011.

### The Authority's Condensed Operating Expenses

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Operating expenses:				
Operations & maintenance	\$ 262.4	\$ 249.7	\$ 12.7	5.1%
General & administrative	46.0	41.7	4.3	10.3%
Insurance	7.3	8.9	(1.6)	-18.0%
Pension	4.9	7.6	(2.7)	-35.5%
Other post-employment benefits	16.5	17.5	(1.0)	-5.7%
Payments in lieu of taxes	17.3	17.5	(0.2)	-1.1%
Provision/(Recovery) for uncollectible accounts	0.4	0.5	(0.1)	-20.0%
Depreciation and amortization	169.4	164.1	5.3	3.2%
Total operating expenses	<u>\$ 524.2</u>	<u>\$ 507.5</u>	<u>\$ 16.7</u>	<u>3.3%</u>
	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Operating expenses:				
Operations & maintenance	\$ 249.7	\$ 276.2	\$ (26.5)	-9.6%
General & administrative	41.7	42.0	(0.3)	-0.7%
Insurance	8.9	7.4	1.5	20.3%
Pension	7.6	0.4	7.2	1800.0%
Other post-employment benefits	17.5	16.7	0.8	4.8%
Payments in lieu of taxes	17.5	18.5	(1.0)	-5.4%
Provision/(Recovery) for uncollectible accounts	0.5	1.6	(1.1)	-68.8%
Depreciation and amortization	164.1	156.7	7.4	4.7%
Total operating expenses	<u>\$ 507.5</u>	<u>\$ 519.5</u>	<u>\$ (12.0)</u>	<u>-2.3%</u>

The following depicts the Authority's significant operating cost components by financial statement classification:



Fiscal year 2010 operating expenses for the Authority were \$507.5 million, a decrease of \$12.0 million or 2.3% compared to fiscal year 2009. The Authority implemented a series of cost containment initiatives that resulted in a \$19.4 million decrease in operating expenses. These initiatives included the implementation of an employee hiring freeze, new health care plan design and employee cost sharing measures related to health insurance, the reduction in service contracts (where lower passenger activity permitted) the reduction of other discretionary accounts, and lower utility costs primarily from low natural gas prices. The above cost reductions were offset by higher employer pension contributions as a result of the 27.4% decline in pension assets recognized by the Authority's pension system in 2009. The transfer of the Tobin Bridge also contributed to the reduction of expenses at that facility compared to the previous full year of expense. The non-cash depreciation expense increased by approximately \$7.4 million or 4.7% as a result of new capital assets being placed into service during fiscal year 2010.

### **Operations and Maintenance**

During fiscal year 2011, the Authority incurred \$262.4 million in operations and maintenance costs, which represents an increase of \$12.7 million or 5.1% from fiscal year 2010. The increase is primarily the result of some \$5.0 million in snow removal costs from severe winter conditions, \$2.8 million in earned benefits, employee health insurance rates and enrollment and professional training, \$2.2 million of Terminal and facilities maintenance, fleet repairs, and miscellaneous general expenses to service the 2.1 million more airline passengers at Logan Airport, \$1.7 million for pollution remediation, and \$1.0 million in stevedoring expenses related to cargo volumes and supplies to outfit newly purchased cranes. Fiscal year 2011 also included a full year of Worcester Airport costs totaling \$3.3 million and a reduction of expense from the Tobin Bridge transfer in fiscal year 2010 of \$3.1 million. Operations and maintenance expenses represent 50.1% of the Authority's total operating expenses. These expenses relate to the operations and maintenance of each of the Authority's facilities which includes Logan Airport, Hanscom Field, Worcester Airport, and the Port of Boston.

During fiscal year 2010, the Authority incurred \$249.7 million in operations and maintenance costs which represents a decrease of \$26.5 million or 9.6% from fiscal year 2009. The decrease was primarily a result of a formal cost reduction plan that included Bridge direct expenses, lower employee expenses as a result of a hiring freeze, stevedoring work rule changes, reduced PILOT obligations as well as discretionary expense cuts in marketing, travel, services, and training. Operations and maintenance expenses represent 49.2% of the Authority's total operating expenses in fiscal year 2010 and include Logan Airport, Hanscom Field, the Port of Boston, and a half year of the Tobin Bridge costs.

### **General and Administrative**

During fiscal year 2011, the Authority incurred \$46.0 million in general and administrative expenses, an increase of \$4.3 million or 10.3% compared to fiscal year 2010. Increases include \$2.0 million due to higher health care rates, earned benefits, and career training and development, \$1.5 million for website and financial system development, computer purchases, IT and operational security analysis, mitigation payments, marketing promotions and commercial advertising, and other costs. Fiscal year 2011 also included a full year of Worcester Airport costs totaling \$1.6 million and a reduction of expense from the Tobin Bridge transfer in fiscal year 2010 of \$1.2 million. General and administrative expenses as a percent of the Authority's total expense remained constant at 8.8% and 8.2% for fiscal year 2011 and 2010, respectively.

During fiscal year 2010, the Authority incurred \$41.7 million in general and administrative expenses, a decrease of \$0.3 million or 0.7% compared to fiscal year 2009. General and administrative expenses as a percent of the Authority's total expense remained constant at 8.2% and 8.1% for fiscal year 2010 and 2009, respectively.

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## **Risk Management**

The Authority has a comprehensive insurance program covering all its facilities and operations in an attempt to limit the cost of any personal injury or property damage claims. Additionally, as mandated by the 1978 Trust Agreement, the Authority maintains a self insurance fund for general liability and workers compensation claims. In connection with the self insurance and insurance programs, the Authority retains part of the losses incurred and internally manages the self insured claims. Insurance is purchased above the self-insured amounts, subject to availability and reasonableness of cost.

Insurance expense at June 30, 2011 was \$7.3 million, a decrease of \$1.6 million or 18.0% from fiscal year 2010. This was in line with the fiscal year 2009 expense of \$7.4 million. This decrease in insurance expense is due to lower insurance premiums, and other self insurance adjustments to the Authority's self insurance accounts made during the fiscal year. During fiscal year 2010, insurance expense increased \$1.5 million or 20.3 % over fiscal year 2009. The increase during fiscal year 2010 was a result of the Authority settling a number of self insurance claims during the year. Please see Note 9 in the financial statements attached hereto.

## **Other Post-employment Benefits**

The Authority established an irrevocable Retiree Benefits Trust in 2008 to provide sufficient resources to finance post-employment health care and life insurance benefits ("OPEB") for retired employees. The Trust is a legally separate entity used by the Authority to accumulate resources to fund its obligation over time in order to provide for retired employee health care benefits. The initial funding of the Trust was in the amount of approximately \$54.1 million. This created a net OPEB asset on the Authority's Statements of Net Assets.

To comply with GASB Statement No. 43 and No. 45 the Authority is recognizing the actuarially required contribution as an expense on the Statements of Revenues, Expenses, and Changes in Net Assets when future retirees earn their postemployment benefit rather than when they use their postemployment benefit. To the extent that the Authority does not fund its actuarially required contribution, a postemployment benefit liability is recognized on the Statements of Net Assets over time. Conversely, to the extent that an entity over funds its actuarially required contribution, a postemployment benefit asset (net OPEB asset) is recognized on the Statements of Net Assets and will be amortized over time.

The Annual Required Contribution for fiscal years 2011, 2010, and 2009 was \$17.2 million, \$18.3 million, and \$17.3 million, respectively. The Authority's actual contributions for fiscal years 2011, 2010 and 2009 was \$17.1 million, \$15.3 million, and \$14.9 million, respectively. More information about the Trust activities can be found in the separately issued Retiree Benefits Trust fund financial statements, Note 7 to these financial statements, and the Schedule of Funding Progress found in the Required Supplementary Information section of this report.

## **Payment in Lieu of Taxes**

During fiscal year 2011, the Authority incurred \$17.3 million in statutorily required Payment-in-Lieu-of-Tax ("PILOT") agreements with the City of Boston and the Town of Winthrop. The payments were a \$0.2 million or 1.1% decline from fiscal year 2010, and a \$1.0 million or 5.4 % decrease when comparing fiscal year 2010 to fiscal year 2009. The Authority's PILOT payments in fiscal years 2011 and 2010 decreased as a result of the Tobin Bridge being transferred to MassDOT and in accordance with the Transportation Reform Act, as of January 1, 2010, the portion of the Authority's PILOT obligations to the Cities of Boston and Chelsea attributable to the Tobin Bridge were assumed by MassDOT and are no longer an obligation of the Authority. These agreements provide long term financial assistance to the

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communities in recognition of the services they provide to the Authority and are intended to mitigate the impacts on the communities by the presence of the Authority's facilities. Please see Note 10 in the financial statements attached hereto.

### **Depreciation and Amortization**

The Authority recognized \$169.4 million in depreciation and amortization expense, an increase of \$5.3 million or 3.2% in fiscal year 2011 compared to fiscal year 2010. This increase is the result of \$186.8 million in new assets being placed into service during fiscal year 2011. In comparison, during fiscal year 2010 and 2009, the Authority placed into service new assets totaling \$191.2 million and \$138.3 million respectively. During fiscal year 2010, the Authority retired \$78.0 million in capital assets associated with the Tobin Bridge transfer resulting in lowered depreciation and amortization expenses for that period. Please see "Capital Assets" section and Note 1 in the financial statements attached hereto.

### ***Non operating Revenue and Expense***

The Authority recognized a net \$28.6 million in non operating revenue in fiscal year 2011, a decrease of \$1.2 million or 4.0% over the \$29.8 million recognized in fiscal year 2010. Non operating revenue in fiscal year 2010 was \$17.7 million higher than the \$12.1 million recognized in fiscal year 2009. The following provides a brief explanation of the account changes by category for the last two fiscal years.

#### **Passenger Facility Charge Revenues**

PFC revenues were \$58.5 million for fiscal year 2011 compared to \$58.6 million for fiscal year 2010, representing a decrease of \$0.1 million or 0.2%. During fiscal year 2010, PFC revenues increased \$8.5 million or 17.0% when compared to fiscal year 2009. PFC revenues are recognized at the time the airline ticket is purchased, which does not have a fixed relationship with the actual travel date. As a result, the Authority can experience increases or decreases in passenger facility charge revenues based on changes in the time between ticket purchase date and the actual travel date.

As part of the Final Agency Decision issued by the FAA in 2011, the Authority was authorized to use up to \$14.4 million per year in PFCs to pay approximately one-third of the debt service on the Terminal A Special Facility bonds. The Authority chose to make this use of PFC revenue in order to offset the increase in Terminal A rates and charges that would have resulted from the scheduled increase in Terminal A debt service associated with the beginning of principal payments on January 1, 2012 for the Terminal A bonds. As Terminal A was already the most expensive terminal at Logan, this use of PFCs will keep the disparity of the rates across terminals from growing, and facilitate the Authority's ability to assign carriers to Terminal A.

#### **Customer Facility Charge Revenues**

In fiscal year 2009, the Authority instituted a CFC of \$4.00 per day for car rentals which originate from Logan Airport. Effective December 2009, the CFC was increased to \$6.00 per transaction day. The proceeds of the CFC are being used to evaluate, design and construct a consolidated rental car facility ("ConRAC"). During fiscal year 2011, the Authority adopted a new CFC Trust Agreement and issued \$214.1 million in CFC backed Special Facility Revenue Bonds to further the design and construction of the ConRAC. The Authority recognized \$26.2 million, \$20.7 million and \$5.2 million in CFC revenues in fiscal year 2011, 2010, and 2009, respectively. This increase of \$5.5 million over fiscal year 2010 is the result of a full year's activity collecting CFCs in fiscal year 2011 at the higher \$6.00 CFC rate. For fiscal year 2009, the CFC program was placed in effect for only a portion of the year and at the \$4.00 rate.

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## **Investment Income**

The Authority earned \$11.7 million in investment income during fiscal year 2011. This represents a decrease of \$3.2 million or 21.5% as compared to fiscal year 2010. This is the result of the continuation of declining interest rates throughout much of the year. During fiscal year 2010, the Authority's investment income decreased \$7.7 million or 34.1% as a result of declining interest rates, the loss of the Tobin Bridge toll revenue subsequent to January 1, 2010, and the payment of \$21.7 million, inclusive of a \$0.8 million call premium, to defease Tobin Bridge related outstanding bonds in July 2009 which reduced the amount of cash available for investment purposes.

## **Other Non operating Income (Expense), net**

Other non operating income (expense) includes miscellaneous non operating revenues and expenses, settlement of claims, and any equipment gains or losses. For fiscal year 2011 other non operating expenses totaled \$1.7 million, a change of \$4.2 million over the prior year. The increase in other non operating expense is primarily the result of realizing a \$3.5 million net decrease in the fair value of investments held by the Authority. During fiscal year 2011, the Authority expensed a voluntary contribution of \$6.1 million in PFCs to the Terminal A debt service fund established by Delta Airlines which was approved by the FAA. Other income in fiscal year 2010 was \$2.5 million, a decline of \$5.4 million compared to 2009. The decline is attributable to a one time receipt of a settlement pursued by the Authority during fiscal year 2009, several termination payments received and the recognition of an arbitrage tax expense from the termination of certain guaranteed investment contracts during fiscal year 2009.

## **Interest Expense**

During fiscal year 2011, the Authority's interest expense was \$60.0 million, a decrease of \$6.9 million or 10.3% from fiscal year 2010. The decline is attributable to refunding bonds executed in August 2010 and the continued lower interest rates during fiscal year 2011 on the Authority's variable rate debt instruments. The outstanding variable rate debt is approximately 8.1% of the Authority's debt portfolio.

During fiscal year 2010, the Authority recognized \$66.9 million in interest expense compared to \$73.7 million in fiscal year 2009. The decrease of \$6.8 million or 9.2% was the result of lower interest rates on outstanding variable rate debt, which was approximately 8.6% of the Authority's debt portfolio. The decrease was also due to the defeasance of \$20.9 million in bonds in July 2009, and the \$67.3 million reduction in total debt outstanding at the beginning of fiscal year 2010.

## ***Capital Grant Revenues***

Capital grant revenues were \$22.5 million, \$34.3 million and \$43.0 million during fiscal year 2011, 2010, and 2009 respectively, a decrease of \$11.8 million or 34.4% during fiscal year 2011 compared to fiscal year 2010 and a decrease of \$8.7 million or 20.2% during fiscal year 2010 compared to fiscal year 2009. The majority of the Authority's capital grants were awarded from the FAA for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects, and other capital related projects.

## **The Authority's Statements of Net Assets**

The Statements of Net Assets present the financial position of the Authority at the end of the fiscal year. The Statements include all assets and liabilities of the Authority. Net assets are the difference between total assets and total liabilities and are an indicator of the current fiscal health of the Authority. A

(Continued)

summarized comparison of the Authority's assets, liabilities and net assets at June 30, 2011, 2010 and 2009 is as follows:

**The Authority's Condensed Statements of Net Assets**

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Assets				
Current assets	\$ 599.6	\$ 445.0	\$ 154.6	34.7%
Capital assets, net	2,579.8	2,517.6	62.2	2.5%
Other non-current assets	454.5	377.4	77.1	20.4%
Total Assets	<u>\$ 3,633.9</u>	<u>\$ 3,340.0</u>	<u>\$ 293.9</u>	<u>8.8%</u>
Liabilities				
Current liabilities	\$ 223.0	\$ 224.5	\$ (1.5)	-0.7%
Bonds and notes payable, including current portion	1,664.1	1,434.8	229.3	16.0%
Other non-current liabilities	58.5	56.9	1.6	2.8%
Total Liabilities	<u>\$ 1,945.6</u>	<u>\$ 1,716.2</u>	<u>\$ 229.4</u>	<u>13.4%</u>
Net Assets				
Invested in capital assets, net of debt	\$ 1,055.2	\$ 999.3	\$ 55.9	5.6%
Restricted:				
Debt service	182.7	187.2	(4.5)	-2.4%
Capital projects	149.0	159.7	(10.7)	-6.7%
Passenger facility charges	70.6	73.5	(2.9)	-3.9%
Customer facility charges	35.3	26.0	9.3	36%
Net OPEB asset	45.2	42.7	2.5	5.9%
Other purposes	52.1	49.1	3.0	6.1%
Unrestricted	98.2	86.3	11.9	13.8%
Total Net Assets	<u>\$ 1,688.3</u>	<u>\$ 1,623.8</u>	<u>\$ 64.5</u>	<u>4.0%</u>

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Assets				
Current assets	\$ 445.0	\$ 267.7	\$ 177.3	66.2%
Capital assets, net	2,517.6	2,595.7	(78.1)	-3.0%
Other non-current assets	377.4	554.9	(177.5)	-32.0%
Total Assets	<u>\$ 3,340.0</u>	<u>\$ 3,418.3</u>	<u>\$ (78.3)</u>	<u>-2.3%</u>
Liabilities				
Current liabilities	\$ 224.5	\$ 216.2	\$ 8.3	3.8%
Bonds payable, including current portion	1,434.8	1,524.3	(89.5)	-5.9%
Other non-current liabilities	56.9	60.5	(3.6)	-6.0%
Total Liabilities	<u>\$ 1,716.2</u>	<u>\$ 1,801.0</u>	<u>\$ (84.8)</u>	<u>-4.7%</u>
Net Assets				
Invested in capital assets, net of debt	\$ 999.3	\$ 988.0	\$ 11.3	1.1%
Restricted:				
Debt service	187.2	184.5	2.7	1.5%
Capital projects	159.7	158.7	1.0	0.6%
Passenger facility charges	73.5	59.3	14.2	23.9%
Customer facility charges	26.0	5.2	20.8	100.0%
Net OPEB asset	42.7	43.7	(1.0)	-2.3%
Other purposes	49.1	53.1	(4.0)	-7.5%
Unrestricted	86.3	124.8	(38.5)	-30.8%
Total Net Assets	<u>\$ 1,623.8</u>	<u>\$ 1,617.3</u>	<u>\$ 6.5</u>	<u>0.4%</u>

(Continued)

The Authority ended fiscal year 2011 with total assets of \$3.63 billion, total liabilities of \$1.95 billion and total net assets of \$1.69 billion. The Authority's assets consist primarily of capital assets, which represents approximately \$2.6 billion and \$2.5 billion or 71.0% and 75.4% of the Authority's total assets as of June 30, 2011 and 2010, respectively. Cash, cash equivalents and investments totaled \$923.6 million and \$700.5 million as of June 30, 2011 and 2010, respectively and represents approximately 25.4% and 21.0% of total assets at June 30, 2011 and 2010, respectively. The increase of cash and investments during fiscal year 2011 is primarily the result of issuing the ConRAC Special Facility Revenue bonds Series 2011 A and B totaling \$214.1 million in June of 2011. The remaining 3.6% or \$130.5 million and \$121.9 million of total assets consist of prepaids, accounts receivable and investment in joint venture.

The Authority's liabilities consists primarily of bonds payable (including current portion), which account for 85.5% and 83.6% of total liabilities at June 30, 2011 and 2010, respectively. Notes payable and accrued interest payable are included in current liabilities and represented approximately 6.2% and 7.1% of total liabilities at June 30, 2011 and 2010, respectively.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

As of June 30, 2011 and 2010, the Authority had approximately \$2.58 billion and \$2.52 billion of capital assets (net of depreciation), respectively. This includes land, construction in process, buildings, runways, roadways, machinery and equipment, air rights and parking rights. The Authority's net capital assets increased approximately \$62.2 million, or 2.5% in fiscal year 2011 and is due to several large projects discussed below.

Capital assets comprised approximately 71.0% of the Authority's total assets at June 30, 2011 and 75.4% and 75.9% of the Authority's total assets at June 30, 2010, and 2009, respectively. During fiscal years 2011, 2010 and 2009 the Authority spent approximately \$225.1 million, \$171.7 million and \$169.6 million, respectively, constructing new assets and improving existing assets already in service, inclusive of construction in process.

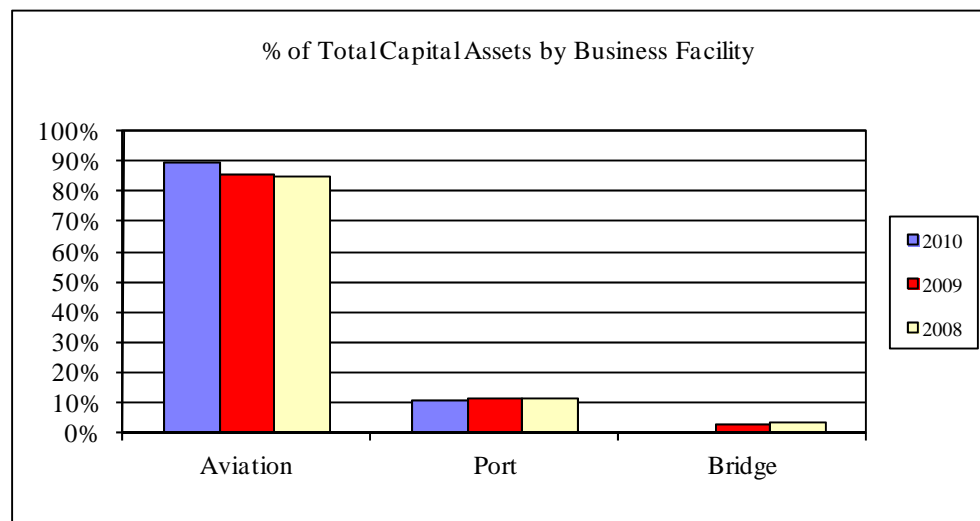
Major construction projects completed or in process during fiscal year 2011 at Logan Airport included the Terminal C Checkpoint renovation, the completion of the new Economy Parking Facility, the Terminal B garage renovation, the modification of Gate 1 at Terminal E, the restrooms renovation at Terminal B and C and the rehabilitation and improving of runways and taxiways. During fiscal year 2011, construction commenced on two major projects: the ConRAC and the runway safety ends for 33L. The major projects associated with the Maritime facilities involve the renovation of its cruise terminal, acquisitions of new dock and yard cranes for the Conley Terminal as well as rehabilitation to existing cranes. The Authority also invested in the newly acquired Worcester Airport located in the central region of Massachusetts.

Major projects in progress or completed during fiscal year 2010 at Logan Airport included investments in Terminal E gate improvements, Terminal B garage upgrades, continued rehabilitation and improvements to the runways and taxiways, improvements to the Authority's maintenance facilities, completion of the new State Police Headquarters, a new pumping station, and design work for a new consolidated rental car facility. The Authority invested in its Maritime Facilities with the renovations to its cruise terminal, acquisitions of new dock and yard cranes for the Conley Terminal as well as the rehabilitation to existing cranes used to move containers in its shipping yards.

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Following is a breakdown of capital assets by business facility at June 30:

		<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>Percentage Change 2011-2010</b>	<b>Percentage Change 2010-2009</b>
Land	\$	173,023	172,462	172,515	0.33%	-0.03%
Construction in progress		130,798	84,422	112,127	54.93%	-24.71%
Bridge and bridge improvements		—	—	44,224	0.00%	-100.00%
Buildings		1,291,616	1,267,220	1,273,085	1.93%	-0.46%
Runway and other paving		392,542	389,937	359,238	0.67%	8.55%
Roadway		381,431	404,223	424,895	-5.64%	-4.87%
Machinery and equipment		86,670	69,702	71,196	24.34%	-2.10%
Air rights		92,845	97,230	104,493	-4.51%	-6.95%
Parking rights		30,841	32,383	33,925	-4.76%	-4.55%
Capital assets, net	\$	<u>2,579,766</u>	<u>2,517,579</u>	<u>2,595,698</u>	<u>2.47%</u>	<u>-3.01%</u>



The Authority's capital assets are principally funded by the proceeds of revenue bonds, Authority generated revenues, PFCs, CFCs, and from federal and state grants.

### ***Debt Administration***

The Authority's bond sales must be approved by its Members and must comply with the rules and regulations of the United States Treasury Department. The Authority, through its 1978 Trust Agreement, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula set forth in the 1978 Trust Agreement. Historically, the Authority has maintained a debt service coverage ratio higher than its Trust Agreement requirement to maintain its investment grade bond ratings. As of June 30, 2011, 2010, and 2009, the Authority's debt service coverage under the 1978 Trust Agreement was 2.07, 2.08, and 2.10, respectively. The 1999 PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2011, 2010, and 2009, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 4.09, 1.57, and 1.63, respectively.

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The CFC Trust Agreement requires that the Authority maintain debt service coverage of at least 1.3. Due to the timing of the issuance of the CFC Bonds, no debt service was due in fiscal year 2011, therefore debt service coverage is not required to be calculated.

The Authority has bonds payable outstanding of approximately \$1.66 billion as of June 30, 2011, a net increase of approximately \$229.3 million from fiscal year 2010. The increase was primarily the result of the issuance of two bond sales during the year that included the Special Facilities Revenue Bonds ("ConRAC" Project) Series A and B totaling \$214.1 million and the Series 2010 A bonds totaling \$97.9 million, offset by principal payments of \$71.2 million and net refundings of approximately \$9.0 million.

The Authority's bonds payable outstanding as of June 30, 2010 was approximately \$1.43 billion, a decrease of approximately \$89.5 million from fiscal year 2009. The decrease was primarily the result of principal repayments and the \$20.9 million defeasance to refund the long term debt outstanding related to the Tobin Bridge.

The Official Statements relating to the Authority's Bond issuances are available from the Authority or by accessing the Authority's website. Please see Note 5 in the financial statements attached hereto.

#### ***Credit Ratings:***

The Authority's revenue bonds have an underlying rating of AA by Fitch, Aa3 by Moody's and AA- by S&P. In June 2011, Fitch affirmed the Authority's AA rating. In June 2010, S&P affirmed the Authority's AA- rating while improving the outlook from negative to stable and Moody's also affirmed the Authority's Aa3 rating. When the Authority issued the multi-modal 2010 D Bonds in August 2010, they were assigned a long-term rating of AAA, Aaa, AAA, and a short-term rating of F1+, VMIG1, and A1, by Fitch, Moody's and S&P, respectively, reflecting the Letter of Credit from the Bank of America. The Authority's underlying ratings of AA, Aa3 and AA- were affirmed by Fitch, Moody's and S&P, respectively. The multi-modal 2008 A Bonds carry the same rating.

The Authority's PFC Revenue Bonds, Series 2007 B and D, are insured by Financial Security Assurance Inc. and are rated Aa3 and AA+, as insured, by each of Moody's, and S&P, respectively. When the Authority issued the Series 2007 PFC Bonds in May 2007, those bonds were assigned underlying ratings of A+ by Fitch, A2 by Moody's and A by S&P, without regard to the Bond Insurance Policy. These underlying ratings were affirmed in June 2010 and were also assigned to the Series 2010 E Bonds which are not insured.

The Authority's ConRAC Bonds were rated in May of 2011 as A- by Fitch, and A3 by Moody's and A by S&P. The ConRAC bonds are not insured. The Authority's Commercial Paper Notes are rated A-1+ and P-1 by S&P and Moody's, respectively, based on credit enhancement provided by the Bank of New York Mellon.

#### **Net Assets**

Net assets, which represent the residual interest in the Authority's assets after liabilities are deducted, were \$1.69 billion as of June 30, 2011, an increase of \$64.5 million from fiscal year 2010. Of this amount, \$1.06 billion is invested in capital assets net of debt, an increase of \$55.9 million compared to fiscal year 2010. The Authority's restricted net assets of \$535.0 million as of June 30, 2011 are subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement or custodial agreements in the Authority's name. This is a decrease of \$3.3 million, or 0.6% from fiscal year 2010 and is attributable to the timing of bond issuances and the schedule of construction projects. The Authority's unrestricted net assets of \$98.2 million increased by \$11.9 million or 13.8% for the fiscal year as net operating revenues exceeded expenses for the year.

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Net assets at June 30, 2010 were \$1.62 billion, an increase of \$6.5 million from fiscal year 2009. Net assets invested in capital assets, net of related debt was \$999.3 million, a decrease of \$11.3 million compared to fiscal year 2009. The Authority's restricted net assets total \$538.2 million as of June 30, 2010 are subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, or custodians in the Authority's name. The Authority's unrestricted net assets of \$86.3 million decreased by 30.8% in fiscal year 2010 due primarily to the \$21.7 million cash defeasance, the loss of Tobin Bridge revenues due to the January 1, 2010 transfer of this asset to MassDOT without consideration, the increased use of self generated funds to finance the Authority's five year capital program, and other expenses. Please see Note 1 of the financial statements attached hereto.

### The Authority's Condensed Cash Flows

The following summary shows the major sources and uses of cash during the following fiscal years:

	(in millions)		2011 vs. 2010	
	2011	2010	\$ Change	% Change
Net cash provided by operating activities	\$ 176.3	\$ 202.3	\$ (26.0)	-12.9%
Net cash provided/(used) for capital and related financing act	38.4	(215.3)	253.7	-117.8%
Net cash used by investing activities	(136.6)	(7.5)	(129.1)	1721.3%
Net increase/(decrease) in cash and cash equivalents	78.1	(20.5)	98.6	-481.0%
Cash and cash equivalents, beginning of year	152.8	173.3	(20.5)	-11.8%
Cash and cash equivalents, end of year	<u>\$ 230.9</u>	<u>\$ 152.8</u>	<u>\$ 78.1</u>	<u>51.1%</u>

	(in millions)		2010 vs. 2009	
	2010	2009	\$ Change	% Change
Net cash provided by operating activities	\$ 202.3	\$ 183.7	\$ 18.6	10.1%
Net cash (used) for capital and related financing activities	(215.3)	(219.4)	4.1	-1.9%
Net cash (used)/provided by investing activities	(7.5)	50.5	(58.0)	-114.9%
Net (decrease)/increase in cash and cash equivalents	(20.5)	14.8	(35.3)	-238.5%
Cash and cash equivalents, beginning of year	173.3	158.5	14.8	9.3%
Cash and cash equivalents, end of year	<u>\$ 152.8</u>	<u>\$ 173.3</u>	<u>\$ (20.5)</u>	<u>-11.8%</u>

The Authority's cash and cash equivalents increased by \$78.1 million, or 51.1% from \$152.8 million in fiscal year 2010 to \$230.9 million in fiscal year 2011. The Authority generated \$26.0 million less in cash from operations as a result of the loss of Tobin Bridge revenues, operating losses from Worcester Airport, and an increase in operating expenses to keep pace with increased passenger activity. The Authority generated \$38.4 million in cash from capital and related financing activities primarily from its August 2010 Authority revenue bond sale and the June 2011 CFC bond sale. The Authority also used \$136.6 million in cash for investing purposes, an increase of \$129.1 million in fiscal year 2011. This increase in investing activities primarily reflects the investment of bond proceeds by the Authority.

The Authority's cash and cash equivalent decreased by \$20.5 million, or 11.8% to \$152.8 million in fiscal year 2010 from the \$173.3 million in fiscal year 2009. The Authority generated \$18.6 million in cash from operations as cost reductions were implemented during the year to preserve cash. The Authority's net cash used for capital investment activities was \$4.1 million less than fiscal year 2009 primarily due to lower financing costs. Lastly, the Authority sold investments that generated \$58.0 million less in cash primarily to implement a \$21.7 million bond defeasance used to refund the long term debt outstanding related to the Tobin Bridge and the result of lower investment income during the year.

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### **Contacting the Authority's Financial Management**

For additional information concerning the Authority, please see the Authority's website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the website by clicking on "About Massport", and then clicking on "Investor Relations". The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

**MASSACHUSETTS PORT AUTHORITY**

Statements of Net Assets

June 30, 2011 and 2010

(In thousands)

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 51,334	52,090
Investments (note 3)	39,601	43,234
Restricted cash and cash equivalents (note 3)	179,629	100,733
Restricted investments (note 3)	265,704	191,091
Accounts receivable		
Trade, net (note 1)	47,253	42,199
Grants receivable	8,565	7,493
Total receivables (net)	55,818	49,692
Prepaid expenses and other assets	7,570	8,127
Total current assets	599,656	444,967
Noncurrent assets:		
Investments (note 3)	48,229	39,210
Restricted investments (note 3)	339,086	274,160
Prepaid expenses and other assets	19,692	18,950
Investment in joint venture (note 13b)	2,254	2,393
Net OPEB asset (note 7)	45,241	42,725
Capital assets, net (note 4)	2,579,766	2,517,579
Total assets	\$ 3,633,924	3,339,984
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 89,819	92,416
Compensated absences (note 1)	1,568	1,553
Contract retainage	4,853	2,800
Current portion of long term debt (note 5)	82,743	83,075
Commercial notes payable (note 5)	89,000	89,000
Accrued interest on bonds payable	32,138	32,697
Deferred income	5,613	6,052
Total current liabilities	305,734	307,593
Noncurrent liabilities:		
Accrued expenses	26,483	26,292
Compensated absences (note 1)	20,055	19,864
Contract retainage	2,160	841
Long-term debt, net (note 5)	1,581,352	1,351,710
Deferred income	9,806	9,887
Total liabilities	1,945,590	1,716,187
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,055,161	999,312
Restricted		
Bond funds	182,695	187,215
Project funds	148,993	159,688
Passenger facility charges	70,623	73,509
Customer facility charges	35,327	25,974
Net OPEB asset	45,241	42,725
Other purposes	52,109	49,100
Total restricted	534,988	538,211
Unrestricted	98,185	86,274
Commitments and contingencies (notes 11, 12, and 13)		
Total net assets	\$ 1,688,334	1,623,797

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

# MASSACHUSETTS PORT AUTHORITY

## Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

(In thousands)

	2011	2010
Operating revenues:		
Fees, tolls and other services	\$ 276,430	277,825
Rentals	174,431	167,204
Concessions	65,857	62,321
Other	18,476	17,770
Operating grants	2,448	2,773
Total operating revenues	537,642	527,893
Operating expenses:		
Operations and maintenance	262,410	249,633
Administration	45,988	41,646
Insurance	7,326	8,874
Pension	4,924	7,621
Other post-employment benefits	16,527	17,508
Payments in lieu of taxes	17,327	17,547
Provision for uncollectible accounts	412	473
Depreciation and amortization	169,366	164,141
Total operating expenses	524,280	507,443
Operating income (loss)	13,362	20,450
Nonoperating revenues and (expenses):		
Passenger facility charges	58,531	58,598
Customer facility charges	26,203	20,668
Investment income	11,676	14,890
Net increase in the fair value of investments	(3,503)	248
Other revenues	1,817	2,659
Settlement of claims	1	8
Terminal A debt service contribution	(6,070)	
Other expenses	(92)	(312)
Gain on sale of equipment	88	(110)
Interest expense	(59,960)	(66,870)
Total nonoperating revenues (expenses), net	\$ 28,691	29,779
Increase in net assets before capital grant revenue and Special Item	42,053	50,229
Capital grant revenue	22,484	34,340
Increase (decrease) in net assets before Special Item	64,537	84,569
Special Item:		
Tobin Bridge Transfer	—	(78,058)
Increase (decrease) in net assets	64,537	6,511
Net assets, beginning of year	1,623,797	1,617,286
Net assets, end of year	\$ 1,688,334	1,623,797

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

**MASSACHUSETTS PORT AUTHORITY**

Statements of Cash Flows

Years ended June 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers and operating grants	\$ 536,265	541,775
Payments to vendors	(201,350)	(190,218)
Payments to employees	(123,350)	(116,342)
Payments in lieu of taxes	(18,127)	(17,547)
Other post-employment benefits	(17,100)	(15,338)
Net cash provided by operating activities	<u>176,338</u>	<u>202,330</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(225,068)	(171,674)
Proceeds from the issuance of bonds, net	657,965	—
Principal payments on refunded debt	(353,190)	—
Interest paid on bonds and notes	(69,913)	(70,276)
Principal payments on long-term debt	(71,245)	(88,175)
Principal payments on commercial paper	—	—
Terminal A debt service contribution	(6,070)	—
Proceeds from passenger facility charges	57,317	52,998
Proceeds from customer facility charges	25,908	18,189
Proceeds from Capital grants	22,551	43,446
Settlement of claims	1	8
Proceeds from sale of equipment	130	204
Net cash provided by (used in) capital and related financing activities	<u>38,386</u>	<u>(215,280)</u>
Cash flows from investing activities:		
Purchases of investments, net	(809,081)	(475,359)
Sales of investments, net	659,772	451,648
Interest received on investments	12,725	16,220
Net cash (used in) provided by investing activities	<u>(136,584)</u>	<u>(7,491)</u>
Net (decrease) increase in cash and cash equivalents	78,140	(20,441)
Cash and cash equivalents, beginning of year	<u>152,823</u>	<u>173,264</u>
Cash and cash equivalents, end of year	\$ <u>230,963</u>	<u>152,823</u>
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating income	\$ 13,362	20,450
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	169,366	164,141
Provision for uncollectible accounts	411	473
Changes in operating assets and liabilities:		
Trade receivables	(3,864)	1,149
Prepaid expenses and other assets	1,239	948
Prepaid expenses and other assets – long-term	(2,515)	969
Accounts payable and accrued expenses	(1,254)	15,636
Compensated absences	206	(1,817)
Deferred revenue	(613)	381
Net cash provided by operating activities	\$ <u>176,338</u>	<u>202,330</u>
Noncash investing activities:		
Net increase in the fair value of investments	\$ <u>1,738</u>	<u>5,241</u>

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

**MASSACHUSETTS PORT AUTHORITY  
RETIREE BENEFITS TRUST**

Statements of Trust Net Assets

June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 457	4,733
Investments, at fair value:		
Commingled funds:		
Domestic equity	40,378	26,408
Fixed income	29,826	23,295
International equity	20,096	13,992
Real Estate Investment Trust	4,912	3,094
Commodities	2,566	1,893
Total investments, at fair value	<u>97,778</u>	<u>68,682</u>
Receivables	<u>18</u>	<u>—</u>
Total assets	<u>98,253</u>	<u>73,415</u>
Liabilities:		
Accounts payable and accrued expenses	<u>265</u>	<u>72</u>
Total liabilities	<u>265</u>	<u>72</u>
Net assets held in trust for OPEB benefits	<u>\$ 97,988</u>	<u>73,343</u>

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

**MASSACHUSETTS PORT AUTHORITY  
RETIREE BENEFITS TRUST**

Statements of Changes in Trust Net Assets

Years ended June 30, 2011 and 2010

(in thousands)

	<u>2011</u>	<u>2010</u>
Additions:		
Contributions:		
Authority	\$ 17,100	15,338
Total contributions	17,100	15,338
Investment income		
Interest and dividends	2,204	1,293
Net appreciation in fair value of investments	13,128	57
Less management fees	(129)	(70)
Net investment Income	15,203	1,280
Total additions	32,303	16,618
Deductions:		
Insurance premiums	7,507	6,181
Administrative expenses	151	286
Total deductions	7,658	6,467
Net increase in plan net assets	24,645	10,151
Net assets held in trust for OPEB benefits:		
Beginning of year	73,343	63,192
End of year	\$ 97,988	73,343

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

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

### 1. Summary of Significant Accounting Policies and Practices

#### Reporting Entity

The Massachusetts Port Authority (the “Authority”) is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) created and existing pursuant to Chapter 465 of the Acts of 1956, as amended, (the “Enabling Act”). The Authority controls, operates and manages Boston-Logan International Airport (“Logan Airport”), Laurence G. Hanscom Field, Worcester Regional Airport, the Port of Boston and other facilities in the Port of Boston.

Pursuant to Chapters 25 and 26 of the Acts of 2009 (collectively, the “Transportation Reform Act”), the ownership and operation of the Tobin Bridge, as well as all associated assets and liabilities, was transferred from the Authority to the newly created Massachusetts Department of Transportation (“MassDOT”). On January 1, 2010, the Tobin Bridge became part of MassDOT’s Metropolitan Highway System in accordance with the terms of a Memorandum of Agreement (the “MOA”) between the Authority and MassDOT. Using funds available in the Authority’s Improvement and Extension Fund established under the 1978 Trust Agreement, the Authority defeased approximately \$20.9 million of revenue bonds outstanding, which was equal to the amount of bonds that financed Tobin Bridge improvements. The MOA addressed the transfer of all Tobin Bridge assets and the assumption by MassDOT of all Tobin Bridge liabilities, including, but not limited to, public safety responsibilities and a portion of the then current payment-in-lieu-of-tax obligations associated with the Tobin Bridge. The MOA complies with the Federal Aviation Administration’s revenue use requirements. Additionally, as part of the Transportation Reform Act, the Authority purchased the Worcester Regional Airport on July 1, 2010. Prior to the purchase of Worcester Regional Airport the Authority had been operating this facility under Memorandum of Understanding since April 1999.

The Authority has no stockholders or equity holders, and the Authority’s financial statements are not a component unit of the Commonwealth’s financial statements. The provisions of the Enabling Act and the Trust Agreement, dated as of August 1, 1978 as amended and supplemented (the “1978 Trust Agreement”), between the Authority and U.S. Bank National Association (as successor in interest to State Street Bank and Trust Company), as trustee (the “Trustee”), the Passenger Facility Charges (“PFC”) Revenue Bond Trust Agreement dated May 6, 1999, as amended and supplemented (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”) and the Customer Facility Charges (“CFC”) Revenue Bond Trust Agreement dated May 18, 2011, as amended and supplemented (the “CFC Trust Agreement”), between the Authority and U.S. Bank National Association as trustee (the “CFC Trustee”), govern all funds, with limited exceptions, received by the Authority pursuant to the Enabling Act.

In April 1981, the Massachusetts Port Authority (the “Authority”) adopted a retiree benefit plan whereby the Authority assumed the full cost of group health insurance including basic life insurance, dental insurance and catastrophic illness coverage to those retirees and surviving spouses (and qualifying dependents) who have retired under the Authority’s retirement system (collectively referred to as the “OPEB Plan”).

(Continued)

# **MASSACHUSETTS PORT AUTHORITY**

## **Notes to Financial Statements**

June 30, 2011 and 2010

In June 2008, the Authority created the Retiree Benefits Trust (the “RBT” or the “Trust”) to fund its OPEB Plan obligations. It was established as an irrevocable governmental trust under section 115 of the Internal Revenue Code. The Trust is legally separate from the Authority and is reported as a Fiduciary Trust Fund of the Authority under accounting principles promulgated by the Governmental Accounting Standards Board (GASB). In no event shall any part of the principal or income of the RBT be paid or revert back to the Authority or be used for any purpose whatsoever other than for the exclusive benefit of retirees and their beneficiaries.

### **Basis of Accounting**

The Authority’s activities are accounted in a manner similar to that often utilized in the private sector. The Authority’s financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Commencing on July 1, 1995, the Authority elected to apply all GASB and Financial Accounting Standards Board (“FASB”) pronouncements issued before November 30, 1989, under the provisions of GASB Statement No. 20. Accordingly, FASB Statements issued after FASB No. 104 are not incorporated in the Authority’s financial statements.

In December, 2010, GASB issued Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” This Statement incorporates into the GASB literature all components of pre-November 30, 1989 pronouncements of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) that are still applicable to governmental entities. The Authority has adopted GASB Statement No. 62 effective with the issuance of these fiscal year 2011 financial statements. The adoption of this Statement did not result in changing any of the Authority accounting policies or procedures.

Revenues from airlines, rentals, parking fees, tolls and concessions are reported as operating revenues. Capital grants, financing or investing related transactions are reported as non-operating revenues and expenses. All expenses related to operating the Authority’s facilities are reported as operating expenses.

### **Accounting per Applicable Trust Agreements**

Under the 1978 Trust Agreement, cash of the Authority is deposited daily into the Revenue Fund established pursuant to the 1978 Trust Agreement and is transferred to the cash concentration account. All such revenues are then transferred to the various funds established pursuant to the 1978 Trust Agreement. After providing for operating expenses, including pension expense and transfers to the self insurance account, cash revenues are then transferred to the Interest and Sinking Fund, which are applied to debt service on any outstanding revenue bonds, the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund, the Capital Budget Fund if applicable, and finally the Improvement and Extension Fund.

(Continued)



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

PFC revenue is deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Revenue Bond Trust Agreement and are utilized to pay debt service on PFC Revenue Bonds as required in the PFC Trust Agreement. Any remaining funds are transferred to the PFC Capital Fund.

CFC revenue is deposited in the CFC Revenue Fund established pursuant to the CFC Trust Agreement and are utilized to pay debt service on CFC Special Facilities Bonds as required in the CFC Trust Agreement. Any remaining funds are transferred to the CFC Stabilization Fund.

See Note 2 for a reconciliation between the increase in net assets as calculated per GAAP and net revenues as calculated per accounting practices prescribed by the 1978 Trust Agreement.

### **Net Assets**

The Authority follows the “business type” activity requirements of GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, which requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include the construction funds held pursuant to the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement, the self insurance fund and the Net OPEB asset.
- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Members of the Authority (the “Board”) or may otherwise be limited by contractual agreements with outside parties.

#### ***(a) Cash and Cash Equivalents***

For purposes of the Statements of Cash Flows, the Authority considers all highly liquid investments, including restricted assets, with a maturity date of thirty days or less to be cash equivalents.

#### ***(b) Investments***

Investments with a maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with a maturity date of less than one year are carried at amortized cost, which approximates fair value. Fair value equals quoted market prices, if available. The Authority recorded unrealized holding losses of \$3.5 million at June 30, 2011 and unrealized holding gains of approximately \$0.2 million as of June 30, 2010.

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

#### *(c) Restricted Cash and Investments*

Certain cash, cash equivalents and investments are restricted for use by the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement, and other external requirements. These amounts have been designated primarily for expenditures related to future construction or asset acquisitions, debt service and debt service reserves.

#### *(d) Capital Assets*

Capital assets are recorded at historical cost. Such costs include, where appropriate, capitalized interest and related legal costs. The costs of normal upkeep, maintenance, and repairs are not capitalized.

The capitalization threshold is noted below:

<u>Asset Category</u>	<u>Dollar Threshold</u>
Buildings and Bridge	\$ 10,000
Machinery & Equipment	5,000
Equipment Repair/Overhaul (Major)	25,000
Runway, Roadways & Other Paving	50,000
Land	NA
Land Improvements	50,000

The Authority capitalizes certain interest costs associated with tax exempt borrowing, less any interest earned on the proceeds of those borrowings, during the period of construction. Interest expense of \$3.7 million and \$13.0 thousand, reduced by interest income of \$0.2 million and \$3.0 thousand, resulting in capitalized interest of \$3.5 million and \$10.0 thousand for the years ended June 30, 2011 and 2010, respectively.

During fiscal year 2010 the Authority adopted and implemented GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*. The adoption of this Statement had no financial impact on the Authority. Implementation of this Statement required the Authority to reclass previously reported "Intangible assets" and related accumulated amortization, related to the Park Ex transaction, to capital assets. As a result, \$46.3 million of previously reported intangible assets and related accumulated amortization of \$12.3 million has been reclassified to capital assets. These assets consist of the rights to use certain parking spaces acquired by the Authority and are being amortized on a straight-line basis over 30 years. Amortization expense related to intangible assets, including air rights, was approximately \$9.2 million and \$8.9 million for fiscal years 2011 and 2010, respectively.

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

### *(e) Depreciation*

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated useful lives:

<b>Asset Category</b>	<b>Years</b>
Bridge	100
Bridge Improvements	10 to 25
Buildings	25
Runways and other airfield paving	25
Roadway	25
Machinery and equipment	5 to 10

### *(f) Other Assets and Prepaid Items*

Other assets consist of the unamortized portion of bond issue costs and certain payments to vendors reflecting costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

### *(g) Amortization*

Revenue bond discounts and premiums are deferred and amortized on a straight line basis over the term of the bonds, as this approximates the effective interest method. Unamortized amounts are presented as a reduction of the face amount of bonds payable.

Costs related to the issuance of bonds are amortized on a straight line basis over the life of the bonds. The straight line amortization method approximates the effective interest method.

The difference between the reacquisition price and net carrying amount of defeased bonds is deducted from, or added to the refunding debt liability and amortized on the straight-line method over the shorter of the maturity of the new debt or the defeased debt.

### *(h) Revenue Recognition*

Fees, tolls, and other services consist of parking fees, landing fees, bridge tolls, and container handling fees. Parking fees, container handling fees and Bridge toll revenue are recognized at the time the service is provided. Landing fees are recognized as part of operating revenue when airline related facilities are utilized and are principally based on the landed weight of the aircraft. The scheduled airline fee structure is determined and approved annually by the Board and is based on full cost recovery pursuant to arrangement between the Authority and the respective airlines.

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

Rental and concession fees are generated from airlines, rental cars, and other commercial tenants. Rental revenue on leases is recognized over the term of the associated lease. Concession revenue is recognized partially based on self reported concession revenue by the tenants and partially based on minimum rental guarantees. Deferred revenue consists primarily of amounts received in advance for future rents or other services. These amounts are recognized as revenue as they are earned over the applicable period.

The Authority presents its accounts receivable at the expected net realizable value. Accordingly, the Authority recorded an allowance for doubtful accounts against its accounts receivable of \$3.5 million and \$3.9 million at June 30, 2011 and 2010, respectively.

Revenue related to grants is recognized when the grant agreement is approved and eligible expenditures are incurred.

#### *(i) Passenger Facility Charges*

In 1993, the Authority received initial approval from the Federal Aviation Administration ("FAA") to impose a \$3.00 PFC at Logan Airport. PFCs collected by the Authority can be used for capital projects determined by the FAA to be eligible in accordance with the Aviation Safety and Capacity Expansion Act of 1990. Effective October 1, 2005, the Authority received approval from the FAA to increase the PFC collection to \$4.50. All PFC's collected by the Authority are presently pledged under the PFC Trust Agreement with the Bank of New York Mellon.

Through June 30, 2011, the Authority had cash collections of \$729.9 million in PFCs, including interest thereon.

During fiscal year 2010, the Authority submitted to the FAA a request, and received approval, to amend the existing PFC application, reducing the collection and use amount by \$31.8 million and extending the projected expiration date to August 1, 2016. Additionally, the Authority also submitted a request that was approved by the FAA in April 2011 that increased the collection authorization to \$1.4 billion.

As part of the Final Agency Decision issued by the FAA in 2011, the Authority was authorized, but not required, to use up to \$14.4 million per year in PFCs to pay approximately one-third of the debt service on the Terminal A Special Facility bonds. The Authority chose to make this use of PFC revenue in order to offset the increase in Terminal A rates and charges that would have resulted from the scheduled increase in Terminal A debt service associated with the beginning of principal payments on January 1, 2012 for the Terminal A bonds. As Terminal A was already the most expensive terminal at Logan, this use of PFCs will keep the disparity of the rates across terminals from growing and facilitate the Authority's ability to assign carriers to Terminal A.

As of June 30, 2011 and 2010, \$159.3 million and \$192.8 million of PFC bonds were outstanding, respectively.

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Revenues derived from the collection of PFCs are recognized on the accrual basis, based on the month the charges were levied and collected by the airlines. Due to their restricted use, PFCs are categorized as non operating revenues. The Authority recognized \$58.5 million and \$58.6 million in PFC revenue for the fiscal years ended June 30, 2011 and 2010, respectively. In fiscal year 2010, the Authority determined it had been under accruing PFC revenues in prior years. Management corrected its policy and the Authority recognized an incremental \$4.7 million of PFC revenue in fiscal year 2010 that related to fiscal year 2009.

### *(j) Customer Facility Charges*

Effective December 1, 2008, the Board established a CFC of \$4.00 per day for rental cars which originated out of Logan Airport. Effective December 1, 2009 this charge was increased to \$6.00 per day. The proceeds of the CFC will be used to evaluate, design and construct a Consolidated Rental Car Facility (the "ConRAC"). Revenues derived from the collection of CFCs are recognized on the accrual basis, based on the month the charges were levied and collected by the rental car companies. Due to their restricted use, CFCs are categorized as non-operating revenues. Pursuant to the CFC Trust Agreement dated May 18, 2011 between the Authority and U.S. Bank National Association, as trustee, the Authority issued two series of Special Facilities Revenue Bonds (the "Series 2011 Bonds"). The Series 2011 Bonds were issued for the purpose of providing funds sufficient, together with other available funds of the Authority, to finance the development and construction of a ConRAC and related improvements at Logan Airport, fund certain deposits to the Debt Service Reserve ConRAC Fund and the Supplemental Reserve Fund, and pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds and any additional bonds that may be issued under the CFC Trust Agreement on parity with the Series 2011 Bonds are secured by CFC Pledged Revenues and by Contingent Rent from the rental car companies if any, and other funds. The Series 2011 Bonds are not secured by any other revenues of the Authority. The Authority recognized \$26.2 million and \$20.7 million in CFC revenue for the fiscal years ended June 30, 2011 and 2010, respectively. In fiscal year 2010, the Authority determined that it had been under accruing CFC revenues. Management corrected its policy and the Authority recognized an incremental \$1.5 million of CFC revenue in fiscal year 2010 that related to fiscal year 2009.

### *(k) Compensated Absences*

The Authority accrues for vacation and sick pay liabilities when they are earned by the employee. The liability for vested vacation and sick pay is reflected in the accompanying Statements of Net Assets as compensated absences. The table below presents the Authority's compensated absences activity at June 30, 2011 and 2010 and for the year then ended (in thousands):

	<b>2011</b>	<b>2010</b>
Liability balance, beginning of year	\$ 21,417	23,233
Vacation and sick pay earned during the year	15,210	12,386
Vacation and sick pay used during the year	(15,004)	(14,202)
Liability balance, end of year	\$ 21,623	21,417

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

### *(l) Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### *(m) Financial Statement Reclassification and Revision*

Certain accounts in the June 30, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation.

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

### 2. Reconciliation between increase in net assets as calculated under GAAP and net revenues as calculated under accounting practices prescribed by the 1978 Trust Agreement.

Presented below is the calculation of the net revenue of the Authority under the 1978 Trust Agreement. Net revenue calculated based on the 1978 Trust Agreement is used in determining the Authority's compliance with the debt service coverage ratio.

	<b>2011</b>	<b>2010</b>
<b>Increase in Net Assets per GAAP</b>	\$ 64,537	6,511
Additions (1)		
Depreciation and amortization	169,365	164,141
Interest expense	59,960	66,870
Payments in lieu of taxes	17,327	17,547
Loss on sale of equipment	-	110
Other non operating expenses	-	312
Self insurance expenses	(1,514)	1,891
Terminal A Bonds-Debt Service contribution by PFC Fund	6,070	-
OPEB expenses, net	4,505	5,570
Loss on special item (Bridge Transferred to MasDOT)	-	78,058
Less (2):		
Passenger facility charges	(58,531)	(58,598)
Customer facility charges	(26,203)	(20,668)
Capital grant revenue	(22,484)	(34,340)
Net increase in the fair value of investments	3,503	(248)
Gain on sale of equipment	(88)	-
Other revenues	(1,885)	(2,649)
Other non operating revenues	(1,725)	(2,659)
Settlement of claims	(1)	(8)
Investment income	(3,336)	(3,646)
<b>Net Revenue per the 1978 Trust Agreement</b>	<b>\$ 209,500</b>	<b>218,194</b>

1. Expenses recognized under GAAP which are excluded under the 1978 Trust Agreement

2. Revenues recognized under GAAP which are excluded under the 1978 Trust Agreement

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Total Net Revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were \$209.5 million and \$218.2 million for the years ended June 30, 2011 and 2010, respectively.

### 3. Deposits and Investments

The Authority has adopted GASB No. 40, *Deposit and Investment Risk Disclosure*. The standard requires that entities disclose essential risk information about deposits and investments.

The Authority's investments are made in accordance with the provisions of the 1978 Trust Agreement, the PFC Trust Agreement, and the CFC Trust Agreement along with the investment policy adopted by the Board (the "Investment Policy"). The goals of the Investment Policy are, in order of importance, to preserve capital, to provide liquidity and to generate interest income.

As of June 30, 2011 and 2010, all investments were held on behalf of the Authority by the Trustee, the PFC Trustee, the CFC Trustee or custodians in the Authority's name. Any repurchase agreements are fully collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement require that securities collateralizing repurchase agreements must continuously have a fair value at least equal to the cost of the agreement plus accrued interest.

The Authority's investments in forward delivery agreements are in the form of a guaranteed investment contract ("GIC") which provides for, among other things, the sequential delivery of securities to be sold to the Trustee, PFC Trustee, or CFC Trustee, as applicable, periodically at a discount from maturity value such that the aggregate discount equals the interest rate previously agreed to between the Authority and the provider of the guaranteed investment contract.

The total accumulated unrealized gain due to the changes in fair value of investments related to investments with maturities in excess of one year was approximately \$1.7 million and \$5.2 million as of June 30, 2011, and 2010, respectively.

(Continued)



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2011 and 2010 (in thousands):

<b>2011</b>	<b>Credit Rating (1)</b>		<b>Cost</b>	<b>Fair Value</b>	<b>Effective Duration</b>
MMDT	Unrated	\$	206,725	206,725	0.003
Federal Home Loan Bank	AAA/Aaa		98,324	98,561	0.974
Federal Deposit Insurance Corporation	AAA/Aaa		60,823	61,757	0.869
Forward Delivery Agreements	AAA/Aaa		75,007	75,007	1.158
Federal Home Loan Mortgage Corp.	AAA/Aaa		55,460	55,785	0.597
Federal National Mortgage Association	AAA/Aaa		105,532	105,310	0.667
Federal Farm Credit	AAA/Aaa		19,498	19,909	1.339
Guaranteed Investment Contracts (ParkEx)	AA+/Aa2 (3)		33,843	33,843	13.152
Cash Deposit	Unrated		21,189	21,189	0.003
Certificates of Deposit	AAA/Aaa (2)		7,031	7,031	0.204
Commercial Paper	A-1+/P-1 (4)		235,272	235,272	0.478
Morgan Stanley Government Fund	AAA/Aaa (4)		1,072	1,072	0.003
Municipal Bond	AA+/Aa1		2,068	2,122	1.957
		\$	<u>921,844</u>	<u>923,583</u>	

<b>2010</b>	<b>Credit Rating (1)</b>		<b>Cost</b>	<b>Fair Value</b>	<b>Effective Duration</b>
MMDT	Unrated	\$	137,111	137,111	0.003
Federal Home Loan Bank	AAA/Aaa		69,062	70,562	1.353
Federal Deposit Insurance Corporation	AAA/Aaa		103,333	105,080	0.993
Forward Delivery Agreements	AAA/Aaa		98,963	98,963	3.806
Federal Home Loan Mortgage Corp.	AAA/Aaa		40,875	41,694	1.582
Federal National Mortgage Association	AAA/Aaa		61,800	62,233	1.781
Federal Farm Credit	AAA/Aaa		19,357	20,050	1.288
Guaranteed Investment Contracts (ParkEx)	AA+/Aa2 (3)		32,514	32,514	13.500
Cash Deposits	Unrated		12,662	12,662	0.003
Certificates of Deposits	AAA/Aaa (2)		5,005	5,005	0.217
Commercial Paper	A-1+/P-1 (4)		109,841	109,841	0.240
Morgan Stanley Government Fund	AAA/Aaa (4)		1,072	1,072	0.003
Municipal Bond	AA+/Aa1		3,681	3,731	1.590
		\$	<u>695,276</u>	<u>700,518</u>	

- 1.The ratings shown are from S&P or Moody's as of the fiscal year shown.
- 2.Collateralized by Federal Agency Notes or Letter of Credit backed by each reserve.
- 3.Underlying rating of security held.
4. Credit quality of fund holdings.

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

The table below presents the Authority's cash and cash equivalents and investments based on maturity date (in thousands):

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Securities maturing in 1 year or over	\$ 386,029	387,315	309,143	313,370
Securities maturing in less than 1 year	304,852	305,305	233,310	234,325
Cash and cash equivalents	230,963	230,963	152,823	152,823
	<u>\$ 921,844</u>	<u>923,583</u>	<u>695,276</u>	<u>700,518</u>

### Credit Risk

Credit risk is the risk that the Authority will be negatively impacted due to the default of the security issuer or investment counterparty.

The Authority's 1978 Trust Agreement, PFC Trust Agreement, and CFC Trust Agreement each stipulate that, in addition to U.S. Treasury and government agency obligations, only certain highly rated securities are eligible investments, including bonds or obligations of any state or political subdivision thereof, rated in the two highest rating categories without regard to gradations within rating categories, by both Moody's (AAA, Aa1, Aa2 and Aa3) and S&P (AAA, AA+, AA, and AA-); commercial paper of a U.S. corporation, finance company or money market funds rated in the highest rating category, without regard to gradations within categories, by both Moody's and S&P; and investment contracts with banks whose long-term unsecured debt rating is in one of the two highest rating categories by both Moody's and S&P.

#### (a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized.

The Authority maintains depository accounts with Bank of America, N.A., Wells Fargo, and the Bank of New York Mellon, the PFC Trustee. The Authority maintains a payroll disbursement, lockbox and collection account (for other than PFCs) with the Bank of America, N.A. None of these accounts are collateralized.

The Authority's cash on deposits in the banks noted above at June 30, 2011 and 2010 were \$25.4 million and \$22.2 million, respectively. Of these amounts, \$0.75 million was insured, and none was collateralized at June 30, 2011 and 2010, respectively.

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

#### ***(b) Custodial Credit Risk – Investments***

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Authority and are held by either the counterparty, the counterparty's trust department or agent, but not in the Authority's name.

The Authority is authorized by the 1978 Trust Agreement, the 1999 PFC Trust Agreement, the 2011 CFC Trust Agreement and the Investment Policy to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, bonds and notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and commercial paper of a U.S. corporation or finance company. All investments are held by a third party in the Authority's name. These investments are recorded at fair value.

Additionally, the Authority is authorized to invest in the Massachusetts Municipal Depository Trust (MMDT), a pooled money market like investment fund managed by the Commonwealth of Massachusetts, established under the General Laws, Chapter 29, Section 38A. MMDT investments are carried at amortized cost, which approximates fair value which is the same as the value of the pool.

The following guaranteed investment contracts were in force as of June 30, 2011 and 2010, respectively; they are uncollateralized and recorded at cost:

<b>Investment Agreement</b>				
<b>Provider</b>	<b>Rate</b>	<b>Maturity</b>	<b>2011</b>	<b>2010</b>
Trinity Plus Funding Company	4.360%	January 2, 2031	\$ 14,675	14,047
GE Funding Capital Markets	3.808%	December 31, 2030	19,177	18,467
Total			\$ 33,852	32,514

#### ***(c) Concentration of Credit Risk – Investments***

Concentration of Credit Risk is assumed to arise when the amount of investments that the Authority has with any one issuer exceeds 5 percent of the total value of the Authority's investments. The portions of the Authority-wide portfolio, excluding, MMDT, the FDIC, U.S. Government guaranteed obligations and the underlying securities held under forward delivery agreements, that exceed 5% of the portfolio are as follows:

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

<b>Issuer:</b>	<b>Cost 2011</b>	<b>Cost 2010</b>
Commercial Paper		
Citi Group	\$ 85,552	56,961
UBS	72,854	52,880
Toyota Motor Corporation	76,866	-
Total	<u>\$ 235,272</u>	<u>109,841</u>
% of Portfolio	<u>25.52%</u>	<u>15.70%</u>

### **(d) Credit Ratings**

All debt securities purchased, such as FNMA, FHLMC, and FHLB issues had an implied credit rating of AAA or they have been collateralized to AAA. Certificates of Deposits, which are fully collateralized, and MMDT funds are not rated.

The 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement and the Investment Policy limit the Authority to investing in securities that are rated in the two highest categories without regard to gradations within rating categories, by both Moody's (AAA, Aa1, Aa2 and Aa3) and S&P (AAA, AA+, AA, and AA-).

### **(e) Interest Rate Risk – Investments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority has set targets for the preferred maturity structure for the investments held for each fund and account and also sets targets each quarter for the effective duration for each fund that reflect the need for liquidity and the expected tradeoffs between yield and term for each different fund and account. It is the Authority's practice to hold investments until maturity in order to insulate the Authority's investment earnings from interest rate risk. The Authority mitigates interest rate risk by managing the weighted average maturity of each portfolio type to best meet liquidity needs.

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

### (f) *Cash, Cash Equivalents and Investments by Fund*

The following summarizes cash and investments, at cost and fair value, as of June 30, by the various funds and accounts established by the Authority for debt covenant requirements and other purposes (in thousands):

	<b>2011</b>		<b>2010</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
<b>1978 Trust</b>				
Improvement and Extension Fund \$	88,608	89,077	83,628	84,743
Capital Budget Account	92,512	93,009	130,517	131,732
Debt Service Reserve Funds	111,917	112,587	114,191	116,009
Debt Service Funds	78,234	78,234	79,914	79,914
Maintenance Reserve Fund	87,905	88,137	63,462	64,203
Operating/Revenue Fund	50,086	50,086	49,903	49,791
Subordinated Debt Funds	36,239	36,239	34,910	34,910
Self-Insurance Account	29,785	29,989	28,437	28,733
2010 A Construction Fund	23,091	23,091	-	-
Other Funds	13,386	13,405	12,254	12,293
<b>1999 PFC Trust</b>				
Debt Service Reserve Funds	27,802	27,802	30,194	30,194
Debt Service Funds	19,592	19,592	22,709	22,709
Other PFC Funds	16,580	16,580	16,184	16,314
2007-B & D PFC Project	44	44	5,478	5,478
<b>2011 CFC Trust</b>				
Customer facility charges	2,322	2,322	23,495	23,495
2011-A & B CFC Project Funds	183,328	183,204	-	-
Debt Service Reserve Funds	23,933	23,776	-	-
Other CFC Funds	36,480	36,409	-	-
Total	<u>\$ 921,844</u>	<u>923,583</u>	<u>695,276</u>	<u>700,518</u>

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

### 4. Capital Assets

Capital assets consisted of the following at June 30, 2011 and 2010 (in thousands):

	<u>June 30,2010</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>June 30,2011</u>
Capital assets, not being depreciated				
Land	\$ 172,462	561	—	173,023
Construction in progress	84,422	233,692	187,316	130,798
Total capital assets, not being depreciated	256,884	234,253	187,316	303,821
Capital assets, being depreciated				
Buildings	2,299,518	116,164	4,457	2,411,225
Runway and other paving	638,496	28,827	—	667,323
Roadway	608,876	1,067	—	609,943
Machinery and equipment	204,454	37,415	40	241,829
Air rights	170,829	3,281	—	174,110
Parking rights	46,261	—	—	46,261
Total capital assets, being depreciated	3,968,434	186,754	4,497	4,150,691
Less accumulated depreciation for:				
Buildings	1,032,298	90,010	2,699	1,119,609
Runway and other paving	248,559	26,222	—	274,781
Roadway	204,653	23,859	—	228,512
Machinery and equipment	134,752	20,446	39	155,159
Air rights	73,599	7,666	—	81,265
Parking rights	13,878	1,542	—	15,420
Total accumulated depreciation	1,707,739	169,745	2,738	1,874,746
Total capital assets, being depreciated, net	2,260,695	17,009	1,759	2,275,945
Capital assets, net	\$ <u>2,517,579</u>	<u>251,262</u>	<u>189,075</u>	<u>2,579,766</u>

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Capital assets consisted of the following at June 30, 2010 and 2009 (in thousands):

	<u>June 30,2009</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>June 30,2010</u>
Capital assets, not being depreciated				
Land	\$ 172,515	188	241	172,462
Construction in progress	112,128	163,530	191,236	84,422
Total capital assets, not being depreciated	<u>284,643</u>	<u>163,718</u>	<u>191,477</u>	<u>256,884</u>
Capital assets, being depreciated				
Bridge and bridge improvements	109,400	22,534	131,934	—
Buildings	2,275,529	85,776	61,787	2,299,518
Runway and other paving	582,907	55,855	266	638,496
Roadway	609,054	10,366	10,544	608,876
Machinery and equipment	191,005	16,444	2,995	204,454
Air rights	170,756	73	—	170,829
Parking rights	46,261	—	—	46,261
Total capital assets, being depreciated	<u>3,984,912</u>	<u>191,048</u>	<u>207,526</u>	<u>3,968,434</u>
Less accumulated depreciation for:				
Bridge and bridge improvements	65,176	2,582	67,758	—
Buildings	1,002,444	86,809	56,955	1,032,298
Runway and other paving	223,669	25,073	183	248,559
Roadway	184,159	24,023	3,529	204,653
Machinery and equipment	119,809	17,139	2,196	134,752
Air rights	66,263	7,336	—	73,599
Parking rights	12,336	1,542	—	13,878
Total accumulated depreciation	<u>1,673,856</u>	<u>164,504</u>	<u>130,621</u>	<u>1,707,739</u>
Total capital assets, being depreciated, net	<u>2,311,056</u>	<u>26,544</u>	<u>76,905</u>	<u>2,260,695</u>
Capital assets, net	<u>\$ 2,595,699</u>	<u>190,262</u>	<u>268,382</u>	<u>2,517,579</u>

Depreciation and amortization for fiscal year 2011 and 2010 was \$169.4 million and \$164.1 million, respectively.

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Capital assets (excluding construction in progress) at June 30 comprised of the following (in thousands):

	<u>2011</u>	<u>2010</u>
Facilities completed by operation:		
Airports	\$ 3,850,443	3,702,608
Port	<u>473,271</u>	<u>438,288</u>
Capital assets (excluding construction in progress)	<u>\$ 4,323,714</u>	<u>4,140,896</u>

As noted above, on January 1, 2010, the Tobin Bridge was transferred to MassDOT, without consideration. As a result of this transaction, the Authority recorded a Special Item in its Statements of Revenues, Expenses and Changes in Net Assets of approximately \$78.0 million. This amount consists of the net book value of the Bridge at the date of transfer totaling approximately \$76.8 million and unamortized financing cost associated with the Bridge, and other miscellaneous costs to complete the transfer.

Additionally, on July 1, 2010, the Authority purchased the Worcester Regional Airport from the City of Worcester. The purchase was in accordance with the terms of Chapter 25 of the Acts of 2009, as amended (the "Transportation Reform Act"). The purchase price was \$15.1 million, which included the purchase of land, buildings, and equipment in the amount of \$12.4 million and the assumption of liabilities of \$2.7 million.

### 5. Bonds and Notes Payable

Long term debt at June 30, 2011 consisted of the following and represents maturities on the Authority's fiscal year basis (in thousands):

(Continued)



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Revenue Bonds:					
Senior Debt-1978 Trust Agreement:					
1997, Series B, 5.05% to 5.10%, issued August 15, 1997 due 2011	\$ 1,175	—	1,175	—	—
1998, Series A, 4.60% to 5.75%, issued January 29, 1998 due 2011 to 2024	71,485	—	34,725	36,760	17,595
1998, Series B, 5.00% to 5.375%, issued January 29, 1998 due 2011 to 2019	28,105	—	28,105	—	—
1998, Series D, 4.50% to 5.00%, issued August 5, 1998 due 2029	34,870	—	34,870	—	—
1998, Series E, 4.70% to 5.25%, issued August 5, 1998 due 2011 to 2029	69,060	—	69,060	—	—
1999, Series C, 5.00%, issued November 12, 1999 due 2011	2,780	—	2,780	—	—
1999, Series D, 5.10% to 6.25%, issued November 12, 1999 due 2011 to 2030	41,320	—	41,320	—	—
2003, Series A, 2.50% to 5.00%, issued May 22, 2003 due 2011 to 2034	199,515	—	4,640	194,875	4,835
2003, Series C, 2.50% to 5.00%, issued May 22, 2003 due 2011 to 2019	51,110	—	6,810	44,300	7,155
2005, Series A, 3.00% to 5.00%, issued May 5, 2005 due 2011 to 2036	179,935	—	3,620	176,315	3,725
2005, Series C, 3.00% to 5.00%, issued May 5, 2005 due 2011 to 2030	226,660	—	6,165	220,495	9,240
2007, Series A, 3.625% to 4.50%, issued May 31, 2007 due 2011 to 2038	49,750	—	975	48,775	1,015
2007, Series C, 3.8% to 5.00%, issued May 31, 2007 due 2011 to 2028	32,105	—	25	32,080	1,255
2008, Series A Multi-Modal, variable, issued June 19, 2008 due 2011 to 2039	23,940	—	360	23,580	2,958
2008, Series B Multi-Modal, variable, issued June 19, 2008 due 2011 to 2036	98,125	—	98,125	—	—
2008, Series C, 3.00% to 5.00%, issued July 9, 2008 due 2011 to 2021	36,990	—	1,010	35,980	1,035
2010, Series A, 3.00% to 5.00%, issued August 5, 2010 due 2014 to 2041	—	97,905	—	97,905	—
2010, Series B, 2.00% to 5.00%, issued August 5, 2010 due 2012 to 2041	—	138,015	—	138,015	1,375
2010, Series C, 3.00% to 5.00%, issued August 5, 2010 due 2012 to 2041	—	23,875	—	23,875	2,290
2010, Series D, Multi-Modal variable, issued August 5, 2010 due 2012 to 2030	—	107,505	—	107,505	14,530
Subtotal Senior Debt	\$ 1,146,925	367,300	333,765	1,180,460	67,008

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Subordinated Debt- 1978 Trust Agreement:					
2000, Series A,B & C, 6.45%, issued December 29, 2000 due 2031	\$ 40,000	—	—	40,000	—
2001, Series A,B & C, 6.45%, issued January 2, 2001 due 2032	<u>34,000</u>	<u>—</u>	<u>—</u>	<u>34,000</u>	<u>—</u>
Subtotal Subordinate Debt	\$ 74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:					
1999, Series B, 4.90% To 5.50%, issued June 9, 1999 due 2011 to 2016	\$ 86,605	—	86,605	—	—
2007, Series B, 4.00% to 5.00%, issued May 31, 2007 due 2011 to 2018	41,135	—	3,965	37,170	4,120
2007, Series D, 3.50% to 5.50%, issued May 31, 2007 due 2011 to 2018	65,030	—	100	64,930	100
2010, Series E, 3.00% to 5.00%, issued August 5, 2010 due 2012 to 2018	<u>—</u>	<u>57,150</u>	<u>—</u>	<u>57,150</u>	<u>11,515</u>
Subtotal PFC Senior Debt	\$ 192,770	57,150	90,670	159,250	15,735
Senior Debt - CFC Trust Agreement:					
2011, Series A, 5.125%, issued June 8, 2011 due 2038 to 2042	\$ —	58,030	—	58,030	—
2011, Series B, 0.900% to 6.352%, issued June 8, 2011 due 2013 to 2038	<u>—</u>	<u>156,030</u>	<u>—</u>	<u>156,030</u>	<u>—</u>
Subtotal CFC Senior Debt	<u>—</u>	<u>214,060</u>	<u>—</u>	<u>214,060</u>	<u>—</u>
Total Bonds Payable	\$ 1,413,695	638,510	424,435	1,627,770	82,743
Less unamortized amounts:					
Bond premium/(discount), net	42,492	22,542	4,864	60,170	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	<u>(21,402)</u>	<u>(5,983)</u>	<u>(3,540)</u>	<u>(23,845)</u>	<u>—</u>
Total Bonds Payable, net	\$ <u>1,434,785</u>	<u>655,069</u>	<u>425,759</u>	<u>1,664,095</u>	<u>82,743</u>

Included in the Authority's bonds payable are \$131.1 million and \$122.1 million of variable rate demand bonds ("VRDB") as of June 30, 2011 and 2010, respectively. The VRDBs have remarketing features which allow bondholders the right to return, or put, the bonds to the Authority. The Authority in turn has entered into a three year irrevocable letter of credit agreement with Bank of America requiring repayment of the tendered, unremarketed VRDBs and any associated obligations on the bonds tendered.

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# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Should the VRDBs be tendered and the letter of credit exercised, the tendered bonds would be converted to bank bonds, possibly requiring one tenth of the tendered bonds to become due within 270 days. As such, the Authority would look to identify an alternative financing arrangement in advance of the bank bonds debt service payment becoming due to satisfy this obligation. The subject debt was issued as multi-modal bonds, thus allowing the Authority to reissue and refund through one of several modes. As a result, the Authority has added \$12.9 million and \$11.8 million to its current portion of long term debt, in addition to the amounts identified in the schedules of the Authority's bonds payable at June 30<sup>th</sup> due within one year, for the fiscal years ending June 30, 2011 and 2010, respectively.

The following summarizes the Authority's revenue bonds activity at June 30 (in thousands):

	<b><u>2010 Beginning balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>2011 Ending balance</u></b>	<b><u>Due within one year</u></b>
Senior Debt-1978 Trust Agreement:	\$ 1,146,925	367,300	333,765	1,180,460	67,008
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	192,770	57,150	90,670	159,250	15,735
Senior Debt - CFC Trust Agreement:	<u>—</u>	<u>214,060</u>	<u>—</u>	<u>214,060</u>	<u>—</u>
	<u>\$ 1,413,695</u>	<u>638,510</u>	<u>424,435</u>	<u>1,627,770</u>	<u>82,743</u>
	<b><u>2009 Beginning balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>2010 Ending balance</u></b>	<b><u>Due within one year</u></b>
Senior Debt-1978 Trust Agreement:	\$ 1,218,560	—	71,635	1,146,925	65,685
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	<u>209,310</u>	<u>—</u>	<u>16,540</u>	<u>192,770</u>	<u>17,390</u>
	<u>\$ 1,501,870</u>	<u>—</u>	<u>88,175</u>	<u>1,413,695</u>	<u>83,075</u>

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Debt service requirements on revenue bonds (1978 Trust, PFC Trust and CFC Trust) outstanding at June 30, 2011 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2012	\$ 69,835	62,381	132,216
2013	75,745	71,905	147,650
2014	64,435	68,530	132,965
2015	68,295	65,958	134,253
2016	70,470	63,052	133,522
2017 – 2021	326,625	266,735	593,360
2022 – 2026	268,145	205,208	473,353
2027 – 2031	263,275	142,466	405,741
2032 – 2036	272,325	64,713	337,038
2037 – 2041	134,155	20,280	154,435
2042	14,465	741	15,206
Total	<u>\$ 1,627,770</u>	<u>1,031,969</u>	<u>2,659,739</u>

### *a) Senior Debt - 1978 Trust Agreement*

On August 5, 2010 the Authority issued \$367.3 million of Massachusetts Port Authority Revenue Bonds in four series. The Series 2010 A Revenue Bonds, in the amount of \$97.9 million were issued with an original issue premium of approximately \$6.8 million. The projects financed with Series A bond proceeds include capital improvements to Terminals C and E, the economy parking deck, the bus maintenance facility, and cruise terminal upgrades. Due to a provision of the American Recovery and Reinvestment Act of 2009 ("ARRA"), these bonds were sold as Non-AMT debt; otherwise (as a result of the "private activity" nature of the construction projects) they would have been sold as AMT bonds.

The Authority also issued \$138.0 million in Revenue Refunding Bonds, Series 2010 B and \$23.9 million of Revenue Refunding Bonds, Series 2010 C. The Series 2010 B Bonds had an original issue premium of approximately \$10.8 million and refunded a portion of the 1998 A bonds and all of the 1998 D and 2008 B bonds. The current refunding resulted in the recognition of an accounting loss of \$1.8 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded 1998 A, 1998 D bonds and the refunding debt service was \$9.2 million. This refunding had an economic gain and achieved a net present value savings of \$6.1 million or 11.6%. The annual savings for fiscal year 2011 through fiscal year 2028 are approximately \$0.34 million. The 2008 B VRDBs were also refunded into fixed rate debt by the issuance of the 2010 B bonds; this refunding transformed the 2008 B bonds that were subject to the AMT into 2010 B bonds that are not subject to the AMT. When compared with the fixed rates available in 2008, this refunding had a net present value savings of 13.9%. The Series 2010 C Bonds had an original issue premium of approximately \$2.2 million and refunded all of the 1998 B bonds. The current refunding resulted in the recognition of an accounting loss of \$0.1 million, which will be amortized over the

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

life of the defeased bonds. The aggregate difference in debt service between the refunded and the refunding debt service was \$2.7 million. This refunding had an economic gain and achieved a net present value savings of \$2.2 million or 8.7%. The annual savings for fiscal year 2011 through fiscal year 2018 are approximately \$0.33 million.

The Authority also issued \$107.5 million in Multi-Modal Revenue Refunding Bonds, Series 2010 D. The Series 2010 D Bonds were issued at par value and refunded all of the 1998 E bonds and 1999 D bonds. The current refunding resulted in the recognition of an accounting loss of \$3.6 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded and the refunding debt service was \$2.1 million. Assuming a fixed rate of 4.11% this refunding had an economic gain and achieved a net present value savings of \$1.4 million or 1.3%. The annual savings for fiscal year 2011 through fiscal year 2029 will vary with the actual variable rate paid. The Series 2010 D refunding enabled the Authority to maintain approximately 10% of its long term debt portfolio in variable rate debt while refunding its most expensive outstanding series of debt.

On July 16, 2009 the Authority's Board authorized the defeasance with cash of \$21.7 million of the then outstanding 1999 D Bonds as a refunding of all the outstanding debt that had been issued in regards to expenditures on the Tobin Bridge. The Authority recognized a loss of approximately \$800 thousand on this transaction. The defeasance was accomplished on July 24, 2009.

#### ***b) Subordinate Debt - 1978 Trust Agreement***

Subordinate debt is payable solely from funds on deposit in the Improvement and Extension Fund and is not subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement or the CFC Trust Agreement. The Authority has invested \$12.0 million which at maturity will provide for the \$74.0 million principal payments of the subordinate debt at their respective maturities. As of June 30, 2011, the value of the two GICs was approximately \$33.9 million as compared to \$32.5 million as of June 30, 2010.

#### ***c) Senior Debt - PFC Trust Agreement***

On August 5, 2010, the Authority issued \$57.2 million of PFC Revenue Refunding Bonds, Series 2010 E with an original issue premium of approximately \$4.2 million to refund all of the 1999 B bonds. The current refunding resulted in the recognition of an accounting loss of \$0.5 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded and the refunding debt service was \$19.6 million. This refunding had an economic gain and achieved a net present value savings of \$5.1 million or 7.0%. The annual savings for fiscal year 2011 through fiscal year 2018 are approximately \$3.9 million.

The Authority's outstanding PFC debt continues to be backed by a pledge of the \$4.50 PFC collections. The Authority earned PFC Revenues, as defined by the PFC Trust Agreement, of approximately \$58.7 million and \$59.1 million during fiscal years 2011 and 2010, respectively. These amounts include approximately \$0.2 million and \$0.5 million of investment income on PFC receipts during fiscal years 2011 and 2010, respectively.

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

#### ***d) Senior Debt - CFC Trust Agreement***

On June 8, 2011, the Authority issued its Special Facilities Revenue Bonds (ConRAC Project), Series 2011 A in the amount of \$58.0 million with an original issue discount of approximately \$1.5 million, and its Special Facilities Revenue Bonds (ConRAC Project), Series 2011 B (Federally Taxable) in the amount of \$156.0 million at par, pursuant to the CFC Trust Agreement (collectively, the "Series 2011 Bonds"). The Series 2011 Bonds are being issued for the purpose of providing funds sufficient, together with other available funds, to finance the development and construction of a new ConRAC facility and related improvements at Logan Airport, fund certain deposits to the Debt Service Reserve Fund and the Supplemental Reserve Fund, and pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds and any additional bonds that may be issued under the CFC Trust Agreement on parity with the Series 2011 Bonds are secured by CFC Pledged Revenues and by Contingent Rent from the rental car companies, if any, and other funds. The Series 2011 Bonds are not secured by any other revenues of the Authority. The Series 2011 Bonds will be payable solely from the CFC Pledged Receipts pledged under the CFC Trust Agreement and from certain funds and accounts held by the Trustee.

All of the Authority's outstanding ConRAC debt is backed by a pledge of the \$6.00 CFC collections. The Authority earned CFC Revenues, as defined by the CFC Trust Agreement, of approximately \$26.4 million and \$20.8 million during fiscal years 2011 and 2010, respectively. These amounts include approximately \$0.2 million and \$0.09 million of investment income on CFC receipts during fiscal years 2011 and 2010, respectively.

#### ***e) Defeased Bonds***

In prior years, the Authority has defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the trustee for such bonds to provide for all future debt service payments on the defeased bonds. Accordingly, the trust fund assets and the liability for the defeased bonds are not included in the Authority's financial statements. The total defeased, but unredeemed, bonds at June 30, 2011, were approximately \$51.7 million.

#### ***f) Special Facility Bonds***

To provide for the construction and improvement of various facilities at Logan Airport, the Authority has issued nine series of special facilities revenue bonds. The Authority's special facilities revenue bonds are all special limited obligations of the Authority, and are payable and secured solely from and by certain revenues of a separate trustee. The Authority's special facilities revenue bonds do not constitute a debt or pledge of the full faith and credit of the Authority, or the Commonwealth of Massachusetts or any subdivision thereof and, accordingly, have not been reflected in the accompanying financial statements. As of June 30, 2011 and 2010, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding was approximately \$703.0 million and \$708.2 million, respectively. The Authority has no obligation for \$205.4 million of Special Facility Bonds and only limited obligation for the \$497.6 million of special facility bonds related to Terminal A described below. For additional discussion regarding the Authority's limited obligation, see Note 1(i).

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## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

Approximately \$497.6 million of the Authority's special facility bonds relate to the Delta Airlines Series 2001 A, B, and C bonds issued in connection with Delta Airlines construction of Terminal A. During September of 2005, Delta Airlines entered into bankruptcy and as of April of 2007 re-emerged out of bankruptcy. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than an obligation to remit to the trustee of the Terminal A bonds a portion of the Terminal A airline revenue, to service the debt. The Authority and Delta Airlines negotiated a restated and amended lease (the "Amended Lease") for Terminal A pursuant to which Delta Airlines reduced the number of gates that it occupied in Terminal A. The Amended Lease was approved by the Bankruptcy Court and was effective as of July 1, 2006.

#### *g) Commercial Notes Payable*

The Authority's Commercial notes payable as of June 30, 2011 and 2010 were as follows (in thousands):

	<u>2011</u>	<u>2010</u>
Commercial paper notes	\$ 89,000	89,000
Principal paid on commercial paper notes	—	—
Commercial paper notes	<u>\$ 89,000</u>	<u>89,000</u>

Commercial notes payable have been issued under the terms of the 1978 Trust Agreement and are backed by the proceeds of the Improvement and Extension fund or anticipated bond funds. The allowable maximum principal amount outstanding at any time, in the aggregate principal amount, cannot exceed the lesser of 10% of the Authority's outstanding long term debt or \$150.0 million, and is backed by a Letter of Credit Agreement with the Bank of New York Mellon expiring in August 2013.

The commercial notes payable have been used to fund PFC eligible projects; therefore the Authority anticipates that PFC revenues will be the source to pay such redemptions. The Authority does expect to make principal payments on the existing commercial notes payable, which are 2003 Series A and B, during fiscal year 2012. The blended interest rate on Series 2003 A Notes was 0.33% and 0.30% and Series 2003 B Notes was 0.35% and 0.31% during fiscal years 2011 and 2010, respectively.

During fiscal year 2011 and fiscal year 2010, the Authority did not participate in any Interest Rate Swaps.

#### *h) Arbitrage – Rebate Liability*

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage liability and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage liability arises when the Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Authority has an estimated liability on June 30, 2011 and 2010 of \$12.0 million and \$12.3 million, respectively.

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

#### **6. Employee Benefit Plans**

##### ***a) Plan Description – Pension Plan***

The Massachusetts Port Authority Employees' Retirement System plan (the "Plan") is a single employer contributory defined benefit pension plan administered by the Massachusetts Port Authority Employees' Retirement System (the "System"). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Massachusetts General Laws ("MGL"), principally Chapter 32, establishes and amends benefit provisions. The System issues publicly available audited financial statements for the Plan. The report may be obtained by writing to the Massachusetts Port Authority Employees' Retirement System, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909. These statements are prepared on the accrual basis of accounting. Employer contributions are recognized when the employer has made formal commitments to provide the contributions. Member contributions are recognized by the Plan as compensation is earned by the Authority's employees. Retirement benefits and refunds are recorded when due and payable in accordance with the terms of the Plan. Investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on a national securities exchange for which no sale was reported on that date and investments in common and preferred stocks traded in over-the-counter markets are valued at the mean of the last reported bid and asked prices, or the last reported bid price. The Plan has no investments, at fair value, that exceed 5% of the Plan's total investments as of December 31, 2010 and 2009 other than investments in mutual funds, external investment pools and other pooled investments. No long term contracts for contributions to the Plan existed at December 31, 2010 and 2009.

##### ***b) Funding Policy***

The contribution requirements of plan members and the Authority are established and may be amended by the State Legislature. Depending upon their employment date, active plan members are required to contribute 5% to 9% of their annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30.0 thousand. The Authority is required to contribute amounts pursuant to Section 22(6A) of MGL Chapter 32.

##### ***c) Annual Pension Cost***

The annual required contribution ("ARC") for the year ended June 30, 2011 was determined as part of the January 1, 2010 actuarial valuation. In the January 1, 2010 actuarial valuation, the actuarial cost method utilized to determine contributions to the Plan for the year ended December 31, 2010 is the Frozen-Entry-Age Actuarial Cost Method, using a closed amortization period in level amounts over a period of twenty years, the methodology required by the Plan under its charter. Five-year smoothing is the method used to determine the actuarial value of assets.

(Continued)



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

The actuarial assumptions included (a) 7.75% investment rate of return, and (b) projected salary increases of 4.75%, both (a) and (b) include an inflation component of 3.0%. Liabilities for cost of living increases have been approximated, assuming an annual cost of 3.0% on the first \$12.0 thousand of annual pension benefits. The ARC equaled the annual pension cost ("APC") and the employer contributions for the last three years. Those amounts are as follows (in thousands):

<b>Year ended December 31,</b>	<b>Annual pension cost (APC)</b>	<b>Percentage of APC contributed</b>
2010	\$ 4,924	100%
2009	7,621	100
2008	401	100

### 7. Other Postemployment Benefits

During the year ended June 30, 2008, the Authority established the Retiree Benefits Trust (the "Trust") and implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statements of Revenues, Expenses, and Changes in Net Assets when future retirees earn their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the Statements of Net Assets over time.

#### a) Plan Description

In addition to providing the pension benefits described in Note 6, the Authority provides post-employment health care and life insurance benefits ("OPEB") for retired employees. The benefit levels, employer contributions and future employee contributions are governed by the Authority and can be amended by the Authority. The OPEB Plan is a single-employer plan and offers retirees a choice of medical plans, as well as two dental plans, and basic life insurance. The medical plans are either HMOs, PPOs or indemnity plans, and some are designed to work with Medicare benefits, such as a Medicare supplement or Medicare HMO plans. The basic life insurance provides a \$5,000 death benefit to the retiree. Spouses and dependents are not eligible for this death benefit upon their death. As of June 30, 2011, approximately 713 retirees and 1,167 active and inactive employees meet the eligibility requirements. To comply with the requirements of GASB 45, the Authority performed an actuarial valuation at January 1, 2011. The Authority issues publicly available audited financial statements for the Trust. The report may be obtained by writing to the Massachusetts Port Authority, Attn: John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909. These statements are prepared on the accrual basis of accounting. Employer contributions are recognized when the employer has made formal commitments to provide the contributions and

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

benefits are recorded when due and payable in accordance with the terms of the Trust. Investments are reported at fair value. Mutual funds and commingled funds are valued based on net asset or unit value at year-end. No long term contracts for contributions to the Trust existed at June 30, 2011 or 2010.

### *b) Annual OPEB Costs and Net OPEB Obligation*

The Authority's 2011 and 2010 OPEB expense is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Authority's annual OPEB cost for the years ending June 30, 2011 and 2010, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation based on an actuarial valuation as of January 1, 2011 (in thousands).

	<b>2011</b>	<b>2010</b>
Annual Required Contribution (ARC)	\$ 17,229	18,345
Interest on net OPEB obligation	(3,311)	(3,386)
Adjustment to ARC	2,609	2,549
Annual OPEB cost	<u>16,527</u>	<u>17,508</u>
Current premiums on a pay-as-you-go basis	—	—
Subsidy	1,943	1,200
Contributions made	<u>17,100</u>	<u>15,338</u>
Change in net OPEB obligation	2,516	(970)
Net OPEB Asset – beginning of year	42,725	43,695
Net OPEB Asset – end of year	<u>\$ 45,241</u>	<u>42,725</u>

### *c) Funded Status and Funding Progress*

The funded status of the plan, based on an actuarial valuation as of January 1, 2011, was as follows (in thousands):

Actuarially accrued liability ("AAL")	\$ 237,462
Actuarial value of plan assets	<u>76,693</u>
Unfunded actuarial accrued liability ("UAAL")	<u>\$ 160,769</u>
Funded ratio (actuarial value of plan assets/AAL)	32.3%
Covered payroll (active plan members)	\$ 95,400
UAAL as a percentage of covered payroll	168.5%

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### *d) Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and Plan members. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The January 1, 2011 actuarial valuation used the projected unit credit cost method. The actuarial value of assets was \$76.7 million. The actuarial assumptions included a 7.75% investment rate of return and an initial annual healthcare cost trend rate range of 10.0% which decreases to a 5.0% long-term trend rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payrolls for a period of 27 years, on a closed basis. This has been calculated assuming an inflation rate of 3.25%.

## 8. Leases

### *a) Commitments*

The Authority has commitments under various operating leases, as lessee. The following is a schedule by years of minimum rental payments under noncancelable operating leases as of June 30, 2011 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2012	\$ 25,654	2032 – 2036	\$ 4,436
2013	17,439	2037 – 2041	4,436
2014	13,575	2042 – 2046	4,436
2015	4,062	2047 – 2051	4,436
2016	887	2052 – 2056	4,436
2017 – 2021	4,436	2057 – 2061	4,436
2022 – 2026	4,436	2062 – 2066	4,436
2027 – 2031	4,436	2067 – 2070	3,290
		Total	\$ <u>109,267</u>

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Rent expense and other operating lease related payments were \$26.7 million and \$28.0 million for fiscal years 2011 and 2010, respectively.

### ***b) Rental Income***

The Authority leases a major portion of its Aviation and Port properties to various tenants. Many of these operating leases provide for periodic adjustments to rental rates, including certain provisions for contingent payments based on specified percentages of the tenant's gross revenue.

The following is a schedule by years of minimum future rental income on noncancelable operating leases as of June 30, 2011 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2012	\$ 78,433	2047 – 2051	\$ 56,611
2013	65,614	2052 – 2056	43,952
2014	64,820	2057 – 2061	45,071
2015	60,560	2062 – 2066	46,279
2016	37,753	2067 – 2071	47,549
2017 – 2021	150,185	2072 – 2076	48,923
2022 – 2026	111,642	2077 – 2081	50,370
2027 – 2031	82,371	2082 – 2086	44,824
2032 – 2036	82,157	2087 – 2091	36,621
2037 – 2041	82,577	2092 – 2096	35,936
2042 – 2046	78,984	2097 – 2101	10,869
		Total	\$ <u>1,362,101</u>

Rental income and concession income, including contingent payments received under these provisions, was approximately \$240.3 million and \$229.5 million for the fiscal years 2011 and 2010, respectively.

### **9. Risk Management**

The Authority, as mandated by the 1978 Trust Agreement, maintains a self insurance account for general liability and workers compensation within the Operating Fund. The self insurance accruals are determined based on insurance claim history and actuarial estimates needed to pay prior and current-year claims. The accrued liability was approximately \$5.6 million and \$6.0 million as of June 30, 2011 and 2010, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30, 2011 and 2010.

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

Changes in the accrued liability accounts, related to self insurance, in fiscal year 2011 and 2010 were as follows (in thousands):

	<b>2011</b>	<b>2010</b>
Liability balance, beginning of year	\$ 5,990	5,610
Provision to record estimated losses	836	3,953
Payments	(1,257)	(3,573)
Liability balance, end of year	<u>\$ 5,569</u>	<u>5,990</u>

As part of its normal operations, the Authority encounters the risk of accidental losses stemming from third party liability claims, property loss or damage, and job-related injuries and illnesses. In managing these loss exposures, a combination of risk management measures is applied, including safety and loss prevention programs, emergency planning, contractual risk transfer, self insurance, and insurance.

In connection with the self insurance and insurance programs, the Authority retains part of the losses incurred and internally manages the self insured claims. The self insured retention currently includes \$0.75 million for worker's compensation per job-related accident, up to \$0.25 million per occurrence for automobile liability, general liability and other types of third party claims, \$0.25 million per loss involving damage to buildings and their contents. Insurance is purchased above the self-insured amounts, subject to availability and the reasonableness of cost. Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported at year-end and are based on the historical cost of settling similar claims. The Authority records such liabilities as accrued expenses. The Authority from time to time is engaged in various matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. The Authority does not expect that these matters will require any amounts to be paid which in the aggregate would materially affect the financial statements.

Settled claims resulting from the risks discussed above have not exceeded the amount of insurance coverage in force in any of the past three fiscal years. Further, insurance maintained in fiscal years 2011 and 2010 has not changed significantly from prior years.

#### **10. Payments in Lieu of Taxes**

The Authority's Enabling Act, the 1978 Trust Agreement and the PILOT Agreements authorize and directs the Authority, subject to certain standards and limitations, to enter into agreements (collectively, the "PILOT Agreements") to make annual payments in lieu of taxes to the City of Boston and the Town of Winthrop.

The PILOT Agreements provide that annual payments may not exceed the balance of revenues remaining after deposits to pay operating expenses, required deposits to the Interest and Sinking Fund and required deposits to the Maintenance Reserve Fund.

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# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Pursuant to the amended Boston PILOT Agreement (the “Amended Boston PILOT Agreement”), the term of the Boston PILOT Agreement was extended to June 30, 2015 subject to mutual rights to terminate the Amended PILOT Agreement each year after July 1, 2010. The Amended Boston PILOT Agreement provides for the Authority to pay (i) an annual base amount (the “Base Amount”) of \$14 million, which, commencing in fiscal year 2007, increases annually by the annual percentage change in the consumer price index, provided that such increase shall be no less than 2%, nor greater than 8%, per year, and (ii) for ten years, an amount of \$700,000, which shall not be increased or adjusted. In accordance with the Transportation Reform Act, as of January 1, 2010, the portion of the Authority’s PILOT obligations to the City of Boston attributable to the Tobin Bridge was assumed by MassDOT.

In fiscal year 1992, the Authority and the City of Chelsea entered into a Further Extension of Term and Amendment Agreement (the “Amended Chelsea PILOT Agreement”), which extended the base in-lieu-of-tax payments through fiscal year 2012. In accordance with the Transportation Reform Act, as of January 1, 2010, the portion of the Authority’s in-lieu-of-tax payment obligations to the City of Chelsea attributable to the Tobin Bridge was assumed by MassDOT. In addition to the Amended Chelsea PILOT Agreement, in June 2008 the Authority amended a planning and development agreement with the City of Chelsea (the “Planning and Development Agreement”). Pursuant to the amendment, the term of the Planning and Development Agreement was extended through fiscal year 2012 and provides for the Authority to make annual payments of \$600,000, which are not payments in lieu of taxes under the Enabling Act and were not assumed by MassDOT.

In fiscal year 2006, the Authority and the Town of Winthrop entered into an Amended and Restated Payment-In-Lieu-Of-Taxes Agreement (the “Amended Winthrop PILOT Agreement”), which extended the base in-lieu-of-tax payments through fiscal year 2025. The Amended Winthrop PILOT Agreement provides for the Authority to make an annual payment of \$900,000, which will be adjusted in fiscal years 2016 through 2025 if the average annual percentage change in the consumer price index in fiscal year 2006 through 2015 is less than 2% or more than 8%.

## 11. Commitments

### *a) Contractual Obligations for Construction*

The Authority enters into construction contracts with various construction and engineering companies. Construction contracts outstanding were approximately \$236.5 million and \$247.7 million as of June 30, 2011 and 2010, respectively.

### *b) Seaport Bond Bill*

The Seaport Bond Bill was enacted in 1996 and among other things, provides for funding improvements to the Massachusetts rail transportation network allowing rail shipment of double stack cargo from Allston Yards in Boston to points west, which is anticipated to encourage expanded container shipments through the Port of Boston. The Seaport Bond Bill requires that the Authority provides up to fifty percent (50%) of the cost of improvements to the rail line from Framingham to the Allston Yard in Boston permitting double stack shipments. Expenditure of funds will not occur until the execution of a Master Agreement, as defined by the statute, between the Commonwealth and the participating railroads. The Authority believes that the likelihood that any such Master

(Continued)

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2011 and 2010

Agreement will be executed and Authority funds committed for double stack improvements within the next fiscal year is remote.

### 12. Litigation

#### *a) Events of September 11, 2001*

The Authority is engaged in routine litigation as well as litigation involving the terrorist attacks of September 11, 2001.

On September 11, 2001, terrorists hijacked American Airlines flight 11 and United Airlines flight 175 and flew them into the World Trade Center in New York, N.Y. The terrorist acts caused the deaths of approximately 3,000 persons, unknown numbers of personal injuries, and massive property damage. Both flights originated at Logan Airport.

In September 2001, Congress passed the Air Transportation Safety and System Stabilization Act of 2001 ("ATSSSA"), which provides, among other things, that victims who suffered physical injury or death as a result of the events of September 11, 2001 ("9/11") could file a claim with a newly created Victim Compensation Fund (the "Fund"). Those who sought such compensation waived the right to file a civil lawsuit. The Fund does not apply to claims for property damage, business interruption, or the like. Approximately 98.0% of claimants eligible for compensation from the Fund filed a claim with the Fund.

In November 2001, Congress passed the Aviation and Transportation Security Act ("ATSA"), which amended ATSSSA to, provide a limitation on liability of various entities, including airport sponsors such as the Authority, for the events of 9/11. Specifically, the liability of an airport sponsor for those events "shall not be in an amount greater than the limits of liability insurance coverage maintained by that . . . airport sponsor". The Authority has insurance in effect to cover these incidents in the amount of \$500.0 million per occurrence and consequently, under ATSA the Authority's liability, if any, would be limited to such amounts. To the Authority's knowledge, the Authority's insurer has received copies of all complaints and Notices of Claim and/or any other form of notification to the Authority by an individual or entity claiming to have suffered a loss.

Furthermore, to the Authority's knowledge, its insurer has agreed to defend any such claims and has not reserved its rights to deny coverage with respect to any of those claims although the insurer has reserved its rights with respect to (i) the number of occurrences, (ii) indemnification of the Authority against any award of punitive damages, and (iii) the Authority's rights as a named additional insured under other policies of insurance, including policies of the Authority's tenants and licensees.

As of September 2011, there is one remaining property damage lawsuit (brought by World Trade Center Properties, LLC) naming the Authority and other defendants. On July 27, 2011, the court dismissed the last remaining wrongful death case against the Authority. A number of other wrongful death and property damage lawsuits against the Authority and other defendants have been settled. These settlements have been achieved without any financial contribution from the Authority or its

(Continued)

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

insurer, even though the settling plaintiffs have provided the Authority with a release of all claims related to the events of 9/11.

Absent the limitation of liability in ATSSSA, the amount of potential damages that could be awarded against the Authority if it were found liable in these lawsuits, based on the total amount of liability claimed, is an amount that would have a significant, materially adverse effect on the financial condition of the Authority. While the Authority cannot predict the outcome of any of these lawsuits or subsequent challenges, if any, to ATSSSA, it believes it has meritorious defenses to these actions and will continue to review and assess the various claims asserted and vigorously defend against them.

#### ***b) Environmental Contamination***

The Authority is currently involved in twelve separate pollution remediation obligations that meet the requirements for accounting treatment under GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"). These obligations are generally related to the removal and/or treatment of contaminated soil, groundwater and petroleum products associated with fuel storage and conveyance. GASB 49 dictates that for each obligating event, an estimate of the expected pollution remediation outlays is required to be accrued as a liability and expensed in the current period. Re-measurement of the liability is required when new information indicates increases or decreases in estimated outlays.

The estimated liability as of June 30, 2011 and 2010 is \$4.0 million and \$5.3 million, respectively, which represents the approximate amounts the Authority expects to pay for future remediation activities. The Authority paid approximately \$1.0 million and \$0.6 million in fiscal years 2011 and 2010, respectively. This estimate was generated using input and guidance from internal management and professional consultants, and represents a wide array of remediation activities ranging from one time events to longer-term sustained monitoring activity. The Authority will continue to closely monitor each of these obligations, working toward regulatory closure, and will make any necessary adjustments to the potential liability as new information becomes available.

#### ***c) Other litigation***

The Authority also is engaged in numerous matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. Others include such matters as disputes with contractors, subcontractors, engineers and others arising out of construction and maintenance of the Authority's properties; disputes over leases and concessions; property, theft and damage claims arising from the Authority's operations, employment matters and workers compensation, as to which the Authority is self-insured. The Authority does not expect that these matters will require any amounts to be paid which, in the aggregate, will be material to the results of operations.

(Continued)



## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2011 and 2010

#### 13. Interagency Agreements

##### *a) Transportation Reform Act*

In June 2009, the Transportation Reform Act was enacted and provided for the establishment of MassDOT. MassDOT was established on November 1, 2009 and includes the former Executive Office of Transportation, the Massachusetts Highway Department, the Massachusetts Turnpike Authority, the Registry of Motor Vehicles and the Massachusetts Aeronautics Commission. The Transportation Reform Act affected the Authority in two major ways: first, on January 1, 2010 the Authority transferred, without consideration, the Tobin Bridge to MassDOT; and second, Worcester Regional Airport was purchased by the Authority on July 1, 2010 for \$15.1 million.

##### *b) Investment in Joint Venture*

In May 1996, the Authority entered into an interagency agreement with the Massachusetts Highway Department (“MHD”) and Massachusetts Bay Transportation Authority (“MBTA”) for the construction of a Regional Transportation Center (“RTC”) in Woburn, Massachusetts (“Interagency Agreement”). Under the terms of the Interagency Agreement, the Authority has paid one third of the costs of acquiring the site and constructing the RTC, and will share in a like proportion in the profits and losses of the RTC. During fiscal years 2011 and 2010, the Authority recognized gains of approximately \$0.2 million, respectively, representing its share of the earnings of the RTC.

##### *c) Logan Airport Silver Line Transportation Agreement*

The Authority entered into an agreement with the MBTA to provide public transportation between South Station in Boston, Massachusetts and Logan Airport along a route called the Silver Line.

Pursuant to this agreement the Authority has purchased and accepted delivery of eight buses for a cost of \$13.3 million.

In addition, the MBTA and the Authority have entered into a ten year agreement ending on December 30, 2015. Under this agreement, the MBTA will operate and maintain the Authority’s Silver Line buses for a cost of \$2.0 million per year, paid in equal monthly installments. The MBTA remits to the Authority an amount based on the number of passengers boarding at Logan Airport.

#### 14. Subsequent Events

On July 27, 2011, the last wrongful death case against the Authority relating to the September 11, 2001 terrorist attack was dismissed by the Federal District Court. It is possible that the plaintiff will file an appeal. See Note 12 above.

(Continued)

**MASSACHUSETTS PORT AUTHORITY**  
Required Supplementary Information  
Schedule of Pension Funding Progress / OPEB Funding Progress  
June 30, 2011  
(In thousands)

**Schedule of Pension Funding Progress**

(1) Actuarial valuation date	(2) Actuarial value of plan assets	(3) Actuarial accrued liability (AAL)	(4) (Overfunded) unfunded (UAAL) AAL(2) – (3)	(5) Actuarial value of assets as a percentage of AAL (funded ratio) (2)/(3)	(6) Annual covered payroll	(7) (UAAL) AAL as a percentage of covered payroll (4)/(6)
1/1/2011	\$ 420,801	419,272	(1,529)	100.4%	\$ 82,541	(1.9)%
1/1/2010	410,469	407,857	(2,612)	100.6	86,438	(3.0)
1/1/2009	342,953	327,829	(15,124)	104.6	85,944	(17.6)
1/1/2008	396,930	387,223	(9,707)	102.5	81,120	(12.0)
1/1/2007	368,346	357,507	(10,839)	103.0	76,835	(14.1)
1/1/2006	327,714	317,033	(10,681)	103.4	73,514	(14.5)
1/1/2005	304,427	293,550	(10,877)	103.7	71,030	(15.3)

**Schedule of OPEB Funding Progress**

(1) Actuarial valuation date	(2) Actuarial value of plan assets	(3) Actuarial accrued liability (AAL)	(4) (Overfunded) unfunded (UAAL) AAL(2) – (3)	(5) Actuarial value of assets as a percentage of AAL (funded ratio) (2)/(3)	(6) Annual covered payroll	(7) (UAAL) AAL as a percentage of covered payroll (4)/(6)
1/1/2011	\$ 76,693	237,462	160,769	32.3%	\$ 95,400	168.5%
6/30/2009	48,931	219,619	170,688	22.3	95,749	178.3
7/01/2006	-	167,521	167,521	-	87,630	191.2

Analysis of the dollar amounts of net assets available for benefits, Actuarial Accrued Liability (AAL), and assets in excess of AAL in isolation can be misleading. Expressing the Actuarial Value of Assets available for benefits as a percentage of the AAL provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is AAL and annual covered payroll are both affected by inflation. Expressing the AAL in excess of assets as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the lower this percentage, the stronger the Plan.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, the size or composition of the population covered by the Plan, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the AAL as a factor.

See accompanying independent auditors' report.

**MASSACHUSETTS PORT AUTHORITY**

**Schedule I**

Combining Schedule of Net Assets

June 30, 2011

(In thousands)

<b>Assets</b>	<b>Authority Operations</b>	<b>PFC Program</b>	<b>CFC Program</b>	<b>Combined totals</b>
Current assets:				
Cash and cash equivalents	\$ 51,334	—	—	51,334
Investments	39,601	—	—	39,601
Restricted cash and cash equivalents	74,525	36,539	68,565	179,629
Restricted investments	160,937	—	104,767	265,704
Accounts receivable				—
Trade, net	35,380	9,099	2,774	47,253
Grants	8,565	—	—	8,565
Total receivables, net	43,945	9,099	2,774	55,818
Prepaid expenses and other assets	6,811	628	131	7,570
Total current assets	377,153	46,266	176,237	599,656
Noncurrent assets:				
Investments	48,229	—	—	48,229
Restricted investments	239,228	27,480	72,378	339,086
Prepaid expenses and other assets, long-term	16,768	956	1,968	19,692
Investment in joint venture	2,254	—	—	2,254
Net OPEB asset	45,241	—	—	45,241
Capital assets, net	2,021,443	536,681	21,642	2,579,766
Total assets	\$ 2,750,316	611,383	272,225	3,633,924
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 82,757	265	6,797	89,819
Compensated absences	1,568	—	—	1,568
Retainage	4,853	—	—	4,853
Current portion of long-term debt	65,822	16,921	—	82,743
Commercial notes payable	—	89,000	—	89,000
Accrued interest payable	27,856	3,757	525	32,138
Deferred income	5,613	—	—	5,613
Total current liabilities	188,469	109,943	7,322	305,734
Noncurrent liabilities				
Accrued expenses	26,470	13	—	26,483
Compensated absences	20,055	—	—	20,055
Retainage	1,777	—	383	2,160
Long-term debt, net	1,221,074	147,735	212,543	1,581,352
Deferred income	9,806	—	—	9,806
Total liabilities	1,467,651	257,691	220,248	1,945,590
<b>Net Assets</b>				
Invested in capital assets, net of related debt	755,442	283,069	16,650	1,055,161
Restricted for other purposes				
Bond funds	182,695	—	—	182,695
Project funds	148,993	—	—	148,993
Passenger facility charges	—	70,623	—	70,623
Customer facility charges	—	—	35,327	35,327
Net OPEB asset	45,241	—	—	45,241
Other purposes	52,109	—	—	52,109
Total restricted	429,038	70,623	35,327	534,988
Unrestricted	98,185	—	—	98,185
Total net assets	\$ 1,282,665	353,692	51,977	1,688,334

See accompanying independent auditors' report.

**MASSACHUSETTS PORT AUTHORITY**  
Combining Schedule of Revenues, Expenses, and Changes in Net Assets  
Year ended June 30, 2011  
(In thousands)

**Schedule II**

	<b>Authority Operations</b>	<b>PFC Program</b>	<b>CFC Program</b>	<b>Combined totals</b>
Operating revenues:				
Fees, tolls and other services	\$ 276,430	—	—	276,430
Rentals	174,431	—	—	174,431
Concessions	65,857	—	—	65,857
Other	18,476	—	—	18,476
Operating grants	2,448	—	—	2,448
Total operating revenues	537,642	—	—	537,642
Operating expenses:				
Operations and maintenance	262,410	—	—	262,410
Administration	45,988	—	—	45,988
Insurance	7,326	—	—	7,326
Pension	4,924	—	—	4,924
Other post-employment benefits	16,527	—	—	16,527
Payments in lieu of taxes	17,327	—	—	17,327
Provision for uncollectible accounts	412	—	—	412
Depreciation and amortization	125,688	43,678	—	169,366
Total operating expenses	480,602	43,678	—	524,280
Operating income (loss)	57,040	(43,678)	—	13,362
Nonoperating revenues and (expenses):				
Passenger facility charges	46	58,485	—	58,531
Customer facility charges	—	—	26,203	26,203
Investment income	10,172	1,345	159	11,676
Net increase in the fair value of investments	(3,150)	—	(353)	(3,503)
Other revenues	1,817	—	—	1,817
Settlement of claims	1	—	—	1
Terminal A debt service contribution	—	(6,070)	—	(6,070)
Other expenses	—	(92)	—	(92)
Gain on sale of equipment	88	—	—	88
Interest expense	(52,347)	(7,607)	(6)	(59,960)
Total nonoperating (expense) revenue, net	(43,373)	46,061	26,003	28,691
Increase in net assets before capital grant revenue and Special Item	13,667	2,383	26,003	42,053
Capital grant revenue	22,484	—	—	22,484
Increase (decrease) in net assets	36,151	2,383	26,003	64,537
Net assets, beginning of year	1,246,514	351,309	25,974	1,623,797
Net assets, end of year	\$ 1,282,665	353,692	51,977	1,688,334

See accompanying independent auditors' report.

**MASSACHUSETTS PORT AUTHORITY**

**Schedule III**

Combining Schedule of Net Assets

June 30, 2010

(In thousands)

<b>Assets</b>	<b>Authority Operations</b>	<b>PFC Program</b>	<b>Combined totals</b>
Current assets:			
Cash and cash equivalents	\$ 52,090	—	52,090
Investments	43,234	—	43,234
Restricted cash and cash equivalents	73,712	27,021	100,733
Restricted investments	168,993	22,098	191,091
Accounts receivable			
Trade, net	34,406	7,793	42,199
Grants	7,493	—	7,493
Total receivables, net	41,899	7,793	49,692
Prepaid expenses and other assets	7,835	292	8,127
Total current assets	387,763	57,204	444,967
Noncurrent assets:			
Investments	39,210	—	39,210
Restricted investments	248,585	25,575	274,160
Prepaid expenses and other assets, long-term	17,486	1,464	18,950
Investment in joint venture	2,393	—	2,393
Net OPEB asset	42,725	—	42,725
Capital assets, net	1,960,395	557,184	2,517,579
Total assets	\$ 2,698,557	641,427	3,339,984
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 92,192	224	92,416
Compensated absences	1,553	—	1,553
Retainage	2,795	5	2,800
Current portion of long-term debt	65,685	17,390	83,075
Commercial notes payable	—	89,000	89,000
Accrued interest payable	27,804	4,893	32,697
Deferred income	6,052	—	6,052
Total current liabilities	196,081	111,512	307,593
Noncurrent liabilities			
Accrued expenses	26,158	134	26,292
Compensated absences	19,864	—	19,864
Retainage	841	—	841
Long-term debt, net	1,173,238	178,472	1,351,710
Deferred income	9,887	—	9,887
Total liabilities	1,426,069	290,118	1,716,187
<b>Net Assets</b>			
Invested in capital assets, net of related debt	721,512	277,800	999,312
Restricted for other purposes			
Bond funds	187,215	—	187,215
Project funds	159,688	—	159,688
Passenger facility charges	—	73,509	73,509
Customer facility charges	25,974	—	25,974
Net OPEB asset	42,725	—	42,725
Other purposes	49,100	—	49,100
Total restricted	464,702	73,509	538,211
Unrestricted	86,274	—	86,274
Total net assets	\$ 1,272,488	351,309	1,623,797

See accompanying independent auditors' report.

**MASSACHUSETTS PORT AUTHORITY**

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

Year ended June 30, 2010

(In thousands)

**Schedule IV**

	<b>Authority Operations</b>	<b>PFC Program</b>	<b>Combined totals</b>
Operating revenues:			
Fees, tolls and other services	\$ 277,825	—	277,825
Rentals	167,204	—	167,204
Concessions	62,321	—	62,321
Other	17,770	—	17,770
Operating grants	2,773	—	2,773
Total operating revenues	<u>527,893</u>	<u>—</u>	<u>527,893</u>
Operating expenses:			
Operations and maintenance	249,633	—	249,633
Administration	41,646	—	41,646
Insurance	8,874	—	8,874
Pension	7,621	—	7,621
Other post-employment benefits	17,508	—	17,508
Payments in lieu of taxes	17,547	—	17,547
Provision for uncollectible accounts	473	—	473
Depreciation and amortization	127,596	36,545	164,141
Total operating expenses	<u>470,898</u>	<u>36,545</u>	<u>507,443</u>
Operating income (loss)	<u>56,995</u>	<u>(36,545)</u>	<u>20,450</u>
Nonoperating revenues and (expenses):			
Passenger facility charges	—	58,598	58,598
Customer facility charges	20,668	—	20,668
Investment income	12,853	2,037	14,890
Net increase in the fair value of investments	376	(128)	248
Other revenues	2,659	—	2,659
Settlement of claims	8	—	8
Other expenses	(376)	64	(312)
Gain on sale of equipment	(110)	—	(110)
Interest expense	(56,615)	(10,255)	(66,870)
Total nonoperating (expense) revenue, net	<u>(20,537)</u>	<u>50,316</u>	<u>29,779</u>
Increase in net assets before capital grant revenue and Special Item	36,458	13,771	50,229
Capital grant revenue	34,340	—	34,340
Increase in net assets before Special Item	70,798	13,771	84,569
Special Item:			
Tobin Bridge Transfer	(78,058)	—	(78,058)
Increase (decrease) in net assets	(7,260)	13,771	6,511
Net assets, beginning of year	1,279,748	337,538	1,617,286
Net assets, end of year	\$ <u>1,272,488</u>	<u>351,309</u>	<u>1,623,797</u>

See accompanying independent auditors' report.





## Economy Garage

Those frustrating and time-consuming hunts for low fare parking at Logan Airport came to an end in 2010 when Massport opened a new two-deck, 3,000-space Economy Parking Garage. Connected to Logan's terminals by 24-hour shuttle bus service, the new garage consolidated a number of remote and hard-to-find surface lots into one convenient location that takes the stress out of finding a parking space for families on vacation or passengers who are short on time catching a flight. The central location is also expected to reduce emissions from airport shuttle buses and passenger cars, while solar panels on the roof and LED lighting throughout the facility continue Massport's efforts to make Logan a more energy efficient facility.

STATISTICAL







# Statistical Section

This part of the Massachusetts Port Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health and performance.

## Financial Trends:

These schedules present trend information on how the Authority's financial position changed over time.

- S-1 Changes in Net Assets, and Net Assets by Component
- S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
- S-5 Calculation of Net Revenues Pledged Under the 1978 Trust Agreement, Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement and Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement

## Revenue Capacity:

These schedules present trend information on the Authority's most significant revenue sources.

- S-2 Most Significant Own-Source Revenues and Related Rates and Charges
- S-3 Historical Principal Operating Revenue Payers

## Debt Capacity:

These schedules present information on the Authority's current levels of outstanding debt and its ability to support existing or issue additional debt.

- S-6 Calculation of Debt Service Coverage and Debt Metrics Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement

## Demographic and Economic Information:

These schedules provide demographic and economic indicators to help the reader understand the environment within the Authority's financial activities take place.

- S-7 Largest Private Sector Employers
- S-8 Demographics and Employment Data

## Operation and Others Information:

These schedules provide operating data to help the reader understand how the information in the Authority's financial report relates to the services it provides and the activities it performs.

- S-9 Number of Employees by Facility
- S-16 Insurance Coverage
- S-17 Physical Asset Data

## Other Information:

- S-10 Logan International Airport Traffic Metrics
- S-11 Logan International Airport Market Share of Total Passenger Traffic
- S-12 Logan International Airport Passenger Market
- S-13 Port of Boston Cargo and Passenger Activity
- S-14 Port of Boston Principal Customers
- S-15 Tobin Memorial Bridge Activity

**Massachusetts Port Authority**  
Statistical Section

.....  
**Revenues, Expenses and Changes in Net Assets**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
**(In Thousands)**  
.....

**S-1 Changes in Net Assets**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 174,508	\$ 214,116	\$ 236,287	\$ 249,323	\$ 268,723
Rentals	85,053	90,431	115,225	139,731	154,991
Concessions	42,741	46,829	45,054	49,923	53,678
Other	12,837	15,117	13,539	16,147	16,752
Operating grants	2,749	7,314	4,859	5,454	3,490
Total operating revenues	<u>317,888</u>	<u>373,807</u>	<u>414,964</u>	<u>460,578</u>	<u>497,634</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 155,510	\$ 181,765	\$ 201,394	\$ 211,905	\$ 236,359
Administration	43,631	38,810	39,422	43,005	42,126
Insurance	4,332	8,685	10,234	11,221	6,632
Pension	-	-	1,834	2,141	3,715
Other post-employment benefits	2,350	3,004	3,672	4,018	4,527
Payments in lieu of taxes	12,209	12,559	12,419	12,028	15,771
Provision for uncollectible accounts	1,260	1,211	573	320	2,609
Depreciation and Amortization	81,596	102,388	111,726	136,007	142,071
Total operating expenses	<u>300,888</u>	<u>348,422</u>	<u>381,274</u>	<u>420,645</u>	<u>453,810</u>
<b>Operating income</b>	<u>17,000</u>	<u>25,385</u>	<u>33,690</u>	<u>39,933</u>	<u>43,824</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	29,445	29,090	32,845	35,316	48,324
Customer facility charges (2)	N/A	N/A	N/A	N/A	N/A
Investment income	19,795	11,486	10,239	13,456	20,648
Net gain in change in the fair value of investments	-	-	-	-	-
Other revenues	-	-	-	-	351
Gain on sales of assets	17	31	9	60	102
Settlement of claims	-	-	1,000	3,354	438
Total nonoperating revenues	<u>49,257</u>	<u>40,607</u>	<u>44,093</u>	<u>52,186</u>	<u>69,863</u>
<u>Nonoperating expenses</u>					
Interest expense	40,642	45,806	59,665	64,620	69,601
Loss from sale of equipment	-	-	-	-	-
Net loss in change in the fair value of investments	-	-	-	-	2,870
Terminal A Debt Service Payment (PFC)	-	-	-	-	-
Other expense / arbitrage	-	3,962	176	230	2,780
Total nonoperating expenses	<u>40,642</u>	<u>49,768</u>	<u>59,841</u>	<u>64,850</u>	<u>75,251</u>
Total nonoperating revenues (expenses)	<u>8,615</u>	<u>(9,161)</u>	<u>(15,748)</u>	<u>(12,664)</u>	<u>(5,388)</u>
<b>Income before capital grant revenue and Special item</b>	<u>25,615</u>	<u>16,224</u>	<u>17,942</u>	<u>27,269</u>	<u>38,436</u>
Capital grant revenue	<u>15,450</u>	<u>43,994</u>	<u>90,115</u>	<u>47,709</u>	<u>36,209</u>
Tobin Bridge transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	<u>41,065</u>	<u>60,218</u>	<u>108,057</u>	<u>74,978</u>	<u>74,645</u>
<b>Net assets, beginning of year</b>	<u>1,032,557</u>	<u>1,073,622</u>	<u>1,133,840</u>	<u>1,241,897</u>	<u>1,316,875</u>
<b>Net assets, end of year</b>	<u>\$ 1,073,622</u>	<u>\$ 1,133,840</u>	<u>\$ 1,241,897</u>	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>
<b>Total net assets composed of:</b>					
Invested in capital assets, net of debt	615,048	701,423	772,532	772,931	814,180
Restricted	402,888	378,268	402,599	467,014	495,974
Unrestricted	55,686	54,149	66,766	76,930	81,366
<b>Total Net Assets</b>	<u>\$ 1,073,622</u>	<u>\$ 1,133,840</u>	<u>\$ 1,241,897</u>	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>

(1) PFC accrued revenue exclusive of PFC interest earnings.

(2) CFC accrued revenue exclusive of CFC interest earnings.

(3) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

Source: Authority's audited financial statements.

**Massachusetts Port Authority**  
**Statistical Section**

.....  
**Revenues, Expenses and Changes in Net Assets**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
**(In Thousands)**  
.....

**S-1 Changes in Net Assets (Continued)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 290,679	\$ 312,248	\$ 298,368	\$ 277,825	\$ 276,430
Rentals	158,848	166,424	166,016	167,204	174,431
Concessions	55,826	65,414	60,794	62,321	65,857
Other	18,500	18,509	14,533	17,770	18,476
Operating grants	2,976	2,896	3,055	2,773	2,448
Total operating revenues	<u>526,829</u>	<u>565,491</u>	<u>542,766</u>	<u>527,893</u>	<u>537,642</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 252,905	\$ 275,824	\$ 276,071	\$ 249,633	\$ 262,411
Administration	43,094	45,495	42,022	41,646	45,988
Insurance	10,689	8,548	7,402	8,874	7,326
Pension	3,140	1,006	408	7,621	4,924
Other post-employment benefits	5,139	15,850	16,731	17,508	16,527
Payments in lieu of taxes	16,732	17,108	18,460	17,547	17,327
Provision for uncollectible accounts	(2,256)	158	1,632	473	412
Depreciation and Amortization	157,550	162,388	156,745	164,141	169,365
Total operating expenses	<u>486,993</u>	<u>526,377</u>	<u>519,471</u>	<u>507,443</u>	<u>524,280</u>
<b>Operating income</b>	<u>39,836</u>	<u>39,114</u>	<u>23,295</u>	<u>20,450</u>	<u>13,362</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	57,504	53,740	50,102	58,598	58,531
Customer facility charges (2)	N/A	N/A	5,211	20,668	26,203
Investment income	26,845	29,920	22,613	14,890	11,676
Net gain in change in the fair value of investments	1,812	2,739	3,312	248	-
Other revenues	-	2,099	11,995	2,659	1,557
Gain on sales of assets	45	49	-	-	88
Settlement of claims	200	84	3,987	8	1
Total nonoperating revenues	<u>86,406</u>	<u>88,631</u>	<u>97,220</u>	<u>97,071</u>	<u>98,056</u>
<u>Nonoperating expenses</u>					
Interest expense	76,860	80,862	73,710	66,870	59,960
Loss from sale of equipment	-	-	1	110	-
Net loss in change in the fair value of investments	-	-	-	-	3,503
Terminal A Debt Service Payment (PFC)	-	-	-	-	6,070
Other expense / arbitrage	382	1,027	11,418	312	(168)
Total nonoperating expenses	<u>77,242</u>	<u>81,889</u>	<u>85,129</u>	<u>67,292</u>	<u>69,365</u>
Total nonoperating revenues (expenses)	<u>9,164</u>	<u>6,742</u>	<u>12,091</u>	<u>29,779</u>	<u>28,691</u>
<b>Income before capital grant revenue and Special item</b>	<u>49,000</u>	<u>45,856</u>	<u>35,386</u>	<u>50,229</u>	<u>42,053</u>
Capital grant revenue	<u>10,708</u>	<u>41,818</u>	<u>42,998</u>	<u>34,340</u>	<u>22,484</u>
Tobin Bridge transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,058) (3)</u>	<u>-</u>
<b>Change in net assets</b>	<u>59,708</u>	<u>87,674</u>	<u>78,384</u>	<u>6,511</u>	<u>64,537</u>
<b>Net assets, beginning of year</b>	<u>1,391,520</u>	<u>1,451,228</u>	<u>1,538,902</u>	<u>1,617,286</u>	<u>1,623,797</u>
<b>Net assets, end of year</b>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>	<u>\$ 1,623,797</u>	<u>\$ 1,688,334</u>
<b>Total net assets composed of:</b>					
Invested in capital assets, net of debt	901,516	903,001	988,026	999,312	1,055,196
Restricted	405,157	503,646	504,505	538,211	534,953
Unrestricted	144,555	132,255	124,755	86,274	98,185
<b>Total Net Assets</b>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>	<u>\$ 1,623,797</u>	<u>\$ 1,688,334</u>

(1) PFC accrued revenue exclusive of PFC interest earnings.

(2) CFC accrued revenue exclusive of CFC interest earnings.

(3) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

Source: Authority's audited financial statements.

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

### Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2002 through June 30, 2011

#### S-2 Principal Revenues and Rates as of June 30th

	2002	2003	2004	2005	2006
<b><u>Logan Airport Revenues (in thousands)</u></b>					
Landing Fees	\$ 49,656	\$ 68,969	\$ 75,050	\$ 69,929	\$ 76,743
Terminal Rentals and Fees	41,771	47,109	66,196	85,843	102,967
Parking Fees	64,007	75,381	88,169	93,014	92,324
<b><u>Logan Airport Rates and Charges <sup>(1)</sup></u></b>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 2.35	\$ 3.76	\$ 3.58	\$ 3.07	\$ 3.89
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	\$ 86.36	-	-	-	-
Terminal A (opened March 2005) <sup>(2)</sup>	-	-	-	\$ 75.20	\$ 57.45
Terminal B	\$ 88.80	\$ 48.04	\$ 75.12	\$ 80.58	\$ 83.76
Terminal C - Main Terminal	\$ 84.18	\$ 82.13	\$ 97.93	\$ 102.87	\$ 107.17
Terminal E - Type 3 Space	\$ 74.20	\$ 81.28	\$ 92.05	\$ 119.46	\$ 121.43
<u>Baggage Fee (per checked bag)</u>	-	-	\$ 0.48	\$ 1.08	\$ 0.92
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 4.79	\$ 6.98	\$ 7.33	\$ 7.41	\$ 8.42
Outbound	\$ 1.34	\$ 1.89	\$ 1.85	\$ 1.61	\$ 3.18
Inbound Domestic	\$ 0.32	\$ 0.39	\$ 0.39	\$ 0.37	\$ 1.09
Common Use Check-in Fee	\$ -	\$ -	\$ 5.62	\$ 7.56	\$ 8.41
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00

(1) Rates approved by the Members of the Authority each fiscal year.

(2) Excludes Terminal A facility rent rate .

Source: Authority reports

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

### Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2002 through June 30, 2011

#### S-2 Principal Revenues and Rates as of June 30th (Continued)

	2007	2008	2009	2010	2011
<b><u>Logan Airport Revenues (in thousands)</u></b>					
Landing Fees	\$ 82,241	\$ 87,065	\$ 89,041	\$ 89,718	\$ 91,515
Terminal Rentals and Fees	103,193	107,260	106,021	106,079	110,267
Parking Fees	99,407	110,602	102,778	106,918	116,059
<b><u>Logan Airport Rates and Charges (1)</u></b>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 4.20	\$ 4.41	\$ 4.82	\$ 4.82	\$ 4.61
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	-	-	-	-	-
Terminal A (opened March 2005) (2)	\$ 80.51	\$ 87.43	\$ 84.04	\$ 83.34	\$ 84.62
Terminal B	\$ 87.91	\$ 95.91	\$ 91.47	\$ 95.31	\$ 95.89
Terminal C - Main Terminal	\$ 108.79	\$ 110.17	\$ 98.56	\$ 104.59	\$ 101.47
Terminal E - Type 3 Space	\$ 117.91	\$ 117.49	\$ 115.76	\$ 105.28	\$ 109.48
<u>Baggage Fee (per checked bag)</u>	\$ 0.99	\$ 1.15	\$ 1.38	\$ 1.49	\$ 1.23
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 11.63	\$ 13.31	\$ 12.32	\$ 14.06	\$ 12.17
Outbound	\$ 2.85	\$ 2.79	\$ 2.62	\$ 3.35	\$ 3.26
Inbound Domestic	\$ 1.08	\$ 1.07	\$ 1.07	\$ 8.37	\$ 10.84
Common Use Check-in Fee	\$ 8.51	\$ 9.06	\$ 8.39	\$ 8.33	\$ 8.06
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00

(1) Rates approved by the Members of the Authority each fiscal year.

(2) Excludes Terminal A facility rent rate .

Source: Authority reports

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**Massachusetts Port Authority**  
Statistical Section

.....  
**Historical Principal Operating Revenue Payers**  
**Current Year and Nine Years Ago**  
**(In Thousands)**  
.....

**S-3 Principal Operating Revenue Payers**

Landing Fee Revenue	For the Fiscal Year Ended June 30, 2011			For the Fiscal Year Ended June 30, 2002		
			Ratio: Top Customers to Total			Ratio: Top Customers to Total
Customer	Landing Fee Revenue	Rank	Landing Fees	Landing Fee Revenue	Rank	Landing Fees
JETBLUE AIRWAYS	\$ 16,095	1	17.59%	\$ -	-	0.00%
DELTA AIRLINES	10,717	2	11.71%	8,178	1	16.47%
US AIRWAYS, INC.	10,061	3	10.99%	6,923	3	13.94%
AMERICAN AIRLINES	8,864	4	9.69%	7,676	2	15.46%
UNITED AIRLINES, INC.	6,342	5	6.93%	4,728	4	9.52%
SOUTHWEST AIRLINES CO	4,963	6	5.42%	-	-	0.00%
AIRTRAN AIRLINES	3,331	7	3.64%	554	16	1.12%
CONTINENTAL AIRLINES	2,948	8	3.22%	1,970	7	3.97%
BRITISH AIRWAYS, PLC	2,666	9	2.91%	1,087	11	2.19%
FEDERAL EXPRESS CORP.	2,260	10	2.47%	1,707	8	3.44%
NORTHWEST AIRLINES (2)	-	-	0.00%	2,489	5	5.01%
AMERICAN EAGLE AIRLINES INC	1,231	14	1.35%	2,222	6	4.47%
SIGNATURE FLIGHT SUPPORT	1,707	12	1.87%	1,189	9	2.39%
GLOBEGROUND NORTH AMERICA LLC	-	-	0.00%	1,115	10	2.25%
ALL OTHER PAYERS	20,330		22.21%	9,818		19.77%
<b>Total Landing Fees</b>	<b>\$ 91,515</b>		<b>100.00%</b>	<b>\$ 49,656</b>		<b>100.00%</b>

Terminal Rents and Fees	For the Fiscal Year Ended June 30, 2011			For the Fiscal Year Ended June 30, 2002		
			Ratio: Top Customers to Total			Ratio: Top Customers to Total
Customer	Terminal Rents and Fees	Rank	Terminal Rents and Fees	Terminal Rents and Fees	Rank	Terminal Rents and Fees
DELTA AIRLINES	\$ 18,485	1	16.76%	\$ 8,312	1	18.57%
AMERICAN AIRLINES	14,541	2	13.19%	5,844	2	13.05%
JETBLUE AIRWAYS	11,949	3	10.84%	-	-	0.00%
US AIRWAYS, INC.	10,065	4	9.13%	3,665	5	8.19%
BRITISH AIRWAYS, PLC	6,790	5	6.16%	2,020	7	4.51%
UNITED AIRLINES, INC.	5,484	6	4.97%	4,733	4	10.57%
LUFTHANSA GERMAN AIRLINES	5,404	7	4.90%	1,124	9	2.51%
AIR FRANCE	4,509	8	4.09%	522	17	1.17%
CONTINENTAL AIRLINES	3,763	9	3.41%	3,367	6	7.52%
SOUTHWEST AIRLINES CO	3,401	10	3.08%	-	-	0.00%
NORTHWEST AIRLINES (2)	-	-	0.00%	5,116	3	11.43%
AER LINGUS	3,311	11	3.00%	1,260	8	2.81%
AMERICA WEST (1)	-	-	0.00%	1,097	10	2.45%
ALL OTHER PAYERS	22,565	-	20.47%	7,711		17.22%
<b>Total Terminal Rental and Fees</b>	<b>\$ 110,267</b>		<b>100.00%</b>	<b>\$ 44,771</b>		<b>100.00%</b>

Parking Revenue	For the Fiscal Year Ended June 30, 2011			For the Fiscal Year Ended June 30, 2002		
			Ratio: Top Customers to Total			Ratio: Top Customers to Total
Customer	Logan Parking	Rank	Parking Revenue	Logan Parking	Rank	Parking Revenue
PUBLIC PARKING AT AIRPORT	\$ 107,456	1	92.59%	\$ 55,222	1	86.27%
TENANT EMPLOYEE PARKING	5,271	2	4.54%	5,363	2	8.38%
PUBLIC OFF-AIRPORT PARKING	3,332	3	2.87%	3,422	3	5.35%
<b>Total Parking Revenue</b>	<b>\$ 116,059</b>		<b>100.00%</b>	<b>\$ 64,007</b>		<b>100.00%</b>

(1) America West Airlines acquired US Airways and changed its name to US Airways during 2005.

(2) Northwest Airlines merged with Delta Airlines during 2008 and continued to operate under its own name until January 2010.

Source: Authority's accounting reports

**Massachusetts Port Authority**  
Statistical Section

.....  
**Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
**(In Thousands)**  
.....

**S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Operating Revenue:</b>					
<b>Per Financial Statements</b>	<u>\$ 317,888</u>	<u>\$ 373,807</u>	<u>\$ 414,964</u>	<u>\$ 460,578</u>	<u>\$ 497,634</u>
Adjustments:					
Provision for uncollectible accounts	(1,260)	(1,211)	(573)	(320)	(2,609)
Other	<u>-</u>	<u>(6,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>316,628</u>	<u>365,716</u>	<u>414,391</u>	<u>460,258</u>	<u>495,025</u>
<b>Income on Investments:</b>					
<b>Per Financial Statements</b>	<u>19,795</u>	<u>11,486</u>	<u>10,239</u>	<u>13,456</u>	<u>20,648</u>
Adjustments:					
PFC - Trust Agreement	(4,045)	(2,159)	(2,158)	(2,044)	(2,736)
CFC	-	-	-	-	-
Self Insurance and Other Accounts	<u>(2,791)</u>	<u>(1,365)</u>	<u>(1,513)</u>	<u>(1,924)</u>	<u>(2,566)</u>
<b>Income on Investments:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>12,959</u>	<u>7,962</u>	<u>6,568</u>	<u>9,488</u>	<u>15,346</u>
<b>TOTAL REVENUES</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>329,587</b></u>	<u><b>373,678</b></u>	<u><b>420,959</b></u>	<u><b>469,746</b></u>	<u><b>510,371</b></u>
<b>Operating Expenses:</b>					
<b>Per Financial Statements</b>	<u>\$ 300,888</u>	<u>\$ 348,422</u>	<u>\$ 381,274</u>	<u>\$ 420,645</u>	<u>\$ 453,810</u>
Adjustments:					
Insurance	(905)	358	(1,610)	(2,195)	1,074
Payments in Lieu of Taxes	(12,209)	(12,559)	(12,419)	(12,028)	(15,771)
Provision for uncollectible accounts	(1,260)	(1,211)	(573)	(320)	(2,609)
Depreciation and Amortization	(81,597)	(102,388)	(111,726)	(136,007)	(142,071)
Other post-employment benefits	-	-	-	-	-
Other Expenses	(1,451)	(1,923)	(12,666)	(2,391)	(1,515)
Other Expense / State Police Details	-	(6,880)	-	-	-
Administration Expenses	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>2,000</u>	<u>1,000</u>
<b>TOTAL EXPENSES</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>203,466</b></u>	<u><b>223,819</b></u>	<u><b>243,281</b></u> <sup>(1)</sup>	<u><b>269,704</b></u>	<u><b>293,918</b></u>
<b>Net Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>\$ 126,121</b></u>	<u><b>\$ 149,859</b></u>	<u><b>\$ 177,678</b></u> <sup>(1)</sup>	<u><b>\$ 200,042</b></u>	<u><b>\$ 216,453</b></u>

(1) Column does not add due to rounding.

Source: Authority's audited financial statements.



**Massachusetts Port Authority**  
Statistical Section

.....  
**Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
**(In Thousands)**  
.....

**S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses (Continued)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Operating Revenue:</b>					
<b>Per Financial Statements</b>	<u>\$ 526,829</u>	<u>\$ 565,491</u>	<u>\$ 542,766</u>	<u>\$ 527,893</u>	<u>\$ 537,642</u>
Adjustments:					
Provision for uncollectible accounts	2,256	(158)	(1,632)	(473)	(419)
Other	-	-	-	-	(533)
<b>Operating Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>529,085</u>	<u>565,333</u>	<u>541,134</u>	<u>527,420</u>	<u>536,690</u>
<b>Income on Investments:</b>					
<b>Per Financial Statements</b>	<u>26,845</u>	<u>29,920</u>	<u>22,613</u>	<u>14,890</u>	<u>11,676</u>
Adjustments:					
PFC - Trust Agreement	(2,429)	(2,753)	(2,271)	(2,037)	(1,344)
CFC	-	-	(10)	(85)	(159)
Self Insurance and Other Accounts	(3,432)	(3,164)	(2,849)	(1,525)	(1,833)
<b>Income on Investments:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>20,984</u>	<u>24,003</u>	<u>17,483</u>	<u>11,243</u>	<u>8,340</u>
<b>TOTAL REVENUES</b>					
<b>Per the 1978 Trust Agreement (*excluding CFCs)</b>	<u><b>550,069</b></u>	<u><b>589,336</b></u>	<u><b>558,617</b></u> *	<u><b>538,663</b></u> *	<u><b>545,030</b></u>
<b>Operating Expenses:</b>					
<b>Per Financial Statements</b>	<u>\$ 486,993</u>	<u>\$ 526,377</u>	<u>\$ 519,471</u>	<u>\$ 507,443</u>	<u>\$ 524,280</u>
Adjustments:					
Insurance	(2,583)	(824)	5,476	(1,891)	1,514
Payments in Lieu of Taxes	(16,732)	(17,108)	(18,460)	(17,547)	(17,327)
Provision for uncollectible accounts	2,256	(158)	(1,632)	(473)	(412)
Depreciation and Amortization	(157,550)	(162,388)	(156,745)	(164,141)	(169,365)
Other post-employment benefits	-	(6,702)	(5,526)	(5,570)	(4,505)
Other Expenses	(826)	(2,315)	(9,044)	1,447	(287)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses/Revenues	1,000	-	1,280	1,201	1,631
<b>TOTAL EXPENSES</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>312,558</b></u>	<u><b>336,882</b></u>	<u><b>334,820</b></u>	<u><b>320,469</b></u>	<u><b>335,529</b></u>
<b>Net Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>\$ 237,511</b></u>	<u><b>\$ 252,454</b></u>	<u><b>\$ 223,797</b></u>	<u><b>\$ 218,194</b></u>	<u><b>\$ 209,501</b></u>

Source: Authority's audited financial statements.

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and  
Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement  
Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement  
Fiscal Years Ended June 30, 2002 through June 30, 2011  
(In Thousands)

### S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement

	2002	2003	2004	2005	2006
<b>1978 Trust Agreement</b>					
<b>Revenues:</b>					
Airport Properties - Logan					
Landing Fees	\$ 49,656	\$ 68,969	\$ 75,050	\$ 69,929	\$ 76,743
Parking Fees	64,007	75,381	88,169	93,014	92,324
Utility Fees	13,731	13,577	12,407	15,696	21,690
Terminal Rentals	41,771	47,109	66,196	85,843	102,967
Non-Terminal Building and Ground Rents	29,851	30,269	31,905	36,133	34,699
Concessions	41,371	45,949	43,870	48,195	51,948
Other	15,275	14,912	17,501 <sup>(1)</sup>	19,485	16,232
	<u>255,662</u>	<u>296,166</u>	<u>335,098</u>	<u>368,295</u>	<u>396,603</u>
Airport Properties - Hanscom	4,949	4,093	5,646	6,219	7,167
Airport Properties - Worcester (9)	N/A	N/A	N/A	N/A	N/A
Total Airport Properties	<u>260,611</u>	<u>300,259</u>	<u>340,744</u>	<u>374,514</u>	<u>403,770</u>
Port Properties					
Maritime Operations	31,562	35,056	35,687	42,247	46,588
Business Development	7,019	8,055	-	-	-
Maritime Real Estate (2)	-	-	13,931	15,947	16,394
	<u>38,581</u>	<u>43,111</u>	<u>49,618</u>	<u>58,194</u>	<u>62,982</u>
Bridge	<u>17,436</u>	<u>22,346</u>	<u>24,029</u>	<u>27,550</u>	<u>28,273</u>
Total Operating Revenue	<u>316,628</u>	<u>365,716</u>	<u>414,391</u> <sup>(3)</sup>	<u>460,258</u>	<u>495,025</u>
Investment Income (4)	<u>12,959</u>	<u>7,962</u>	<u>6,568</u>	<u>9,488</u>	<u>15,346</u>
Total Revenues before CFC	<u>329,587</u>	<u>373,678</u>	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>
CFC Revenues (10)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Revenues	<u>329,587</u>	<u>373,678</u>	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>
<b>Operating Expenses (5):</b>					
Airport Properties					
Logan	150,610	163,779	179,970	198,380	218,674
Hanscom	3,910	4,642	4,952	6,468	7,096
Worcester (9)	N/A	N/A	N/A	N/A	N/A
	<u>154,520</u>	<u>168,421</u>	<u>184,922</u>	<u>204,848</u>	<u>225,770</u>
Port Properties					
Maritime Operations	34,054	40,067	37,589	42,006	45,151
Business Development	7,041	6,620	-	-	-
Maritime Real Estate (2)	-	-	11,198	13,195	13,464
	<u>41,095</u>	<u>46,687</u>	<u>48,787</u>	<u>55,201</u>	<u>58,615</u>
Bridge	<u>7,852</u>	<u>8,711</u>	<u>9,572</u>	<u>9,655</u>	<u>9,533</u>
Total Operating Expenses	<u>203,467</u>	<u>223,819</u>	<u>243,281</u> <sup>(3)</sup>	<u>269,704</u>	<u>293,918</u>
<b>Net Revenue</b>	<u>\$ 126,120</u>	<u>\$ 149,859</u>	<u>\$ 177,678</u>	<u>\$ 200,042</u>	<u>\$ 216,453</u>
<b>Net Revenue Excluding CFCs</b>	<u>\$ 126,120</u>	<u>\$ 149,859</u>	<u>\$ 177,678</u>	<u>\$ 200,042</u>	<u>\$ 216,453</u>
<b>PFC Trust Agreement</b>					
<b>Revenues:</b>					
Logan Airport Net PFC Collections (6)	\$ 29,445	\$ 29,090	\$ 32,845	\$ 35,316	\$ 48,324 <sup>(7)</sup>
PFC Investment Income	<u>2,652</u>	<u>771</u>	<u>607</u>	<u>621</u>	<u>1,265</u>
<b>Net PFC Revenue</b>	<u>\$ 32,097</u>	<u>\$ 29,861</u>	<u>\$ 33,452</u>	<u>\$ 35,937</u>	<u>\$ 49,589</u>
<b>CFC Trust Agreement</b>					
<b>Revenues:</b>					
CFC Collections (11)	N/A	N/A	N/A	N/A	N/A
CFC Investment Income	N/A	N/A	N/A	N/A	N/A
<b>Net CFC Revenue</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes on next page.

Source: Authority's accounting reports

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and  
Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement  
Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement  
Fiscal Years Ended June 30, 2002 through June 30, 2011  
(In Thousands)

### S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement (Continued)

1978 Trust Agreement	2007	2008	2009	2010	2011
<b>Revenues:</b>					
Airport Properties - Logan					
Landing Fees	\$ 82,241	\$ 87,065	\$ 89,041	\$ 89,718	\$ 91,515
Parking Fees	99,407	110,602	102,778	106,918	116,059
Utility Fees	25,257	26,562	26,005	18,442	16,144
Terminal Rentals	103,193	107,260	106,021	106,079	110,267
Non-Terminal Building and Ground Rents	34,510	35,063	36,693	37,574	39,547
Concessions	53,724	63,058	58,685	60,179	62,750
Other	21,765	20,208	16,177	19,908	19,417
	<u>420,097</u>	<u>449,818</u>	<u>435,400</u>	<u>438,818</u>	<u>455,699</u>
Airport Properties - Hanscom	8,911	10,063	9,037	9,227	9,371
Airport Properties - Worcester (9)	N/A	N/A	N/A	N/A	911
Total Airport Properties	<u>429,008</u>	<u>459,881</u>	<u>444,437</u>	<u>448,045</u>	<u>465,981</u>
Port Properties					
Maritime Operations	48,708	54,107	49,299	46,540	50,630
Business Development	-	-	-	-	-
Maritime Real Estate (2)	20,030	20,783	18,516	17,682	20,079
	<u>68,738</u>	<u>74,890</u>	<u>67,815</u>	<u>64,222</u>	<u>70,709</u>
Bridge	31,339	30,562	28,882	15,153	-
Total Operating Revenue	<u>529,085</u>	<u>565,333</u>	<u>541,134</u>	<u>527,420</u>	<u>536,690</u>
Investment Income (4)	20,984	24,003	17,483	11,243	8,340
Total Revenues before CFC	<u>550,069</u>	<u>589,336</u>	<u>558,617</u>	<u>538,663</u>	<u>545,030</u>
CFC Revenues (10)	N/A	N/A	5,221	20,752	-
Total Revenues	<u>550,069</u>	<u>589,336</u>	<u>563,838</u>	<u>559,415</u>	<u>545,030</u>
<b>Operating Expenses (5):</b>					
Airport Properties					
Logan	232,418	247,026	246,561	243,180	253,062
Hanscom	7,765	9,301	8,710	8,159	8,726
Worcester (9)	N/A	N/A	N/A	N/A	5,122
	<u>240,183</u>	<u>256,327</u>	<u>255,271</u>	<u>251,339</u>	<u>266,910</u>
Port Properties					
Maritime Operations	47,415	52,616	50,576	49,345	53,239
Business Development	-	-	-	-	-
Maritime Real Estate (2)	14,597	15,611	16,344	14,506	15,380
	<u>62,012</u>	<u>68,227</u>	<u>66,920</u>	<u>63,851</u>	<u>68,619</u>
Bridge	10,363	12,328	12,629	5,279	-
Total Operating Expenses	<u>312,558</u>	<u>336,882</u>	<u>334,820</u>	<u>320,469</u>	<u>335,529</u>
<b>Net Revenue</b>	<u>\$ 237,511</u>	<u>\$ 252,454</u>	<u>\$ 229,018</u>	<u>\$ 238,946</u>	<u>\$ 209,501</u>
<b>Net Revenue Excluding CFCs</b>	<u>\$ 237,511</u>	<u>\$ 252,454</u>	<u>\$ 223,797</u>	<u>\$ 218,194</u>	<u>\$ 209,501</u>
<b>PFC Trust Agreement</b>					
<b>Revenues:</b>					
Logan Airport Net PFC Collections (6)	\$ 57,504	\$ 53,740	\$ 50,102	\$ 58,598 (8)	\$ 58,531
PFC Investment Income	938	1,006	597	469	177
<b>Net PFC Revenue</b>	<u>\$ 58,442</u>	<u>\$ 54,746</u>	<u>\$ 50,699</u>	<u>\$ 59,067</u>	<u>\$ 58,708</u>
<b>CFC Trust Agreement</b>					
<b>Revenues:</b>					
CFC Collections (11)					\$ 26,203
CFC Investment Income	N/A	N/A	N/A	N/A	159
<b>Net CFC Revenue</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,362</u>

See notes on next page.

Source: Authority's accounting reports

**MASSACHUSETTS PORT AUTHORITY**  
**Statistical Section**

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**Notes to table S-5:**

- (1) Beginning in fiscal year 2004, Logan Airport uncollectible accounts have been included in Logan Other Revenue.
- (2) As part of a reorganization of the Authority, the Port Business Development Department was transferred to the Maritime Department in fiscal year 2004.
- (3) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.
- (4) Excludes investment income earned by and deposited into Construction and PFC Funds.
- (5) Includes allocation of all operating expenses related to Authority General Administration.
- (6) PFC revenue collection began at Logan Airport on November 1, 1993. The PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued on June 16, 1999.
- (7) The substantial increase in net PFC collections in FY2006 reflects the increase in the authorized PFC level to \$4.50 per passenger from \$3.00 effective October 1, 2005.
- (8) In fiscal year 2010, the Authority changed its accrual policy for calculating PFC revenue.
- (9) On July 1, 2010, the Authority acquired Worcester Regional Airport as required under the Transportation Reform Act.
- (10) CFC Revenues (including investment income) were deducted from the 1978 Net revenue in FY09 & FY10 in anticipation of the CFC Trust Agreement adopted on May 18, 2011.
- (11) CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

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**MASSACHUSETTS PORT AUTHORITY**  
Statistical Section

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**Calculation of Debt Service Coverage and Debt Metrics**  
**Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
**(In Thousands - except coverage and per passenger calculations)**  
.....

**S-6 Debt Service Coverage and Debt Metrics**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>1978 Trust Agreement</b>					
Net Revenue	\$ 126,120	\$ 149,859	\$ 177,678	\$ 200,042	\$ 216,453
Debt Service - Principal	27,290	29,185	33,185	35,210	41,575
Debt Service - Interest	49,369	47,473	56,104	48,088	65,216
Credits to Debt Service (1)	(6,948)	(2,570)	(8,593)	(6,492)	(13,858)
Annual Debt Service	<u>\$ 69,711</u>	<u>\$ 74,089</u>	<u>\$ 80,696</u>	<u>\$ 76,806</u>	<u>\$ 92,934</u>
Debt Service Coverage	1.81	2.02	2.20	2.60	2.33
<b>PFC Trust Agreement</b>					
Net PFC Revenue (2)	\$ 32,097	\$ 29,861	\$ 33,452	\$ 35,937	\$ 49,589
Debt Service - Principal	9,205	9,585	9,995	10,425	10,945
Debt Service - Interest	12,342	11,960	11,553	11,118	10,601
Credits to Debt Service (3)	(7,402)	(3,841)	(895)	(1,329)	(1,305)
Annual Debt Service	<u>\$ 14,145</u>	<u>\$ 17,704</u>	<u>\$ 20,652</u>	<u>\$ 20,213</u>	<u>\$ 20,241</u>
Debt Service Coverage (4)	2.27	1.69	1.62	1.78	2.45
First Line Sufficiency Covenant	2.27	2.42	2.50	2.55	2.39
<b>CFC Trust Agreement</b>					
CFC Revenue (6)	N/A	N/A	N/A	N/A	N/A
<b>Debt Metrics (5)</b>					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 6.32	\$ 6.59	\$ 6.60	\$ 5.74	\$ 6.80
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 986,650	\$ 1,218,335	\$ 1,193,900	\$ 1,384,905	\$ 1,348,045
Less Annual Debt Service - Principal (includes reserved money)	<u>27,290</u>	<u>23,160</u>	<u>31,910</u>	<u>36,860</u>	<u>41,675</u>
1978 Trust Agreement Bonds Outstanding	<u>\$ 959,360</u>	<u>\$ 1,195,175</u>	<u>\$ 1,161,990</u>	<u>\$ 1,348,045</u>	<u>\$ 1,306,370</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 87.01	\$ 106.24	\$ 94.97	\$ 100.74	\$ 95.62
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.28	\$ 1.57	\$ 1.69	\$ 1.51	\$ 1.48
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 240,495	\$ 231,290	\$ 221,705	\$ 211,710	\$ 201,285
Less Annual PFC Debt Service - Principal	<u>9,205</u>	<u>9,585</u>	<u>9,995</u>	<u>10,425</u>	<u>10,945</u>
PFC Trust Agreement Bonds Outstanding	<u>\$ 231,290</u>	<u>\$ 221,705</u>	<u>\$ 211,710</u>	<u>\$ 201,285</u>	<u>\$ 190,340</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 20.98	\$ 19.71	\$ 17.30	\$ 15.04	\$ 13.93
CFC Trust Agreement Bonds Outstanding (GAAP)					
Less Annual CFC Debt Service - Principal	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
CFC Trust Agreement Bonds Outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CFC Trust Agreement Bonds per enplaned passenger	N/A	N/A	N/A	N/A	N/A
<b>Total Outstanding Bonds at June 30th (GAAP)</b>	<b><u>\$ 1,227,145</u></b>	<b><u>\$ 1,449,625</u></b>	<b><u>\$ 1,415,605</u></b>	<b><u>\$ 1,596,615</u></b>	<b><u>\$ 1,549,330</u></b>

See notes on next page.

Source: Authority's accounting reports

**MASSACHUSETTS PORT AUTHORITY**  
Statistical Section

.....  
**Calculation of Debt Service Coverage and Debt Metrics**  
**Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
**(In Thousands - except coverage and per passenger calculations)**  
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**S-6 Debt Service Coverage and Debt Metrics (Continued)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>1978 Trust Agreement</b>					
Net Revenue	\$ 237,511	\$ 252,454	\$ 223,797	\$ 218,194	\$ 209,501
Debt Service - Principal	45,465	48,140	50,780	53,855	54,100
Debt Service - Interest	60,018	61,767	55,889	50,836	50,913
Credits to Debt Service (1)	(7,057)	-	-	-	(3,994)
Annual Debt Service	<u>\$ 98,426</u>	<u>\$ 109,907</u>	<u>\$ 106,669</u>	<u>\$ 104,691</u>	<u>\$ 101,019</u>
Debt Service Coverage	2.41	2.30	2.10	2.08	2.07
<b>PFC Trust Agreement</b>					
Net PFC Revenue (2)	\$ 58,442	\$ 54,746	\$ 50,699	\$ 59,067	\$ 58,708
Debt Service - Principal	11,435	15,540	16,540	17,390	15,735
Debt Service - Interest	8,374	11,771	10,648	9,799	7,214
Credits to Debt Service (3)	(1,318)	(2,153)	(2,758)	(1,642)	(1,618)
Annual Debt Service	<u>\$ 18,490</u>	<u>\$ 25,158</u>	<u>\$ 24,430</u>	<u>\$ 25,547</u>	<u>\$ 21,331</u>
Debt Service Coverage (4)	3.16	2.18	2.08	2.31	2.75
First Line Sufficiency Covenant	1.79	1.86	1.63	1.57	4.09
<b>CFC Trust Agreement</b>					
CFC Revenue (6)	N/A	N/A	N/A	N/A	\$ 26,362
<b>Debt Metrics (5)</b>					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 7.10	\$ 8.07	\$ 8.57	\$ 7.98	\$ 7.15
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,357,240	\$ 1,338,355	\$ 1,292,560	\$ 1,220,925	\$ 1,254,460
Less Annual Debt Service - Principal (includes reserved money)	<u>42,540</u>	<u>45,415</u>	<u>50,780</u>	<u>53,855</u>	<u>54,100</u>
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,314,700</u>	<u>\$ 1,292,940</u>	<u>\$ 1,241,780</u>	<u>\$ 1,167,070</u>	<u>\$ 1,200,360</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 94.80	\$ 94.97	\$ 99.72	\$ 88.97	\$ 84.91
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.33	\$ 1.85	\$ 1.96	\$ 1.95	\$ 1.51
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 236,285	\$ 224,850	\$ 209,310	\$ 192,770	\$ 159,250
Less Annual PFC Debt Service - Principal	<u>11,435</u>	<u>15,540</u>	<u>16,540</u>	<u>17,390</u>	<u>15,735</u>
PFC Trust Agreement Bonds Outstanding	<u>\$ 224,850</u>	<u>\$ 209,310</u>	<u>\$ 192,770</u>	<u>\$ 175,380</u>	<u>\$ 143,515</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 16.21	\$ 15.37	\$ 15.48	\$ 13.37	\$ 10.15
CFC Trust Agreement Bonds Outstanding (GAAP)					\$ 214,060
Less Annual CFC Debt Service - Principal	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>-</u>
CFC Trust Agreement Bonds Outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,060</u>
CFC Trust Agreement Bonds per enplaned passenger	N/A	N/A	N/A	N/A	\$ 15.14
<b>Total Outstanding Bonds at June 30th (GAAP)</b>	<b><u>\$ 1,593,525</u></b>	<b><u>\$ 1,563,205</u></b>	<b><u>\$ 1,501,870</u></b>	<b><u>\$ 1,413,695</u></b>	<b><u>\$ 1,627,770</u></b>

See notes on next page.

Source: Authority's accounting reports

**MASSACHUSETTS PORT AUTHORITY**  
**Statistical Section**

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**Notes to table S-6:**

- (1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and investment earnings on a synthetic variable rate refunding from fiscal year 2003 to fiscal year 2006.
- (2) The substantial increase in net PFC collections in fiscal year 2006 reflects an increase in the PFC to \$4.50 per passenger, from \$3.00 effective October 1, 2005. PFC revenue collection began at Logan Airport on November 1, 1993. The 1999 PFC Trust Agreement became effective May 6, 1999. Series 1999A and 1999B PFC Revenue Bonds were issued June 16, 1999.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and non-PFC investment income on the PFC Debt Service Funds.
- (4) Debt Service Coverage for fiscal years 2000 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006 and 2007 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Members of the Authority on May 17, 2007.
- (5) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.
- (6) CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011. The CFC Bonds were issued June 8, 2011. Due to the timing of the issuance, no debt service was due or paid in fiscal year 2011 and, hence, coverage cannot be calculated for fiscal year 2011.



**Massachusetts Port Authority**  
**Statistical Section**

.....  
**Largest Private Sector Employers**  
**Current Year and Nine Years Ago**  
**(Listed in alphabetical order)**  
 .....

**S-7 Massachusetts' Largest Employers\***

<b>Calendar Year 2011</b>			
<b>Employer</b>	<b>Headquarters</b>	<b>Product or Service</b>	<b>Employee Size Range</b>
Boston Scientific Corp	Natick	Surgical Instruments-Manufacturers	10,000+
Care Group Inc	Boston	Clinics	10,000+
De Moulas Super Markets Inc	Tewksbury	Grocers-Retail	10,000+
EMC Corp	Hopkinton	Information Technology Services	10,000+
Five Star Quality Care Inc	Newton	Residential Care Homes	10,000+
FMR LLC	Boston	Financial Advisory Services	10,000+
Fresenius Medical Care N Amer	Waltham	Kidney Dialysis Centers	10,000+
Iron Mountain Inc	Boston	Business Records & Documents-Storage	10,000+
John Hancock	Boston	Insurance	10,000+
Massachusetts Mutual Life Ins	Springfield	Insurance	10,000+
National Amusements Inc	Dedham	Theatres-Movie	10,000+
National Mentor Holdings Inc	Boston	Educational Programs	10,000+
Partners Health Care	Boston	Health Maintenance Organizations	10,000+
Philips Electronics N America	Andover	Health Equipment & Supls-Manufacturers	10,000+
Raytheon Co	Waltham	Aerospace Industries (Mfrs)	10,000+
Staples Inc	Framingham	Office Supplies	10,000+
State Street Corp	Boston	Holding Companies (Bank)	10,000+
Stream Global Svc Inc	Wellesley	Business Support Service	10,000+
Thermo Fisher Scientific Inc	Waltham	Measuring/Controlling Devices Nec (Mfrs)	10,000+
University of MA System	Shrewsbury	Schools-Universities & Colleges Academic	10,000+

<b>Calendar Year 2002</b>			
<b>Employer</b>	<b>Headquarters</b>	<b>Product or Service</b>	<b>Employee Size Range</b>
Bay State Medical Center	Springfield	Rehabilitation Services	5,000+
Beth Israel Care Group	Boston	Physicians & Surgeons	5,000+
Boston University	Boston	Schools-Universities & Colleges Academic	5,000+
EMC Corp	Hopkinton	Computer Storage Devices (manufacturers)	5,000+
Fidelity Investments	Boston	Investment Securities	5,000+
GE Lynn Production Division	Lynn	Aircraft Engines & Engine Parts-mfrs	5,000+
Harvard University	Cambridge	Schools-Universities & Colleges Academic	5,000+
John Hancock Variable Life Insurance	Boston	Insurance-life (agents)	5,000+
Laboratory for Nuclear Science	Cambridge	Schools-Universities & Colleges Academic	5,000+
Lucent Technologies	North Andover	Telephone & Telegraph Apparatus (mfrs)	5,000+
Massachusetts General Hospital	Boston	Hospitals	10,000+
MassMutual Financial Group	Springfield	Insurance	5,000+
MIT-Research Lab-Electronics	Cambridge	Schools-Universities & Colleges Academic	5,000+
New England Medical Center	Boston	Hospitals	5,000+
North Shore Children's Hospital	Salem	Hospitals	5,000+
Umass Memorial Medical Center	Worcester	Schools-Medical	5,000+
University of Massachusetts	Amherst	Schools-Universities & Colleges Academic	5,000+

\* Top 20 Massachusetts largest Employers with 5,000+ Employees.  
 Sources: InfoUSA, Inc.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Demographics and Employment Data**  
**Calendar Years Ended 2001 through 2010**  
.....

**S-8 Demographics and Employment Data**

(Calendar Years)

<b>Boston Metropolitan Statistical Area (1)</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Population	4,443,310	4,459,011	4,458,187	4,456,479	4,458,891
Total personal income (in millions)	\$191,111	\$191,283	\$193,938	\$203,465	\$212,287
Per capita personal income	\$43,011	\$42,898	\$43,502	\$45,656	\$47,610
Unemployment rate (annual average)	3.6%	5.3%	5.7%	5.0%	4.5%
<b>Employment By Industry</b>					
<b><u>Industry Type (In thousands)</u></b>					
Educational and Health Services	411.6	421.5	425.3	430.9	437.8
Trade, Transportation and Utilities	444.6	433.1	426.4	423.0	421.2
Professional and Business Services	409.6	382.5	368.0	376.4	386.0
Government	303.0	301.5	297.4	293.1	294.9
Manufacturing	286.0	255.6	237.6	230.3	226.5
Leisure and Hospitality	198.5	203.0	203.9	206.3	208.7
Financial Activities	195.5	191.9	186.6	183.2	186.2
Construction	103.1	104.1	100.4	100.6	101.3
Other Services	86.1	87.0	86.3	85.8	86.4
Information	95.8	84.5	77.2	73.7	73.9
Total	<u>2,533.8</u>	<u>2,464.7</u>	<u>2,409.1</u>	<u>2,403.3</u>	<u>2,422.9</u>

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

**Massachusetts Port Authority  
Statistical Section**

.....  
**Demographics and Employment Data**  
**Calendar Years Ended 2001 through 2010**  
.....

**S-8 Demographics and Employment Data (Continued)**

(Calendar Years)

<b>Boston Metropolitan Statistical Area (1)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Population	4,473,477	4,503,921	4,544,705	4,588,680	4,552,402
Total personal income (in millions)	\$230,353	\$243,740	\$250,810	\$246,471	\$253,463
Per capita personal income	\$51,493	\$54,117	\$55,187	\$53,713	\$55,677
Unemployment rate (annual average)	4.4%	4.1%	4.8%	7.8%	7.9%
<b>Employment By Industry</b>					
<b><u>Industry Type (In thousands)</u></b>					
Educational and Health Services	449.5	463.9	575.7	472.3	510.6
Trade, Transportation and Utilities	419.7	419.1	401.3	394.5	413.6
Professional and Business Services	396.7	408.3	395.0	393.3	393.3
Government	297.2	299.1	312.5	285.1	309.3
Manufacturing	223.3	222.0	182.7	195.8	196.3
Leisure and Hospitality	212.1	216.7	202.7	234.0	220.9
Financial Activities	188.4	189.4	176.5	179.2	173.1
Construction	101.9	99.3	91.8	84.9	77.4
Other Services	87.2	88.4	87.5	88.0	89.5
Information	74.3	74.7	76.7	68.3	74.0
Total	<u>2,450.3</u>	<u>2,480.9</u>	<u>2,502.4</u>	<u>2,395.4</u>	<u>2,458.0</u>

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor

**Massachusetts Port Authority  
Statistical Section**

.....  
**Number of Employees by Facility**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
.....

**S-9 Number of Employees by Facility (1):**

<u><b>Facility</b></u>	<u><b>2002</b></u>	<u><b>2003</b></u>	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>
Tobin Bridge	51	49	53	53.0	54.5
Logan Airport	633	606	633	691.0	692.0
Hanscom Field	17	19	19	19.0	18.0
Worcester Regional Airport (3)	-	-	-	-	-
Maritime	124	114	104	109.0	111.0
General Administration	273	265	276	286.5	274.5
<b>Total Employees</b>	<u><u>1,098</u></u>	<u><u>1,053</u></u>	<u><u>1,085</u></u>	<u><u>1,158.5</u></u>	<u><u>1,150.0</u></u>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2010, there were 131 State Police positions assigned to the Authority.

(2) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(3) Effective 7/1/2010, the Authority acquired Worcester Regional Airport pursuant to the Transportation Reform Act.

Source: Authority-Wide Vacancy report as of June 30 each fiscal year.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Number of Employees by Facility**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
.....

**S-9 Number of Employees by Facility (1):  
(Continued)**

<u><b>Facility</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2009</b></u>	<u><b>2010</b></u>	<u><b>2011</b></u>
Tobin Bridge	54.5	53.5	51.5	- (2)	-
Logan Airport	702.0	705.0	705.5	698.5	686.5
Hanscom Field	19.0	18.0	18.0	19.0	18.0
Worcester Regional Airport (3)	-	-	-	-	5.0
Maritime	112.5	116.0	119.0	115.0	113.0
General Administration	281.0	297.0	271.0	264.5	258.0
<b>Total Employees</b>	<u><u>1,169.0</u></u>	<u><u>1,189.5</u></u>	<u><u>1,165.0</u></u>	<u><u>1,097.0</u></u>	<u><u>1,080.5</u></u>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2010, there were 131 State Police positions assigned to the Authority.

(2) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(3) Effective 7/1/2010, the Authority acquired Worcester Regional Airport pursuant to the Transportation Reform Act.

Source: Authority-Wide Vacancy report as of June 30 each fiscal year.

**Massachusetts Port Authority**  
Statistical Section

.....  
**Logan International Airport**  
**Traffic Metrics**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
.....

**S-10 Logan International Airport Activity:**

	2002	2003	2004	2005	2006
<b>Aircraft Operations (1)</b>					
Domestic (2)	197,844	190,609	184,836	210,357	206,426
International (3)	39,883	39,234	39,799	39,554	36,772
Regional	145,749	123,702	132,496	131,074	128,337
General Aviation	25,524	27,880	28,890	32,352	31,016
<b>Total Operations</b>	<b>409,000</b>	<b>381,425</b>	<b>386,021</b>	<b>413,337</b>	<b>402,551</b>
<b>Aircraft Landed Weights (1,000 pounds) (4)</b>	<b>19,872,000</b>	<b>19,576,000</b>	<b>19,864,000</b>	<b>20,822,000</b>	<b>20,376,000</b>
<b>Passengers Traffic</b>					
Domestic (2)					
Enplaned	8,052,257	8,284,960	8,919,352	9,880,689	10,292,917
Deplaned	8,088,769	8,304,108	8,952,770	9,937,869	10,324,060
International (3)					
Enplaned	1,904,246	1,906,562	2,040,079	2,129,374	2,071,481
Deplaned	1,889,185	1,919,516	2,047,766	2,117,983	2,071,740
Regional					
Enplaned	1,069,742	1,058,709	1,276,296	1,371,024	1,297,303
Deplaned	1,047,558	1,042,212	1,240,351	1,307,858	1,272,474
<b>Subtotal</b>	<b>22,051,757</b>	<b>22,516,067</b>	<b>24,476,614</b>	<b>26,744,797</b>	<b>27,329,975</b>
General Aviation					
Enplaned	46,302	47,072	43,234	60,687	58,315
Deplaned	45,051	45,471	42,920	60,687	58,315
<b>Total Passengers</b>	<b>22,143,110</b>	<b>22,608,610</b>	<b>24,562,768</b>	<b>26,866,171</b>	<b>27,446,605</b>
<b>Total Enplaned Passengers (excluding GA)</b>	<b>11,026,245</b>	<b>11,250,231</b>	<b>12,235,727</b>	<b>13,381,087</b>	<b>13,661,701</b>
<b>Average Passengers Per Flight</b>					
Domestic (2)	81.6	87.0	96.7	94.2	99.9
International (3)	95.1	97.5	102.7	107.4	112.7
Regional	14.5	17.0	19.0	20.4	20.0
<b>Air Carrier and Passenger Metrics</b>					
Primary carrier	Delta	Delta	Delta	Delta	Delta
Primary carrier market share	19.4%	19.2%	18.0%	17.0%	15.0%
Two top carriers market share	36.9%	36.8%	35.5%	33.2%	30.0%
Origination & destination share (1) & (5)	87.7% (6)	NA	88.0% (7)	NA	NA
Compensatory airline payments to Massport per enplaned passenger	\$8.26	\$10.22	\$11.42	\$11.56	\$12.97
Logan Airport revenue per enplaned passenger	\$23.19	\$26.33	\$27.39	\$27.52	\$29.03
<b>Total Cargo &amp; Mail (1,000 pounds)</b>	<b>842,249</b>	<b>817,843</b>	<b>809,179</b>	<b>796,252</b>	<b>759,326</b>

(1) Includes all-cargo flights, but excludes helicopters

(2) Includes jet and charter

(3) Includes jet, charter and international commuter

(4) Excludes GA and non-tenant

(5) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.

(6) Data for six months ended June 30, 2002.

(7) Data for twelve months ended September 30, 2004.

(8) Data for twelve months ended September 30, 2006.

(9) Data for twelve months ended September 30, 2007.

(10) Data for twelve months ended June 30, 2010.

(11) Data for nine months ended March 31, 2011.

Source: Authority reports

**Massachusetts Port Authority**  
Statistical Section

.....  
**Logan International Airport**  
**Traffic Metrics**  
**Fiscal Years Ended June 30, 2002 through June 30, 2011**  
.....

**S-10 Logan International Airport Activity: (Continued)**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Aircraft Operations (1)</b>					
Domestic (2)	214,441	207,693	190,271	200,015	216,249
International (3)	37,368	39,094	34,919	33,814	33,961
Regional	126,097	115,529	109,208	100,148	91,307
General Aviation	30,716	27,724	16,690	13,766	20,740
<b>Total Operations</b>	<b>408,622</b>	<b>390,040</b>	<b>351,088</b>	<b>347,743</b>	<b>362,257</b>
<b>Aircraft Landed Weights (1,000 pounds) (4)</b>	<b>20,408,164</b>	<b>19,905,370</b>	<b>18,741,720</b>	<b>18,681,983</b>	<b>19,712,898</b>
<b>Passengers Traffic</b>					
Domestic (2)					
Enplaned	10,438,225	10,223,459	9,314,138	10,062,680	11,110,527
Deplaned	10,485,949	10,279,164	9,344,673	10,085,288	11,152,038
International (3)					
Enplaned	1,995,778	2,064,293	1,868,603	1,818,370	1,874,108
Deplaned	2,013,591	2,100,097	1,884,406	1,834,023	1,896,528
Regional					
Enplaned	1,433,466	1,326,073	1,270,475	1,236,145	1,152,967
Deplaned	1,432,862	1,322,741	1,272,569	1,223,010	1,152,971
Subtotal	27,799,871	27,315,827	24,954,864	26,259,516	28,339,139
General Aviation					
Enplaned	58,852	54,029	32,606	27,473	42,048
Deplaned	58,852	54,029	32,606	27,473	42,048
<b>Total Passengers</b>	<b>27,917,575</b>	<b>27,423,885</b>	<b>25,020,076</b>	<b>26,314,462</b>	<b>28,423,235</b>
<b>Total Enplaned Passengers (excluding GA)</b>	<b>13,867,469</b>	<b>13,613,825</b>	<b>12,453,216</b>	<b>13,117,195</b>	<b>14,137,602</b>
<b>Average Passengers Per Flight</b>					
Domestic (2)	97.6	98.7	98.1	100.7	102.9
International (3)	107.3	106.5	107.5	108.0	111.0
Regional	22.7	22.9	23.3	24.6	25.3
<b>Air Carrier and Passenger Metrics</b>					
Primary carrier	US Airways	American	JetBlue	JetBlue	JetBlue
Primary carrier market share	13.8%	14.1%	14.7%	16.9%	21.2%
Two top carriers market share	27.6%	27.6%	28.8%	29.9%	32.9%
Origination & destination share (1) & (5)	87.7% (8)	88.4% (9)	NA	95.0% (10)	96.0% (11)
Compensatory airline payments to Massport per enplaned passenger	\$13.18	\$14.30	\$15.66	\$14.93	\$13.65
Logan Airport revenue per enplaned passenger	\$30.29	\$33.04	\$34.96	\$33.45	\$32.23
<b>Total Cargo &amp; Mail (1,000 pounds)</b>	<b>680,079</b>	<b>644,552</b>	<b>571,186</b>	<b>563,210</b>	<b>568,806</b>

(1) Includes all-cargo flights, but excludes helicopters

(2) Includes jet and charter

(3) Includes jet, charter and international commuter

(4) Excludes GA and non-tenant

(5) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds.

(6) Data for six months ended June 30, 2002.

(7) Data for twelve months ended September 30, 2004.

(8) Data for twelve months ended September 30, 2006.

(9) Data for twelve months ended September 30, 2007.

(10) Data for twelve months ended June 30, 2010.

(11) Data for nine months ended March 31, 2011.

Source: Authority reports

**Massachusetts Port Authority  
Statistical Section**

.....  
**Logan International Airport  
Market Share of Total Passenger Traffic  
Current Year and Nine Years Ago**  
.....

**S-11 Passenger Traffic Market Shares**

<b>Air Carrier</b>	<b>Fiscal Year 2011</b>		<b>Fiscal Year 2002</b>	
	<b>Passenger</b>	<b>%</b>	<b>Passenger</b>	<b>%</b>
JetBlue Airways Corp. (1)	6,012,754	21.2%	NA	NA
Delta Air Lines, Inc.	3,338,551	11.7%	4,281,080	19.3%
American Airlines, Inc. (2)	3,209,025	11.3%	3,681,511	16.6%
US Airways, Inc. (3)	3,142,778	11.1%	3,269,849	14.8%
Foreign Flag	2,682,165	9.4%	2,379,635	10.7%
Regional Carriers (4)	2,363,728	8.3%	2,292,091	10.4%
United Air Lines, Inc.	2,233,949	7.9%	2,235,486	10.1%
Southwest Airlines Co. (5)	1,643,517	5.8%	NA	NA
Others	1,467,257	5.2%	1,384,205	6.3%
AirTran Airlines, Inc.	1,245,129	4.4%	NA	NA
Continental Airlines, Inc.	1,084,382	3.8%	1,083,690	4.9%
Northwest Airlines, Inc. (6)	NA	NA	1,208,503	5.5%
America West Airlines, Inc. (3)	NA	NA	327,060	1.5%
<b>Total</b>	<b>28,423,235</b>	<b>100.0%</b>	<b>22,143,110</b>	<b>100.0%</b>

(1) JetBlue Airways commenced service at Logan Airport in January 2004.

(2) AMR Corporation, the parent company of American Airlines ("American"), filed for Chapter 11 bankruptcy protection in an effort to reduce labor costs and decrease its debt burden. American is expected to operate normally throughout the bankruptcy process, as other airlines have done during previous bankruptcy restructuring proceedings.

(3) America West Airlines acquired US Airways and changed its name to US Airways during 2005.

(4) These figures for passengers traveling on U.S. flag regional carriers include passengers traveling internationally.

(5) Southwest Airlines commenced service at Logan Airport in August 2009.

(6) Northwest Airlines merged with Delta Airlines during 2008 and continued to operate under its own name until January 2010.

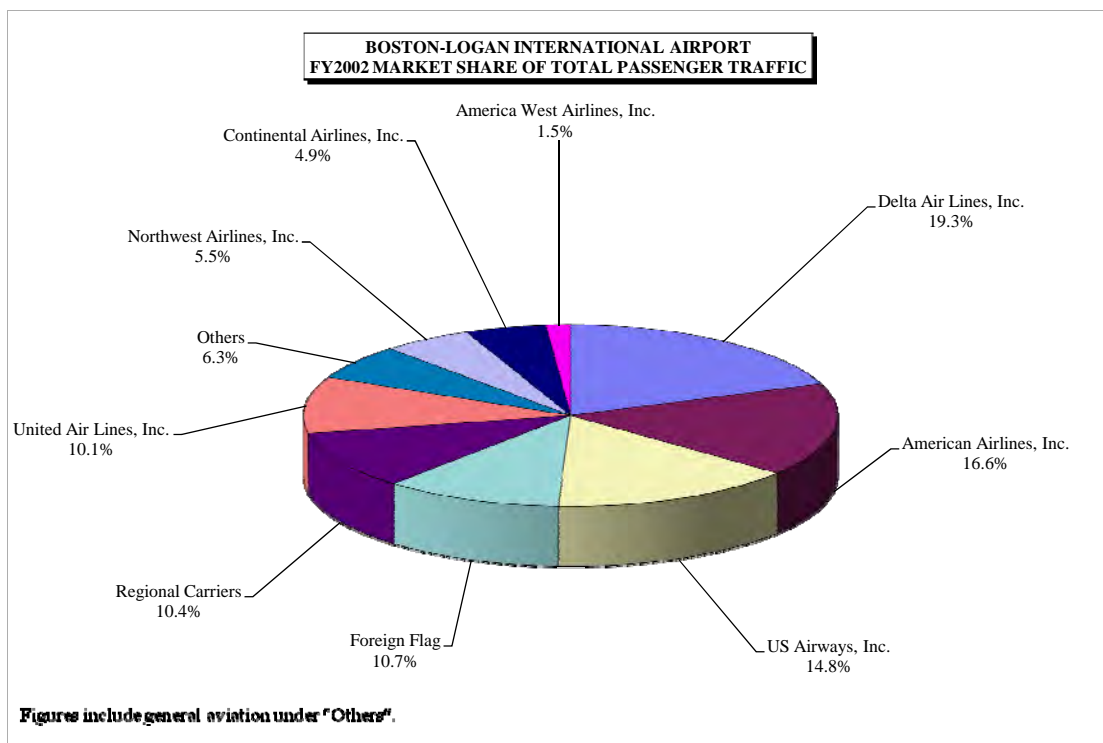
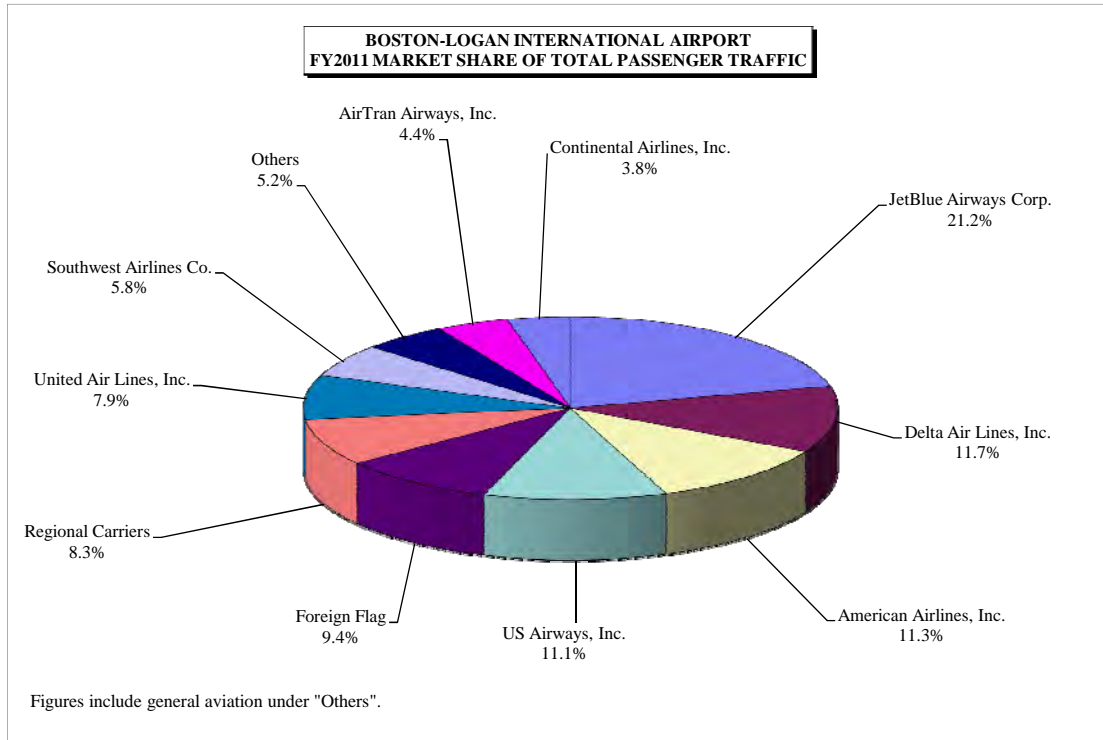
Source: Authority reports



Massachusetts Port Authority  
Statistical Section

Logan International Airport  
Market Share of Total Passenger Traffic  
Current Year and Nine Years Ago

S-11 Passenger Traffic Market Share -Charts



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**Massachusetts Port Authority  
Statistical Section**

.....  
**Logan International Airport  
Passenger Markets  
Calendar Year 2010 and Nine Years Ago**  
.....

**S-12 Logan International Airport - Passenger Markets**

The following table shows the percentage of passengers traveling on U.S. air carrier airlines to or from the Airport and other final domestic destinations for calendar year 2010, as reported by the United States Department of Transportation ("DOT"). International passengers are not included. It also shows the comparative ranking of the top 20 domestic destinations for the same period and for calendar year 2001.

<b>Market</b>	<b>Calendar 2010 Percentage</b>	<b>Calendar 2010 Rank</b>	<b>Calendar 2001 Rank</b>
Washington D.C.	9.8%	1	2
New York, New York / Newark, New Jersey	5.8%	2	1
San Francisco, California	5.5%	3	3
Chicago, Illinois	5.2%	4	8
Los Angeles, California	4.9%	5	7
South Florida *	4.7%	6	4
Orlando, Florida	4.2%	7	5
Atlanta, Georgia	3.6%	8	6
Denver, Colorado	2.4%	9	12
Dallas/Ft. Worth, Texas	2.3%	10	11
Fort Myers, Florida	2.2%	11	16
Philadelphia, Pennsylvania	2.0%	12	9
Tampa, Florida	2.0%	13	10
Charlotte-Douglas, North Carolina	2.0%	14	**
Las Vegas, Nevada	1.9%	15	15
Minneapolis - St. Paul, Minnesota	1.8%	16	13
West Palm Beach, Florida	1.8%	17	14
Raleigh/Durham, North Carolina	1.8%	18	20
Seattle/Tacoma, Washington	1.7%	19	**
Pittsburgh, Pennsylvania	1.5%	20	**
Total for Cities Listed	67.1%		

\* Florida South consists of Miami and Fort Lauderdale.

\*\*Not listed in top twenty for calendar year 2010.

Source: Diio APGDAT

**Massachusetts Port Authority  
Statistical Section**

.....  
**Port of Boston  
Cargo and Passenger Activity**  
Fiscal Years Ended June 30, 2002 through June 30, 2011  
.....

**S-13 Port of Boston Cargo and Passenger Activity**

<b>Port Activity</b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Containers (1)	72,537	86,149	93,627	103,631	111,020
Cruise Passengers	246,539	207,254	200,836	192,869	246,365
Automobiles (2)	80,070	29,559	12,198	10,657	11,170
Bulk Tonnage	207,583	162,824	144,304	189,517	202,681

(1) Does not include over-the-road volumes.

(2) Does not include vehicles entered by over-the-road means.

Source: Authority reports

**Massachusetts Port Authority  
Statistical Section**

.....  
**Port of Boston  
Cargo and Passenger Activity**  
Fiscal Years Ended June 30, 2002 through June 30, 2011  
.....

**S-13 Port of Boston Cargo and Passenger Activity (Continued)**

<b>Port Activity</b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Containers (1)	116,156	124,122	114,871	100,970	106,857
Cruise Passengers	200,998	236,922	275,407	310,482	307,224
Automobiles (2)	10,252	15,546	26,966	33,208	42,256
Bulk Tonnage	188,311	206,494	167,881	89,394	112,667

(1) Does not include over-the-road volumes.

(2) Does not include vehicles entered by over-the-road means.

Source: Authority reports

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Massachusetts Port Authority

Statistical Section

Port of Boston

Principal Customers

Current Year and Nine Years Ago

S-14 Port of Boston Principal Customers

**Fiscal Year 2011**

**Direct Service**

China Ocean Shipping Co.  
Columbia Coastal Transport  
Hanjin Shipping  
Hyundai Merchant Marine  
K-Line  
Mediterranean Shipping Corp.  
Yang Ming Line

**Shipping Lines**

China Ocean Shipping Co  
CMA-CGM  
Evergreen  
Hanjin  
Hyundai Merchant Marine  
K Line  
Mediterranean Shipping Co.  
Yang Ming  
Zim Line

**Cruise Lines**

Aida CruiseSeeTours  
Carnival Cruise  
Celebrity Cruises  
Classic Intl Cruises  
Costa Cruises  
Crystal Cruises  
Cunard  
Holland America  
Mitsui OSK Lines  
MSC Cruisetech  
Norwegian Cruise Lines  
P&O Cruises  
P&O Cruises  
Princess Cruises  
Residensea  
Royal Caribbean  
Silversea Cruises  
V Ships Leisure

**Large Customs House Brokers**

A.N. Deringer  
Albatrans, Inc.  
BDP International, Inc.  
C.H. Powell Company  
DB Schenker  
DHL Danzas  
Dolliff & Company, Inc.  
Dynasty International, Inc.  
EGL Eagle Global Logistics  
Exel Global Logistics  
Expeditors Int'l  
FedEx Trade Networks  
Hellmann Worldwide Logistics, Inc.  
J.F. Moran Co., Inc.  
Kuehne & Nagel, Inc.  
Liberty International  
Magic Customs Brokers, Inc.  
OceanAir, Inc  
Panalpina, Inc.  
Savino Del Bene, Inc.  
SDV (USA)  
UPS Supply Chain Solutions  
Vandegrift Intl.

**Fiscal Year 2002**

**Direct Service**

Atlantic Container Line  
China Ocean Shipping Co.  
CMA - CGM  
Columbia Coastal Transport  
Hanjin Shipping  
K-Line  
Mediterranean Shipping Corp.  
SPM Marine Line  
Yang Ming Line

**Shipping Lines**

China Ocean Shipping  
Evergreen America  
Hanjin  
Hapag Lloyd  
K-Line  
Lykes Line  
Maersk SeaLand  
Mediterranean Shipping Company  
Orient Overseas Container Line  
P & O Nedlloyd  
Yang Ming Line  
ZIM Container

**Cruise Lines**

Carnival Cruise Line  
Crystal Cruises  
Cunard Line  
Holland America Line  
Norwegian Cruise Line  
P & O Cruises  
Princess Cruises  
Royal Caribbean Cruise Line  
Seabourn Cruise Line  
Silversea Cruises  
Hapag Lloyd  
Costa Cruise Line

**Large Customs House Brokers**

AIS International, Inc.  
C.H. Powell Company  
Danzas A & I  
Deringer, A.N.Inc.  
Dynasty International  
Emery Worldwide  
Expeditors International  
FedEx Trade Networks  
International Specialists Inc.  
Kuehne & Nagel, Inc.  
Liberty International  
UPS Freight Services  
Panalpina, Inc.

Source: Authority reports

**Massachusetts Port Authority  
Statistical Section**

**Tobin Memorial Bridge  
Fiscal Years Ended June 30, 2002 through June 30, 2010**

**S-15 Bridge Statistics (In-Bound)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Tobin Bridge Toll	<u>\$2.00</u>	<u>\$2.00</u>	<u>\$3.00</u> (3)	<u>\$3.00</u>	<u>\$3.00</u>
Class 1 - Passenger vehicles					
Class 1	10,218,593	9,817,665	9,427,512	8,164,954	8,384,939
Passenger (1)					
Resident:	<u>391,961</u>	<u>512,014</u>	<u>585,811</u>	<u>648,510</u>	<u>695,357</u>
Vehicles with					
Resident Discount (1)					
Total Passenger Vehicles	10,610,554	10,329,679	10,013,323	8,813,464	9,080,296
Class 2 - 6	<u>924,235</u>	<u>909,273</u>	<u>885,858</u>	<u>796,425</u>	<u>862,845</u>
Commercial (2)					
<b>Total Paying Vehicles</b>	<u>11,534,789</u>	<u>11,238,952</u>	<u>10,899,181</u>	<u>9,609,889</u>	<u>9,943,141</u>
Massachusetts Bay					
Transportation Authority	54,620	30,883	23,302	48,231	54,460
(MBTA)					
Other Non-Revenue Vehicles	<u>43,878</u>	<u>48,183</u>	<u>61,827</u>	<u>65,093</u>	<u>44,039</u>
<b>Total Non-Paying Vehicles</b>	<u>98,498</u>	<u>79,066</u>	<u>85,129</u>	<u>113,324</u>	<u>98,499</u>
<b>Total Vehicles</b>	<u>11,633,287</u>	<u>11,318,018</u>	<u>10,984,310</u>	<u>9,723,213</u>	<u>10,041,640</u>

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll.

This program was discontinued and only residents of Charlestown and Chelsea, who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a \$0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

(4) Six months data only, effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

Source: Authority reports



**Massachusetts Port Authority  
Statistical Section**

.....  
**Tobin Memorial Bridge**  
**Fiscal Years Ended June 30, 2002 through June 30, 2010**  
.....

**S-15 Bridge Statistics (In-Bound)**  
**(Continued)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 <sup>(4)</sup></u>
Tobin Bridge Toll	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>
Class 1 - Passenger vehicles				
Class 1	9,203,180	8,988,012	8,526,559	4,498,957
Passenger (1)				
Resident:	<u>655,520</u>	<u>702,354</u>	<u>739,921</u>	<u>400,356</u>
Vehicles with				
Resident Discount (1)				
Total Passenger Vehicles	9,858,700	9,690,366	9,266,480	4,899,313
Class 2 - 6	<u>1,031,598</u>	<u>979,516</u>	<u>901,558</u>	<u>458,740</u>
Commercial (2)				
<b>Total Paying Vehicles</b>	<u>10,890,298</u>	<u>10,669,882</u>	<u>10,168,038</u>	<u>5,358,053</u>
Massachusetts Bay				
Transportation Authority	68,143	74,289	70,609	34,547
(MBTA)				
Other Non-Revenue Vehicles	<u>39,463</u>	<u>48,012</u>	<u>56,729</u>	<u>27,468</u>
<b>Total Non-Paying Vehicles</b>	<u>107,606</u>	<u>122,301</u>	<u>127,338</u>	<u>62,015</u>
<b>Total Vehicles</b>	<u>10,997,904</u>	<u>10,792,183</u>	<u>10,295,376</u>	<u>5,420,068</u>

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll.

This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

(2) Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.

(3) When the toll was raised effective April 3, 2004, a \$0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

(4) Six months data only, effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

Source: Authority reports

**Massachusetts Port Authority**

**Statistical Section**

**Insurance Coverage**

**Fiscal Year Ended June 30, 2011**

**S-16 Insurance Coverage**

<b>POLICY - 7/01/10 - 6/30/2011</b>	<b>BROKER / UNDERWRITER</b>	<b>LIMITS</b>	<b>RETENTION / UNDERLYING</b>
<b>PROPERTY INSURANCE</b>			
All Risk Property Insurance including Boiler & Mach., Contractor's Equip, Bus. Int & Terrorism	Beecher Carlson/Lexington	\$750,000,000	\$250,000
Hull Insurance - 8 scheduled vessels including: Fireboat and State Police Patrol Boat Including Terrorism Coverage	Customhouse Marine / CNA	Agreed Value	\$15,000
<b>LIABILITY INSURANCE</b>			
Aviation General Liability War Risk Coverage Primary and Excess Deductible for non-airside auto losses only	Wells Fargo / Global Aerospace	\$500,000,000	\$250,000   \$1,000,000
Marine Liability Terminal Operator's Liability Protection & Indemnity Including Port & Stevedore Liability Primary and Excess Including Terrorism	HUB International / Starr Marine	\$50,000,000	\$50,000
Automobile Liability Primary & Excess Comprehensive & Collision Deductible	Willis / Zurich	\$5,000,000	  \$1,000
<b>WORKERS' COMPENSATION</b>			
*Stevedores Workers' Comp - USL&H -Employer's Liability	HUB International / AIG	Statutory \$1,000,000	\$0
*Stevedores Workers' Comp - State Act -Employer's Liability	HUB International / AIG	Statutory \$1,000,000	\$0
Excess Workers' Compensation -Employer's Liability	HUB International / AIG	Statutory \$1,000,000	\$750,000
<b>OTHER COVERAGE</b>			
Crime, Dishonesty Burglary and Robbery	Braley & Wallington / Hartford	\$3,000,000	\$100,000
Secretary-Treasurer's Bond	Braley & Wellington/ Hartford Insurance Company	\$1,000,000	\$0
Customs Bond	Braley & Wellington/ American Casualty Company	\$50,000	\$0
Marine Terminal Operator's Bond	Braley & Wellington/ Western Surety Company	\$100,000	\$0

\*Stevedores Workers' Comp USL&H & State Act programs are self insured up to a \$750,000 retention level as of April 1, 2011.

Source: Authority reports

# Massachusetts Port Authority

## Statistical Section

### Physical Asset Data

#### Fiscal Year Ended June 30, 2011

#### S-17 List of Certain Physical Asset Characteristics

##### **Logan Airport**

Area of Airport (acres - approximate)	2,400
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##### **Runways**

Runway 15R/33L (length in feet)	10,081
Runway 4R/22L (length in feet)	10,005
Runway 4L/22R (length in feet)	7,860
Runway 9/27 (length in feet)	7,000
Runway 15L/33R (length in feet)	2,557
Runway 14/32 (length in feet)	5,000

##### **Terminal Buildings**

Terminal A (number of jet contact gates)	22
Terminal B (number of jet contact gates)	35
Terminal C (number of jet contact gates)	27
Terminal E (number of jet contact gates)	13

##### **Parking**

Number of commercial and employee parking spaces	20,615
--------------------------------------------------	--------

<b><u>Cargo Facilities</u></b> (square feet)	440,000
----------------------------------------------	---------

##### **Hanscom Field**

Area of Airport (acres - approximate)	1,300
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##### **Runways**

Runway 11/29 (length in feet)	7,000
Runway 5/23 (length in feet)	5,100

##### **Worcester Regional Airport**

Area of Airport (acres - approximate)	1,300
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##### **Runways**

Runway 11/29 (length in feet)	7,000
Runway 15/33 (length in feet)	5,000

##### **Port of Boston**

##### **Conley Terminal (101 acres)**

Berth 11 (length in feet)	1,000
Berth 12 (length in feet)	1,000
Berth 14 (length in feet)	500
Berth 15 (length in feet)	500

##### **Moran Terminal (64 acres)**

Berth 1 (length in feet)	1,000
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##### **Black Falcon Terminal**

10 berths (length in feet (each))	500
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<b><u>Commercial Real Estate</u></b> (approximate acres)	60
----------------------------------------------------------	----

Source: Authority reports

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## ***Hanscom Solar Power***

Massport is helping to create jobs in Massachusetts by developing alternative energy sources like wind and solar in support of Governor Deval Patrick's "Leading by Example" initiative to reduce greenhouse gas emissions from state government activities 25% by 2012. Solar panels on top of Massport's garages and terminals have been a familiar part of the Logan Airport landscape for several years. Now, Massport is also leveraging L.G. Hanscom Field on behalf of "green energy" with the installation of more than 200 photovoltaic solar module panels as part of an \$858,000 renovation to the Civil Air Terminal Building. The solar panels are expected to produce 57,233 kilowatts of electricity, or about 10% of the building's total yearly electric needs. The shift to solar will eliminate 36.6 metric tons of CO<sub>2</sub> from the environment every year, which is the equivalent of saving about 95 barrels of oil.





**STATEMENT OF  
ANNUAL FINANCIAL INFORMATION  
AND OPERATING DATA  
of the  
MASSACHUSETTS PORT AUTHORITY  
FOR FISCAL YEAR 2011**

**INTRODUCTION**

This Statement of Annual Financial Information and Operating Data dated as of November 29, 2011 (the “Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement, dated as of August 1, 1997 (the “Continuing Disclosure Agreement”), between the Authority and U.S. Bank National Association (successor-in-interest to State Street Bank and Trust Company), as trustee (the “Trustee”). Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2011 (“fiscal year 2011”) updating the financial information and operating data presented in the Authority’s Statement of Annual Financial Information and Operating Data dated as of November 22, 2010 (the “2010 Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Authority’s Official Statements dated August 5, 2010 and August 6, 2010 (together, the “2010 Official Statements”). This Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 29, 2011 (the “CAFR”) for fiscal year 2011 and the remaining sections of the CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2011 and comparative information for fiscal year 2010, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included in the financial section of the CAFR. The 2010 Official Statements and the 2010 Annual Disclosure Statement are each on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the Bonds, reference is made to the 2010 Official Statement.

This Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively, the “Bonds”):

- Massachusetts Port Authority Revenue Bonds, Series 2010-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-B (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-C (AMT)
- Massachusetts Port Authority Multi-Modal Revenue Refunding Bonds, Series 2010-D (AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2008-C (Non-AMT)
- Massachusetts Port Authority Multi-Modal Revenue Bonds, Series 2008-A (Non-AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2007-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2007-C (AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2005-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2005-C (Non-AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2003-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2003-C (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 1998-A (Non-AMT)

As of June 30, 2011, the Authority had issued and outstanding 13 series of bonds pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the “1978 Trust Agreement”) between the Authority and the Trustee. Please see Note 5 of the Authority’s Financial



Statements as of June 30, 2011 for more detailed information. On August 12, 2010 the Authority issued \$97,905,000 Series 2010-A Bonds (Non-AMT) (the “Series 2010-A Bonds”). Proceeds of the Series 2010-A Bonds are being used to finance various capital projects. The Authority simultaneously issued \$138,015,000 of Series 2010-B Revenue Refunding Bonds (Non-AMT) (the “Series 2010-B Bonds”), \$23,875,000 of Series 2010-C Revenue Refunding Bonds (AMT) (the “Series 2010-C Bonds”) and \$107,505,000 of Series 2010-D Multi-Modal Revenue Refunding Bonds (AMT) (the “Series 2010-D Bonds”). The Series 2010-B Bonds refunded portions of Series 1998-A Bonds, all of Series 1998-D Bonds, and all of Series 2008-B Bonds. The Series 2010-C Bonds refunded all of Series 1998-B Bonds. The Series 2010-D Bonds refunded \$66,820,000 of Series 1998-E fixed rate bonds and \$39,600,000 of Series 1999-D fixed rate bonds. The Series 2010-D Bonds were issued as variable rate debt with interest rates that reset weekly. The Series 2010-D Bonds are backed by a letter of credit provided by the Bank of America, N.A. that expires in August 2013. On July 16, 2009 the Members of the Authority authorized the defeasance with cash of \$20,855,000 of the then outstanding 1999-D Bonds as a refunding of all the outstanding debt that had been issued in regards to capital expenditures on the Bridge.

The Authority has issued six series of its Subordinated Revenue Bonds, outstanding in the aggregate principal amount of \$74,000,000 (collectively, the “Subordinated Revenue Bonds”). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement. The Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

The Authority also has issued and outstanding three series of PFC Revenue Bonds (collectively the “PFC Bonds”) issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”). Please see Note 5 of the Authority’s financial statements as of June 30, 2011 for more detailed information. On August 12, 2010, the Authority issued \$57,150,000 Series 2010-E PFC Revenue Refunding Bonds (AMT) to refund its Series 1999-B PFC Bonds. Pursuant to the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon, the Authority is also including as part of the CAFR its Statement of PFC Annual Financial Information and Operating Data for fiscal year 2011 (the “2011 PFC Disclosure Statement”) with respect to the PFC Bonds.

On June 15, 2011, the Authority issued its \$58,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011-A (Non-AMT) and \$156,030,000 Series 2011-B (Federally Taxable) (collectively, the “CFC Bonds”) pursuant to a Trust Agreement dated May 18, 2011 (the “CFC Trust Agreement”) between the Authority and U.S. Bank National Association (the “CFC Trustee”). The CFC Bonds were issued for the purpose of providing funds sufficient, together with other available funds, to finance the design and construction of a new consolidated rental car facility and related improvements at Logan Airport, fund certain deposits to the debt service reserve and supplemental reserve funds for the CFC Bonds, and pay certain costs of issuance of the CFC Bonds. Please see Note 5 of the Authority’s financial statements as of June 30, 2011 for more detailed information.

Pursuant to the Continuing Disclosure Certificate dated as of June 15, 2011 (the “CFC Disclosure Certificate”), delivered by the Authority, the Authority is also including as part of the CAFR its Statement of Annual Financial Information and Operating Data for fiscal year 2011 (the “2011 CFC Disclosure Statement”) with respect to the CFC Bonds.

On May 15, 1997, the Authority issued its \$111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the “1997 BOSFUEL Bonds”). On July 12, 2007, the Authority issued its \$106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the “2007



BOSFUEL Bonds”). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds.

For additional information concerning the Authority, please see the Authority’s website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2011 are available at <http://www.emma.msrb.org> and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

### **Annual Disclosure Statement**

This Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the 1978 Trust Agreement, and not on the basis of GAAP.*** For a comparison of the Authority’s financial results under the 1978 Trust Agreement and GAAP, please refer to Table S-4 (Conversion of GAAP Revenues and Expenses to 1978 Trust Agreement Revenues and Expenses) set forth in the statistical section of the CAFR or to Exhibit I at the end of this section. The information set forth herein does not contain all material information concerning the Bonds or the Authority necessary to make an informed investment decision. This Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

This Annual Disclosure Statement is submitted pursuant to the Continuing Disclosure Agreement. The intent of the Authority’s undertaking under the Continuing Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the Bonds and any other bonds of the Authority that are designated by resolution of the Authority as subject to and having the benefits of the Continuing Disclosure Agreement the information described in Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934. Pursuant to the Continuing Disclosure Agreement, the Authority has agreed with respect to the Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the 1978 Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the Continuing Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority’s undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the Trustee or for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the Continuing Disclosure Agreement shall be an action for the specific performance of the Authority’s obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the 1978 Trust Agreement or any other instrument relating to the Bonds.

## UPDATED OPERATING INFORMATION

### Airport Properties

Boston-Logan International Airport (“Logan Airport”) continues to be the principal source of the Authority’s Revenues, Net Revenues and net income, and is the dominant factor in the determination of the Authority’s financial condition. In fiscal year 2011, Logan Airport accounted for 83.6% of the Authority’s Revenues and 96.7% of the Authority’s Net Revenues, as defined in the 1978 Trust Agreement. For additional information regarding activities at Logan Airport Properties during fiscal year 2011, please refer to Exhibits S-10, S-11 and S-12 presented in the statistical section. Exhibit S-10 summarizes Logan Airport traffic statistics for the ten most recent fiscal years.

Logan Airport plays a leading role in New England’s air service infrastructure. In calendar year 2010, based upon total passenger volume, Logan Airport was the most active in New England, the 19<sup>th</sup> most active in the United States and the 48<sup>th</sup> most active in the world, according to the Airports Council International (“ACI”). Enplaned plus deplaned passengers at Logan Airport for fiscal year 2011 totaled approximately 28.4 million passengers. This is a 8.0% increase from the 26.3 million passengers that used Logan Airport in fiscal year 2010.

The primary destinations of passengers using Logan Airport for calendar year 2010 were: 15.6% to Florida, 9.8% to Washington, DC, and 7.2% to the New York/New Jersey area. The proportion of domestic passengers traveling to the West Coast cities of California was 12.3%.

In fiscal year 2011, international passengers (including those traveling on foreign flag and regional carriers) accounted for 13.3% of passenger traffic, or approximately 3.8 million passengers. The shares of international passengers at Logan Airport were 74.6% for Europe and the Middle East, 14.5% for Canada, and 10.8% for Bermuda and the Caribbean. In fiscal year 2011, the top five international origin-destination markets were London, Paris, Toronto, Frankfurt and Amsterdam. International passenger traffic grew by 3.2% in fiscal year 2011 but decreased by 2.7% in fiscal year 2010.

In fiscal year 2011, regional airlines accounted for approximately 8.1% of total passenger traffic at Logan Airport, or approximately 2.3 million passengers. The number of regional passengers (excluding passengers traveling internationally) decreased by 6.2% and 3.3% in fiscal years 2011 and 2010 respectively. As of June 30, 2011, the top five regional airlines were COMAIR Delta Connection with 21.0% of domestic regional passengers, followed by American Eagle Airlines, Inc. with 14.3%, Air Wisconsin Airlines Corporation with 10.4%, Republic-US Air Express with 9.7% and Colgan Air, Inc. with 9.4% of domestic regional passengers.

During fiscal year 2011, low-cost carriers handled 35.4% of Logan Airport’s passengers. As of June 30, 2011, the low-cost carriers providing service at Logan Airport were AirTran Airways, JetBlue Airways, Midwest/Frontier Airlines, Porter Airlines, Southwest Airlines, Spirit Airlines, Sun Country Airlines and Virgin America. As of June 30, 2011, these eight carriers served 65 non-stop destinations. Logan Airport passenger traffic as a whole grew by 8.0% in fiscal year 2011 while passenger traffic for the low-cost carriers serving Logan Airport grew 28.7%.

In fiscal year 2011, total combined cargo and mail volume was approximately 568.8 million pounds. Between fiscal years 2006 and 2010, the total volume of air cargo and mail handled at Logan Airport decreased by 25.8%, and the volume in fiscal year 2011 increased by 1.0% from fiscal year 2010. From fiscal year 2010 to fiscal year 2011, air cargo (small package/express and freight) grew 1.2%. A large percentage of the total volume of air cargo for the period was attributable to integrated small package/express carriers, including Federal Express, United Parcel Service, Air Transport International,

DHL Airways, UPS-SCS Inc. and Capital Cargo International Airlines, Inc. Integrated carriers accounted for 60.7% of total domestic and international cargo volume in fiscal year 2011 and 61.0% in fiscal year 2010.

## **SELECTED FINANCIAL DATA**

Table S-5 set forth in the statistical section of the CAFR reflects Revenues and Operating Expenses for the ten most recent fiscal years, prepared in accordance with accounting principles required by the 1978 Trust Agreement. Information for each of the ten fiscal years is derived from the Authority's financial statements for the respective fiscal years; note that in certain cases information from prior fiscal years has been conformed to comply with current GASB standards. Financial statements of the Authority for fiscal year 2011 and comparative data for fiscal year 2010, together with the report thereon of PricewaterhouseCoopers LLP, independent auditors, are included in the CAFR.

Table S-6 of the CAFR shows the calculation of Annual Debt Service Coverage of the Authority, as provided under the 1978 Trust Agreement, which equals the ratio of the Net Revenues of the Authority divided by the Annual Debt Service. "Net Revenues" is defined in the 1978 Trust Agreement as the excess of Revenues over Operating Expenses; provided that for the purpose of the calculations, proceeds of passenger facility charges ("PFCs") and proceeds of customer facility charges ("CFCs") have been excluded from Revenues because such proceeds have been excluded from Revenues under the 1978 Trust Agreement. PFCs are pledged to secure the PFC Bonds, pursuant to the PFC Trust Agreement, and certain specific information pertaining to the PFC Bonds, as required by the PFC Disclosure Agreement, is set forth in the separate 2011 PFC Disclosure Statement. CFCs are pledged to secure the CFC Bonds, pursuant to the CFC Trust Agreement, and certain specific information pertaining to the CFC Bonds, as required by the CFC Disclosure Certificate, is set forth in the separate 2011 CFC Disclosure Statement. As used in the tables, "Annual Debt Service" is equal to the "Principal and Interest Requirements" on Bonds (other than BOSFUEL Bonds) outstanding for the applicable fiscal year.

## **MANAGEMENT'S DISCUSSION OF HISTORICAL OPERATING RESULTS**

### **Prepared in Accordance with the 1978 Trust Agreement**

Total Operating Revenues in fiscal year 2011 were \$545.0 million compared to \$538.7 in fiscal year 2010, while Operating Expenses were \$335.5 million in fiscal year 2011 compared to \$320.5 in fiscal year 2010, resulting in Net Revenues of \$209.5 million and \$218.2 million in fiscal year 2011 and fiscal year 2010, respectively. Logan Airport is the primary source of the Authority's Revenues, Net Revenues and Operating Expenses. For a discussion of the differences between the accounting principles required by the 1978 Trust Agreement and generally accepted accounting principles, see Note 2 to the Financial Statements, or Exhibit I at the end of this section. Revenues and Net Revenues do not include PFC and CFC revenues, which are required under federal law, the PFC Trust Agreement and the CFC Trust Agreement to be applied to certain capital projects at the Airport and are not pledged for the benefit of holders of the Bonds.

### **Airport Properties**

Airport Properties Net Revenues (Airport Properties Revenues less Airport Properties Operating Expenses) increased \$2.4 million or 1.2% from fiscal year 2010. The number of passengers using Logan Airport (excluding general aviation) in fiscal year 2011 was 7.9% higher than in fiscal year 2010. Landed weights were 5.5% higher than the prior fiscal year. Parking revenues were 8.5% higher than revenues in fiscal year 2010, due to the increased passenger traffic at Logan Airport and the opening of the new economy parking garage during fiscal year 2011. Logan Airport generated approximately \$455.7 million

of Operating Revenues and incurred \$253.1 million of Operating Expenses in fiscal year 2011 compared to \$438.8 million of Operating Revenues and \$243.2 million of Operating Expenses in fiscal year 2010. Operating revenue and expense figures for Logan Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Logan Airport, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Unlike many airport operators, the Authority does not have an airline use and lease agreement and, therefore, is not constrained by contractual arrangements with the air carriers serving Logan Airport governing the incurrence of aeronautical costs and the recovery of such costs in the landing fee and terminal rentals. Instead, landing fees and terminal rentals are set annually by the Authority on a compensatory basis to cover direct and allocated capital, administration, maintenance and operating costs. Accordingly, each October, the Authority establishes the landing fee per thousand pounds of landed weight and the rental rates for the terminals, based upon historical capital costs and projected landed weights or terminal rentable square feet (as applicable), and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year.

**Landing Fees.** Landing fee revenues at Logan Airport increased from \$89.7 million in fiscal year 2010 to \$91.5 million in fiscal year 2011. This increase of approximately \$1.8 million or 2.0% in fiscal year 2011 revenue was essentially the result of higher landed weights in fiscal year 2011 compared to fiscal year 2010. Landed weights were 18,682,000 pounds in fiscal year 2010 and 19,713,000 pounds in fiscal year 2011.

**Parking Fees.** Logan Airport parking revenues (including Logan Express) increased from \$106.9 million in fiscal year 2010 to \$116.1 million as more passengers traveled at Logan Airport and as the new economy parking garage opened during fiscal year 2011. The number of commercial parking spaces at Logan Airport is subject to a limitation imposed by the EPA.

**Rentals.** All leases with air carriers for terminal space at Logan Airport currently provide that the Authority may revise rental rates periodically, at the discretion of the Authority, to recover the actual direct and indirect capital and operating costs for such leased space. In addition, leases with certain carriers that are obligors of special facilities revenue bonds issued by the Authority and secured by a pledge of certain lease revenues are required to pay rent directly to the applicable trustee in an amount at least sufficient to pay the debt service on such bonds. Terminal A opened in March 2005, subject to a then-current long-term lease between the Authority and Delta Airlines (“Delta”). After Delta filed for bankruptcy protection in September 2005, the Authority and Delta negotiated a restated and amended lease (the “Amended Lease”), which became effective in July 2006, with a term expiring June 30, 2016. The Amended Lease reduced Delta’s lease from 18 gates and seven regional aircraft parking positions to 12 gates and four regional aircraft parking positions. During fiscal year 2009, after the merger with Northwest, Delta further amended its lease. Accordingly, Delta now has 14 of the 18 contact gates and five of the seven regional aircraft positions. In November 2007, the Authority entered into a five-year lease with Continental Airlines for four contact gates and two regional aircraft parking positions in Terminal A. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt.

The Authority has entered into a lease of the western wing of Terminal B with US Airways for a term scheduled to end September 30, 2023, and the Authority entered into a similar lease of a significant portion of the eastern wing of Terminal B with American Airlines for a term expiring in 2015. In fiscal year 2011, rentals from Terminal A were \$21.4 million, and rentals from Terminal B were \$25.7 million.

In Terminal C, JetBlue entered into a lease in March 2006 that resulted in its leasing 11 gates as of November 1, 2008. As of June 30, 2011, JetBlue leased 13 gates in Terminal C. The JetBlue lease runs through April 2011, with 19 automatic one-year year extensions. The Authority has entered into a lease with United Airlines for a term scheduled to end September 30, 2015. As of June 30, 2011, United Airlines leased 8 gates in Terminal C.

The Authority does not have long-term written agreements with the other airline tenants in Terminals C and E. Rental rates for such Terminals are set on a compensatory basis to recover direct and allocated capital, administration, maintenance and operation costs. Rental revenue from these two Terminals totaled \$62.0 million in fiscal year 2011. In fiscal year 2011 rental income from buildings other than Terminals totaled \$24.0 million and income from land rentals produced an additional \$16.7 million.

**Concessions.** Revenues from concessions increased from \$60.2 million in fiscal year 2010 to \$62.8 million in fiscal year 2011. Concession revenues include payments made by rental car companies that operate at Logan Airport and commissions from the following concessions: food and beverage, news and gifts, duty free shops, specialty shops, ground transportation services and other concessions.

**Hanscom Field.** During fiscal year 2011, Revenues from operations at Hanscom Field represented approximately 1.7% of the total Revenues of the Authority, and Hanscom Field's Operating Expenses constituted approximately 2.6% of the Authority's Operating Expenses. In fiscal year 2011, Hanscom Field generated \$9.4 million of Revenue, with Operating Expenses of \$8.7 million, yielding an operating surplus before debt service or other capital expenses of approximately \$0.7 million. Operating revenue and expense figures for Hanscom Field stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Hanscom Field, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

**Worcester Regional Airport.** On July 1, 2010, the Authority purchased the Worcester Regional Airport for approximately \$15.1 million in accordance with the terms of Transportation Reform Act. During fiscal year 2011, Worcester Airport generated \$0.9 million of Revenue, with Operating Expenses of \$5.1 million, yielding an operating deficit before debt service or other capital expenses of approximately \$4.2 million. Operating revenue and expense figures for Worcester Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Worcester Airport, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

## **Port Properties**

In fiscal year 2011, the Revenue attributable to the Port Properties totaled approximately \$70.7 million, or approximately 13.0% of the Revenues of the Authority, and the Port Properties accounted for approximately \$68.6 million of Operating Expenses, or approximately 20.5% of the Authority's Operating Expenses. The Port Properties realized a surplus of approximately \$2.1 million and \$0.4 million in Net Revenues in fiscal year 2011 and 2010 respectively. The net loss (or negative Net Revenues) from Maritime Operations was \$2.6 million for fiscal year 2011 while the Net Revenue from Maritime Real Estate was \$4.7 million in fiscal year 2011. Over the period shown, the Authority has pursued a policy of seeking compensatory (or cost recovery) pricing, aggressively negotiating new lease terms when possible, and revenue development through more intense use of the Port Properties and a marketing program designed to increase the volume of containers handled and the number of cruise passengers who embark or disembark in Boston, in an effort to mitigate these deficits.

The Authority has traditionally experienced annual Port Properties operating deficits (Maritime and Business Development Revenues less Maritime and Business Development Operating Expenses). These deficits reflect the allocation of a portion of Authority-wide administrative and overhead costs as well as all direct costs.

Operating revenue and expense figures for the Port Properties stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Port Properties, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

## **Bridge**

The Authority operated the Bridge for the first six months of fiscal year 2010. Revenues from the Bridge were approximately \$15.2 million, or approximately 2.8% of the total Revenues of the Authority. Bridge six-month Operating Expenses for fiscal year 2010 were \$5.3 million, yielding Net Revenue from Bridge operations of approximately \$9.9 million. Passenger car tolls were \$3.00 (less a \$0.50 discount for those using the “Fast Lane” electronic toll collection system). Operating revenue and expense figures for the Bridge operations stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Bridge, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

As required by the Transportation Reform Act, the Authority transferred the Bridge to MassDOT on January 1, 2010.

## **Other**

**Investment Income.** Investment income (excluding CFCs, PFCs and other funds not held under the 1978 Trust Agreement) decreased from \$17.5 million in fiscal year 2009 to \$11.2 million in fiscal year 2010 and decreased to \$8.3 million in fiscal year 2011. The decline in investment income during fiscal year 2010 was attributed to declining interest rates combined with a reduction in cash available for investment due to the loss of the Bridge toll revenue subsequent to January 1, 2010, and the payment of \$21.7 million to defease outstanding debt related to the Bridge in July 2009. Further declines in interest income in fiscal year 2011 were the result of the continuing reduction in interest rates throughout the year.

# Exhibit - I

(In Thousands)	(3)			Net change in the fair value of investments	(2)	
	Airport Properties	Port Properties	Investment Income		6/30/2011 Fiscal Year 2011 Total	6/30/2010 Fiscal Year 2010 Total
Trust revenues:						
Pledged revenues	\$ 463,470	\$ 71,021	\$ -	\$ -	\$ 534,491	\$ 525,120
Operating grants	2,618	-	-	-	2,618	2,773
Subtotal	466,088	71,021	-	-	537,109	527,893
Operating interest income	-	-	8,340	-	8,340	11,243
Adjustment for uncollectible accounts	(107)	(312)	-	-	(419)	(473)
Total Trust Revenues	465,981	70,709	8,340	-	545,030	538,663
Trust operating expenses:						
Operations and maintenance	208,887	53,237	-	-	262,124	251,080
Administration	37,712	9,907	-	-	47,619	42,847
Insurance	6,033	2,807	-	-	8,840	6,983
Pension	4,213	711	-	-	4,924	7,621
Other Postemployment Benefits (1978 Trust)	10,065	1,957	-	-	12,022	11,938
Total Trust Expenses	266,910	68,619	-	-	335,529	320,469
Excess of revenues over operating Expenses as prescribed by the 1978 Trust Agreement	199,071	2,090	8,340	-	209,501	218,194
<b>ADD:</b>						
<b>Revenues recognized under GAAP which are excluded under 1978 Trust Agreement:</b>						
Investment income self insurance / others	-	-	1,833	-	1,833	1,525
Passenger facility charge (PFC)-Logan	58,485	-	-	-	58,485	58,598
Investment income PFC-FAA	-	-	177	-	177	469
Investment income PFC-Non FAA	-	-	1,167	-	1,167	1,568
Passenger facility charge (PFC)-Worcester	46	-	-	-	46	-
Customer facility charge (CFC)	26,203	-	-	-	26,203	20,668
Investment income CFC	-	-	159	-	159	85
Capital grant revenue	21,629	855	-	-	22,484	34,340
Gain/Loss on sale of equipment	10	78	-	-	88	(110)
Unrealized net increase in the fair value of investments	-	-	-	-	-	248
Administration Expenses	1,366	265	-	-	1,631	1,201
Operating revenues	703	-	-	-	703	-
Settlement of claims	1	-	-	-	1	8
Nonoperating other revenues	1,751	65	-	-	1,816	2,659
<b>LESS:</b>						
<b>Expenses recognized under GAAP which are excluded under 1978 Trust Agreement:</b>						
PILOT	(15,544)	(1,783)	-	-	(17,327)	(17,547)
Other Postemployment Benefits	(3,772)	(733)	-	-	(4,505)	(5,570)
Self insurance cost	1,388	126	-	-	1,514	(1,891)
Interest expense	(55,907)	(4,053)	-	-	(59,960)	(66,870)
Unrealized net (decrease) in the fair value of investments	-	-	-	(3,503)	(3,503)	-
Depreciation and amortization (1)	(152,018)	(17,347)	-	-	(169,365)	(164,141)
Operating expenses	(1,199)	913	-	-	(286)	1,447
Adjustment for operating grant	(170)	-	-	-	(170)	-
Adjustment for uncollectible accounts-nonTrust fund	6	1	-	-	7	-
Terminal A debt service contributions by PFC	(6,070)	-	-	-	(6,070)	-
Nonoperating other expenses	(92)	-	-	-	(92)	(312)
Loss on special item-Tobin Bridge Transfer	-	-	-	-	-	(78,058)
Increase / (decrease) in net assets	\$ 75,887	\$ (19,523)	\$ 11,676	\$ (3,503)	\$ 64,537	\$ 6,511

- (1) Capital Assets are depreciated under GAAP but not under 1978 Trust Agreement.
- (2) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.
- (3) Effective 7/1/2010, the Authority acquired Worcester Regional Airport pursuant to the Transportation Reform Act.

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### ***Terminal C Consolidated Checkpoint***

Most passengers making connections at Logan Airport's Terminal C can now avoid additional screening thanks to a 12-lane security checkpoint consolidation, part of a recently-completed \$62 million renovation of the airport's oldest terminal. The consolidated checkpoint creates a more efficient flow of passengers through security screening thus making it more convenient for those catching flights with the terminal's three airlines: Cape Air, JetBlue and United Airlines. Located directly behind the JetBlue ticket counter, the new checkpoint replaces the two previous checkpoints while uniting two separate concourses to create an expanded concession area behind security to enhance customer satisfaction. A 4,100 square-foot-glass wall with strips of festive color evocative of refracted sunlight gives passengers of all ages a picture window view of Boston Harbor and Logan's airfield. For children, the popular Kidport has reopened behind security with new play structures, rubberized flooring and ceiling treatments that depict a midday sky.





**STATEMENT OF  
PFC ANNUAL FINANCIAL INFORMATION  
AND OPERATING DATA  
of the  
MASSACHUSETTS PORT AUTHORITY  
FOR FISCAL YEAR 2011**

**INTRODUCTION**

This Statement of Annual Financial Information and Operating Data dated as of November 29, 2011 (the “PFC Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2011 (“fiscal year 2011”) updating the financial information and operating data presented in the Authority’s Official Statement dated August 5, 2010 relating to the 2010 PFC Bonds (the “2010 PFC Official Statement”) and the Authority’s Statement of PFC Annual Financial Information and Operating Data dated as of November 22, 2010 (the “2010 PFC Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2010 PFC Official Statement. This PFC Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 29, 2011 (the “2011 CAFR”) for fiscal year 2011 and the remaining sections of the 2011 CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2011 and comparative information for fiscal year 2010, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included as part of the 2011 CAFR. The 2010 PFC Official Statement and the 2010 PFC Annual Disclosure Statement are each on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the PFC Bonds, reference is made to the 2010 PFC Official Statement.

This PFC Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively the “PFC Bonds”), issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”):

Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2010-E (AMT) <sup>(1)</sup>  
Massachusetts Port Authority PFC Revenue Bonds, Series 2007-B (Non-AMT)  
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT)

- (1) On August 12, 2010, the Authority issued its PFC Revenue Refunding Bonds Series 2010-E (AMT) which refunded the Authority’s PFC Revenue Bonds, Series 1999-B (AMT).

For additional information concerning the Authority, please see the Authority’s website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2011 are available at <http://www.emma.msrb.org> and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number

is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, the Authority's Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

## **Annual Disclosure Statement**

This PFC Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. *Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the PFC Trust Agreement, and not on the basis of GAAP.* The information set forth herein does not contain all material information concerning the PFC Bonds or the Authority necessary to make an informed investment decision. This PFC Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the PFC Bonds.

This PFC Annual Disclosure Statement is submitted pursuant to the PFC Disclosure Agreement. The intent of the Authority's undertaking under the PFC Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the PFC Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the PFC Disclosure Agreement the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the PFC Disclosure Agreement, the Authority has agreed with respect to the PFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the PFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the PFC Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the PFC Trustee or for the underwriters of the PFC Bonds, any registered owner or beneficial owner of PFC Bonds, any municipal securities broker or dealer, any potential purchaser of the PFC Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the PFC Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the PFC Trust Agreement or any other instruments relating to the PFC Bonds.

## **UPDATED OPERATING INFORMATION**

### **Incorporation by Reference**

To view the 2011 CAFR on-line, please visit:  
<http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>.

## **PFC ANNUAL FILING**

The following information is provided with respect to the PFC Bonds pursuant to the PFC Disclosure Agreement.

### **Historical and Forecast PFCs and Estimated Debt Service Coverage**

A table presenting historical PFC revenues and estimated net debt service coverage of the PFC Bonds as of June 30, 2011 is attached hereto as APPENDIX PFC-1.

## **First Lien Sufficiency Covenant**

A calculation of the First Lien Sufficiency Covenant (as defined in the PFC Trust Agreement) as of June 30, 2011 is attached hereto as APPENDIX PFC-2.

## **Sources and Uses of Funds for 1999 PFC Bond Projects, now refunded by the 2007-D and 2010-E Bonds**

The 1999 PFC Bonds Projects consist of the “Gateway Terminal Building”, comprising an addition of approximately 410,000 square feet of new space to, and renovation of approximately 170,000 square feet of existing space at Terminal E, the international terminal at the Airport, and development of the “Gateway Roadways”, comprising a new two-level system of public roads, service access and new curbside facilities. Collectively, the Gateway Terminal Building and the Gateway Roadways are referred to as the “International Gateway Project.” In May 2003, the new South Addition to the Gateway Terminal Building was placed in service and as of October 2011, work has been completed on the Gateway Terminal Building portion of the project. On September 16, 2004, the Members of the Authority authorized an increase to the project budget for the International Gateway project (excluding an additional \$44.0 million of baggage screening improvements) from \$322.0 million to \$410.0 million. A portion of the increase in the project budget was used to effect a settlement of certain claims asserted by the previous contractor for the project, Modern Continental Construction, Inc., and to engage a new contractor, Skanska USA, Inc., for the project. Since that date, the approved project budget has increased by an additional \$9.45 million, to \$419.5 million (excluding the cost of the baggage screening improvements). As of June 30, 2011, the cost of the International Gateway Project was \$458.6 million (including \$40.5 million of baggage screening improvements) and the project has been completed. As of June 30, 2010, including the cost of hold baggage screening improvements, \$463.4 million had been committed through execution of construction contracts, change orders, work orders, purchase orders or other approved payments and, \$458.5 million had been expended. The primary sources of funding for the International Gateway Project were the Authority’s 1999 PFC Bonds, commercial paper (expected to be repaid with PFCs) and Revenue Bonds, Series 1999-D and 2005-B, as well as pay-as-you-go PFCs.

## **Subsequent PFC Applications and Amendments**

On July 29, 2005, the Authority submitted a request to the FAA to amend the existing PFC authorization to increase the collection amount from \$3.00 to \$4.50, to decrease the amount of PFCs approved by the FAA to be used for certain completed projects, and to increase the FAA-approved amount for the International Gateway Project to \$483.6 million. On September 2, 2005, the FAA issued a Final Agency Decision (“FAD”) increasing the PFC collected from eligible passengers enplaning at Logan Airport to \$4.50, effective October 1, 2005, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project to \$483.6 million, and decreasing the amount of PFCs to be used for certain completed PFC projects.

On December 6, 2005, the Authority submitted a PFC Application to the FAA to add ten new projects to Logan Airport’s PFC Program to amend one previously approved project and to request authority to collect a \$4.50 PFC to fund the projects. On April 20, 2006, the FAA issued a FAD approving the PFC Application (the “2006 Approval”). The FAD approved \$293.0 million in PFC collection authority for the new projects, resulting in a total PFC collection authority of \$994.2 million, and approved \$280.2 million in PFC use authority, resulting in a total PFC use authority of \$981.4 million. The projected charge expiration date is February 1, 2016.

On May 26, 2009, the Authority received approval from the FAA to use PFC revenues to fund certain elements of the Centerfield Taxiway Project and to reduce the amount of PFC funding for the

project (reflecting updated construction costs). Overall, the Authority's total PFC collections and use authority was amended to \$991.9 million with an expected expiration date of February 1, 2016.

On May 24, 2010, the Authority received approval from the FAA to amend the existing PFC, reducing the collection and use amount by \$31.8 million and extending the projected expiration date to August 1, 2016. Additionally, the Authority also submitted a request to increase the collection authorization by \$428.0 million (to \$1.388 billion) and to extend the collection period until August 1, 2024. On April 26, 2011, the Authority received approval from the FAA to utilize \$392.1 million of PFC revenues to fund certain projects including the Rehabilitation of Taxiway N, Access Control to the AOA, Access Control Data Storage and Server Capacity Enhancements, Replacement of Fireboat Marine 1, Terminal E Gate Departure Improvements, Terminal C Checkpoint Consolidation, Terminal A Debt Service and Airfield Electrical System upgrades. The request also included a request to collect PFCs for the RSA for Runway 33L. The Authority submitted an application to use PFCs for the RSA for Runway 33L on November 1, 2011.

## International Gateway Project Sources and Uses

	<b>Gateway Roadways</b>	<b>Gateway Terminal Building including Hold Baggage</b>	<b>Total</b>
<u>PFC Pay-as-you-go Funding:</u>			
Design:	\$3,281,400	\$3,266,000	\$6,547,400
Construction Costs:	5,388,777	81,378,933	86,767,710
Subtotal PFC Pay-as-you-go Funding:	8,670,177	84,644,933	93,315,110
<u>PFC Revenue Bonds:</u>			
Series 1999 A:	39,237,376	1,504,463	40,741,839
Series 1999 B:	374	182,835,091	182,835,465
<u>Commercial Paper (1):</u>			
2003A-C Non AMT:	335,454	-	335,454
2003B AMT:	-	29,497,778	29,497,778
2003B-D:	-	37,235,227	37,235,227
Subtotal PFC-Related Funding:	48,243,381	335,717,493	383,960,873
<u>Non-PFC Revenue Bonds:</u>			
Series 1990:	-	1,599,710	1,599,710
Series 1997:	-	14,569	14,569
Series 1999D:	1,674,743	38,905,339	40,580,082
Series 2003B:	-	3,551,938	3,551,938
Series 2005B:	10,441	16,045,364	16,055,805
I&E Fund:	-	707,831	707,831
<u>Other Sources:</u>			
TSA Grant:	-	12,092,231	12,092,231
Total Funding for International Gateway:	<u>\$49,928,565</u>	<u>\$408,634,474</u>	<u>\$458,563,039</u>

## Sources and Uses of Funds for 2007 PFC Bond Projects

The 2007-B PFC Bonds were issued to finance the PFC-eligible costs, net of grant and other funding, of the design and construction of Runway 14/32 and Associated Taxiways and Southwest Taxiway, Infield and Taxiway K Improvements, Runway 4L/22R and 4R/22L Improvements and Airfield Drainage and Perimeter Road Improvements (collectively, the “2007-B PFC Bond Projects”). The 2007-D PFC Revenue Refunding Bonds were issued to advance refund all outstanding 1999-A PFC Bonds (the “Refunded Bonds”). The 2007-B PFC Bond Projects are among the capital projects approved for PFC funding by the FAA pursuant to the 2006 Approval. The following table shows the projects that will be partially or fully financed with the proceeds of the 2007-B PFC Bonds, as well as the other Approved Projects that were included in the 2006 Approval and prior year approvals. The project fund of the 2007-B Bonds is fully expended. The projects funded (in whole or in part) by the 2007-B Bonds have been completed.

(1) Expected to be repaid with PFCs.

**PFC PROJECTS AS APPROVED IN FAA FINAL AGENCY DECISIONS**

Project	Total Project Cost	Amount Funded by PFC Bonds	Amount Funded by PFC Pay-As-You-Go	Amount Funded by Commercial Paper to be Funded by PFCs	Amount Funded by Grants	Amount Funded by Authority Revenue Bonds and Cash	Actual / Expected Date of Construction	Actual / Expected Date of Completion as of 6/30/11
<b>APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2006 APPROVAL AS AMENDED IN APRIL 2010</b>								
Runway 14/32 and Associated Taxiways	\$83.1 million	\$16.6 million	--	--	\$59.0 million	\$7.5 million	August 2004	December 2006
Southwest Taxiway, Infield and Taxiway K Improvements	\$25.3 million	\$7.2 million	--	--	\$17.6 million	\$0.5 million	April 2007	December 2007
Runway 4L-22R and 4R-22L Improvements	\$32.1 million	\$16.6 million	\$4.0 million	--	\$11.2 million	\$0.3 million	April 2004	March 2007
Airfield Drainage and Perimeter Road Improvements	\$0.4 million	\$0.4 million	--	--	--	--	June 2007	December 2007
<b>APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2011 APPROVAL</b>								
Reconstruction of Runway 22L (1)	\$6.3 million	\$5.4 million	--	\$0.9 million	--	--	September 2008	December 2008
<b>PFC PROJECTS INCLUDED IN THE 1997 APPROVAL</b>								
Residential Sound Insulation Program - 1999 Contour	\$82.7 million	--	\$15.3 million	--	\$65.7 million	\$1.6 million	March 1991	December 2000
Logan Modernization Preliminary Design and Environmental Approval	\$23.1 million	--	\$9.5 million	--	--	\$13.6 million	May 1993	December 1997
Terminal E Modernization	\$34.9 million	--	\$20.9 million	--	--	\$13.9 million	July 1995	July 1997
Circulating Roadways	\$164.1 million	--	\$144.9 million	\$19.1 million	--	--	August 1998	July 2006
Elevated Walkways	\$112.3 million	--	\$112.3 million	--	--	--	April 1997	March 2005
<b>PFC PROJECTS INCLUDED IN THE 1998 APPROVAL</b>								
International Gateway including Terminal E Hold Baggage Screening System (2)	\$429.9 million	\$222.3 million	\$60.4 million	\$76.4 million	\$9.9 million	\$61.1 million	August 1998	October 2011
<b>ADDITIONAL PFC PROJECTS INCLUDED IN THE 2006 APPROVAL AS AMENDED IN APRIL 2010</b>								
Hold Baggage Screening at Terminal C	\$46.5 million	--	\$6.2 million	--	\$40.3 million	--	July 2002	December 2002
Terminal B Security Checkpoint Consolidation	\$7.2 million	--	\$7.2 million	--	--	--	September 2004	February 2007
Boundary Security Infrastructure	\$15.1 million	--	\$4.3 million	--	--	\$10.8 million	September 2005	September 2008
Access Control	\$29.5 million	--	\$26.0 million	--	\$3.3 million	\$0.2 million	November 2004	July 2008
Terminals B, C and E Aprons and Alleyways Reconstruction	\$12.0 million	--	\$12.0 million	--	--	--	July 2005	January 2007
Taxiway D Extension	\$13.6 million	--	\$3.2 million	--	\$9.7 million	\$0.7 million	May 2010	October 2009
Residential Sound Insulation Program - 1998, 2001 and Runway 14-32 Mitigation Contours	\$68.2 million	--	\$13.6 million	--	\$54.6 million	--	July 2001	May 2012
Centerfield Taxiway	\$47.3 million	--	\$9.8 million	--	\$29.3 million	\$8.2 million	April 2008	February 2012



**PFC PROJECTS AS APPROVED IN FAA FINAL AGENCY DECISIONS (Continued)**

Project	Total Project Cost	Amount Funded by PFC Bonds	Amount Funded by PFC Pay-As-You-Go	Amount Funded by Commercial Paper to be Funded by PFCs	Amount Funded by Grants	Amount Funded by Authority Revenue Bonds and Cash	Actual / Expected Date of Construction	Actual / Expected Date of Completion as of 6/30/11
<b>PFC PROJECTS INCLUDED IN THE 2011 APPROVAL</b>								
Development of Runway Safety Area for Runway 33L (3)	\$65.4 million	--	--	\$13.5 million	\$49.1 million	\$2.8 million	June 2011	November 2012
Airfield Electrical System Upgrade	\$16.0 million	--	--	\$11.0 million	--	\$5.0 million	May 2009	May 2013
Rehabilitation of Taxiway N	\$4.5 million	--	--	\$3.5 million	\$1.0 million	--	September 2010	November 2010
Access Control to AOA from Ancillary Buildings	\$1.2 million	--	--	\$1.1 million	--	\$0.1 million	June 2009	January 2010
Access Control Data Storage & Server Enhancements	\$2.5 million	--	--	\$1.1 million	--	\$1.4 million	May 2010	June 2011
Replace Fireboat Marine 1	\$6.2 million	--	--	\$6.2 million	--	--	May 2010	October 2011
Terminal C Checkpoint Consolidation	\$55.0 million	--	--	\$18.0 million	--	\$37.0 million	January 2010	June 2011
Terminal E Gate Departure Area & Baggage System Upgrade	\$34.2 million	--	--	\$18.3 million	--	\$15.9 million	December 2009	March 2010
Terminal A Development (4)	\$180.9 million	--	\$180.9 million	--	--	--	June 2011	December 2030

Notes: Amounts shown reflect FAA approved PFC funding authority for project costs through June 30, 2011. **(1)** The Authority received PFC funding approval for the Runway 22L reconstruction project in April 2011 and used remaining proceeds from the 2007-B PFC bonds for this project. **(2)** Now that the International Gateway is complete, the Authority expects to file an amendment to align the proposed project and financing costs with the actual amounts paid. **(3)** The Authority received PFC “impose” authority for the “Development of Runway Safety Area for Runway 33L,” in 2011; an application for “use” authority was submitted to the FAA on November 1, 2011 with the above project costs. **(4)** In April 2011 the Authority received FAA approval to use PFCs to fund 37% of the debt service from 2011-2031 - including \$180.9 million of principal payments associated with \$180.9 million of project costs.

## **Additional Information**

The remaining information required to be included in the Authority's Annual Filing under subsections 4(a) (ii), (iii), (iv) and 4(c) of the PFC Disclosure Agreement is included in the Authority's audited financial statements for the fiscal year ended June 30, 2011, the Letter of Transmittal, the Statistical Information or the Annual Disclosure Statement included in the 2011 CAFR.

\* \* \*

This PFC Annual Disclosure Statement has been executed and delivered on behalf of the Authority pursuant to the PFC Disclosure Agreement.

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**Appendix PFC-1**  
**Historical PFC Revenue and**  
**Debt Service Coverage**  
**Unaudited**  
(in thousands)

Fiscal Year	Enplaned Passengers (1)	Rate of Traffic Growth	Estimated Percent Passengers Paying PFCs (2)	Net PFC Revenue (3)	PFC Investment Income	Total Collections Plus Investment Income	Gross Annual Debt Service	Less Interest Income (4)	Net Annual Debt Service	Debt Service Coverage (5)
2001	13,659	-1.02%	91.08%	36,324	3,901	40,225	21,543	9,904	11,639	3.46
2002	11,026	-19.27%	91.45%	29,445	2,652	32,097	21,547	7,402	14,145	2.27
2003	11,250	2.03%	88.55%	29,090	771	29,861	21,545	3,841	17,704	1.69
2004	12,236	8.76%	91.93%	32,845	607	33,452	21,548	895	20,652	1.62
2005	13,381	9.36%	91.32%	35,316	621	35,937	21,543	1,329	20,213	1.78
2006	13,662	2.10%	91.01%	48,324	1,265	49,589	21,546	1,305	20,241	2.45
2007	13,867	1.51%	94.46%	57,504	938	58,442	19,809	1,318	18,490	3.16
2008	13,614	-1.83%	89.92%	53,740	1,006	54,746	27,311	2,153	25,158	2.18
2009	12,453	-8.53%	91.65%	50,102	597	50,699	27,188	2,758	24,430	2.08
2010 (6)	14,261	14.52%	93.60%	58,598	469	59,067	27,189	1,642	25,547	2.31
2011	14,138	-0.86%	94.23%	58,485	177	58,662	22,949	1,618	21,331	2.75

(1) Excludes general aviation passengers from whom PFCs are not collected.

(2) These figures are accrual revenue numbers based on PFC Collections for the respective fiscal years and after allowance for the air carriers' PFC Collection fee during the fiscal year. These accrual figures are estimated because PFCs are collected from passengers at the time of ticket sale, not at the time that travel occurs.

(3) The substantial increase in net PFC collections in FY2006 reflects an increase in the authorized PFC level to \$4.50, from \$3.00 effective October 1, 2005. As of June 30, 2010, the air carrier PFC Collection fee was \$0.11.

(4) Interest income on the Debt Service Reserve Fund, the Project Fund and non-PFC interest income on the Debt Service Fund.

(5) Debt Service Coverage for fiscal years 2001 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006, 2007, 2008, 2009 and 2010 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Members of the Authority on May 17, 2007.

(6) In FY10 the Authority updated its accrual policy for calculating PFC revenue. Therefore, for the purpose of calculating the FY10 estimated percent of passengers paying PFCs, the FY10 enplaned passenger number was similarly adjusted.

**Appendix PFC-2**

**First Lien Sufficiency Covenant  
for the fiscal year ending June 30, 2011  
(see attached notes and exhibits)  
Unaudited**

**Unspent PFC Authority + Projected Additional Pledged Revenue**

**First Lien Sufficiency Covenant =** \_\_\_\_\_ **= 4.09**

**Projected Aggregate Debt Service**

Unspent PFC Authority =	Projected Additional Pledged Revenue (currently none)	Projected Aggregate Debt Service
(A) Aggregate dollar amount of revenue authorized to be collected by the Authority under PFC Authority	\$1,352,273,000	\$0
minus		
(B) the dollar amount of Cost of Projects paid to date from PFC Pledged Revenue or legally obligated to date to be paid from PFC Pledged Revenue	524,213,936	
(C) (including debt service paid to date on First Lien PFC Bonds and interest on commercial paper, but excluding projected aggregate debt service, with respect to First Lien PFC Bonds)	224,191,982	
Unspent PFC Authority =	\$603,867,082	
(A) minus sum of (B) and (C)		
		Amount necessary to pay or redeem the 2007-B, 2007-D, 2010-E PFC Bonds redeemed at maturity
		Projected Aggregate Debt Service =
		(D) Aggregate amount of Annual Debt Service for the period commencing July 1, 2011 assuming all bonds redeemed at maturity including future interest on commercial paper
		\$199,468,291
		minus
		amounts on deposit as of June 30, 2011 in the Debt Service Fund and Debt Service Reserve Fund, and projected interest earnings on the Project Funds and the Debt Service Reserve Fund
		\$19,633,920
		27,355,287
		0
		4,781,224
		(E) Subtotal
		\$51,770,431
		Projected Aggregate Debt Service =
		(D) minus (E)
		\$147,697,860

(A), (B), (C), (D), (E): See attached notes.

Notes:

(A) See FAA's Final Agency Decision (Record of Decision), dated April 25, 2011 (Exhibit 1)		
(B) This figure is the total of (1) pay-as-you-go expenditures paid through June 30, 2011 plus (2) binding commitments legally obligated to be paid (but not yet paid as of June 30, 2011).		
	<u>PFC Project Expenses "Pay-Go"</u>	
	Paid to Date *	Legally Obligated to be Paid **
PFC Project 1: Residential Sound Insulation Projects	\$15,325,217	\$0
PFC Project 2A: Logan Modernization Program Planning, Preliminary Design and Environmental Analysis	9,513,984	0
PFC Project 3: Terminal E Modernization	20,891,765	0
PFC Project 4: Circulating Roadways	135,908,985	0
PFC Project 6: International Gateway	84,834,450	0
PFC Project 17: Elevated Walkways	110,720,934	0
PFC Project 20: Residential Sound Insulation 1998 and 2001 65 Ldn Contours	8,715,896	0
PFC Project 21: Residential Sound Insulation 14/32 Mitigation Contour	4,702,107	0
PFC Project 23: Taxiway Improvements	4,284,582	0
PFC Project 24: Runway Improvements	4,013,848	0
PFC Project 25: Reconstruction of Aprons & Alleyways	12,053,535	0
PFC Project 26: Security Improvements	37,756,447	0
PFC Project 27: Centerfield Taxiway	9,031,877	0
PFC Project 33: Reconstruction of Runway 22L	-	986,644
PFC Project 35: Airfield Electrical System	-	6,202,828
PFC Project 36: Rehabilitation of Taxiway "N"	-	4,720,000
PFC Project 37: Access Control to Ancillary Buildings	-	969,676
PFC Project 38: Access Control Data Storage and Server Capacity	-	1,080,000
PFC Project 39: Replacement of Fireboat Marine 1	-	5,749,070
PFC Project 40: Terminal "C" Checkpoint Consolidation	-	22,431,000
PFC Project 41: Terminal "E" Gate Area and Baggage System Upgrades	-	18,251,000
PFC Project 42: Terminal "A" Development	6,070,091	0
Total of Paid to Date and Legally Obligated to be Paid:	\$463,823,718	\$60,390,218
* Source: June 30, 2011 FAA Passenger Facility Charge Quarterly Report. (See Exhibit 2.)		
** Source: Capital Programs Project Reports (as of June 30, 2011) and FAA PFC Quarterly Report (as of June 30, 2011)		
(C) Debt Service Paid-to-Date consists of the interest and principal payments made to bondholders through January 2, 2011, the interest paid for commercial paper through June 30, 2011, and in FY11 the amount paid for bond principal to defease the 1999-B bonds. The amount of PFC Pledged Revenue used to pay debt service was \$202,830,506; interest amount paid on commercial paper was \$11,144,977; and the PFC funded amount used to defease the 1999-B bonds was \$10,216,500.		
(D) Aggregate amount of projected Annual Debt Service as of June 30, 2011 assuming the 2007-B, 2007-D and 2010-E Bonds are redeemed at maturity (See attached Exhibit 3)		\$196,008,291
Aggregate amount of projected future interest payments on commercial paper, as of June 30, 2011		\$3,460,000
(E) Sum of amounts on deposit as of June 30, 2011 in the Debt Service Fund, Debt Service Reserve Fund, and projected interest earnings on any PFC project funds and PFC Debt Service Reserve fund assuming the 2007-B, 2007-D and 2010-E Bonds are redeemed at maturity (See attached Exhibit 3)		\$51,770,431

### **Cumulative PFC Authority**

For the purpose of any future amendments under §158.37 which might increase the total approved net PFC revenue, the amounts "Approved for Use" are specified here. The applicability of §158.37(b) is determined by comparing the actual costs of projects approved for use of PFC revenue within each application. The amount "Approved for Collection" shown for each application is the total collection authorized for all projects within a given application including those for which only collection is authorized.

#### **DECISION SUMMARY TABLE**

<b>Application Number</b>	<b>Approved for Collection</b>	<b>Approved for Use</b>
93-01-C-00-BOS	\$598,800,000	\$12,028,000
93-01-C-01-BOS	(\$361,138,000)	(\$1,682,000)
93-01-C-02-BOS	\$231,102,000	\$0
93-01-C-03-BOS	\$295,552,000	\$0
93-01-C-04-BOS	(\$62,300,783)	(\$832,000)
96-02-C-00-BOS	\$163,037,000	\$482,901,000
96-02-C-01-BOS	\$0	(\$110,993,783)
96-02-C-02-BOS	(\$163,037,000)	(\$163,037,000)
97-03-U-00-BOS	\$0	\$434,106,000
97-03-U-01-BOS	\$0	\$49,525,000
06-04-U-00-BOS	\$293,018,000	\$280,176,000
06-04-U-01-BOS	(\$3,085,059)	\$0
06-04-C-02-BOS	(\$31,768,000)	(\$31,768,000)
09-05-U-00-BOS	\$0	\$9,756,941
10-06-C-00-BOS	\$392,093,000	\$373,815,000
<b>Totals</b>	<b>\$1,352,273,158</b>	<b>\$1,333,995,158</b>

**PFC Quarterly Report**  
**Project Activity**  
**General Edward Lawrence**  
**Logan International Airport**  
**Quarter Ended June 30, 2011**  
**(Unaudited)**

Projects	Approval of Use Date	Project Construction Start	Cumulative Project Expenditures	Amount of PFC Use Approval	Current Estimated PFC Costs
Project 1 - Residential Sound Insulation (RSIP)	Jan-97	Mar-91	\$15,325,217	\$15,323,217	\$15,325,217
Project 2A - Logan Modernization Program (LMP) Planning, Preliminary Design , and Environmental Analysis	Aug-93	May-93	9,513,984	9,514,000	9,513,984
Project 3 - Terminal E Improvements	Jan-97	Jul-95	20,891,765	20,892,000	20,891,765
Project 4 - Roadway System (Circulation and Terminal E)	Jan-97	Aug-98	138,852,959	172,655,000	171,269,000
Project 6 - International Gateway	Feb-98	Aug-98	316,203,394	483,631,000	483,631,000
Project 17 - Elevated Walkways	Apr-06	Apr-97	110,720,934	112,298,000	112,298,000
Project 20 - Residential Sound Insulation-1998 & 2001 - 65 LDN Contours	Apr-06	Jul-01	8,715,896	8,590,000	8,590,000
Project 21 - Residential Sound Insulation-Runway14/32 Mitigation Contour	Apr-06	Sep-05	4,702,107	5,200,000	5,200,000
Project 22 - Runway 14/32	Apr-06	Aug-04	8,900,395	23,178,000	23,178,000
Project 23 - Taxiway Improvement	Apr-06	Apr-07	6,901,440	11,243,000	11,243,000
Project 24 - Runway Improvement to 4L-22R and 4R-22L	Apr-06	Apr-04	12,870,116	27,137,000	27,137,000
Project 25 - Reconstruction of Aprons & Alleyways at Terminal B, C, D	Apr-06	Jul-05	12,053,535	12,054,000	12,053,535
Project 26 - Security Improvement	Apr-06	Sep-05	37,757,127	48,191,000	48,191,000
Project 27 - Centerfield Taxiway	May-09	Apr-08	9,031,877	9,756,941	9,756,941
Project 30 - Airfield Drainage Improvement	Apr-06	Jun-07	64,698	237,000	237,000
Project 31 - Airfield Perimeter	Apr-06	Jun-07	76,449	280,000	280,000
Project 33 - Reconstruction of Runway 22L	Apr-11	Apr-04	173,162	8,741,000	8,741,000
Project 35 - Airfield Electrical System Upgrades	Apr-11	May-09	0	13,646,000	13,646,000
Project 36 - Rehabilitation of Taxiway "N"	Apr-11	Sep-10	0	4,720,000	4,720,000
Project 37 - Access Control to the AOA from Terminal and Ancillary Buildings	Apr-11	Jun-08	0	1,490,000	1,490,000
Project 38 - Access Control Data Storage and Server Capacity Enhancements	Apr-11	May-10	0	1,456,000	1,456,000
Project 39 - Replacement of Fireboat Marine 1	Apr-11	May-10	0	8,318,000	8,318,000
Project 40 - Terminal "C" Checkpoint Consolidation	Apr-11	Dec-09	0	22,431,000	22,431,000
Project 41 - Terminal "E" Gate Departure Area Modifications & Baggage System	Apr-11	May-08	0	24,613,000	24,613,000
Project 42 - Terminal A Development	Apr-11	Jun-11	6,070,091	288,400,000	288,400,000
Total Imposed and Use			\$718,825,146	\$1,333,995,158	\$1,332,610,442



**Amount necessary to pay or redeem all the PFC Bonds at maturity:**

1	Principal Payment to be made on July 1, 2011 - 2010-E Bonds	\$11,515,000
2	Principal Payment to be made on July 1, 2011 - 2007-B and 2007-D Bonds	4,220,000
3	Principal Payment to be made on July 1, 2012 - 2010-E Bonds	11,775,000
4	Principal Payment to be made on July 1, 2012 - 2007-B and 2007-D Bonds	4,385,000
5	Principal Payment to be made on July 1, 2013 - 2010-E Bonds	12,365,000
6	Principal Payment to be made on July 1, 2013 - 2007-B and 2007-D Bonds	4,560,000
7	Principal Payment to be made on July 1, 2014 - 2010-E Bonds	12,985,000
8	Principal Payment to be made on July 1, 2014 - 2007-B and 2007-D Bonds	4,735,000
9	Principal Payment to be made on July 1, 2015 - 2010-E Bonds	8,510,000
10	Principal Payment to be made on July 1, 2015 - 2007-B and 2007-D Bonds	8,965,000
11	Principal Payment to be made on July 1, 2016 - 2007-B and 2007-D Bonds	22,325,000
12	Principal Payment to be made on July 1, 2017 - 2007-B and 2007-D Bonds	<u>52,910,000</u>
13	Principal Balance Remaining to be Paid as of June 30, 2011 (Sum of Rows 1-12)	<u>\$159,250,000</u>
14	Interest Payments to be made July 2, 2010 through July 1, 2011 - 2010-E Bonds	2,327,991
14	Interest Payments to be made July 2, 2010 through July 1, 2011 - 2007-B and 2007-D Bonds	4,886,275
15	Interest Payments to be made July 2, 2011 through July 1, 2012 - 2010-E Bonds	2,281,750
15	Interest Payments to be made July 2, 2011 through July 1, 2012 - 2007-B and 2007-D Bonds	4,717,725
16	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2010-E Bonds	1,693,000
16	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2007-B and 2007-D Bonds	4,542,525
17	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2010-E Bonds	1,074,750
17	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2007-B and 2007-D Bonds	4,360,275
18	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2010-E Bonds	425,500
18	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2007-B and 2007-D Bonds	4,137,650
19	Interest Payments to be made July 2, 2015 through July 1, 2016 - 2007-B and 2007-D Bonds	3,731,450
20	Interest Payments to be made July 2, 2016 through July 1, 2017 - 2007-B and 2007-D Bonds	<u>2,579,400</u>
21	Interest Remaining to be Paid as of June 30, 2011 (Sum of Rows 14-20)	<u>\$36,758,291</u>
22	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2011 assuming all bonds are held to maturity (Sum of Rows 13 and 21)	<u><u>\$196,008,291</u></u>
23	Projected earnings on Debt Service Reserve Fund as of June 30, 2011	(4,781,224)
24	Projected earnings on the Project Fund as of June 30, 2011	-
25	Balance of the Debt Service Fund as of June 30, 2011	(19,633,920)
26	Balance of the Debt Service Reserve Fund as of June 30, 2011	<u>(27,355,287)</u>
27	Subtotal (Sum of Rows 23-26)	<u><u>(\$51,770,431)</u></u>
32 *	<b>Amount necessary to pay or redeem the PFC Bonds at maturity:</b> (Sum of Row 22 and Row 27)	<u><u>\$144,237,860</u></u>

\* Minimum amount necessary to pay or redeem the PFC Bonds at maturity or redemption.

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## ***Consolidated Rental Car Facility***

Consolidation is also the name of the game with Logan Airport's rental car business as Massport has begun construction of a new four-level garage and customer service building to put all rental car companies serving the airport in one convenient location. After combining Logan's isolated and scattered economy parking lots into a single garage in 2010, Massport is also investing \$300 million to accomplish the same operational, customer service and environmental benefits with rental cars once it opens a new Consolidated Rental Car facility in the airport's Southwest service area in late 2013. Completion of the facility will result in a dramatic reduction in shuttle and rental car buses at Logan, which will decrease from more than 100 to 28, with accompanying improvements in vehicle emissions, terminal curbside congestion and customer service.





**STATEMENT OF  
CFC ANNUAL FINANCIAL INFORMATION  
AND OPERATING DATA  
of the  
MASSACHUSETTS PORT AUTHORITY  
FOR FISCAL YEAR 2011**

**INTRODUCTION**

This Statement of Annual Financial Information and Operating Data dated as of November 29, 2011 (the “CFC Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Certificate dated as of June 15, 2011 (the “CFC Disclosure Certificate”) executed and delivered by the Authority for the benefit of the owners of the CFC Bonds. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2011 (“fiscal year 2011”) updating the financial information and operating data presented in the Authority’s Official Statement dated June 8, 2011 relating to the 2011 CFC Bonds (the “2011 CFC Official Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2011 CFC Official Statement. This CFC Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 29, 2011 (the “2011 CAFR”) for fiscal year 2011. The Authority’s audited financial statements for fiscal year 2011 and comparative information for fiscal years 2010, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by PricewaterhouseCoopers LLP, independent auditors, are also included as part of the 2011 CAFR. The 2011 CFC Official Statement is on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the CFC Bonds, reference is made to the 2011 CFC Official Statement.

This CFC Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively the “CFC Bonds”), issued pursuant to a Trust Agreement dated as of May 18, 2011, as supplemented and amended (the “CFC Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “CFC Trustee”):

Massachusetts Port Authority Special Facilities Revenue Bonds (ConRAC Project),  
Series 2011-A (Non-AMT)  
Massachusetts Port Authority Special Facilities Revenue Bonds (ConRAC Project),  
Series 2011-B (Federally Taxable)

For additional information concerning the Authority, please see the Authority’s website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under both the 1978 Trust Agreement and the PFC Trust Agreement for years prior to fiscal year 2011 are available at <http://www.emma.msrb.org> and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, the Authority’s Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

## **Annual Disclosure Statement**

This CFC Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the CFC Trust Agreement, and not on the basis of GAAP.*** The information set forth herein does not contain all material information concerning the CFC Bonds or the Authority necessary to make an informed investment decision. This CFC Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the CFC Bonds.

This CFC Annual Disclosure Statement is submitted pursuant to the CFC Disclosure Certificate. The intent of the Authority's undertaking under the CFC Disclosure Certificate is to provide on a continuing basis for the benefit of the owners of the CFC Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the CFC Disclosure Certificate the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the CFC Disclosure Certificate, the Authority has agreed with respect to the CFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the CFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the CFC Disclosure Certificate, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the CFC Trustee or for the underwriters of the CFC Bonds, any registered owner or beneficial owner of CFC Bonds, any municipal securities broker or dealer, any potential purchaser of the CFC Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the CFC Disclosure Certificate shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the CFC Trust Agreement or any other instruments relating to the CFC Bonds.

## **UPDATED OPERATING INFORMATION**

### **Incorporation by Reference**

To view the 2011 CAFR on-line, please visit:  
<http://www.massport.com/massport/Investor%20Relations/FinancialPublications.aspx>.

## **CFC ANNUAL FILING**

The following information is provided with respect to the CFC Bonds pursuant to the CFC Disclosure Certificate.

### **Historical Total Enplaned Passengers, By Type of Passenger**

A table presenting historical Total Enplaned Passengers, by Type of Passenger as of June 30, 2011 is attached hereto as APPENDIX CFC-1.

**Debt Service Coverage – Rate Covenant**

A table presenting forecasts of CFC Revenues (as defined in the CFC Trust Agreement) and debt service coverage on the CFC Bonds as of June 30, 2011 is attached hereto as APPENDIX CFC-2.

**Additional Information**

The remaining information required to be included in the Authority's Annual Filing under subsection 4(a) of the CFC Disclosure Certificate is included in the Authority's audited financial statements for the fiscal year ended June 30, 2011 included in the 2011 CAFR.

\* \* \*

This CFC Annual Disclosure Statement has been executed and delivered on behalf of the Authority pursuant to the CFC Disclosure Certificate.

## Appendix CFC-1

### TOTAL ENPLANED PASSENGERS, BY TYPE OF PASSENGER

Boston-Logan International Airport

For the Fiscal Year 2011- July 2010 through March 2011; passengers in thousands

Fiscal Year	Outbound O&D passengers				Connecting and other passengers	Total	
	Residents		Visitors				
	Passengers	Percent of O&D total	Passengers	Percent of O&D total			
2011 *	5,275	53.2%	4,632	46.8%	9,908	412	10,320

Notes: Row may not add to totals shown because of rounding.

Because foreign-flag carriers are not required to report to the U.S. DOT Air Passenger Origin-Destination Survey, some LeighFisher estimates were used to develop the data in the above table.

\* Fiscal year 2011 data available from July 2010 through March 2011. The Authority will supplement this Appendix when the April 2011 through June 2011 data is available.

Source: Massachusetts Port Authority; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.



## Appendix CFC-2

### DEBT SERVICE COVERAGE – RATE COVENANT

	FY 2011
Rental car transaction days	4,367,189
Percentage change from prior year	--
CFC Revenues	\$26,203,134
Plus: Portion of Rolling Coverage Fund balance (a)	N/A
Plus: Portion of Supplemental Reserve Fund balance (b)	N/A
Total	<u>\$26,203,134</u>
Aggregate Debt Service	\$0
Debt service coverage	N/A
Debt service coverage (without Rolling Coverage Fund and Supplemental Reserve Fund balances)	N/A

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(a) An amount equivalent to not more than 25% of Aggregate Debt Service. As the FY11 debt service due was zero, none of the \$3,987,317 in the Rolling Coverage Fund applies.

(b) An amount equivalent to not more than 5% of Aggregate Debt Service. As the FY11 debt service due was zero, none of the \$7,974,633 in the Supplemental Reserve Fund applies.



Report Prepared by  
The Administration and Finance Department

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