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COMPREHENSIVE ANNUAL FINANCIAL REPORT



MASSACHUSETTS PORT AUTHORITY • YEAR ENDED JUNE 30, 2013

MASSACHUSETTS PORT AUTHORITY • COMPREHENSIVE ANNUAL FINANCIAL REPORT • YEAR ENDED JUNE 30, 2013

The Administration and Finance department is pleased to issue this comprehensive annual financial report for the fiscal year ending June 30, 2013. 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 is an economic engine standing 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.





jetBlue @ ORH

Worcester Regional Airport was awarded a \$350,000 Small Community Air Service Development grant from the U.S. Department of Transportation. The grant will be used to implement a targeted marketing and advertising campaign to promote JetBlue service and re-establish Worcester as a viable commercial air service market. Starting November 2013, JetBlue Airways will begin offering one flight daily flight to Orlando and another daily flight to Ft. Lauderdale, Florida on 100-seat Embraer 190 aircraft.

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portside at pier one

Mayor Thomas M. Menino and the Massachusetts Port Authority joined with Governor Deval Patrick, New Jersey-based developer Roseland, RBS Citizens and other elected officials and members of the East Boston community to celebrate the groundbreaking of Portside at Pier One, East Boston's first new residential waterfront development in many years. The first of seven planned buildings is now underway, and will lead in the transformation of the underutilized shoreline which has spectacular views of the Boston skyline.





November 26, 2013*

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, 2013 (“fiscal year 2013”). 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, 2013 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. The 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement collectively are referred to as the “Trust Agreements” and the accounting thereunder is 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, 2013 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 member is the Secretary of Transportation and Chief Executive Officer of the Massachusetts Department of Transportation (“MassDOT”). Members are not compensated for their service.

Effective November 1, 2012, Thomas P. Glynn was appointed to serve as CEO and Executive Director of the Authority. In this position, Mr. Glynn is responsible for operations at Massport’s Aviation and Port businesses as well as Massport’s customer service, safety and security activities. In addition, Mr. Glynn is focused on positioning Massport to play a larger role in today’s global economy so that the Authority fulfills one of its primary missions: promoting growth and opportunity in New England. Mr. Glynn has also emphasized greater collaboration with state and local government and with surrounding communities impacted by Massport’s facilities so as to build constructive partnerships that both enhance the transportation services Massport provides and the quality of life for Massachusetts residents.

*The information derived from the Authority’s audited financial statements is as of the date of such audit, September 30, 2013.

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").

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. Logan serves the 9th largest domestic origin-destination ("O&D") air travel market in the U.S. and was the fastest growing of the large domestic O&D markets with passenger average annual growth for the last five years of 1.4% compared to the average annual decline of 0.5% for the top twenty markets. Logan Airport is the primary source of the Authority's revenues. Hanscom Field is the region's premier general aviation airport and provides niche commercial service. Worcester Regional Airport supports commercial service and general aviation needs of central Massachusetts. 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 ten 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 29.4 million aviation passengers at Logan Airport, 369,000 cruise passengers, and Massport's primary shipping partners that service over 110,000 containers of product at the Port;
3. maintain high employee morale throughout our diverse workforce;
4. revitalize Worcester Regional Airport with the arrival of JetBlue Airlines which began daily direct service to Florida in November 2013;
5. operate as a strong economic engine for the Commonwealth as demonstrated by the addition of new international air service at Logan Airport, an increase in jobs in the South Boston Innovation and Seaport District, and the advancement of the Massachusetts fishing and maritime industries in our Port;
6. evaluate the Maritime operations and the impact of larger ships docking at Conley Terminal if navigation channels are deepened;
7. be a good corporate neighbor to the surrounding communities affected by all of our business operations;
8. to operate Hanscom Airport as the premier full service general aviation facility for the region, while being diligent towards our environmental and community responsibilities entrusted by our ownership;
9. allocate sufficient resources to build and maintain Massport's transportation facilities that promote local and regional economic prosperity and development today and into the future; and
10. to improve the Authority's financial health while maintaining proper internal controls through fiscal discipline, cost management principals, and identifying areas of revenue growth to assist Massport's business partners during this continued period of economic uncertainty.

The Authority's business consists of two distinct operating departments: Aviation and the Port. During fiscal year 2013, the Authority generated approximately \$571.8 million in operating revenues from these departments, which represented an increase of \$13.4 million or 2.4% compared to fiscal year 2012.

Operating expenses were approximately \$569.4 million, an increase of \$28.3 million, or 5.2% from fiscal year 2012. Operating expenses (excluding depreciation and amortization) were \$370.4 million, an increase of only 2.9% or \$10.5 million over last year as management worked to control expenses during the year. Depreciation and amortization expenses increased \$17.8 million to \$199.0 million in fiscal year 2013 as a result of new assets placed in service and an accounting change on certain runway assets. Please see further discussion in the MD&A section.

Economic Conditions and Local Economy

The Authority continues to successfully manage through this continued period of economic challenges and uncertainties presented by the aviation industry. In fact, the Authority's management believes that its Aviation business is well positioned to continue advancing based on the following three strategic advantages: Logan Airport (i) serves the 9th 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 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 2013, the largest airline accounted for approximately 17.8% of total landing fee and terminal rent revenues. In addition, the following three airlines at Logan Airport accounted for 34.7% 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 2012 this metropolitan area (the "Boston MSA") is the nation's tenth largest measured by population and ninth 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 2012 the Boston MSA ranked 7th in the United States in per capita personal income, and was 38% higher than that the national average.

For the last 20 years, unemployment rates in the Boston area have been lower than in the nation. According to the Bureau of Labor Statistics August, 2013 estimates, the unemployment rate in the Boston MSA was 6.2%, well below the national average of 7.3%. The Boston MSA ranks the 13th lowest unemployment rate among large top 49 metropolitan areas (with a Census 2000 population of 1 million or more) in the nation.

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 13th in the nation in 2012 according to the U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries. 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 ten convention destinations by *Tradeshaw Week* magazine every year since 2006.

Logan Airport was ranked the 20th largest ranking of U.S. Large Hub Airports based on total passengers. Logan Airport served 29.4 million passengers in fiscal year 2013. A new record high for the Authority and surpasses the number of passengers it serviced prior to the start of the economic recession.

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

Major Initiatives

Strategic Plan

During fiscal year 2013, the Members of the Authority voted to undertake the “Massport 2022,” strategic planning initiative to help guide the future of Massport in the coming decade and beyond. This initiative will involve Massport staff, the surrounding community, MassDOT and Massport’s other stakeholders in the cooperative, community discussion about how Massport can best achieve its mission of promoting economic prosperity in a dynamic, highly competitive and ever-changing and expanding global environment. “Massport 2022” is intended to take a comprehensive look at all of Massport’s Aviation, Maritime, Real Estate, and Employee assets and to chart a course of action that benefits our customers and the community in the fairest and most effective way possible, balancing Massport’s specific goals with the larger objectives of the city, the state and the entire New England region.

Capital Program

On February 21, 2013, the Members of the Authority approved a \$1.113 billion capital program for fiscal years 2013 through 2017 (the “FY13-FY17 Capital Program”). The FY13-FY17 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 FY13-FY17 Capital Program invests 84% in Logan Airport to fund important initiatives including existing security challenges facing the aviation industry, maintaining and enhancing the public airfield, Airport terminals and making improvements to rental car, and 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. 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 FY 13-17 Capital Program invests 7% towards improving Maritime facilities including the Conley Freight Corridor, Commonwealth Pier pilings and Apron, and improvements to the Black Falcon Cruise Terminal. The remaining 9% of the FY13-17 Capital Program is being invested in Hanscom Airfield, Worcester Regional Airport, and other Massport owned facilities. 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 2013 and 2012 totaled \$16.2 million and \$37.6 million, respectively. AIP grant revenue represented approximately 80.2% and 92.2% of total capital grant revenue earned during fiscal year 2013 and 2012, respectively. In addition to the AIP Program, the Authority received Federal funding totaling \$4.0 million and \$3.1 million during fiscal years 2013 and 2012, respectively, for environmental and security enhancements. In addition, the Authority was awarded \$10.0 million and \$23.9 million in fiscal

years 2013 and 2012, respectively, in FAA AIP grants for the construction of the Runway Safety End for Runway 33L.

Also, as of June 30, 2013, the TSA awarded \$68.6 million to the Authority in support of the Consolidated Baggage Inspection System. Subsequently the TSA increased the award to \$120.4 million.

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, Ernst & Young 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 most recently amended in March 2012 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 2013 of approximately \$571.7 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 and amended in March 2012 by the Members of the Authority. As of June 30, 2013 outstanding debt obligations of the Authority issued pursuant to the Trust Agreements totaled approximately \$1.58 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 2013, the total amount applied to pay debt service on obligations issued pursuant to the 1978 Trust Agreement (not including subordinate obligations), the PFC Trust Agreement and the CFC Trust Agreement aggregated \$95.4 million, \$23.2 million and \$15.0 million, respectively.

The rating agencies have recognized the value of the Authority's prudent financial management, revenue diversity and underlying market strengths. As of June 30, 2013, 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 year ended June 30, 2013 has been completed by the Authority's independent auditor, Ernst & Young LLP. Its report is included herein and includes an unqualified opinion on the Authority's financial statements.

Awards

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2012. This was the 12th 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 2013.

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 - to own and operate an integrated world-class transportation network that promotes economic growth and opportunity, enhances the quality of life of New England residents, protect the freedom to travel safely, securely, efficiently and cost-effectively, while being mindful of the environmental impacts our facilities have on our surrounding communities. Our efforts each day to provide high levels of customer service, safe, sound and reliable infrastructure, a business climate that promotes and encourages investment in our properties, and our strong commitment to our communities, 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 Massport's success. Most importantly, we thank all of our loyal customers, whom we enjoy serving each and every day.

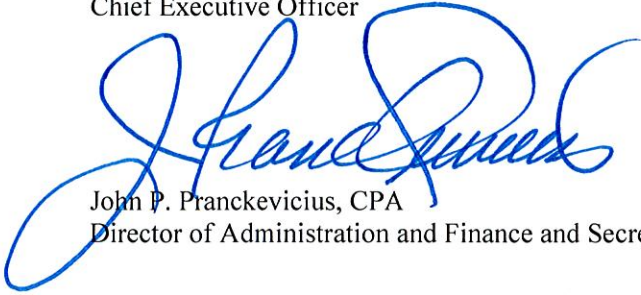
Requests for Information

For additional information concerning the Authority, please see the Authority's website, www.massport.com. Financial information can be found in the Investor Relations section of the website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2013 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,

A handwritten signature in black ink, appearing to read 'T. Glynn', with a long horizontal stroke extending to the right.

Thomas P. Glynn
Chief Executive Officer

A large, stylized handwritten signature in blue ink, appearing to read 'John P. Prankevicius', with a large loop at the end.

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

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Massachusetts Port Authority

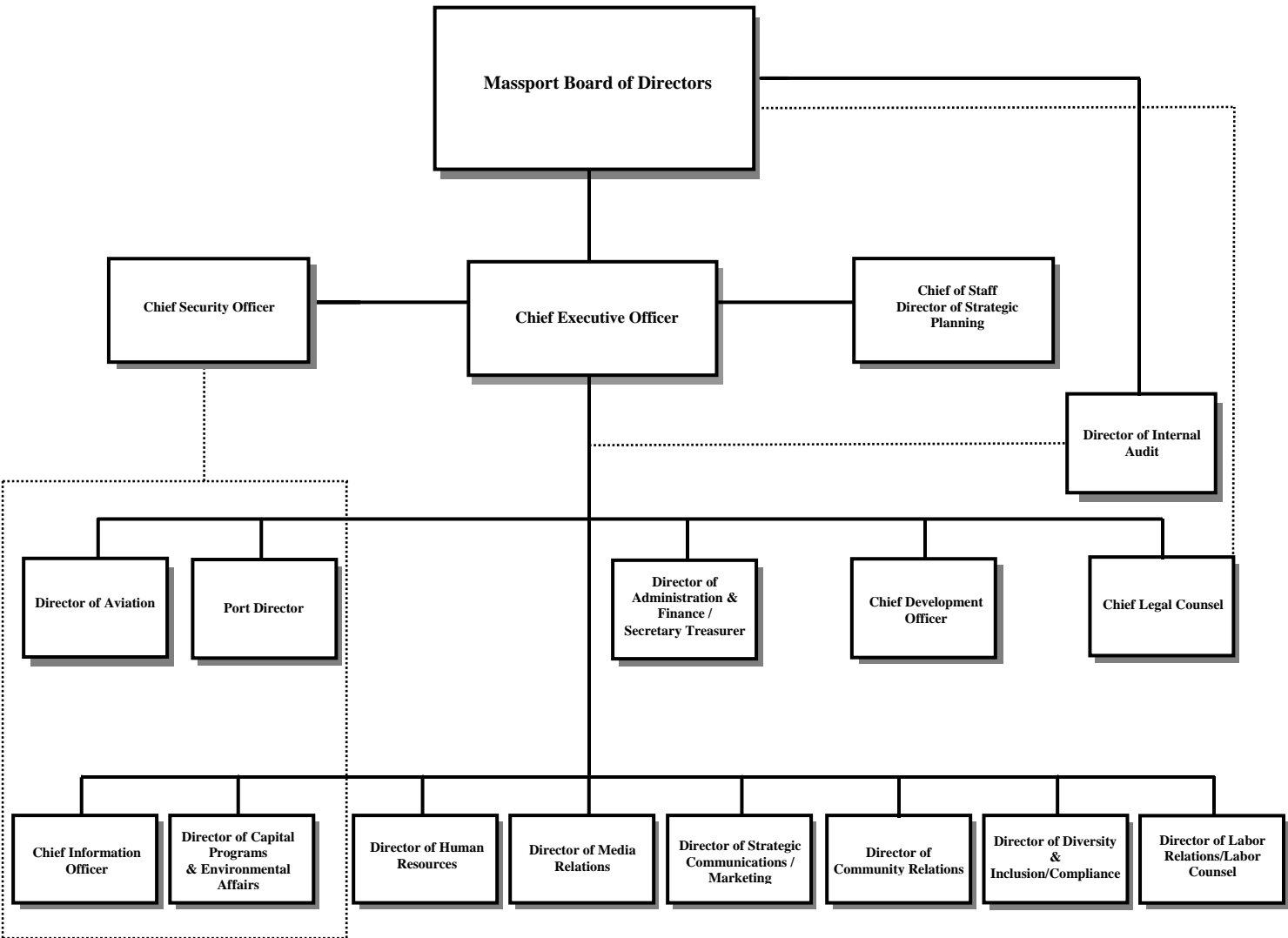
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Massport Organization Chart



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Authority Board Members

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 P. Angelini, Vice Chairman

Douglas M. Husid

L. Duane Jackson

Sean M. O'Brien

Kurt N. Schwartz

Kathryn E. West

Executive Staff

Thomas P. Glynn, CEO and Executive Director

Betty J. Desrosiers, Chief of Staff / Director of Strategic Planning

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

Francis X. Anglin, Chief Information Officer

Matthew Brelis, Director of Media Relations

James P. Doolin, Chief Development Officer

Edward C. Freni, Director of Aviation

David M. Gambone, Director of Human Resources

Deborah A. Hadden, Port Director

Joris M. Jabouin, Director of Internal Audit

Danny T. Levy, Director of Strategic Communications and Marketing

José C. Massó, III, Director of Community Relations

Rachael S. Rollins, Chief Legal Counsel

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

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

Dennis P. Treece, Chief Security Officer

Kenneth L. Turner, Director of Diversity and Inclusion/Compliance

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cruise canada new england symposium

With Boston as the backdrop for the 2103 Symposium and Massport's Cruiseport Boston hosting, the three day conference brought to town some of the most exclusive networking opportunities in the travel industry. The attendees for this conference largely consisted of cruise industry CEOs and executives, Managing Directors, and key decision makers. The Symposium provided the opportunity for 200 delegates from around the world, representing cruise lines, seaports, airports, travel agents, tourism offices, marine agencies, government partners, cruise and consumer media, destinations, cruise line executives, many others, to explore the dynamic and varied cultural and historic appeal of the Canada-New England region.

FINANCIAL



MASSACHUSETTS PORT AUTHORITY

Financial Statements, Required Supplementary Information, and
Supplementary Schedules

Years Ended June 30, 2013 and 2012

(With Report of Independent Auditors)



Report of Independent Auditors

To the Members of the Massachusetts Port Authority

We have audited the accompanying financial statements of the Massachusetts Port Authority (the Authority), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Port Authority at June 30, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB No. 65, "Items Previously Reported as Assets and Liabilities"

As discussed in Note 1 to the financial statements, the Authority changed its classification of deferred losses on refunded bonds from long-term debt to deferred outflows as a result of the adoption of GASB No. 65,



“Items Previously Reported as Assets and Liabilities” effective during 2013. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management’s Discussion and Analysis, the Schedule of Pension Funding Progress and the Schedule of OPEB Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we express no opinion on it.

Ernst & Young LLP

Boston, MA

September 30, 2013

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, 2013, 2012 and 2011, 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 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 International Airport ("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. 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 other political subdivision thereof.

The Financial Statements

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

The comparative Statements of Net Position depict the Authority's financial position as of a point in time, specifically June 30, 2013, and 2012, and include all assets, deferred outflows and liabilities of the Authority. The net position represents the residual interest in the Authority's assets and deferred outflows after liabilities are deducted. The Authority's net position is 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 position.

The Statements of Revenues, Expenses and Changes in Net Position report operating revenues, operating expenses, non-operating revenue and expenses, and other changes in net position for the fiscal year ending June 30, 2013. 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, CFCs, investment income and capital grants are reported as non-operating revenues and their uses are restricted and generally are not available for operating purposes.

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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 classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, and investing activities.

Financial Highlights

- The Board voted in September of 2012 to appoint Mr. Thomas P. Glynn, as Chief Executive Officer and Executive Director of the Authority.
- Logan Airport serviced a record 29.4 million passengers in fiscal year 2013. This represents an increase of passenger use of 125,000 or 0.4% when compared to fiscal year 2012. Logan Airport's passenger growth reflects the continued expansion of low cost and legacy carrier air service to preferred destinations, an increase in market share from other New England regional airports, an increase in international traffic and service areas, and the recovering regional economy.
- Maritime serviced 110,163 containers at Conley Terminal in fiscal year 2013, a 2.5% increase over fiscal year 2012. In fiscal year 2013, Cruiseport Boston serviced 369,428 cruise passengers, a 2.8% reduction over fiscal year 2012 primarily due to fewer cruise ships docking.
- Two major private commercial developments with a total value of over \$185 million broke ground during the year on land owned by the Authority: in July 2012, a 230 plus unit residential high rise in South Boston called Waterside Place and in January 2013, a 176 unit residential complex in East Boston called Portside at Pier One.
- The Authority's operating revenues in fiscal year 2013 grew 2.4% to \$571.8 million, an increase of \$13.4 million over fiscal year 2012. Operating expenses (excluding depreciation and amortization) were \$370.4 million, an increase of only 2.9% or \$10.5 million over last year as management worked to control expenses during the year. Depreciation and amortization expenses increased \$17.8 million to \$199.0 million in fiscal year 2013.
- The Authority's net position grew to \$1.83 billion, a \$43.8 million or 2.5% increase over last year. This 2.5% increase in net position during fiscal year 2013 was generated by operating revenues exceeding operating expenses by \$2.4 million, net non-operating revenues contributing \$21.2 million and capital grant revenues used for facility improvements totaling \$20.2 million.
- The Authority issued two series of revenue bonds in July 2012. The \$116.8 million of Series A bonds were issued to fund certain projects within the Authority's Capital Program and Series B bonds were refunding bonds issued in aggregate of \$158.8 million generating over \$14.7 million in present value savings.

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Increase in Net Position

The Authority's net position increased \$43.8 million or 2.5% during fiscal year 2013. The increase in net position in fiscal year 2013 was a result of operating revenues exceeding operating expenses and depreciation and amortization expense by \$2.4 million. Net non-operating revenues generated during fiscal year 2013 were \$21.2 million primarily through the collection of PFCs and CFCs. Also, the Authority received \$20.2 million in capital grants used primarily to finance various airport airfield projects.

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

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Operating revenues	\$ 571.8	\$ 558.4	\$ 13.4	2.4%
Operating expenses	370.4	359.9	10.5	2.9%
Depreciation and amortization	199.0	181.2	17.8	9.8%
Operating income	2.4	17.3	(14.9)	-86.1%
Total nonoperating revenues (expenses), net	21.2	31.2	(10.0)	-32.1%
Capital grant revenue	20.2	40.8	(20.6)	-50.5%
Increase in net position	43.8	89.3	(45.5)	-51.0%
Net position, beginning of year	1,784.7	1,695.4	89.3	5.3%
Net position, end of year	<u>\$ 1,828.5</u>	<u>\$ 1,784.7</u>	<u>\$ 43.8</u>	<u>2.5%</u>

During fiscal year 2012, the Authority's net position increased by \$89.3 million or 5.3%. The Authority generated operating income of \$17.3 million, \$31.2 million in net non-operating revenue, primarily through the collection of PFC and CFC revenues, and \$40.8 million in capital grant revenues which the Authority used primarily to finance various airport airfield projects.

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

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Operating revenues	\$ 558.4	\$ 537.6	\$ 20.8	3.9%
Operating expenses	359.9	354.8	5.1	1.4%
Depreciation and amortization	181.2	169.4	11.8	7.0%
Operating income	17.3	13.4	3.9	29.1%
Total nonoperating revenues (expenses), net	31.2	27.9	3.3	11.8%
Capital grant revenue	40.8	22.5	18.3	81.3%
Increase in net position	89.3	63.8	25.5	40.0%
Net position, beginning of year	1,695.4	1,631.6	63.8	3.9%
Net position, end of year	<u>\$ 1,784.7</u>	<u>\$ 1,695.4</u>	<u>\$ 89.3</u>	<u>5.3%</u>

(Continued)

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 Position.

The Authority’s Operating Revenues

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Operating revenues:				
Fees and other services	\$ 289.4	\$ 283.4	\$ 6.0	2.1%
Rentals	184.7	180.6	4.1	2.3%
Concessions	72.5	68.2	4.3	6.3%
Other, including operating grants	25.2	26.2	(1.0)	-3.8%
Total operating revenues	<u>\$ 571.8</u>	<u>\$ 558.4</u>	<u>\$ 13.4</u>	<u>2.4%</u>

The Authority’s operating revenues for fiscal year 2013 were \$571.8 million, an increase of \$13.4 million or 2.4% from fiscal year 2012. The increase in operating revenue is mainly attributable to the record 29.4 million total passengers serviced at Logan Airport in fiscal year 2013. Fees and other services increased by \$6.0 million, or 2.1% in fiscal year 2013 due mainly to higher parking revenues generated from increased parking activity and an increase in commercial parking rates at Logan Airport that took effect in March 2012. Rental revenue increased \$4.1 million, or 2.3% over fiscal year 2012. This increase is due to higher Logan Airport terminal rents, and an increase in commercial real estate rental revenues generated on South Boston properties and other Maritime facilities. Concession revenues increased \$4.3 million, or 6.3% in fiscal year 2013 due to increased rental car concession revenues, terminal advertising, and terminal concession sales within Logan Airport’s terminals. Other income decreased by \$1.0 million, or 3.8 % in fiscal year 2013, from Logan instituting free outbound Silver Line bus service and reduced overnight aircraft parking fees.

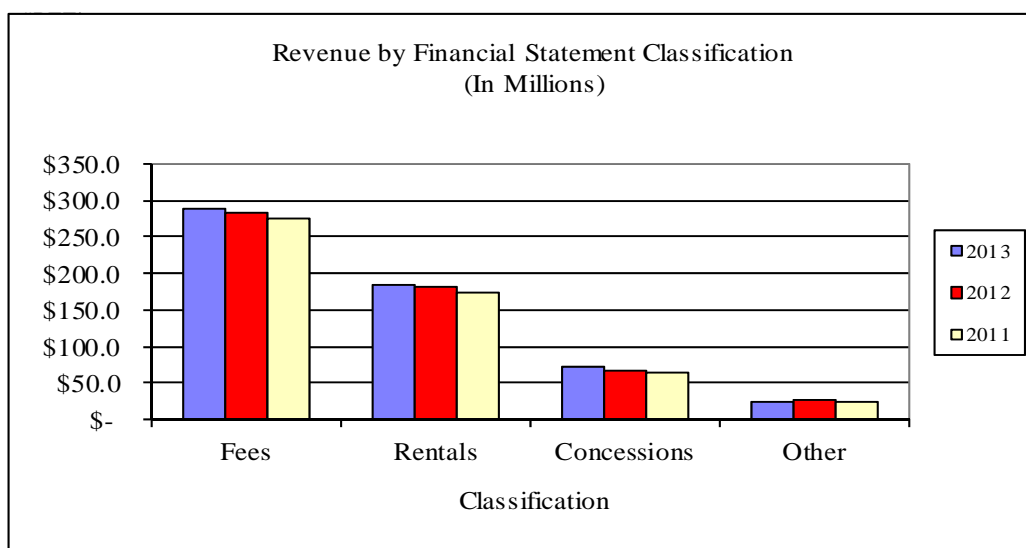
The Authority’s Operating Revenues

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Operating revenues:				
Fees and other services	\$ 283.4	\$ 274.5	\$ 8.9	3.2%
Rentals	180.6	174.4	6.2	3.6%
Concessions	68.2	64.0	4.2	6.6%
Other, including operating grants	26.2	24.7	1.5	6.1%
Total operating revenues	<u>\$ 558.4</u>	<u>\$ 537.6</u>	<u>\$ 20.8</u>	<u>3.9%</u>

The Authority’s operating revenues for fiscal year 2012 were \$558.4 million, an increase of \$20.8 million or 3.9% from fiscal year 2011. The increase in operating revenue is mainly attributable to the record 29.3 million total passengers serviced at Logan Airport in fiscal year 2012. Fees and Other Services revenues totaled \$283.4 million during fiscal year 2012, an increase of \$8.9 million or 3.2% when compared to

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\$274.5 million generated during fiscal year 2011. Parking revenues increased \$9.7 million or 8.3% due to increased passengers and a 12.5% increase in the daily commercial parking rate that took effect in March 2012 at Logan Airport. Landing fees were 3.5% lower than the previous year as an increase in landed weights was offset by a lower landing fee charged the airlines. Revenues from container activity were slightly higher as the Port serviced 107,477 containers in fiscal year 2012 as compared to 106,857 containers serviced in fiscal year 2011. Overall utility revenues were lower by about 4.5% as low natural gas prices and the warm winter season helped keep utility costs low. These savings were in part passed onto Airline tenants.

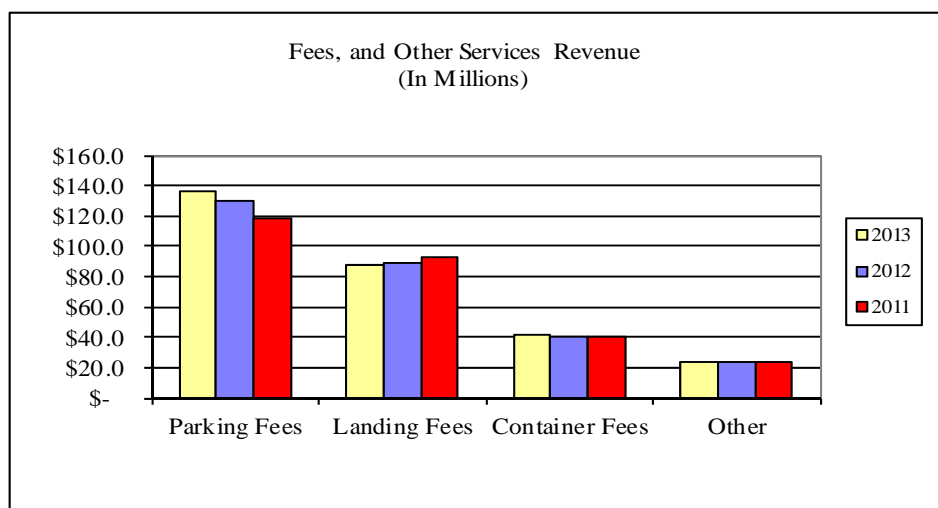


Fees and Other Services

Parking Fees: During fiscal year 2013, the Authority collected \$131.9 million in parking revenue at Logan Airport, an increase of \$6.1 million or 4.9% compared to fiscal year 2012. This increase in parking revenues is attributable to a full year effect of the 12.5% increase in the daily commercial parking rate that took effect in March 2012 and a 0.4% increase in passenger volume at Logan Airport. Parking exits at Logan Airport for fiscal year 2013 were 2.57 million, a 2.5% decrease from the prior fiscal year, although revenue per exit was \$47.80, a 7.9% increase over the prior fiscal year.

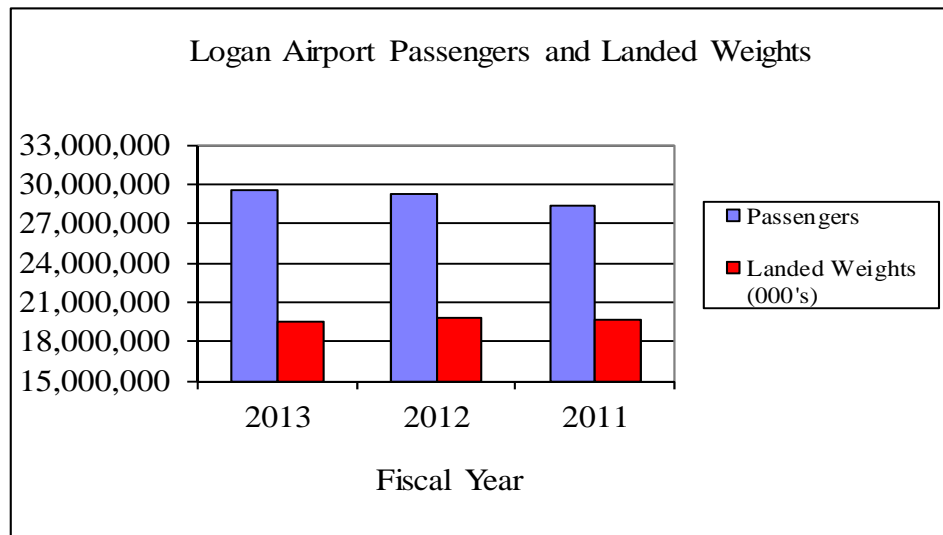
During fiscal year 2012, the Authority collected \$125.8 million in parking revenue, an increase of \$9.7 million or 8.3% compared to fiscal year 2011. This increase in parking revenues is attributable to a 12.5% increase in the daily commercial parking rate that took effect in March 2012 and a 3.1% increase in passenger volume at Logan Airport. Parking exits at Logan Airport for fiscal year 2012 were 2.64 million, a 0.05% increase over fiscal year 2011 and revenue per exit was \$44.31, an 8.3% increase from fiscal year 2011.

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



Landing Fees: Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft at Logan Airport. The Logan Airport landing fee is determined annually based on full cost recovery to maintain the landing field. Landing fees earned from airline activity were \$86.5 million during fiscal year 2013, a 2.0% decrease compared to \$88.3 million earned during fiscal year 2012. Logan Airport handled 19.49 billion pounds of landed weights during fiscal year 2013, which was a 1.8% decrease from the 19.85 billion pounds handled in fiscal year 2012. Logan Airport serviced 351,000 aircraft operations at its runways (takeoffs and landings). This was a decrease of 3.8% from the 365,000 aircraft operations serviced in fiscal year 2012. The decrease in landed weight and operations is partly attributable to the consolidation of certain airline routes. Hanscom Field and Worcester Airport landing fees totaled \$0.9 million in fiscal year 2013 and \$1.0 million in fiscal year 2012.

In fiscal year 2012, Logan Airport landing fee revenue was \$88.3 million, a 3.5% decrease over fiscal year 2011 landing fee revenue of \$91.5 million. The reduction in revenues can be attributed to lower capital financing costs and reduced operating expenses from favorable winter conditions. During fiscal year 2012, Logan Airport handled 19.85 billion pounds, an increase from the 19.71 billion pounds of landed weights handled in fiscal year 2011. Logan Airport runways serviced 365,000 aircraft operations in fiscal year 2012, an increase of 3,000 aircraft operations over the 362,000 aircraft operations serviced in fiscal year 2011. The increase is mainly attributable to the growth of low cost carrier service at Logan Airport. Hanscom Field and Worcester Airport landing fees totaled \$1.0 million in fiscal year 2012 and \$0.9 million in fiscal year 2011.



Container Fees: Container fees generated at Conley Terminal are fees charged to the shipping lines for the loading and unloading of containers from their vessels. During fiscal year 2013 container fees generated \$42.0 million in revenues. This is an increase of \$1.4 million over the \$40.4 million generated in fiscal year 2012. Conley Terminal handled 110,163 containers in fiscal year 2013, an increase of approximately 3,000 containers over the 107,477 containers handled in fiscal year 2012. This increase in container volume contributed to an increase in container fees for Conley Terminal.

During fiscal year 2012 Container fees generated \$40.4 million in revenue from shipping lines. This was an increase of \$0.3 million over the \$40.1 million in container fees generated in fiscal year 2011. Conley Terminal handled 107,477 containers at the Port in fiscal year 2012. This was a 0.6% increase over the 106,857 containers serviced in fiscal year 2011.

Rentals

The Authority's rental revenues for fiscal year 2013 totaled \$184.7 million, a \$4.1 million or 2.3% increase over fiscal year 2012. Logan Airport accounts for \$160.0 million or 86.6% of the \$184.7 million in total rental revenue recorded in the Authority's financial statements. Maritime operations account for \$19.6 million and Hanscom for \$4.9 million. 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 \$160.0 million, an increase of \$4.4 million or 2.8% in fiscal year 2013, when compared to the \$155.6 million in fiscal year 2012. The \$4.4 million increase in rental revenues generated at Logan Airport reflects the recovery of operating costs and capital on various terminal improvements made throughout Logan Airport's terminals and the new hanger agreement with jetBlue airlines. In addition, the Authority collects rental revenue on Port properties and other land that it owns. During fiscal year 2013, the Authority earned approximately \$16.5 million in rental revenue on Port properties, an increase of approximately \$0.4 million or 2.5% over fiscal year 2012. Other rental revenues from Maritime properties, Hanscom Field and Worcester Airport were \$8.3 million in fiscal year 2013. This was a decrease of \$0.6 million or 6.7% over the amount collected in fiscal year 2012 due mainly to a new lease agreement at the Autoport where the lessor assumed additional operating and capital cost commitments. Rental revenue for Maritime Operations, Hanscom Field and Worcester Airport in fiscal year 2013 was \$3.2 million, \$4.9 million and \$0.2 million, respectively.

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The Authority's rental revenues for fiscal year 2012 totaled \$180.6 million, a \$6.2 million or 3.6% increase over fiscal year 2011. During fiscal year 2012, Logan Airport rental revenues were \$155.6 million, an increase of \$5.7 million or 3.8% when compared to fiscal year 2011. The Port properties rental revenues of \$16.1 million were \$1.3 million or 8.8 % higher when compared to fiscal year 2011. The combined total of rental revenue from Maritime Operations, Hanscom Field, and Worcester Airport was \$8.9 million in fiscal year 2012, a 8.7% or \$0.8 million decrease from the amount collected in fiscal year 2011. Rental revenue for Maritime Operations, Hanscom Field and Worcester Airport in fiscal year 2012 was \$4.0 million, \$4.6 million, and \$0.26 million, respectively.

Concessions

During fiscal year 2013, the Authority earned \$72.5 million in concessions revenue compared to \$68.2 million in fiscal year 2012, an increase of \$4.3 million or 6.3%. 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 2013, the Authority earned approximately \$38.4 million in ground service fees compared to \$36.3 million in fiscal year 2012. This represented an increase of \$2.1 million or 5.8% in ground service fees, primarily from an increase in rental car activity at Logan Airport. During fiscal year 2013, other concession revenues generated from food and beverage, news and gifts, foreign exchange, duty free shops, specialty shops and other concessions totaled \$34.1 million or 6.9% more than the \$31.9 million generated in fiscal year 2012. Higher passenger volumes at Logan Airport increased terminal sales and a new contract from a duty free vendor generated more revenue for the Authority.

During fiscal year 2012, the Authority's concessions revenue totaled \$68.2 million, an increase of \$4.2 million or 6.6% when compared to fiscal year 2011. During fiscal year 2012, the Authority's ground service fees increased \$1.3 million or 3.7% over fiscal year 2011. In fiscal year 2012, other concession revenues also increased by \$2.9 million or 10.0% over fiscal year 2011. The concessions revenue increase during fiscal year 2012 was primarily the result of higher passenger volumes at Logan Airport which increased terminal sales, and a new foreign currency exchange service contract.

Operating Expenses (including depreciation and amortization)

Fiscal year 2013 total operating expenses were \$569.4 million and are comprised of \$272.6 million in operations and maintenance, \$49.0 million in general and administrative expenses, \$48.8 million in other operating expenses, and \$199.0 million in depreciation and amortization expenses. This is a \$28.3 million increase or 5.2% over fiscal year 2012. Total operating expenses exclusive of depreciation and amortization was \$370.4 million, a 2.9% or \$10.5 million increase over the \$359.9 million in total operating expenses (excluding depreciation and amortization) incurred in fiscal year 2012.

The Authority's Condensed Operating Expenses

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Operating expenses:				
Operations and maintenance	\$ 272.6	\$ 265.6	\$ 7.0	2.6%
General and administrative	49.0	44.0	5.0	11.4%
Other operating expenses	48.8	50.3	(1.5)	-3.0%
Depreciation and amortization	199.0	181.2	17.8	9.8%
Total operating expenses	<u>\$ 569.4</u>	<u>\$ 541.1</u>	<u>\$ 28.3</u>	<u>5.2%</u>

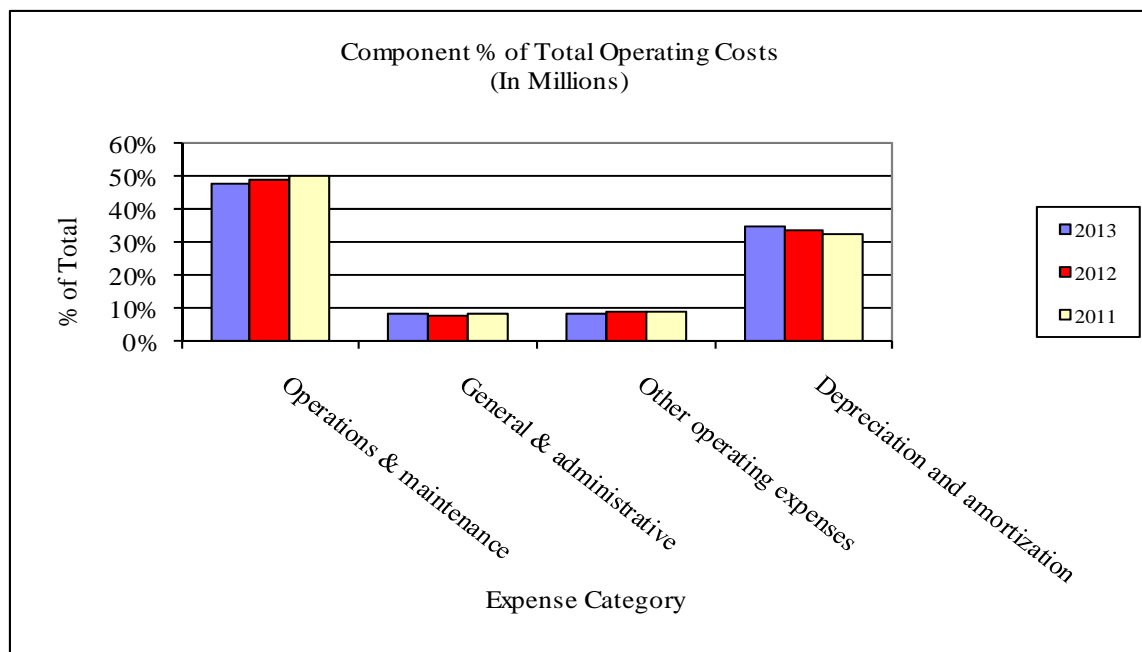
	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Operating expenses:				
Operations and maintenance	\$ 265.6	\$ 262.4	\$ 3.2	1.2%
General and administrative	44.0	46.0	(2.0)	-4.3%
Other operating expenses	50.3	46.4	3.9	8.4%
Depreciation and amortization	181.2	169.4	11.8	7.0%
Total operating expenses	<u>\$ 541.1</u>	<u>\$ 524.2</u>	<u>\$ 16.9</u>	<u>3.2%</u>

Fiscal year 2012 total operating expenses were \$541.1 million and are comprised of \$265.6 million in operations and maintenance, \$44.0 million in general and administrative expenses, \$50.3 million in other operating expenses, and \$181.2 million in depreciation and amortization expenses. This is a \$16.9 million increase or 3.2% over fiscal year 2011. Total operating expenses exclusive of depreciation and amortization was \$359.9 million, a 1.4% or \$5.1 million increase over the \$354.8 million in total operating expenses (excluding depreciation and amortization) incurred in fiscal year 2011.

Fiscal year 2011 total operating expenses were \$524.2 million and are comprised of \$262.4 million in operations and maintenance, \$46.0 million in general and administrative expenses, \$46.4 million in other operating expenses, and \$169.4 million in depreciation and amortization expenses. This is a \$16.7 million increase or 3.3% over fiscal year 2010. Total operating expenses exclusive of depreciation and amortization were \$354.8 million, a 3.3% or \$11.4 million increase over the \$343.4 million in total operating expenses (excluding depreciation and amortization) incurred in fiscal year 2010.

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The following depicts the Authority's significant operating cost components by Condensed Operating Expenses:



Operations and Maintenance

During fiscal year 2013, the Authority incurred \$272.6 million in operations and maintenance costs, which represents an increase of \$7.0 million or 2.6% from fiscal year 2012. Employee wages and fringe benefits costs increased \$4.3 million during fiscal year 2013. This increase is primarily attributable to the hiring of additional State Police and Fire Rescue personnel to fill vacancies, and annual collective bargaining wage increases for represented employees and merit increases for non-represented personnel. The Authority also made a onetime lease termination of tenancy payment in the amount of \$1.4 million. Increased container volumes added stevedoring expenses of \$0.4 million and snow removal costs were \$2.7 million higher than last year due to severe winter weather in the Northeast. Lastly, utility costs increased \$1.7 million from increased tenant usage and slightly higher per unit costs. The Authority generated \$2.8 million in cost reductions by restructuring Logan's new low emission airport shuttle bus program, and other miscellaneous savings from lower structural and runway repairs. Operations and maintenance expenses represent 47.9% 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 2012, the Authority incurred \$265.6 million in operations and maintenance costs, which represent an increase of \$3.2 million or 1.2% from fiscal year 2011. The increase is primarily the result of an increase in service costs for busing, maintenance, terminal cleaning, and repairs to runways and facilities due to an increase in use mainly attributable to the 3.1% increase in passenger activity at Logan Airport. Operations and maintenance expenses represent 49.1% of the Authority's total operating expenses.

During fiscal year 2011, the Authority incurred \$262.4 million in operations and maintenance costs, an increase of \$12.7 million or 5.1% from fiscal year 2010. The increase was primarily the result of

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approximately \$5.0 million in snow removal costs from severe winter conditions, \$2.8 million in earned benefits associated with an increase in employee health insurance premium rates and increased 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.

General and Administrative

During fiscal year 2013, the Authority incurred \$49.0 million in general and administrative expenses, an increase of \$5.0 million or 11.4% compared to fiscal year 2012. Employee wages and benefits for general and administrative employees increased \$1.6 million due to merit increases for non-represented personnel, and an increase in healthcare insurance premium rates. Professional services increased \$1.7 million for engineering, financial, and strategic planning consultants. The Authority's International Incentive Program added \$0.5 million in new expenses to account for the addition of Japan Airlines to Logan Airport. Other miscellaneous services such as fire boat dock repairs and maintenance contracts increased \$1.2 million. General and administrative expenses represent 8.6% of the Authority's operating expenses.

During fiscal year 2012, the Authority incurred \$44.0 million in general and administrative expenses, a decrease of \$2.0 million or 4.3% compared to fiscal year 2011. The decrease in expenses is primarily attributable to lower employee wages, and benefits for general and administrative employees due to vacancies, and the reductions in payments to professional consultants. These expense reductions were offset by higher maintenance and support service agreements. General and administrative expenses as a percent of the Authority's total expense declined slightly to 8.1% of total expenses in fiscal year 2012, as compared to 8.8% in fiscal year 2011.

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 years 2011 and 2010, respectively.

Other Operating Expenses

Other operating expenses consist of insurance, pension and other post employment benefit payments, payment in lieu of taxes (PILOT), and recoveries or provisions for uncollectible accounts. For fiscal year 2013 other operating expenses totaled \$48.8 million, a \$1.5 million or 3.0% decrease over the \$50.3 million in total other operating expenses incurred by the Authority in fiscal year 2012. Insurance expense totaled \$8.0 million in fiscal year 2013 which was equal to the \$8.0 million paid in insurance premiums in fiscal year 2012. Pension and OPEB payments were \$23.1 million, a \$0.5 million or a 2.1% decrease over the \$23.6 million paid in fiscal year 2012. The Authority's PILOT payments were \$18.1 million in fiscal year 2013. This is an increase of 2.8% or \$0.5 million over the amount paid in fiscal year 2012, and reflects the CPI adjustment incorporated in the agreements with the surrounding communities. The

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Authority also recognized a recovery of previously determined uncollectible accounts of \$0.4 million in fiscal year 2013. This recovery reflects management's expected receipt of payments from customer's accounts that had been previously been determined uncollectible in fiscal year 2012.

During fiscal year 2012, the Authority incurred \$50.3 million in other operating expenses. This was an increase of \$3.9 million or 8.4% over the \$46.4 million incurred in total other operating expenses in fiscal year 2011. Insurance premiums paid in fiscal year 2012 were \$8.0 million, an increase of \$0.7 million or 9.6% over the \$7.3 million in insurance premiums paid in fiscal year 2011. The increase reflects a higher cost of premiums for property insurance coverage. Pension and OPEB payments of \$23.6 million were \$2.2 million or 10.3% higher than the \$21.4 million paid in fiscal year 2011. The increase reflects the higher pension assessments resulting from the investment losses from the 2008 market decline. The Authority made PILOT payments totaling \$17.6 million in fiscal year 2012, a \$0.3 million or 1.7% increase over the \$17.3 million paid to surrounding communities in fiscal year 2011. This increase reflects the CPI contractual increase in the contract. The provision for uncollectible accounts was \$1.1 million, a \$0.7 million increase over the \$0.4 million recognized in fiscal year 2011. This increase is related to higher reserves required for pending bankruptcies.

Depreciation and Amortization

The Authority recognized \$199.0 million in depreciation and amortization expense in fiscal year 2013, an increase of \$17.8 million or 9.8% compared to fiscal year 2012. This increase is the result of \$232.4 million in new assets being placed into service during fiscal year 2013, which generated \$13.5 million in current year depreciation expense. Additionally, during fiscal year 2013, the Authority changed the estimated useful life of runway repaving which added approximately \$14.3 million to the current year expense. This was offset by approximately \$10.0 million of depreciation expenses related to assets that became fully depreciated at the beginning of fiscal year 2013. In comparison, during fiscal year 2012 and 2011, the Authority recognized depreciation and amortization expenses of \$181.2 million and \$169.4 million, respectively. During this same period, the Authority placed into service new assets totaling \$131.0 million and \$187.3 million, respectively.

Non-operating Revenues (Expenses) and Capital Grant Revenue

The Authority recognized a net \$21.2 million in non-operating revenues in fiscal year 2013, a decrease of \$10.0 million or 32.1% over the \$31.2 million recognized in fiscal year 2012. Non-operating revenues in fiscal year 2012 were \$31.2 million, an increase of \$3.3 million or 11.8% over the \$27.9 million recognized in fiscal year 2011. The following provides a brief explanation of the account changes by category for the last three fiscal years.

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Passenger facility charges	\$ 60.1	\$ 59.2	\$ 0.9	1.5%
Customer facility charges	29.4	28.7	0.7	2.4%
Investment income	8.3	10.2	(1.9)	-18.6%
Other income/(expense), net	(3.4)	1.5	(4.9)	-326.7%
Terminal A debt service contributions	(12.1)	(9.1)	(3.0)	33.0%
Interest expense	(61.1)	(59.3)	(1.8)	3.0%
Total nonoperating revenues (expenses)	\$ 21.2	\$ 31.2	\$ (10.0)	-32.1%
Capital grant revenue	\$ 20.2	\$ 40.8	\$ (20.6)	-50.5%

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Passenger facility charges	\$ 59.2	\$ 58.5	\$ 0.7	1.2%
Customer facility charges	28.7	26.2	2.5	9.5%
Investment income	10.2	11.7	(1.5)	-12.8%
Other income/(expense), net	1.5	(1.7)	3.2	-188.2%
Terminal A debt service contributions	(9.1)	(6.1)	(3.0)	49.2%
Interest expense	(59.3)	(60.7)	1.4	-2.3%
Total nonoperating revenues (expenses)	\$ 31.2	\$ 27.9	\$ 3.3	11.8%
Capital grant revenue	\$ 40.8	\$ 22.5	\$ 18.3	81.3%

For fiscal year 2013, non-operating revenues (expenses) is comprised of PFC and CFC revenue which represented \$89.5 million, a \$1.6 million or 1.8% increase from fiscal year 2012 revenues of \$87.9 million. Investment income of \$8.3 million was down \$1.9 million from fiscal year 2012 as interest rates remained low and the Authority's investment balances were lower than the prior year. Other income/expense, net consists of settlement of claims, gains or losses on short term investments, and any gains or losses on the sale of equipment. During fiscal year 2013, the Authority incurred \$3.4 million in other expense, a decrease of \$4.9 million from the \$1.5 million in other income generated in fiscal year 2012. The increase in other non-operating expense is primarily the results of realizing a \$3.1 million loss in the fair value of investments held by the Authority and a \$0.8 million ConRAC mitigation payment. Also, during fiscal year 2013, the Authority made a voluntary contribution of \$12.1 million in PFCs to the Terminal A debt service fund. This \$12.1 million voluntary contribution was \$3.0 million higher than the amount contributed in fiscal year 2012 which reflects a full year of principal payments on Terminal A debt service. Interest expense on long term debt was \$61.1 million, an increase of \$1.8 million or 3.0% from fiscal year 2012. The increase is attributed to the issuance of new bonds in July 2013.

(Continued)

For fiscal year 2012, non-operating revenues (expenses) is comprised of PFC and CFC revenue which represented \$87.9 million, a \$3.2 million or 3.8% increase from fiscal year 2011 revenues of \$84.7 million. Investment income of \$10.2 million was down \$1.5 million from fiscal year 2011 as interest rates remained low. Other non-operating income (expense), net consists of settlement of claims, gains or losses on the fair value of investments, and any gains or losses on the sale of equipment. During fiscal year 2012, the Authority realized other non-operating income, net of \$1.5 million, an increase of \$3.2 million primarily from the gain on the fair value of investments held by the Authority. Also, during fiscal year 2012, the Authority made a voluntary contribution of \$9.1 million in PFCs to the Terminal A debt service fund. This \$9.1 million voluntary contribution was \$3.0 million higher than the amount contributed in fiscal year 2011. Interest expense on long term debt was \$59.3 million, a decrease of \$1.4 million or 2.3% from fiscal year 2011. The decline in interest expense for this period is attributable to declining interest rates on the \$126.5 million in variable rate bonds outstanding and a reduction in the principal amount of debt outstanding.

Capital Grant Revenue

The majority of the Authority's capital grants are awarded by the FAA for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects, and other capital related projects, primarily at Logan Airport. The Authority also receives grant funds from the Department of Homeland Security, the Federal Emergency Management Administration, the Environmental Protection Agency and the Massachusetts Executive Office of Public Safety and Security related to the Port Security Grant Program which safeguards the Port of Boston.

Capital grant revenue received in fiscal year 2013 was \$20.2 million, a decrease of \$20.6 million or 50.5% from the amount received in fiscal year 2012. The reduction in capital grant revenue was a result of construction costs for the Runway Safety End on Runway 33L that was completed in fiscal year 2012 and the corresponding grant revenue being received in fiscal year 2012. The remainder of projects eligible to be reimbursed by capital grant revenues is ongoing and is expected to be reimbursed in future years.

Capital grant revenue received in fiscal year 2012 totaled \$40.8 million, an increase of \$18.3 million or 81.3% from the \$22.5 million received in fiscal year 2011. The majority of the Authority's capital grants were awarded by the FAA for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects and other capital related projects primarily at Logan Airport.

The Authority's Statements of Net Position

The Statements of Net Position present the financial position of the Authority at the end of the fiscal years. The Statements include all assets and liabilities of the Authority. Net Position is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net position at June 30, 2013, 2012 and 2011 is as follows:

(Continued)

The Authority's Condensed Statements of Net Position

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
<u>Assets</u>				
Current assets	\$ 503.6	\$ 603.2	\$ (99.6)	-16.5%
Capital assets, net	2,769.6	2,653.3	116.3	4.4%
Other non-current assets	499.5	439.2	60.3	13.7%
Total Assets	3,772.7	3,695.7	77.0	2.1%
<u>Deferred outflows of resources</u>				
Deferred loss on refunding of bonds	21.8	22.1	(0.3)	-1.4%
Total deferred outflows of resources	21.8	22.1	(0.3)	-1.4%
<u>Liabilities</u>				
Current liabilities	\$ 255.0	\$ 257.8	\$ (2.8)	-1.1%
Bonds and notes payable, including current portion	1,656.6	1,612.8	43.8	2.7%
Other non-current liabilities	54.4	62.5	(8.1)	-13.0%
Total Liabilities	\$ 1,966.0	\$ 1,933.1	\$ 32.9	1.7%
Total Net Position	\$ 1,828.5	\$ 1,784.7	\$ 43.8	2.5%

The Authority ended fiscal year 2013 with total assets and deferred outflows of resources of \$3.79 billion, total liabilities of \$1.97 billion and total net position of \$1.83 billion. This is an increase of 2.5% or \$43.8 million and is comprised of net operating income of \$2.4 million, net non-operating income of \$21.2 million and capital grant revenue of \$20.2 million. The Authority's assets consist primarily of capital assets, which represent approximately \$2.77 billion or 73.0% of the Authority's total assets and deferred outflows of resources as of June 30, 2013.

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
<u>Assets</u>				
Current assets	\$ 603.2	\$ 599.4	\$ 3.8	0.6%
Capital assets, net	2,653.3	2,579.8	73.5	2.8%
Other non-current assets	439.2	451.0	(11.8)	-2.6%
Total Assets	3,695.7	3,630.2	65.5	1.8%
<u>Deferred outflows of resources</u>				
Deferred loss on refunding of bonds	22.1	23.8	(1.7)	-7.1%
Total deferred outflows of resources	22.1	23.8	(1.7)	-7.1%
<u>Liabilities</u>				
Current liabilities	\$ 257.8	\$ 212.2	\$ 45.6	21.5%
Bonds and notes payable, including current portion	1,612.8	1,687.9	(75.1)	-4.4%
Other non-current liabilities	62.5	58.5	4.0	6.8%
Total Liabilities	\$ 1,933.1	\$ 1,958.6	\$ (25.5)	-1.3%
Total Net Position	\$ 1,784.7	\$ 1,695.4	\$ 89.3	5.3%

The Authority ended fiscal year 2012 with total assets and deferred outflows of resources of \$3.72 billion, total liabilities of \$1.93 billion, and total net position of \$1.78 billion. This is an increase of 5.3% or \$89.3 million and is comprised of net operating income of \$17.3 million, net non-operating income of \$31.2 million and capital grant revenue of \$40.8 million. The Authority's assets consist primarily of

(Continued)

capital assets, which represent approximately \$2.65 billion or 71.4% of the Authority's total assets and deferred outflows of resources as of June 30, 2012.

The Authority ended fiscal year 2011 with total assets and deferred outflows of resources of \$3.65 billion, total liabilities of \$1.96 billion, and total net position of \$1.70 billion. This is an increase of 3.9% or \$63.8 million and is comprised of net operating income of \$13.4 million, net non-operating income of \$27.9 million and capital grant revenue of \$22.5 million. The Authority's assets consist primarily of capital assets, which represent approximately \$2.58 billion or 70.6% of the Authority's total assets and deferred outflows of resources as of June 30, 2011.

The Authority's liabilities consists primarily of bonds payable (including current portion), which account for 84.3%, 83.4% and 86.2% of total liabilities at June 30, 2013, 2012 and 2011, respectively. Notes payable and accrued interest payable are included in current liabilities and represented approximately 6.9%, 7.0% and 6.2% of total liabilities at June 30, 2013, 2012 and 2011, respectively.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013 and 2012, the Authority had approximately \$2.77 billion and \$2.65 billion of capital assets (net of depreciation), respectively. These include land, construction in process, buildings, runways, roadways, machinery and equipment, air rights and parking rights. The Authority's net capital assets increased approximately \$116.3 million, or 4.4% in fiscal year 2013.

Major construction projects completed during fiscal year 2013 at Logan Airport included Runway 33L, safety end improvements that installed a larger safety area and utilizes a larger Emergency Material Arrest Systems ("EMAS"), the rehabilitation of Runway 15R/33L, and the Chelsea Airport By-pass Road, a dedicated truck and bus traffic route to and from the Airport to Chelsea. These projects were placed into service and contributed to the increase in the Authority's capital assets. Projects under construction during fiscal year 2013 were the ConRAC which will become operational in the fall of 2013, the renovation and improvement of Terminal B to serve United Airlines and the optimization of the Checked Baggage Inspection System.

Capital assets comprised approximately 73.0% of the Authority's total assets and deferred outflows of resources at June 30, 2013 and 71.4% and 70.6% of the Authority's total assets and deferred outflows of resources at June 30, 2012 and 2011, respectively. During fiscal years 2013, 2012 and, 2011, the Authority spent approximately \$308.7 million, \$225.7 million, and \$225.1 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 2012 at Logan Airport included the ConRAC, the Green Bus Depot which will be the onsite maintenance facility for all Massport owned buses, runway safety end improvements that will reinstall the use of EMAS for Runway 33L, the Terminal C Central Checkpoint reconfiguration and rehabilitation, the Terminal B garage renovation project and roadway improvement program, and the Chelsea Airport By-pass Road. During fiscal year 2012, construction began on Rehabilitation of Run/Way 15R/33L.

Major construction projects completed or in process during fiscal year 2011 at Logan Airport included the Terminal C Central 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 Terminals B and C and the rehabilitation and improvement of runways and taxiways. During fiscal year

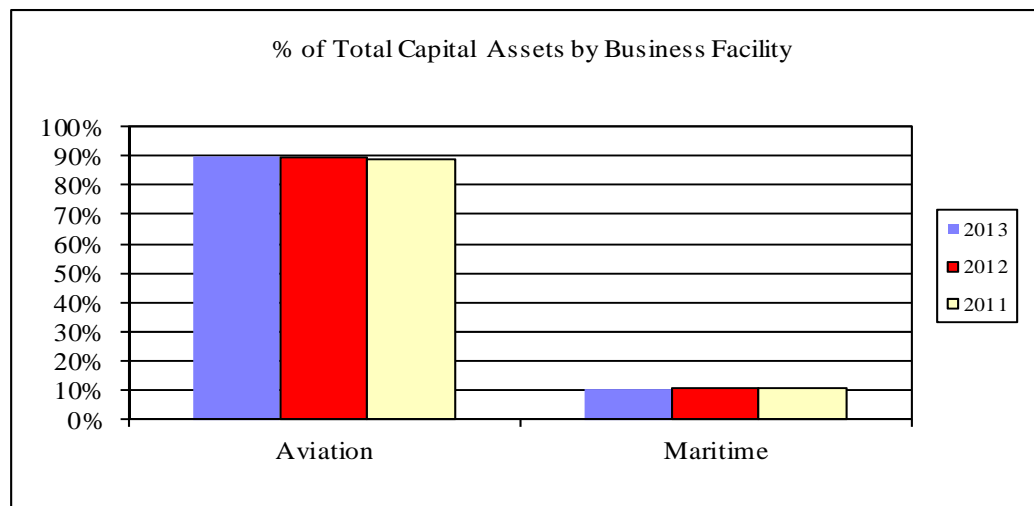
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2011, construction commenced on two major projects: the ConRAC and the runway safety ends for 33L. The major projects associated with the Maritime Facilities involved the renovation of its cruise terminal, acquisitions of new dock and yard cranes for 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.

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

Following is a breakdown of capital assets at June 30:

		2013	2012	2011	Percentage Change 2013-2012	Percentage Change 2012-2011
Land	\$	174,754	\$ 173,036	\$ 173,023	0.99%	0.01%
Construction in progress		341,977	257,828	130,798	32.64%	97.12%
Buildings		1,240,570	1,271,832	1,291,616	-2.46%	-1.53%
Runway and other paving		426,889	375,997	392,542	13.54%	-4.21%
Roadway		362,085	362,968	381,431	-0.24%	-4.84%
Machinery and equipment		113,078	94,745	86,670	19.35%	9.32%
Air rights		82,555	87,578	92,845	-5.74%	-5.67%
Parking rights		27,757	29,299	30,841	-5.26%	-5.00%
Capital assets, net	\$	<u>2,769,665</u>	<u>2,653,283</u>	<u>2,579,766</u>	<u>4.39%</u>	<u>2.85%</u>



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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, 2013, 2012, and 2011, the Authority's debt service coverage under the 1978 Trust Agreement was 2.47, 2.21, and 2.07, respectively. The 1999 PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2013, 2012, and 2011, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 4.37, 3.73, and 4.09, respectively.

The CFC Trust Agreement requires that the Authority maintain debt service coverage of at least 1.3. As of June 30, 2013, and 2012, the CFC debt service coverage was 2.87, and 2.78. Due to the timing of the issuance of the CFC Bonds, no debt service was due in fiscal year 2011, therefore debt service coverage was not required to be calculated in fiscal year 2011.

The Authority has net bonds payable outstanding as of June 30, 2013 in the amount of approximately \$1.58 billion, a net increase of approximately \$19.8 million compared to fiscal year 2012. During fiscal year 2013, the Authority issued \$275.6 million of the Massachusetts Port Authority Revenue Bonds in two series. The Series 2012 A Revenue Bonds, in the principal amount of \$116.8 million were issued to finance capital improvements to Terminals B and C, hangar upgrades, and replace substations from Terminals B and E. Due to the "private activity" nature of the construction projects, they were sold as AMT bonds. The Series 2012 B Bonds were refunding bonds issued in the amount of \$158.8 million and were used to refund a portion of the 2003 A and 2003 C Bonds. Additionally, during fiscal year 2013, the Authority made principal payments of \$75.7 million.

The Authority had net bonds payable outstanding as of June 30, 2012 in the amount of approximately \$1.56 billion, a net decrease of approximately \$69.8 million compared to fiscal year 2011. The decrease was the result of principal paid during fiscal year 2012.

The Authority's net bonds payable outstanding as of June 30, 2011 was approximately \$1.63 billion, a net increase of approximately \$214.1 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 refunding of approximately \$11.5 million.

The Official Statements relating to the Authority's Bond issuances are available from the Authority or by accessing the Authority's website.

Net Position

The Authority's net position, which represents the residual interest in the Authority's assets after liabilities are deducted, is \$1.83 billion as of June 30, 2013, an increase of \$43.8 million, or 2.5% from fiscal year 2012. Of this amount, \$1.13 billion is invested in capital assets net of debt, an increase of \$72.5 million compared to fiscal year 2012 amount of \$1.06 billion. The Authority's restricted net position of \$515.5 million as of June 30, 2013 is 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. The Authority's restricted net position decreased \$67.8 million as of June 30, 2013. The decrease is primarily attributable to use of CFC cash balances for the construction of the Authority's new Rental Car Facility to be opened in the fall of 2013. The Authority's unrestricted net position for fiscal year ending June 30,

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2013 was \$181.5 million, an increase of \$39.1 million, or 27.5% when compared to the \$142.4 million of unrestricted net position reported in fiscal year ending June 30, 2012. This increase is attributable to net operating revenues exceeding expenses for the year, lower debt service costs and the use of bond proceeds to fund certain capital projects resulting in an increase in a higher cash balance retained in the Authority's unrestricted fund account.

Net position at June 30, 2012 was \$1.78 billion, an increase of \$89.3 million as compared to the \$1.70 billion reported in fiscal year 2011. Net position invested in capital assets, net of related debt was \$1.06 billion for the fiscal year ending June 30, 2012, an increase of \$3.9 million compared to fiscal year 2011 amount of \$1.055 billion. The Authority's restricted net position totaled \$583.2 million as of June 30, 2012 and was 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. Restricted net position as of June 30, 2012 increased by \$97.2 million, or 20.0% compared to the \$486.0 million reported in fiscal year 2011. The increase is primarily attributable to the increase in the capital projects funds used by the Authority to finance capital projects approved by the Board during the year. The Authority's unrestricted net position of \$142.4 million in fiscal year 2012 decreased by \$11.8 million or 7.7% as cash was transferred to the capital project funds approved by the Board to fund the Capital Programs during the fiscal year 2012.

The Authority's Condensed Cash Flows

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

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Net cash provided by operating activities	\$ 189.4	\$ 210.7	\$ (21.3)	-10.1%
Net cash used in capital and related financing activities	(238.0)	(235.5)	(2.5)	1.1%
Net cash (used in)/provided by investing activities	101.4	(15.6)	117.0	-750.0%
Net (decrease)/increase in cash and cash equivalents	52.8	(40.4)	93.2	-230.7%
Cash and cash equivalents, beginning of year	190.5	230.9	(40.4)	-17.5%
Cash and cash equivalents, end of year	\$ 243.3	\$ 190.5	\$ 52.8	27.7%

	(in millions)		2012 vs. 2011	
	2012	2011	\$ Change	% Change
Net cash provided by operating activities	\$ 210.7	\$ 176.3	\$ 34.4	19.5%
Net cash (used in)/provided by capital and related financing activities	(235.5)	38.4	(273.9)	-713.3%
Net cash used in investing activities	(15.6)	(136.6)	121.0	-88.6%
Net (decrease)/increase in cash and cash equivalents	(40.4)	78.1	(118.5)	-151.7%
Cash and cash equivalents, beginning of year	230.9	152.8	78.1	51.1%
Cash and cash equivalents, end of year	\$ 190.5	\$ 230.9	\$ (40.4)	-17.5%

The Authority's cash and cash equivalents at the end of June 30, 2013 is \$243.3 million. This is an increase of \$52.8 million, or 27.7% from the \$190.5 million in cash and cash equivalents reported in fiscal year 2012. The Authority generated \$189.4 million in cash from operations during fiscal year 2013. This was \$21.3 million or 10.1% lower than the previous fiscal year's cash provided by operating

(Continued)

activities totaling \$210.7 million. This decrease in cash from operating activities was the result of an increase in payments to vendors, the Authority contributing an additional \$7.0 million to the OPEB Trust in fiscal year 2013, and payments made to employees. The Authority used \$238.0 million in cash for capital and related financing activities to finance the Authority's capital program and to pay debt service expenses during the year. This is a \$2.5 million increase in the use of cash over the \$235.5 million in cash generated for capital and related financing activities in fiscal year 2012. The Authority provided \$101.4 million in cash from investing purposes to be used for future capital and operating needs, a decrease of \$117.0 million over the amount of cash provided for investing activities in fiscal year 2012.

The Authority's cash and cash equivalents at the end of June 30, 2012 is \$190.5 million. This is a decrease of \$40.4 million, or 17.5% from the \$230.9 million in cash and cash equivalents reported in fiscal year 2011. The Authority generated \$210.7 million in cash from operations during fiscal year 2012. This was \$34.4 million, or 19.5% higher than the previous fiscal year's cash provided by operating activities totaling \$176.3 million. This increase in cash from operating activities was generated from the record 29.3 million passengers serviced at Logan Airport, as well as a 12.5% increase in the daily commercial parking rate that took effect in March 2012 at Logan Airport. Also, operating and general administrative costs collectively increased 0.4% during the year as compared to fiscal year 2011. The Authority used \$235.5 million in cash for capital and related financing activities to finance the Authority's capital program and to pay debt service expenses during the year. This is a \$273.9 million increase in the use of cash over the \$38.4 million in cash generated for capital and related financing activities in fiscal year 2011. The Authority used \$15.6 million in cash for investing purposes to be used for future capital and operating needs, a decrease of \$121.0 million over the amount of cash used for investing activities in fiscal year 2011.

Contacting the Authority's Financial Management

For additional information concerning the Authority, please see the Authority's website, 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 Position

June 30, 2013 and 2012

(In thousands)

	2013	2012
		(restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 45,651	\$ 43,013
Investments	27,976	42,130
Restricted cash and cash equivalents	197,649	147,537
Restricted investments	160,783	296,451
Accounts receivable		
Trade, net	54,320	50,903
Grants receivable	7,114	7,929
Total receivables (net)	61,434	58,832
Prepaid expenses and other assets	10,078	15,207
Total current assets	503,571	603,170
Noncurrent assets:		
Investments	91,827	53,493
Restricted investments	342,856	327,213
Prepaid expenses and other assets	9,464	12,959
Investment in joint venture	2,137	2,075
Net OPEB asset	53,188	43,533
Capital assets, net	2,769,665	2,653,283
Total noncurrent assets	3,269,137	3,092,556
Total assets	3,772,708	3,695,726
Deferred outflows of resources		
Deferred loss on refunding of bonds	21,847	22,064
Total deferred outflows of resources	21,847	22,064
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	102,743	105,197
Compensated absences	1,550	1,610
Contract retainage	8,092	8,073
Current portion of long term debt	81,770	92,372
Commercial notes payable	100,000	100,000
Accrued interest on bonds payable	36,587	36,140
Deferred income	6,054	6,741
Total current liabilities	336,796	350,133
Noncurrent liabilities:		
Accrued expenses	18,143	27,287
Compensated absences	19,873	20,591
Contract retainage	5,485	2,275
Long-term debt, net	1,574,869	1,520,504
Deferred income	10,828	12,268
Total noncurrent liabilities	1,629,198	1,582,925
Total liabilities	1,965,994	1,933,058
Net position		
Net investment in capital assets	1,131,577	1,059,110
Restricted		
Bond funds	159,634	186,227
Project funds	208,948	218,907
Passenger facility charges	72,501	55,095
Customer facility charges	23,849	70,711
Other purposes	50,526	52,332
Total restricted	515,458	583,272
Unrestricted	181,526	142,350
Total net position	\$ 1,828,561	\$ 1,784,732

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

MASSACHUSETTS PORT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2013 and 2012

(In thousands)

	2013	2012
		(restated)
Operating revenues:		
Fees and other services	\$ 289,384	\$ 283,364
Rentals	184,744	180,568
Concessions	72,542	68,239
Other	22,515	23,926
Operating grants	2,638	2,357
Total operating revenues	<u>571,823</u>	<u>558,454</u>
Operating expenses:		
Operations and maintenance	272,611	265,607
General and administrative	48,950	43,987
Insurance	8,020	8,059
Pension	9,614	5,710
Other post-employment benefits	13,450	17,850
Payments in lieu of taxes	18,090	17,642
(Recovery) / provision for uncollectible accounts	(353)	1,085
Depreciation and amortization	199,046	181,166
Total operating expenses	<u>569,428</u>	<u>541,106</u>
Operating income	<u>2,395</u>	<u>17,348</u>
Nonoperating revenues and (expenses):		
Passenger facility charges	60,105	59,212
Customer facility charges	29,354	28,749
Investment income	8,336	10,176
Net (decrease) / increase in the fair value of investments	(2,821)	255
Other revenues	187	618
Settlement of claims	567	640
Terminal A debt service contribution	(12,114)	(9,105)
Other expenses	(1,279)	(398)
(Loss) / gain on sale of equipment	(64)	354
Interest expense	(61,071)	(59,307)
Total nonoperating revenues, net	<u>21,200</u>	<u>31,194</u>
Increase in net position before capital grant revenue	23,595	48,542
Capital grant revenue	<u>20,234</u>	<u>40,750</u>
Increase in net position	43,829	89,292
Net position, beginning of year	<u>1,784,732</u>	<u>1,695,440</u>
Net position, end of year	<u>\$ 1,828,561</u>	<u>\$ 1,784,732</u>

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

MASSACHUSETTS PORT AUTHORITY

Statements of Cash Flows

Years ended June 30, 2013 and 2012

(In thousands)

	2013	2012
Cash flows from operating activities:		
Cash received from customers and operating grants	\$ 571,716	\$ 561,879
Payments to vendors	(218,147)	(198,951)
Payments to employees	(125,256)	(120,828)
Payments in lieu of taxes	(18,090)	(17,642)
Other post-employment benefits	(20,851)	(13,807)
Net cash provided by operating activities	<u>189,372</u>	<u>210,651</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(308,693)	(225,738)
Proceeds from the issuance of bonds, net	313,408	—
Principal payments on refunded debt	(180,100)	—
Interest paid on bonds and notes	(84,102)	(69,835)
Principal payments on long-term debt	(75,745)	(70,770)
Proceeds from commercial paper financing	15,000	100,000
Principal payments on commercial paper	(15,000)	(89,000)
Terminal A debt service contribution	(12,114)	(9,105)
Proceeds from passenger facility charges	60,270	59,687
Proceeds from customer facility charges	27,650	28,352
Proceeds from capital grants	20,768	39,907
Settlement of claims	567	640
Proceeds from sale of equipment	93	383
Net cash used in capital and related financing activities	<u>(237,998)</u>	<u>(235,479)</u>
Cash flows from investing activities:		
Purchases of investments, net	(693,176)	(824,217)
Sales of investments, net	785,081	797,775
Interest received on investments	9,471	10,857
Net cash provided by (used in) investing activities	<u>101,376</u>	<u>(15,585)</u>
Net increase (decrease) in cash and cash equivalents	52,750	(40,413)
Cash and cash equivalents, beginning of year	190,550	230,963
Cash and cash equivalents, end of year	\$ <u>243,300</u>	\$ <u>190,550</u>
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating income	\$ 2,395	\$ 17,348
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	199,046	181,166
(Recovery) / provision for uncollectible accounts	(353)	1,085
Changes in operating assets and liabilities:		
Trade receivables	(2,539)	(5,027)
Prepaid expenses and other assets	1,019	2,642
Net OPEB asset	(10,546)	1,708
Accounts payable and accrued expenses	3,255	7,614
Compensated absences	(778)	578
Deferred revenue	(2,127)	3,537
Net cash provided by operating activities	\$ <u>189,372</u>	\$ <u>210,651</u>
Noncash investing activities:		
Net increase (decrease) in the fair value of investments	\$ <u>(828)</u>	\$ <u>1,993</u>

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

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

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.

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 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”).

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 U.S. generally accepted accounting principles (“GAAP”).

Revenues from airlines, rentals, parking fees, 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.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

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.

PFC revenue is deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Revenue Bond Trust Agreement and is 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 is 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 position as calculated per GAAP and net revenues as calculated per accounting practices prescribed by the 1978 Trust Agreement.

Net Position

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 position components:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt and the deferred outflows / inflows attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net position of 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 and the self insurance fund.
- Unrestricted: Net position of assets that are not subject to externally imposed stipulations. Net amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources not included in the determination of net invested in capital assets or restricted components of net position. Unrestricted net position 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.

When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as needed.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources for the years ended June 30, 2013 and 2012.

Net position flow assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which resources are considered to be applied.

(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. The Authority recorded unrealized holding loss of \$2.8 million at June 30, 2013 and unrealized holding gains of approximately \$0.3 million at June 30, 2012.

(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.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

(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:

Asset Category	Dollar Threshold
Buildings	\$ 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 taxable and tax exempt borrowing, less any interest earned on the proceeds of those borrowings, during the period of construction. Interest expense of \$12.0 million and \$12.7 million, reduced by interest income of \$0.02 million and \$0.7 million, resulted in capitalized interest of \$12.0 million for each of the years ended June 30, 2013 and 2012, respectively.

(e) Depreciation

The Authority provides for depreciation using the straight-line method. During fiscal year 2013, the Authority changed the estimated useful life of runway repaving which added approximately \$14.3 million to the fiscal 2013 expense. Depreciation is intended to distribute the cost of depreciable properties over the following estimated useful lives:

Asset Category	Years
Buildings	25
Runways (original construction)	25
Other airfield paving	12
Roadway	25
Machinery and equipment	5 to 10
Land use rights	30

(f) Other Assets and Prepaid Items

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

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

(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) / addition of the face amount of bonds payable.

The difference between the reacquisition price and net carrying amount of defeased bonds is amortized on the straight-line method over the shorter of the maturity of the new debt or the defeased debt and is recorded as deferred outflows of resources on the statement of net position.

(h) Revenue Recognition

Fees, and other services consist of parking fees, landing fees, and container handling fees. Revenues from parking fees and container handling fees 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 an arrangement between the Authority and the respective airlines.

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 rentals. 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.

Rates and charges are set annually based on the budgeted operating costs and actual capital costs. A true-up calculation is performed for landing fees, terminal rents, and baggage fees at year-end based on the actual results. In the event the actual costs are more than the budgeted amounts for the year, the Authority will recover additional rates and charges. In the event the actual costs are less than the budgeted amounts, the Authority will issue credits to the respective airlines.

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 \$1.5 million and \$2.2 million at June 30, 2013 and 2012, respectively.

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

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

(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, 2013, the Authority had cumulative cash collections of \$850.0 million in PFCs, including interest thereon.

The Authority submitted a request that was approved by the FAA in April 2011 that increased the collection authorization to \$1.35 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. This use of PFCs will maintain the rate consistency across all terminals and facilitate the Authority’s ability to assign carriers to Terminal A.

Additionally, in March 2012, the FAA issued a Final Agency Decision approving the use of \$18.3 million PFCs for the Runway 33L Safety Ends. This increased the Authority’s total use approval to \$1.35 billion.

As of June 30, 2013 and 2012, \$127.4 million and \$143.5 million of PFC bonds were outstanding, respectively.

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 nonoperating revenues. The Authority recognized \$60.1 million and \$59.2 million in PFC revenue for the fiscal years ended June 30, 2013 and 2012, respectively.

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Notes to Financial Statements

June 30, 2013 and 2012

(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 are being 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 the ConRAC 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 Authority recognized \$29.4 million and \$28.7 million in CFC revenue for the fiscal years ended June 30, 2013 and 2012, respectively. As of June 30, 2013 and 2012, \$211.5 million and \$214.1 million of CFC bonds were outstanding, respectively.

(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 position as compensated absences. The table below presents the Authority's compensated absences activity at June 30, 2013 and 2012 and for the year then ended (in thousands):

	2013	2012
Liability balance, beginning of year	\$ 22,201	\$ 21,623
Vacation and sick pay earned during the year	12,066	12,324
Vacation and sick pay used during the year	<u>(12,844)</u>	<u>(11,746)</u>
Liability balance, end of year	<u>\$ 21,423</u>	<u>\$ 22,201</u>

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Notes to Financial Statements

June 30, 2013 and 2012

(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 amounts in the fiscal year 2012 financial statements have been reclassified to conform to fiscal year 2013 presentation.

(n) New Accounting Pronouncements

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB No. 60"). The Statement is effective for financial statements with periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements ("SCAs"), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. It alleviates the confusion that arises when determining what guidance should be applied in complex circumstances that are not specifically addressed by existing standards. This Statement contributes to the assessment of interperiod equity by reporting up-front payments or the present value of installment payments primarily as deferred inflows of resources, reflecting the acquisition of resources that are applicable to a future reporting period. The provisions of this Statement result in a faithful representation of a governmental operator's rights under SCAs by reporting rights to access SCA facilities as intangible assets. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

The Authority does not have any SCAs; therefore the adoption of GASB 60 did not have any impact on the Authority's financial statements.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (“GASB No. 61”). The Statement is effective for financial statements with periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements.

The requirements of this Statement result in the financial reporting entity’s financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

The adoption of this Statement had no impact on the financial statements of the Authority.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB No. 63”). The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position. Amounts that are required to be reported as deferred outflows should be reported in a statement of financial position in a separate section following assets. Similarly, amounts required to be as deferred inflows of resources should be reported in a separate sections following liabilities. The statement of net position should report the residual amount as a net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The adoption of GASB 63 resulted in a change in the presentation of the balance sheets to what is now referred to as the statement of net position and the term “net assets” is changed to “net position” throughout the financial statements.

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB No. 65”). The Statement is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

The Authority adopted GASB Statement No. 65 effective July 1, 2011. In connection with the adoption of this new standard all accounts were analyzed by management in order to assess the impact on the financial statements. The implementation of this new standard resulted in the modification of the method previously used to account for the cost of issuance associated with the Authority's numerous bond issuances, commitment and financing fees received by the Authority in connection with the bonds, and the expenses and costs incurred on the bond refunding. In accordance with the requirements of this new standard, the Authority's statement of net position and the Authority's statement of revenues, expenses and changes in net position were restated to reflect the required adjustments. As a result, the following restatements have been made to the Authority's financial statements.

<u>As of July 1, 2011:</u>	<u>Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Net Position	\$ 1,699,146	\$ (3,706)	\$ 1,695,440
 <u>For the year ended June 30, 2012:</u>			
Interest expense	58,952	355	59,307
Increase (decrease) in Net Position	89,647	(355)	89,292
 <u>As of June 30, 2012:</u>			
Prepaid expenses and other assets, short-term	15,461	(254)	15,207
Prepaid expenses and other assets, long-term	16,766	(3,807)	12,959
Net Position	\$ 1,788,793	\$ (4,061)	\$ 1,784,732

Additionally, the deferred losses on refunded bonds in the amount of \$21.8 million and \$22.1 million at June 30, 2013 and 2012, respectively, were reclassified from long term debt to deferred outflows of resources on the statement of net position.

In April 2012, GASB issued Statement No. 66, *Technical Corrections-2012 - an amendment of GASB Statements No. 10 and No. 62* ("GASB No. 66"). The Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The provisions of this Statement are effective for the financial statement periods beginning after December 15, 2012.

The Authority's implementation of GASB No. 66 did not have a material impact on its financial statements.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

In June 2012, GASB issued Statement No 67, *Financial Reporting for Pension Plans* (“GASB No. 67”). The objective of this Statement is to improve the usefulness of pension information included in the general purpose financial statements of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial periods beginning after June 15, 2013.

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 67.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB No. 68”). The objective of this Statement is to improve the information provided in government financial reports about pension related financial support provided benefits to the employees of other entities. The provisions of this Statement are effective for financial periods beginning after June 15, 2014.

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 68.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* (“GASB No. 69”). This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based on their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

The Authority is currently evaluating the impact of the implementation of GASB No. 69 on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB No. 70"). Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements.

Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively.

The Authority is currently evaluating the impact of the implementation of GASB No. 70 on its financial statements.

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Notes to Financial Statements

June 30, 2013 and 2012

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

Presented below are the calculations of the net revenues 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.

	2013	2012
Increase in Net Position per GAAP	\$ 43,829	\$ 89,292
Additions (1):		
Depreciation and amortization	199,046	181,166
Interest expense	61,071	59,307
Payments in lieu of taxes	18,090	17,642
Other operating expenses	3,129	4,324
Terminal A bonds - debt service contribution by PFC fund	12,114	9,105
OPEB expenses, net	450	5,859
Less (2):		
Passenger facility charges	(60,105)	(59,212)
Customer facility charges	(29,354)	(28,749)
Self insurance expenses	(678)	(266)
Capital grant revenue	(20,234)	(40,750)
Net decrease / (increase) in the fair value of investments	2,821	(255)
Loss / (gain) on sale of equipment	64	(354)
Other (revenues) / expenses	(2,877)	1,331
Other non-operating revenues	(187)	(220)
Settlement of claims	(567)	(640)
Investment income	(4,168)	(3,481)
Net Revenue per the 1978 Trust Agreement	\$ <u>222,444</u>	\$ <u>234,099</u>

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.

Total net revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were \$222.4 million and \$234.1 million for the years ended June 30, 2013 and 2012, respectively.

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Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012, 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. 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 (loss) / gain due to the changes in fair value of investments related to investments with maturities in excess of one year was approximately a loss of \$0.8 million as of June 30, 2013 and a gain of \$2.0 million as of June 30, 2012, respectively.

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Notes to Financial Statements

June 30, 2013 and 2012

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2013 and 2012 (in thousands):

2013	Credit Rating (1)	Cost	Fair Value	Effective Duration
MMDT	Unrated	\$ 152,182	\$ 152,182	0.003
Federal Home Loan Bank	AA+/Aaa	67,025	67,200	1.683
Federal Deposit Insurance Corporation	Unrated (2)	15,003	15,003	0.003
Forward Delivery Agreements	AA+ / Aaa	19,500	19,500	3.121
Federal Home Loan Mortgage Corp.	AA+ / Aaa	91,052	91,097	1.163
Federal National Mortgage Association	AA+ / Aaa	143,283	142,460	1.362
Federal Farm Credit	AA+ / Aaa	22,752	22,838	1.815
Guaranteed Investment Contracts (ParkEx)	AA+ / Aa3 (4)	36,661	36,661	12.195
Cash Deposit	Unrated	18,965	18,965	0.003
Certificates of Deposit	AAA / Aaa (3)	10,050	10,050	0.250
Commercial Paper	A-1 / P-1 (5)	199,345	199,480	0.303
Morgan Stanley Government Fund	AAA / Aaa (5)	1,072	1,072	0.003
Municipal Bond	AA+ / Aa1	88,107	87,732	2.185
Treasury Note	AAA / Aaa	2,573	2,502	5.918
		<u>\$ 867,570</u>	<u>\$ 866,742</u>	

2012	Credit Rating (1)	Cost	Fair Value	Effective Duration
MMDT	Unrated	\$ 174,013	\$ 174,013	0.003
Federal Home Loan Bank	AA+/Aaa	67,325	67,623	2.041
Federal Deposit Insurance Corporation	AA/Aaa	19,984	20,225	0.473
Forward Delivery Agreements	AA+/Aaa	60,008	60,008	1.458
Federal Home Loan Mortgage Corp.	AA+/Aaa	70,102	70,627	1.932
Federal National Mortgage Association	AA+/Aaa	110,099	110,509	2.097
Federal Farm Credit	AA+/Aaa	28,789	28,996	1.684
Guaranteed Investment Contracts (ParkEx)	AA+/Aa3 (3)	35,226	35,226	12.869
Cash Deposits	Unrated	15,464	15,464	0.003
Certificates of Deposits	AAA/Aaa (2)	9,060	9,060	0.178
Commercial Paper	A-1+/P-1 (4)	250,222	250,222	0.297
Morgan Stanley Government Fund	AAA/Aaa (4)	1,073	1,073	0.003
Municipal Bond	AA+/Aa1	66,478	66,791	3.185
		<u>\$ 907,843</u>	<u>\$ 909,837</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.

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Notes to Financial Statements

June 30, 2013 and 2012

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

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Securities maturing in 1 year or more	\$ 435,650	\$ 434,683	\$ 378,966	\$ 380,706
Securities maturing in less than 1 year	188,620	188,759	338,327	338,581
Cash and cash equivalents	243,300	243,300	190,550	190,550
	<u>\$ 867,570</u>	<u>\$ 866,742</u>	<u>\$ 907,843</u>	<u>\$ 909,837</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 accounts (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, 2013 and 2012 were \$19.9 million and \$15.7 million, respectively. Of these amounts, \$1.0 million was insured, and no amount was collateralized at June 30, 2013 or 2012.

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Notes to Financial Statements

June 30, 2013 and 2012

(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 or, the counterparty's trust department or agent, but not in the Authority's name.

The Authority is authorized by the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement and the Investment Policy to invest in obligations of the U.S. Treasury, including obligations of 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, 2013 and 2012, respectively; they are uncollateralized and recorded at cost:

Investment Agreement				
Provider	Rate	Maturity	2013	2012
Trinity Plus Funding Company	4.360%	January 2, 2031	\$ 15,987	\$ 15,312
GE Funding Capital Markets	3.808%	December 31, 2030	20,673	19,914
Total			\$ <u>36,660</u>	\$ <u>35,226</u>

(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 Authority consults with its investment Advisor to select Commercial Paper Issuers with strong credit ratings. The portions of the Authority-wide portfolio, excluding investments issued by MMDT, the FDIC, or U.S. Government guaranteed obligations and the underlying securities held under forward delivery agreements at cost, that exceed 5% of the portfolio are as follows:

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Notes to Financial Statements

June 30, 2013 and 2012

Commercial Paper Issuer	2013	2012
Bank of Tokyo Mitsu	\$ 39,971	\$ 34,599
BNP Paribas Finance	24,921	-
Deutsche Bank	-	39,910
HSBC	27,492	24,977
ING FDG	-	37,901
Nordea Bank	-	29,978
Rabobank	19,046	39,927
Toyota Motor Corporation	43,962	42,930
UBS	43,953	-
Total	\$ 199,345	\$ 250,222
% of Portfolio	22.98%	27.56%

(d) Credit Ratings

As a result of the S&P's credit rating downgrade of several U.S. Treasury supported federal agencies in August 2011, certain investments owned and purchased by the Authority since that date were lowered and their ratings are reflected herein. Prior to the August 2011 downgrade it was management's practice to purchase debt securities that had an implied credit rating of AAA, or that were collateralized to AAA. Investments in bank certificates of deposits were fully collateralized. Also, the Authority invested in the Massachusetts Municipal Depository Trust (MMDT), managed by the State Treasury, which is not rated.

The 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement and the Board approved an Investment Policy that limits the Authority in the types of investments it can purchase to the two highest rating categories without regard to gradations within the rating categories by both S&P (AAA, AA+, AA, and AA-) and Moody's (Aaa, Aa1, Aa2, and Aa3).

(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 of the investments held in 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 its liquidity needs.

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Notes to Financial Statements

June 30, 2013 and 2012

(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):

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
1978 Trust				
Improvement and Extension Fund	\$ 117,670	\$ 117,717	\$ 83,039	\$ 83,302
Capital Budget Account	153,130	153,356	148,822	149,094
Debt Service Reserve Funds	102,659	101,547	111,554	112,287
Debt Service Funds	69,351	69,351	82,268	82,268
Maintenance Reserve Fund	88,280	88,259	100,013	100,179
Operating/Revenue Fund	47,733	47,736	55,334	55,334
Subordinated Debt Funds	39,056	39,056	37,623	37,623
Self-Insurance Account	27,352	27,396	30,282	30,510
2010 A Construction Fund	226	226	3,439	3,439
2012 A Project Fund	53,936	53,902	-	-
Other Funds	15,817	15,817	14,230	14,231
1999 PFC Trust				
Debt Service Reserve Funds	28,147	28,342	27,971	27,984
Debt Service Funds	19,558	19,558	20,312	20,312
Other PFC Funds	19,169	19,176	8,234	8,234
2011 CFC Trust				
2011-A & B CFC Project Funds	24,699	24,714	88,774	88,774
Debt Service Reserve Funds	24,037	23,904	24,097	24,264
Debt Service Funds	7,613	7,613	7,007	7,007
Other CFC Funds	29,137	29,072	64,844	64,995
Total	<u>\$ 867,570</u>	<u>\$ 866,742</u>	<u>\$ 907,843</u>	<u>\$ 909,837</u>

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Notes to Financial Statements

June 30, 2013 and 2012

4. Capital Assets

Capital assets consisted of the following at June 30, 2013 and 2012 (in thousands):

	<u>June 30, 2012</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>June 30, 2013</u>
Capital assets not being depreciated				
Land	\$ 173,036	\$ 1,718	\$ —	\$ 174,754
Construction in progress	<u>257,828</u>	<u>318,288</u>	<u>234,139</u>	<u>341,977</u>
Total capital assets not being depreciated	<u>430,864</u>	<u>320,006</u>	<u>234,139</u>	<u>516,731</u>
Capital assets being depreciated				
Buildings	2,485,423	42,005	63	2,527,365
Runway and other paving	677,138	99,654	3,612	773,180
Roadway	615,045	24,287	—	639,332
Machinery and equipment	273,509	63,426	543	336,392
Air rights	176,802	3,049	—	179,851
Parking rights	<u>46,261</u>	<u>—</u>	<u>—</u>	<u>46,261</u>
Total capital assets being depreciated and amortized	<u>4,274,178</u>	<u>232,421</u>	<u>4,218</u>	<u>4,502,381</u>
Less accumulated depreciation:				
Buildings	1,213,591	73,267	63	1,286,795
Runway and other paving	301,141	46,477	1,327	346,291
Roadway	252,077	25,170	—	277,247
Machinery and equipment	178,764	44,935	385	223,314
Air rights	89,224	8,072	—	97,296
Parking rights	<u>16,962</u>	<u>1,542</u>	<u>—</u>	<u>18,504</u>
Total accumulated depreciation and amortization	<u>2,051,759</u>	<u>199,463</u>	<u>1,775</u>	<u>2,249,447</u>
Total capital assets being depreciated and amortized, net	<u>2,222,419</u>	<u>32,958</u>	<u>2,443</u>	<u>2,252,934</u>
Capital assets, net	<u>\$ 2,653,283</u>	<u>\$ 352,964</u>	<u>\$ 236,582</u>	<u>\$ 2,769,665</u>

Depreciation and amortization for fiscal year 2013 and 2012 was \$199.0 million and \$181.2 million, respectively.

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Notes to Financial Statements

June 30, 2013 and 2012

	<u>June 30, 2011</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>June 30, 2012</u>
Capital assets not being depreciated				
Land	\$ 173,023	\$ 13	\$ —	\$ 173,036
Construction in progress	<u>130,798</u>	<u>258,018</u>	<u>130,988</u>	<u>257,828</u>
Total capital assets not being depreciated	<u>303,821</u>	<u>258,031</u>	<u>130,988</u>	<u>430,864</u>
Capital assets being depreciated				
Buildings	2,411,225	79,963	5,765	2,485,423
Runway and other paving	667,323	9,895	80	677,138
Roadway	609,943	6,419	1,317	615,045
Machinery and equipment	241,829	32,006	326	273,509
Air rights	174,110	2,692	—	176,802
Parking rights	<u>46,261</u>	<u>—</u>	<u>—</u>	<u>46,261</u>
Total capital assets being depreciated and amortized	<u>4,150,691</u>	<u>130,975</u>	<u>7,488</u>	<u>4,274,178</u>
Less accumulated depreciation for:				
Buildings	1,119,609	97,575	3,593	1,213,591
Runway and other paving	274,781	26,409	49	301,141
Roadway	228,512	24,179	614	252,077
Machinery and equipment	155,159	23,902	297	178,764
Air rights	81,265	7,959	—	89,224
Parking rights	<u>15,420</u>	<u>1,542</u>	<u>—</u>	<u>16,962</u>
Total accumulated depreciation and amortization	<u>1,874,746</u>	<u>181,566</u>	<u>4,553</u>	<u>2,051,759</u>
Total capital assets being depreciated and amortized, net	<u>2,275,945</u>	<u>(50,591)</u>	<u>2,935</u>	<u>2,222,419</u>
Capital assets, net	<u>\$ 2,579,766</u>	<u>\$ 207,440</u>	<u>\$ 133,923</u>	<u>\$ 2,653,283</u>

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Notes to Financial Statements

June 30, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Facilities completed by operation:		
Airports	\$ 4,193,108	\$ 3,967,585
Port	<u>484,027</u>	<u>479,629</u>
Capital assets (excluding construction in progress)	<u>\$ 4,677,135</u>	<u>\$ 4,447,214</u>

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Notes to Financial Statements

June 30, 2013 and 2012

5. Bonds and Notes Payable

Long-term debt at June 30, 2013 consisted of the following and represents maturities on the Authority's fiscal year basis (in thousands):

	<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:					
1998, Series A, 5.75%, issued January 29, 1998 due 2012	\$ 19,165	\$ —	\$ 19,165	\$ —	\$ —
2003, Series A, 3.00% to 5.00%, issued May 22, 2003 due 2013 to 2034	190,040	—	182,195	7,845	5,190
2003, Series C, 5.00%, issued May 22, 2003 due 2013 to 2019	37,145	—	10,435	26,710	7,885
2005, Series A, 3.50% to 5.00%, issued May 5, 2005 due 2013 to 2036	172,590	—	3,900	168,690	4,090
2005, Series C, 3.50% to 5.00%, issued May 5, 2005 due 2013 to 2030	211,255	—	8,990	202,265	10,105
2007, Series A, 3.75% to 4.50%, issued May 31, 2007 due 2013 to 2038	47,760	—	1,050	46,710	1,090
2007, Series C, 4.00% to 5.00%, issued May 31, 2007 due 2013 to 2028	30,825	—	1,310	29,515	1,370
2008, Series A Multi-Modal, variable, issued June 19, 2008 due 2013 to 2039	23,200	—	500	22,700	2,567
2008, Series C, 4.00% to 5.00%, issued July 9, 2008 due 2013 to 2021	34,945	—	1,085	33,860	3,545
2010, Series A, 3.25% to 5.00%, issued August 5, 2010 due 2014 to 2041	97,905	—	—	97,905	1,825
2010, Series B, 3.00% to 5.00%, issued August 5, 2010 due 2013 to 2040	136,640	—	1,580	135,060	1,625
2010, Series C, 5.00%, issued August 5, 2010 due 2013 to 2019	21,585	—	2,485	19,100	2,630
2010, Series D, Multi-Modal variable, issued August 5, 2010 due 2013 to 2030	103,305	—	4,415	98,890	14,065
2012, Series A, 3.00% to 5.00%, issued July 11, 2012 due 2014 to 2041	—	116,785	—	116,785	—
2012, Series B, 3.00% to 5.00%, issued July 11, 2012 due 2017 to 2032	—	158,830	—	158,830	—
Subtotal Senior Debt	1,126,360	275,615	237,110	1,164,865	55,987

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Notes to Financial Statements

June 30, 2013 and 2012

	<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	34,000	—	—	34,000	—
Subtotal Subordinated Debt	74,000	—	—	74,000	—
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Senior Debt - PFC Trust Agreement:					
2007, Series B, 4.00% to 5.00%, issued May 31, 2007 due 2013 to 2018	\$ 33,050	\$ —	\$ 4,285	\$ 28,765	\$ 4,460
2007, Series D, 3.80% to 5.50%, issued May 31, 2007 due 2013 to 2018	64,830	—	100	64,730	100
2010, Series E, 5.00%, issued August 5, 2010 due 2013 to 2018	45,635	—	11,775	33,860	12,365
Subtotal PFC Senior Debt	143,515	—	16,160	127,355	16,925
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	156,030	—	2,575	153,455	3,185
Subtotal CFC Senior Debt	214,060	—	2,575	211,485	3,185
Total Bonds Payable	1,557,935	275,615	255,845	1,577,705	76,097
Unamortized amounts:					
Bond premium/(discount), net	54,941	38,892	14,898	78,935	5,674
Total Bonds Payable, net	<u>\$ 1,612,876</u>	<u>\$ 314,507</u>	<u>\$ 270,743</u>	<u>\$ 1,656,640</u>	<u>\$ 81,771</u>

Included in the Authority's bonds payable are \$121.6 million and \$126.5 million of variable rate demand bonds ("VRDB") as of June 30, 2013 and 2012, respectively. The VRDBs have remarketing features which allow bondholders the right to return, or put, the bonds to the Authority. The Authority had entered into a three year irrevocable letter of credit agreement with Bank of America that expired on August 12, 2013 and required repayment of the tendered, unremarketed VRDBs and any associated obligations on the bonds tendered. 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. On August 7, 2013, the Authority entered into a five year irrevocable letter of credit agreement with State Street Bank, replacing the Bank of

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America letter of credit agreement, in support of the Authority's variable rate demand bonds, Series 2008 A and Series 2010 D.

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 classified \$11.7 million and \$12.2 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 30th due within one year, for the fiscal years ending June 30, 2013 and 2012, respectively.

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

	2012 Beginning balance	Additions	Reductions	2013 Ending balance	Due within one year
Senior Debt-1978 Trust Agreement:	\$ 1,126,360	\$ 275,615	\$ 237,110	\$ 1,164,865	\$ 55,987
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	143,515	—	16,160	127,355	16,925
Senior Debt - CFC Trust Agreement:	<u>214,060</u>	<u>—</u>	<u>2,575</u>	<u>211,485</u>	<u>3,185</u>
	<u>\$ 1,557,935</u>	<u>\$ 275,615</u>	<u>\$ 255,845</u>	<u>\$ 1,577,705</u>	<u>\$ 76,097</u>
	2011 Beginning balance	Additions	Reductions	2012 Ending balance	Due within one year
Senior Debt-1978 Trust Agreement:	\$ 1,180,460	\$ —	\$ 54,100	\$ 1,126,360	\$ 69,169
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	159,250	—	15,735	143,515	16,160
Senior Debt - CFC Trust Agreement:	<u>214,060</u>	<u>—</u>	<u>—</u>	<u>214,060</u>	<u>2,575</u>
	<u>\$ 1,627,770</u>	<u>\$ —</u>	<u>\$ 69,835</u>	<u>\$ 1,557,935</u>	<u>\$ 87,904</u>

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Notes to Financial Statements

June 30, 2013 and 2012

Debt service requirements on revenue bonds (1978 Trust, PFC Trust and CFC Trust) outstanding at June 30, 2013 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 64,435	\$ 72,700	\$ 137,135
2015	67,790	70,798	138,588
2016	72,070	67,965	140,035
2017	73,200	64,802	138,002
2018	106,440	61,526	167,966
2019 – 2023	270,395	262,094	532,489
2024 – 2028	296,700	202,880	499,580
2029 – 2033	312,910	130,673	443,583
2034 – 2038	191,950	57,852	249,802
2039 – 2043	121,815	15,563	137,378
Total	<u>\$ 1,577,705</u>	<u>\$ 1,006,853</u>	<u>\$ 2,584,558</u>

a) *Senior Debt - 1978 Trust Agreement*

On July 11, 2012, the Authority issued \$275.6 million of Massachusetts Port Authority Revenue Bonds in two series. The Series 2012 A Revenue Bonds, in the principal amount of \$116.8 million were issued with an original issue premium of approximately \$11.5 million and interest rates ranging from 3.0% to 5.0%. The projects financed with Series A bond proceeds include capital improvements to Terminals B and C, hanger upgrades, and replacement substations for Terminals B and E. Due to the “private activity” nature of the construction projects, these bonds were sold as AMT bonds.

The Authority also issued \$158.8 million in Revenue Refunding Bonds, Series 2012 B. The Series 2012 B Bonds had an original issue premium of approximately \$27.4 million and refunded a portion of the 2003 A bonds and 2003 C bonds. The current refunding resulted in the recognition of an accounting gain of \$1.6 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded 2003 A and 2003 C bonds and the refunding debt service was \$19.0 million. This refunding had an economic loss and achieved a net present value savings of \$14.7 million or 8.2%. The annual savings for fiscal year 2013 through fiscal year 2033 are approximately \$0.817 million.

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, 2013 and 2012, the Authority’s debt service coverage under the 1978 Trust Agreement was 2.47 and 2.21, respectively.

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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 invested \$12.0 million in January 2001 which at maturity will provide for the \$74.0 million principal payments of the subordinate debt at their respective maturities on December 31, 2030 and January 1, 2031. As of June 30, 2013, the value of the two GICs was approximately \$36.7 million as compared to \$35.2 million as of June 30, 2012.

c) Senior Debt - PFC Trust Agreement

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 \$60.2 million and \$59.3 million during fiscal years 2013 and 2012, respectively. These amounts include approximately \$0.1 million of investment income on PFC receipts during each of the fiscal years 2013 and 2012, respectively.

The PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2013 and 2012, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 4.37 and 3.73, respectively.

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 were 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 are 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 \$30.1 million and \$29.6 million during fiscal years 2013 and 2012, respectively. These amounts include approximately \$0.8 million of investment income on CFC receipts during each of the fiscal years 2013 and 2012.

The CFC Trust Agreement requires that the Authority maintain debt service coverage of at least 1.3. In fiscal years 2013 and 2012, the CFC debt service coverage was 2.87 and 2.78, respectively.

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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, 2013, were approximately \$6.4 million.

f) Special Facility Bonds

To provide for the construction and improvement of various facilities at Logan Airport, the Authority has issued eight 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, 2013 and 2012, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding was approximately \$664.4 million and \$683.2 million, respectively. The Authority has no obligation for \$196.5 million of Special Facility Bonds and only limited obligation for the \$467.9 million of special facility bonds related to Terminal A described below.

Approximately \$467.9 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 2005, Delta Airlines entered into bankruptcy and as of April 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, 2013 and 2012 were as follows (in thousands):

	2013	2012
Commercial paper notes	\$ 100,000	\$ 89,000
Commercial paper notes issued	15,000	100,000
Principal paid on commercial paper notes	(15,000)	(89,000)
Commercial paper notes	<u>\$ 100,000</u>	<u>\$ 100,000</u>

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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 \$100.0 million, and is backed by a Letter of Credit Agreement with the TD Bank expiring in June 2015.

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 2012 Series A and B, during fiscal year 2014. The blended interest rate on Series 2012 A Notes was 0.731% during fiscal year 2013 and 0.75% and during May 15, 2012 through June 30, 2012 of fiscal year 2012. The blended interest rate on the Series 2012 B Notes was 0.736% during fiscal year 2013 and 0.77% during May 15, 2012 through June 30, 2012 of fiscal year 2012.

The blended interest rate on Series 2003 A Notes was 0.17% and 0.33% and Series 2003 B Notes was 0.19% and 0.35% during July 1, 2011 through May 14, 2012 of fiscal year 2012 and all fiscal year 2011, respectively.

During fiscal year 2013 and fiscal year 2012, 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, 2013 and 2012 of \$12.1 million. Of this amount, \$11.3 million is associated with the Authority's Subordinate Bond Series 2000 A & B, and Series 2001A, B & C.

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.

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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, 2012 and 2011 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, 2012 and 2011.

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, 2013 was determined as part of the January 1, 2012 actuarial valuation. In the January 1, 2012 actuarial valuation, the actuarial cost method utilized to determine contributions to the Plan for the year ended December 31, 2012 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.

The actuarial assumptions included (a) 7.625% investment rate of return, and (b) projected salary increases of 4.50%, 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 \$13.0 thousand annual pension. The ARC equaled the annual pension cost ("APC") and the employer contributions for the last three years. Those amounts are as follows (in thousands):

Year ended December 31,	Annual pension cost (APC)	Percentage of APC contributed
2012	\$ 9,594	100%
2011	5,710	100
2010	4,924	100

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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 Position 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 Position 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. As of June 30, 2013, approximately 781 retirees and 1,200 active and inactive employees meet the eligibility requirements.

In June 2009, the Board made changes to the plan benefits to be paid by the Authority for certain existing and future retirees. All current retired members of the Authority and all existing Authority employees who were vested as of October 1, 2009 would be eligible to have 100% of their premium cost subsidized. Employees not yet vested but employed by the Authority on October 1, 2009 would, upon retirement be eligible to receive 85% of the premium cost for benefits with the balance paid for by the retiree. For employees hired on or after October 1, 2009, the Board voted to implement a sliding scale subsidy for retiree health care premiums (ranging from 0%-85%) based on creditable service at retirement age (retirees must be age 60 or older to receive the subsidy), and whether or not the employee retired within sixty days after leaving the Authority. The Board also voted to eliminate retiree dental and life insurance coverage, as well as Medicare Part B premium subsidy for this group of employees.

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 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. To comply with the requirements of GASB 45, the Authority performed an actuarial valuation at January 1, 2013. 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. Prancevicius, 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 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

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on net asset or unit value at year-end. No long term contracts for contributions to the Trust existed at June 30, 2013 or 2012.

b) Annual OPEB Costs and Net OPEB Obligation

The Authority's 2013 and 2012 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, 2013, 2012, and 2011, 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, 2013 (in thousands).

	2013	2012	2011
Annual Required Contribution (ARC)	\$ 14,006	\$ 18,444	\$ 17,229
Interest on net OPEB obligation	(3,265)	(3,032)	(3,311)
Adjustment to ARC	2,709	2,438	2,609
Annual OPEB cost	13,450	17,850	16,527
Current premiums on a pay-as-you-go basis			
Subsidy	2,254	2,335	1,943
Contributions made	20,851	13,807	17,100
Change in net OPEB obligation	9,655	(1,708)	2,516
Net OPEB Asset – beginning of year	43,533	45,241	42,725
Net OPEB Asset – end of year	\$ 53,188	\$ 43,533	\$ 45,241
% of Annual OPEB cost contributed	155.0%	77.4%	103.5%

c) Funded Status and Funding Progress

The funded status of the plan, based on an actuarial valuation as of January 1, 2013, was as follows (in thousands):

Actuarially accrued liability ("AAL")	\$ 224,488
Actuarial value of plan assets	105,622
Unfunded actuarial accrued liability ("UAAL")	\$ 118,866
Funded ratio (actuarial value of plan assets/AAL)	47.1%
Covered payroll (active plan members)	\$ 95,400
UAAL as a percentage of covered payroll	124.6%

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

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assumptions about future employment, mortality, and the healthcare cost trend. 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, 2013 actuarial valuation used the projected unit credit cost method. The actuarial value of assets was \$105.6 million. The actuarial assumptions included a 7.50% investment rate of return and an initial annual healthcare cost trend rate range of 9.0% 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 30 years, on a closed basis. At June 30, 2013, 25 years are remaining to be amortized. This has been calculated assuming an inflation rate of 3.25%.

8. Leases

a) Commitments

The Authority has commitments under various operating leases, which contain escalation clauses, as lessee. The following is a schedule by years of minimum rental payments under noncancelable operating leases as of June 30, 2013 (in thousands):

Years	Amount	Years	Amount
2014	\$ 26,189	2034 – 2038	\$ 4,436
2015	23,554	2039 – 2043	4,436
2016	22,991	2044 – 2048	4,436
2017	22,926	2049 – 2053	4,436
2018	14,613	2054 – 2058	4,436
2019 – 2023	15,596	2059 – 2063	4,436
2024 – 2028	4,436	2064 – 2068	4,436
2029 – 2033	4,436	2069 – 2070	1,479
		Total	\$ 167,272

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Rent expense and other operating lease related payments were \$28.0 million and \$30.8 million for fiscal years 2013 and 2012, 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, 2013 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2014	\$ 86,467	2049 – 2053	\$ 50,113
2015	70,482	2054 – 2058	45,940
2016	45,347	2059 – 2063	47,745
2017	40,080	2064 – 2068	48,293
2018	35,921	2069 – 2073	50,320
2019 – 2023	161,998	2074 – 2078	50,969
2024 – 2028	100,269	2079 – 2083	51,955
2029 – 2033	92,977	2084 – 2088	41,920
2034 – 2038	86,727	2089 – 2093	38,494
2039 – 2043	87,975	2094 – 2098	31,144
2044 – 2048	72,863	2099 – 2103	3,883
		2104 – 2107	906
		Total	\$ 1,342,788

Rental income and concession income, including contingent payments received under these provisions, were approximately \$257.3 million and \$248.8 million for the fiscal years 2013 and 2012, 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 \$7.3 million and \$6.8 million as of June 30, 2013 and 2012, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30, 2013 and 2012.

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Changes in the accrued liability accounts, related to self insurance, in fiscal year 2013 and 2012 were as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Liability balance, beginning of year	\$ 6,843	\$ 5,569
Provision to record estimated losses	1,279	3,488
Payments	<u>(869)</u>	<u>(2,214)</u>
Liability balance, end of year	<u>\$ 7,253</u>	<u>\$ 6,843</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 for Massport employees and \$1.0 million for port officers and ILA Members, \$1,000 per occurrence for automobile liability; aviation general liability and airport terrorism insurance, \$25,000 for airside incidents and \$0.50 million for non-airside auto losses; \$0.25 million for Comprehensive Marine Liability, Terminal Operator's Liability, Stevedore's liability and \$0.25 million for property losses per occurrence. 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 periods. Further, insurance maintained in fiscal years 2013 and 2012 has not changed significantly from prior periods.

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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.

Pursuant to the terms of the amended Boston PILOT Agreement (the "Amended Boston PILOT Agreement"), the term of the Amended Boston PILOT Agreement terminates to June 30, 2019 subject to (1) mutual rights annually to terminate the Amended PILOT Agreement and (2) automatic one year extensions of the term each July 1. 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") which 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 March 2013, the Board voted to extend the term of the Planning and Development Agreement through fiscal year 2015.

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%.

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PILOT payments to the City of Boston for fiscal year 2013 and 2012 were \$17.2 million and \$16.7 million, respectively. PILOT payments to the Town of Winthrop for fiscal year 2013 and 2012 were \$0.9 million for each year.

11. Commitments

a) Contractual Obligations for Construction

The Authority enters into construction contracts with various construction and engineering companies. Construction contracts outstanding were approximately \$296.9 million and \$221.2 million as of June 30, 2013 and 2012, 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 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 has been 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% 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

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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.

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 insurer, even though the settling plaintiffs have provided the Authority with a release of all claims related to the events of 9/11. On July 18, 2013, the Authority was dismissed from the remaining property damage lawsuits (both brought by World Trade Center Properties, LLC) (“WTC Properties”). WTC Properties has stated that it intends to appeal this ruling.

Absent the limitation of liability in ATSSSA, the amount of potential damages that could have been 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 had 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 eight 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.

MASSACHUSETTS PORT AUTHORITY

Notes to Financial Statements

June 30, 2013 and 2012

The estimated liability as of June 30, 2013 and 2012 is \$3.9 million and \$4.2 million, respectively, which represents the approximate amounts the Authority expects to pay for future remediation activities. The Authority paid approximately \$0.7 million and \$0.7 million in fiscal years 2013 and 2012, 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.

13. Interagency Agreements

a) 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 2013 and 2012, the Authority recognized income of approximately \$0.1 and \$0.1 million, respectively, representing its share of the earnings of the RTC.

b) 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.

MASSACHUSETTS PORT AUTHORITY
Required Supplementary Information
Schedule of Pension Funding Progress / OPEB Funding Progress
June 30, 2013
(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)
1/1/2012	\$ 422,999	436,468	13,469	96.9%	\$ 84,045	16.0%
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)

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)
1/1/2013	\$ 105,622	224,488	118,866	47.1%	\$ 95,400	124.6%
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 Position

June 30, 2013

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 45,651	\$ —	\$ —	\$ 45,651
Investments	27,976	—	—	27,976
Restricted cash and cash equivalents	131,592	30,137	35,920	197,649
Restricted investments	131,766	8,994	20,023	160,783
Accounts receivable				—
Trade, net	42,215	8,459	3,646	54,320
Grants	6,536	—	578	7,114
Total receivables, net	48,751	8,459	4,224	61,434
Prepaid expenses and other assets	9,886	137	55	10,078
Total current assets	395,622	47,727	60,222	503,571
Noncurrent assets:				
Investments	91,827	—	—	91,827
Restricted investments	285,550	27,945	29,361	342,856
Prepaid expenses and other assets, long-term	7,800	347	1,317	9,464
Investment in joint venture	2,137	—	—	2,137
Net OPEB asset	53,188	—	—	53,188
Capital assets, net	2,085,648	436,961	247,056	2,769,665
Total noncurrent assets	2,526,150	465,253	277,734	3,269,137
Total assets	2,921,772	512,980	337,956	3,772,708
Deferred outflows of resources				
Deferred loss on refunding of bonds	20,664	1,183	—	21,847
Total deferred outflows of resources	20,664	1,183	—	21,847
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	95,519	12	7,212	102,743
Compensated absences	1,550	—	—	1,550
Retainage	8,092	—	—	8,092
Current portion of long-term debt	60,247	18,389	3,134	81,770
Commercial notes payable	100,000	—	—	100,000
Accrued interest payable	27,572	3,117	5,898	36,587
Deferred income	6,054	—	—	6,054
Total current liabilities	299,034	21,518	16,244	336,796
Noncurrent liabilities				
Accrued expenses	17,754	389	—	18,143
Compensated absences	19,873	—	—	19,873
Retainage	275	—	5,210	5,485
Long-term debt, net	1,254,754	113,181	206,934	1,574,869
Deferred income	10,828	—	—	10,828
Total noncurrent liabilities	1,303,484	113,570	212,144	1,629,198
Total liabilities	1,602,518	135,088	228,388	1,965,994
Net position				
Net investment in capital assets	739,284	306,574	85,719	1,131,577
Restricted for other purposes				
Bond funds	159,634	—	—	159,634
Project funds	208,948	—	—	208,948
Passenger facility charges	—	72,501	—	72,501
Customer facility charges	—	—	23,849	23,849
Other purposes	50,526	—	—	50,526
Total restricted	419,108	72,501	23,849	515,458
Unrestricted	181,526	—	—	181,526
Total net position	\$ 1,339,918	\$ 379,075	\$ 109,568	\$ 1,828,561

See accompanying independent auditors' report.

Schedule II

MASSACHUSETTS PORT AUTHORITY

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

Year ended June 30, 2013

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Operating revenues:				
Fees and other services	\$ 289,384	\$ —	\$ —	\$ 289,384
Rentals	184,744	—	—	184,744
Concessions	72,542	—	—	72,542
Other	22,515	—	—	22,515
Operating grants	2,638	—	—	2,638
Total operating revenues	571,823	—	—	571,823
Operating expenses:				
Operations and maintenance	272,611	—	—	272,611
General and administrative	48,950	—	—	48,950
Insurance	8,020	—	—	8,020
Pension	9,614	—	—	9,614
Other post-employment benefits	13,450	—	—	13,450
Payments in lieu of taxes	18,090	—	—	18,090
Recovery for uncollectible accounts	(353)	—	—	(353)
Depreciation and amortization	159,980	38,704	362	199,046
Total operating expenses	530,362	38,704	362	569,428
Operating income (loss)	41,461	(38,704)	(362)	2,395
Nonoperating revenues and (expenses):				
Passenger facility charges	—	60,105	—	60,105
Customer facility charges	—	—	29,354	29,354
Investment income	6,447	1,118	771	8,336
Net (decrease)/increase in the fair value of investments	(2,511)	189	(499)	(2,821)
Other revenues	187	—	—	187
Settlement of claims	567	—	—	567
Terminal A debt service contribution	—	(12,114)	—	(12,114)
Other expenses	(73)	(192)	(1,014)	(1,279)
Loss on sale of equipment	(64)	—	—	(64)
Interest expense	(54,657)	(6,167)	(247)	(61,071)
Total nonoperating (expense) revenue, net	(50,104)	42,939	28,365	21,200
Increase (decrease) in net position before capital grant revenue	(8,643)	4,235	28,003	23,595
Capital grant revenue	19,656	—	578	20,234
Increase (decrease) in net position	11,013	4,235	28,581	43,829
Net position, beginning of year	1,328,905	374,840	80,987	1,784,732
Net position, end of year	\$ 1,339,918	\$ 379,075	\$ 109,568	\$ 1,828,561

See accompanying independent auditors' report.

MASSACHUSETTS PORT AUTHORITY

Schedule III

Combining Schedule of Net Position

June 30, 2012

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Assets				(restated)
Current assets:				
Cash and cash equivalents	\$ 43,013	\$ —	\$ —	\$ 43,013
Investments	42,130	—	—	42,130
Restricted cash and cash equivalents	94,809	28,801	23,927	147,537
Restricted investments	186,669	—	109,782	296,451
Accounts receivable				—
Trade, net	39,322	8,624	2,957	50,903
Grants	7,929	—	—	7,929
Total receivables, net	47,251	8,624	2,957	58,832
Prepaid expenses and other assets	14,273	238	696	15,207
Total current assets	428,145	37,663	137,362	603,170
Noncurrent assets:				
Investments	53,493	—	—	53,493
Restricted investments	248,153	27,729	51,331	327,213
Prepaid expenses and other assets, long-term	11,170	417	1,372	12,959
Investment in joint venture	2,075	—	—	2,075
Net OPEB asset	43,533	—	—	43,533
Capital assets, net	2,064,766	460,477	128,040	2,653,283
Total noncurrent assets	2,423,190	488,623	180,743	3,092,556
Total assets	2,851,335	526,286	318,105	3,695,726
Deferred outflows of resources				
Deferred loss on refunding of bonds	20,604	1,460	—	22,064
Total deferred outflows of resources	20,604	1,460	—	22,064
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	88,742	(10)	16,465	105,197
Compensated absences	1,610	—	—	1,610
Retainage	8,073	—	—	8,073
Current portion of long-term debt	72,224	17,624	2,524	92,372
Commercial notes payable	100,000	—	—	100,000
Accrued interest payable	26,705	3,525	5,910	36,140
Deferred income	6,741	—	—	6,741
Total current liabilities	304,095	21,139	24,899	350,133
Noncurrent liabilities				
Accrued expenses	27,091	196	—	27,287
Compensated absences	20,591	—	—	20,591
Retainage	125	—	2,150	2,275
Long-term debt, net	1,178,865	131,570	210,069	1,520,504
Deferred income	12,268	—	—	12,268
Total current liabilities	1,238,940	131,766	212,219	1,582,925
Total liabilities	1,543,035	152,905	237,118	1,933,058
Net position				
Net investment in capital assets	729,089	319,745	10,276	1,059,110
Restricted for other purposes				
Bond funds	186,227	—	—	186,227
Project funds	218,907	—	—	218,907
Passenger facility charges	—	55,095	—	55,095
Customer facility charges	—	—	70,711	70,711
Other purposes	52,332	—	—	52,332
Total restricted	457,466	55,095	70,711	583,272
Unrestricted	142,350	—	—	142,350
Total net position	\$ 1,328,905	\$ 374,840	\$ 80,987	\$ 1,784,732

See accompanying independent auditors' report.

Schedule IV

MASSACHUSETTS PORT AUTHORITY
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2012
(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals (restated)
Operating revenues:				
Fees and other services	\$ 283,364	\$ —	\$ —	\$ 283,364
Rentals	180,568	—	—	180,568
Concessions	68,239	—	—	68,239
Other	23,926	—	—	23,926
Operating grants	2,357	—	—	2,357
Total operating revenues	<u>558,454</u>	<u>—</u>	<u>—</u>	<u>558,454</u>
Operating expenses:				
Operations and maintenance	264,033	1,574	—	265,607
General and administrative	43,987	—	—	43,987
Insurance	8,059	—	—	8,059
Pension	5,710	—	—	5,710
Other post-employment benefits	17,850	—	—	17,850
Payments in lieu of taxes	17,642	—	—	17,642
Provision for uncollectible accounts	1,085	—	—	1,085
Depreciation and amortization	130,938	50,145	83	181,166
Total operating expenses	<u>489,304</u>	<u>51,719</u>	<u>83</u>	<u>541,106</u>
Operating income (loss)	<u>69,150</u>	<u>(51,719)</u>	<u>(83)</u>	<u>17,348</u>
Nonoperating revenues and (expenses):				
Passenger facility charges	(46)	59,258	—	59,212
Customer facility charges	—	—	28,749	28,749
Investment income	8,242	1,132	802	10,176
Net (decrease)/increase in the fair value of investments	(428)	13	670	255
Other revenues	74	544	—	618
Settlement of claims	640	—	—	640
Terminal A debt service contribution	—	(9,105)	—	(9,105)
Other expenses	—	(184)	(214)	(398)
Gain on sale of equipment	354	—	—	354
Interest expense	(49,965)	(8,879)	(463)	(59,307)
Total nonoperating (expense) revenue, net	<u>(41,129)</u>	<u>42,779</u>	<u>29,544</u>	<u>31,194</u>
Increase (decrease) in net position before capital grant revenue	28,021	(8,940)	29,461	48,542
Capital grant revenue	<u>40,584</u>	<u>—</u>	<u>166</u>	<u>40,750</u>
Increase (decrease) in net position	68,605	(8,940)	29,627	89,292
Net position, beginning of year	1,260,300	383,780	51,360	1,695,440
Net position, end of year	<u>\$ 1,328,905</u>	<u>\$ 374,840</u>	<u>\$ 80,987</u>	<u>\$ 1,784,732</u>

See accompanying independent auditors' report.



logan curbside

Passengers using Boston Logan International Airport now have access to real-time information on airport wayfinding, ground transportation options with countdown information, and newly designed terminal maps displayed on digital signs that are being installed in terminals. Massport installed flat-screen digital signs in the Terminal B and Terminal C arrivals area, the new Rental Car Center, and 27 curbside countdown signs for ground transportation. In the next two years, flat-screen digital signs will be installed in the new Terminal B connector, Terminal E on the arrivals and departure level as well as the re-check area where arriving international passengers go to connect to domestic flights. In addition, the flat screens will be installed at all 20 baggage claim locations in the airport.



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 Position, and Net Position 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 Position
Fiscal Years Ended June 30, 2004 through June 30, 2013
(In Thousands)

S-1 Changes in Net Position

	2004	2005	2006	2007	2008
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 236,287	\$ 249,323	\$ 268,723	\$ 290,679	\$ 312,248
Rentals	115,225	139,731	154,991	158,848	166,424
Concessions	45,054	49,923	53,678	55,826	65,414
Other	13,539	16,147	16,752	18,500	18,509
Operating grants	4,859	5,454	3,490	2,976	2,896
Total operating revenues	414,964	460,578	497,634	526,829	565,491
<u>Operating expenses</u>					
Operations and maintenance	\$ 201,394	\$ 211,905	\$ 236,359	\$ 252,905	\$ 275,824
Administration	39,422	43,005	42,126	43,094	45,495
Insurance	10,234	11,221	6,632	10,689	8,548
Pension	1,834	2,141	3,715	3,140	1,006
Other post-employment benefits	3,672	4,018	4,527	5,139	15,850
Payments in lieu of taxes	12,419	12,028	15,771	16,732	17,108
Provision for uncollectible accounts	573	320	2,609	(2,256)	158
Depreciation and Amortization	111,726	136,007	142,071	157,550	162,388
Total operating expenses	381,274	420,645	453,810	486,993	526,377
Operating income	33,690	39,933	43,824	39,836	39,114
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	32,845	35,316	48,324	57,504	53,740
Customer facility charges (2)	N/A	N/A	N/A	N/A	N/A
Investment income	10,239	13,456	20,648	26,845	29,920
Net gain in change in the fair value of investments	-	-	-	1,812	2,739
Other revenues	-	-	351	-	2,099
Gain on sales of assets	9	60	102	45	49
Settlement of claims	1,000	3,354	438	200	84
Total nonoperating revenues	44,093	52,186	69,863	86,406	88,631
<u>Nonoperating expenses</u>					
Interest expense	59,665	64,620	69,601	76,860	80,862
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	176	230	2,780	382	1,027
Total nonoperating expenses	59,841	64,850	75,251	77,242	81,889
Total nonoperating revenues (expenses)	(15,748)	(12,664)	(5,388)	9,164	6,742
Income before capital grant revenue and Special item	17,942	27,269	38,436	49,000	45,856
Capital grant revenue	90,115	47,709	36,209	10,708	41,818
Tobin Bridge transfer	-	-	-	-	-
Change in net position	108,057	74,978	74,645	59,708	87,674
Net position, beginning of year	1,133,840	1,241,897	1,316,875	1,391,520	1,451,228
Net position, end of year	<u>\$ 1,241,897</u>	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>
Total net position composed of:					
Invested in capital assets, net of debt	772,532	772,931	814,180	901,516	903,001
Restricted	402,599	467,014	495,974	405,157	503,646
Unrestricted	66,766	76,930	81,366	144,555	132,255
Total Net Position	<u>\$ 1,241,897</u>	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</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.

(4) The Authority revised the Net Position at July 1, 2010 in the amount of \$10.8 million to correct an understatement of certain revenue related to fiscal years 2007 through 2010.

(5) In accordance with the requirements of GASB No.65, the Authority's Net position was restated as for fiscal year 2011 and forward to reflect the required adjustments.

Source: Authority's audited financial statements.

Massachusetts Port Authority
Statistical Section

Revenues, Expenses and Changes in Net Position
Fiscal Years Ended June 30, 2004 through June 30, 2013
(In Thousands)

S-1 Changes in Net Position (Continued)

	2009	2010	2011	2012	2013
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 298,368	\$ 277,825	\$ 274,545	\$ 283,364	\$ 289,384
Rentals	166,016	167,204	174,431	180,568	184,744
Concessions	60,794	62,321	64,014	68,239	72,542
Other	14,533	17,770	22,204	23,926	22,515
Operating grants	3,055	2,773	2,448	2,357	2,638
Total operating revenues	542,766	527,893	537,642	558,454	571,823
<u>Operating expenses</u>					
Operations and maintenance	\$ 276,071	\$ 249,633	\$ 262,411	\$ 265,607	\$ 272,611
Administration	42,022	41,646	45,988	43,987	48,950
Insurance	7,402	8,874	7,326	8,059	8,020
Pension	408	7,621	4,924	5,710	9,614
Other post-employment benefits	16,731	17,508	16,527	17,850	13,450
Payments in lieu of taxes	18,460	17,547	17,327	17,642	18,090
Provision for uncollectible accounts	1,632	473	412	1,085	(353)
Depreciation and Amortization	156,745	164,141	169,365	181,166	199,046
Total operating expenses	519,471	507,443	524,280	541,106	569,428
Operating income	23,295	20,450	13,362	17,348	2,395
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	50,102	58,598	58,531	59,212	60,105
Customer facility charges (2)	5,211	20,668	26,203	28,749	29,354
Investment income	22,613	14,890	11,676	10,176	8,336
Net gain in change in the fair value of investments	3,312	248	-	255	-
Other revenues	11,995	2,659	1,557	618	187
Gain on sales of assets	-	-	88	354	-
Settlement of claims	3,987	8	1	640	567
Total nonoperating revenues	97,220	97,071	98,056	100,004	98,549
<u>Nonoperating expenses</u>					
Interest expense	73,710	66,870	60,649 (5)	59,307 (5)	61,071
Loss from sale of equipment	1	110	-	-	64
Net loss in change in the fair value of investments	-	-	3,503	-	2,821
Terminal A Debt Service Payment (PFC)	-	-	6,070	9,105	12,114
Other expense / arbitrage	11,418	312	(168)	398	1,279
Total nonoperating expenses	85,129	67,292	70,054	68,810	77,349
Total nonoperating revenues (expenses)	12,091	29,779	28,002	31,194	21,200
Income before capital grant revenue and Special item	35,386	50,229	41,364	48,542	23,595
Capital grant revenue	42,998	34,340	22,484	40,750	20,234
Tobin Bridge transfer	-	(78,058) (3)	-	-	-
Change in net position	78,384	6,511	63,848	89,292	43,829
Net position, beginning of year	1,538,902	1,617,286	1,631,592 (4)	1,695,440	1,784,732
Net position, end of year	\$ 1,617,286	\$ 1,623,797	\$ 1,695,440	\$ 1,784,732	\$ 1,828,561
Total net position composed of:					
Invested in capital assets, net of debt	988,026	999,312	1,055,161	1,059,110	1,131,577
Restricted	504,505	538,211	486,041 (5)	583,272 (5)	515,458
Unrestricted	124,755	86,274	154,238	142,350	181,526
Total Net Position	\$ 1,617,286	\$ 1,623,797	\$ 1,695,440	\$ 1,784,732	\$ 1,828,561

(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.

(4) The Authority revised the Net Position at July 1, 2010 in the amount of \$10.8 million to correct an understatement of certain revenue related to fiscal years 2007 through 2010.

(5) In accordance with the requirements of GASB No.65, the Authority's Net position was restated as for fiscal year 2011 and forward to reflect the required adjustments.

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, 2004 through June 30, 2013

S-2 Principal Revenues and Rates as of June 30

	2004	2005	2006	2007	2008
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 75,050	\$ 69,929	\$ 76,743	\$ 82,241	\$ 87,065
Terminal Rentals and Fees	66,196	85,843	102,967	103,193	107,260
Parking Fees	88,169	93,014	92,324	99,407	110,602
<u>Logan Airport Rates and Charges (1)</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 3.58	\$ 3.07	\$ 3.89	\$ 4.20	\$ 4.41
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	-	-	-	-	-
Terminal A (opened March 2005) (2)	-	\$ 75.20	\$ 57.45	\$ 80.51	\$ 87.43
Terminal B	\$ 75.12	\$ 80.58	\$ 83.76	\$ 87.91	\$ 95.91
Terminal C - Main Terminal	\$ 97.93	\$ 102.87	\$ 107.17	\$ 108.79	\$ 110.17
Terminal E - Type 3 Space	\$ 92.05	\$ 119.46	\$ 121.43	\$ 117.91	\$ 117.49
<u>Baggage Fee (per checked bag)</u>	\$ 0.48	\$ 1.08	\$ 0.92	\$ 0.99	\$ 1.15
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 7.33	\$ 7.41	\$ 8.42	\$ 11.63	\$ 13.31
Outbound	\$ 1.85	\$ 1.61	\$ 3.18	\$ 2.85	\$ 2.79
Inbound Domestic	\$ 0.39	\$ 0.37	\$ 1.09	\$ 1.08	\$ 1.07
Common Use Check-in Fee	\$ 5.62	\$ 7.56	\$ 8.41	\$ 8.51	\$ 9.06
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 22.00	\$ 22.00	\$ 22.00	\$ 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.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2004 through June 30, 2013

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

	2009	2010	2011	2012	2013
<u>Logan Airport Revenues (in thousands)</u>					
Landing Fees	\$ 89,041	\$ 89,718	\$ 91,515	\$ 88,287	\$ 86,533
Terminal Rentals and Fees	106,021	106,079	110,267	115,567	118,306
Parking Fees	102,778	106,918	116,059	125,771	131,873
<u>Logan Airport Rates and Charges (1)</u>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 4.82	\$ 4.82	\$ 4.61	\$ 4.36	\$ 4.34
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (closed May 2002)	-	-	-	-	-
Terminal A (opened March 2005) (2)	\$ 84.04	\$ 83.34	\$ 84.62	\$ 89.90	\$ 93.68
Terminal B	\$ 91.47	\$ 95.31	\$ 95.89	\$ 98.14	\$ 106.23
Terminal C - Main Terminal	\$ 98.56	\$ 104.59	\$ 101.47	\$ 112.90	\$ 109.71
Terminal E - Type 3 Space	\$ 115.76	\$ 105.28	\$ 109.48	\$ 117.16	\$ 116.96
<u>Baggage Fee (per checked bag)</u>	\$ 1.38	\$ 1.49	\$ 1.23	\$ 1.27	\$ 1.45
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 12.32	\$ 14.06	\$ 12.17	\$ 11.40	\$ 10.92
Outbound	\$ 2.62	\$ 3.35	\$ 3.26	\$ 3.36	\$ 3.12
Inbound Domestic	\$ 1.07	\$ 8.37	\$ 10.84	\$ 11.40	\$ 10.92
Common Use Check-in Fee	\$ 8.39	\$ 8.33	\$ 8.06	\$ 8.31	\$ 7.93
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 24.00	\$ 24.00	\$ 24.00	\$ 27.00	\$ 27.00

(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, 2013			For the Fiscal Year Ended June 30, 2004		
Customer	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	
JETBLUE AIRWAYS (1)	\$ 19,328	1	22.34%	\$ 1,013	18	1.35%	
US AIRWAYS, INC.	9,715	2	11.23%	9,148	3	12.19%	
DELTA AIRLINES (2)	8,495	3	9.82%	12,034	2	16.03%	
UNITED AIRLINES, INC. (3)	8,371	4	9.67%	6,041	4	8.05%	
AMERICAN AIRLINES	8,261	5	9.55%	12,206	1	16.26%	
SOUTHWEST AIRLINES CO (4); (5)	3,663	6	4.23%	-	-	0.00%	
BRITISH AIRWAYS, PLC	2,672	7	3.09%	2,070	10	2.76%	
FEDERAL EXPRESS CORP.	2,301	8	2.66%	2,568	8	3.42%	
AIRTRAN AIRLINES (5)	2,062	9	2.38%	2,053	11	2.74%	
SHUTTLE AMERICA CORPORATION	1,989	10	2.30%	7	43	0.01%	
NORTHWEST AIRLINES (2)	-	-	0.00%	3,321	5	4.42%	
AMERICAN EAGLE AIRLINES INC (6)	-	-	0.00%	3,279	6	4.37%	
CONTINENTAL AIRLINES (3)	-	-	0.00%	2,861	7	3.81%	
SIGNATURE FLIGHT SUPPORT	1,581	12	1.83%	2,100	9	2.80%	
ALL OTHER PAYERS	18,095	-	20.91%	16,350	-	21.79%	
Total Landing Fees	\$ 86,533		100.00%	\$ 75,051		100.00%	

Terminal Rents and Fees		For the Fiscal Year Ended June 30, 2013			For the Fiscal Year Ended June 30, 2004		
Customer	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees	
DELTA AIRLINES (2)	\$ 22,913	1	19.46%	\$ 7,938	2	11.99%	
JETBLUE AIRWAYS (1)	17,071	2	14.50%	1,140	13	1.72%	
US AIRWAYS, INC.	10,936	3	9.29%	7,127	3	10.77%	
AMERICAN AIRLINES	10,607	4	9.01%	9,872	1	14.91%	
UNITED AIRLINES, INC. (3)	10,363	5	8.80%	5,357	5	8.09%	
BRITISH AIRWAYS, PLC	6,711	6	5.70%	4,383	6	6.62%	
LUFTHANSA GERMAN AIRLINES	5,349	7	4.54%	3,079	7	4.65%	
SOUTHWEST AIRLINES CO (4)	5,185	8	4.40%	-	-	0.00%	
AIR FRANCE	3,757	9	3.19%	2,112	10	3.19%	
AER LINGUS	3,684	10	3.13%	2,699	8	4.08%	
CONTINENTAL AIRLINES (3)	N/A	-	0.00%	2,679	9	4.05%	
NORTHWEST AIRLINES (2)	-	-	0.00%	5,849	4	8.84%	
ALL OTHER PAYERS	21,155	-	17.98%	13,961	-	21.09%	
Total Terminal Rental and Fees	\$ 117,731		100.00%	\$ 66,196		100.00%	

Parking Revenue		For the Fiscal Year Ended June 30, 2013			For the Fiscal Year Ended June 30, 2004		
Customer	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	
PUBLIC PARKING AT AIRPORT	\$ 123,022	1	93.29%	\$ 78,869	1	89.45%	
TENANT EMPLOYEE PARKING	5,890	2	4.47%	4,923	2	5.58%	
PUBLIC OFF-AIRPORT PARKING	2,961	3	2.25%	4,377	3	4.96%	
Total Parking Revenue	\$ 131,873		100.00%	\$ 88,169		100.00%	

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

(2) Delta Airlines and Northwest Airlines closed their merger during 2008 and continued to operate under their separate names until January 2010.

(3) United and Continental Airlines closed their merger during October 2010 and continued to operate under their separate names until November 2011.

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

(5) Southwest Airlines and AirTran Airlines closed their merger during May 2011 and continue to operate under their separate names.

(6) American Eagle Airlines ceased operations in Boston during November 2011.

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, 2004 through June 30, 2013
(In Thousands)
.....

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating Revenue:					
Per Financial Statements	<u>\$ 414,964</u>	<u>\$ 460,578</u>	<u>\$ 497,634</u>	<u>\$ 526,829</u>	<u>\$ 565,491</u>
Adjustments:					
Provision / recovery for uncollectible accounts	(573)	(320)	(2,609)	2,256	(158)
Other	-	-	-	-	-
Operating Revenue:					
Per the 1978 Trust Agreement	<u>414,391</u>	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>	<u>565,333</u>
Income on Investments:					
Per Financial Statements	<u>10,239</u>	<u>13,456</u>	<u>20,648</u>	<u>26,845</u>	<u>29,920</u>
Adjustments:					
PFC - Trust Agreement	(2,158)	(2,044)	(2,736)	(2,429)	(2,753)
CFC	-	-	-	-	-
Self Insurance and Other Accounts	(1,513)	(1,924)	(2,566)	(3,432)	(3,164)
Income on Investments:					
Per the 1978 Trust Agreement	<u>6,568</u>	<u>9,488</u>	<u>15,346</u>	<u>20,984</u>	<u>24,003</u>
TOTAL REVENUES					
Per the 1978 Trust Agreement	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>
Operating Expenses:					
Per Financial Statements	<u>\$ 381,274</u>	<u>\$ 420,645</u>	<u>\$ 453,810</u>	<u>\$ 486,993</u>	<u>\$ 526,377</u>
Adjustments:					
Insurance	(1,610)	(2,195)	1,074	(2,583)	(824)
Payments in Lieu of Taxes	(12,419)	(12,028)	(15,771)	(16,732)	(17,108)
Provision for uncollectible accounts	(573)	(320)	(2,609)	2,256	(158)
Depreciation and Amortization	(111,726)	(136,007)	(142,071)	(157,550)	(162,388)
Other post-employment benefits	-	-	-	-	(6,702)
Other Expenses	(12,666)	(2,391)	(1,515)	(826)	(2,315)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses	1,000	2,000	1,000	1,000	-
TOTAL EXPENSES					
Per the 1978 Trust Agreement	<u>243,281</u> ⁽¹⁾	<u>269,704</u> ⁽¹⁾	<u>293,918</u>	<u>312,558</u>	<u>336,882</u>
Net Revenue:					
Per the 1978 Trust Agreement	<u>\$ 177,678</u> ⁽¹⁾	<u>\$ 200,042</u> ⁽¹⁾	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>

(1) Column does not add due to rounding.

(2) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of execution of the CFC Trust Agreement adopted on May 18, 2011. CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

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, 2004 through June 30, 2013
(In Thousands)
.....

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating Revenue:					
Per Financial Statements	<u>\$ 542,766</u>	<u>\$ 527,893</u>	<u>\$ 537,642</u>	<u>\$ 558,454</u>	<u>\$ 571,823</u>
Adjustments:					
Provision / recovery for uncollectible accounts	(1,632)	(473)	(419)	(1,061)	353
Other	-	-	(533)	3,979	(1,902)
Operating Revenue:					
Per the 1978 Trust Agreement	<u>541,134</u>	<u>527,420</u>	<u>536,690</u>	<u>561,372</u>	<u>570,274</u>
Income on Investments:					
Per Financial Statements	<u>22,613</u>	<u>14,890</u>	<u>11,676</u>	<u>10,176</u>	<u>8,336</u>
Adjustments:					
PFC - Trust Agreement	(2,271)	(2,037)	(1,344)	(1,141)	(1,118)
CFC	(10)	(85)	(159)	(802)	(771)
Self Insurance and Other Accounts	(2,849)	(1,525)	(1,833)	(1,538)	(2,279)
Income on Investments:					
Per the 1978 Trust Agreement	<u>17,483</u>	<u>11,243</u>	<u>8,340</u>	<u>6,695</u>	<u>4,168</u>
TOTAL REVENUES					
Per the 1978 Trust Agreement (excludes CFCs) (2)	<u>558,617</u>	<u>538,663</u>	<u>545,030</u>	<u>568,067</u>	<u>574,442</u>
Operating Expenses:					
Per Financial Statements	<u>\$ 519,471</u>	<u>\$ 507,443</u>	<u>\$ 524,280</u>	<u>\$ 541,106</u>	<u>\$ 569,428</u>
Adjustments:					
Insurance	5,476	(1,891)	1,514	266	678
Payments in Lieu of Taxes	(18,460)	(17,547)	(17,327)	(17,642)	(18,090)
Provision for uncollectible accounts	(1,632)	(473)	(412)	(1,085)	353
Depreciation and Amortization	(156,745)	(164,141)	(169,365)	(181,166)	(199,046)
Other post-employment benefits	(5,526)	(5,570)	(4,505)	(5,859)	(450)
Other Expenses	(9,044)	1,447	(287)	(4,300)	(3,129)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses/Revenues	1,280	1,201	1,631	2,648	2,254
TOTAL EXPENSES					
Per the 1978 Trust Agreement	<u>334,820</u>	<u>320,469</u>	<u>335,529</u>	<u>333,968</u>	<u>351,998</u>
Net Revenue:					
Per the 1978 Trust Agreement	<u>\$ 223,797</u>	<u>\$ 218,194</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>	<u>\$ 222,444</u>

(1) Column does not add due to rounding.

(2) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of execution of the CFC Trust Agreement adopted on May 18, 2011. CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

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, 2004 through June 30, 2013
(In Thousands)

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

1978 Trust Agreement	2004	2005	2006	2007	2008
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 75,050	\$ 69,929	\$ 76,743	\$ 82,241	\$ 87,065
Parking Fees	88,169	93,014	92,324	99,407	110,602
Utility Fees	12,407	15,696	21,690	25,257	26,562
Terminal Rentals	66,196	85,843	102,967	103,193	107,260
Non-Terminal Building and Ground Rents	31,905	36,133	34,699	34,510	35,063
Concessions	43,870	48,195	51,948	53,724	63,058
Other	17,501 (1)	19,485	16,232	21,765	20,208
	<u>335,098</u>	<u>368,295</u>	<u>396,603</u>	<u>420,097</u>	<u>449,818</u>
Airport Properties - Hanscom	5,646	6,219	7,167	8,911	10,063
Airport Properties - Worcester (2)	N/A	N/A	N/A	N/A	N/A
Total Airport Properties	<u>340,744</u>	<u>374,514</u>	<u>403,770</u>	<u>429,008</u>	<u>459,881</u>
Port Properties					
Maritime Operations	35,687	42,247	46,588	48,708	54,107
Business Development	-	-	-	-	-
Maritime Real Estate (3)	13,931	15,947	16,394	20,030	20,783
	<u>49,618</u>	<u>58,194</u>	<u>62,982</u>	<u>68,738</u>	<u>74,890</u>
Bridge	24,029	27,550	28,273	31,339	30,562
Total Operating Revenue	<u>414,391 (4)</u>	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>	<u>565,333</u>
Investment Income (5)	6,568	9,488	15,346	20,984	24,003
Total Revenues before CFC	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>
CFC Revenues (6)	N/A	N/A	N/A	N/A	N/A
Total Revenues	<u>420,959</u>	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>
Operating Expenses (7):					
Airport Properties					
Logan	179,970	198,380	218,674	232,418	247,026
Hanscom	4,952	6,468	7,096	7,765	9,301
Worcester (2)	N/A	N/A	N/A	N/A	N/A
	<u>184,922</u>	<u>204,848</u>	<u>225,770</u>	<u>240,183</u>	<u>256,327</u>
Port Properties					
Maritime Operations	37,589	42,006	45,151	47,415	52,616
Business Development	-	-	-	-	-
Maritime Real Estate (3)	11,198	13,195	13,464	14,597	15,611
	<u>48,787</u>	<u>55,201</u>	<u>58,615</u>	<u>62,012</u>	<u>68,227</u>
Bridge	9,572	9,655	9,533	10,363	12,328
Total Operating Expenses	<u>243,281 (4)</u>	<u>269,704</u>	<u>293,918</u>	<u>312,558</u>	<u>336,882</u>
Net Revenue	<u>\$ 177,678</u>	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>
Net Revenue Excluding CFCs	<u>\$ 177,678</u>	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>
PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (8)	\$ 32,845	\$ 35,316	\$ 48,324 (9)	\$ 57,504	\$ 53,740
PFC Investment Income (11)	607	621	1,265	938	1,006
PFC Revenue	<u>\$ 33,452</u>	<u>\$ 35,937</u>	<u>\$ 49,589</u>	<u>\$ 58,442</u>	<u>\$ 54,746</u>
CFC Trust Agreement					
Revenues:					
CFC Collections (12)	N/A	N/A	N/A	N/A	N/A
CFC Investment Income	N/A	N/A	N/A	N/A	N/A
CFC Revenue	<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, 2004 through June 30, 2013
(In Thousands)

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

1978 Trust Agreement	2009	2010	2011	2012	2013
Revenues:					
Airport Properties - Logan					
Landing Fees	\$ 89,041	\$ 89,718	\$ 91,515	\$ 88,287	\$ 86,533
Parking Fees	102,778	106,918	116,059	125,771	131,873
Utility Fees	26,005	18,442	16,144	15,275	14,867
Terminal Rentals	106,021	106,079	110,267	115,567	117,891
Non-Terminal Building and Ground Rents	36,693	37,574	39,547	40,107	42,086
Concessions	58,685	60,179	62,750	71,342	70,082
Other	16,177	19,908	19,417	20,467	19,162
	<u>435,400</u>	<u>438,818</u>	<u>455,699</u>	<u>476,816</u>	<u>482,494</u>
Airport Properties - Hanscom	9,037	9,227	9,371	9,984	10,377
Airport Properties - Worcester (2)	N/A	N/A	911	1,238	774
Total Airport Properties	<u>444,437</u>	<u>448,045</u>	<u>465,981</u>	<u>488,038</u>	<u>493,645</u>
Port Properties					
Maritime Operations	49,299	46,540	50,630	50,876	52,444
Business Development	-	-	-	-	-
Maritime Real Estate (3)	18,516	17,682	20,079	22,458	24,185
	<u>67,815</u>	<u>64,222</u>	<u>70,709</u>	<u>73,334</u>	<u>76,629</u>
Bridge	28,882	15,153	-	-	-
Total Operating Revenue	<u>541,134</u>	<u>527,420</u>	<u>536,690</u>	<u>561,372</u>	<u>570,274</u>
Investment Income (5)	17,483	11,243	8,340	6,695	4,168
Total Revenues before CFC	<u>558,617</u>	<u>538,663</u>	<u>545,030</u>	<u>568,067</u>	<u>574,442</u>
CFC Revenues (6)	5,221	20,752	-	-	-
Total Revenues	<u>563,838</u>	<u>559,415</u>	<u>545,030</u>	<u>568,067</u>	<u>574,442</u>
Operating Expenses (7):					
Airport Properties					
Logan	246,561	243,180	253,062	251,718	267,157
Hanscom	8,710	8,159	8,726	8,162	9,235
Worcester (2)	N/A	N/A	5,122	5,048	5,012
	<u>255,271</u>	<u>251,339</u>	<u>266,910</u>	<u>264,928</u>	<u>281,404</u>
Port Properties					
Maritime Operations	50,576	49,345	53,239	52,403	53,455
Business Development	-	-	-	-	-
Maritime Real Estate (3)	16,344	14,506	15,380	16,637	17,139
	<u>66,920</u>	<u>63,851</u>	<u>68,619</u>	<u>69,040</u>	<u>70,594</u>
Bridge	12,629	5,279	-	-	-
Total Operating Expenses	<u>334,820</u>	<u>320,469</u>	<u>335,529</u>	<u>333,968</u>	<u>351,998</u>
Net Revenue	<u>\$ 229,018</u>	<u>\$ 238,946</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>	<u>\$ 222,444</u>
Net Revenue Excluding CFCs	<u>\$ 223,797</u>	<u>\$ 218,194</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>	<u>\$ 222,444</u>
PFC Trust Agreement					
Revenues:					
Logan Airport Net PFC Collections (8)	\$ 50,102	\$ 58,598	\$ 58,485	\$ 59,258	\$ 60,105
PFC Investment Income (11)	597	469	177	81	62
PFC Revenue	<u>\$ 50,699</u>	<u>\$ 59,067</u>	<u>\$ 58,662</u>	<u>\$ 59,339</u>	<u>\$ 60,167</u>
CFC Trust Agreement					
Revenues:					
CFC Collections (12)			\$ 26,203	\$ 28,749	\$ 29,354
CFC Investment Income	N/A	N/A	159	802	771
CFC Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,362</u>	<u>\$ 29,551</u>	<u>\$ 30,125</u>

See notes on next page.

Source: Authority's accounting reports.

MASSACHUSETTS PORT AUTHORITY

Statistical Section

Notes to table S-5:

- (1) Beginning in fiscal year 2004, Logan Airport uncollectible accounts have been included in Logan Other Revenue.
- (2) On July 1, 2010, the Authority acquired Worcester Regional Airport as required under the Transportation Reform Act.
- (3) As part of a reorganization of the Authority, the Port Business Development Department was transferred to the Maritime Department in fiscal year 2004.
- (4) Fiscal year 2004 uncollectible accounts have been reclassified (per Trust) from Operating Expenses to Operating Revenues.
- (5) Excludes investment income earned by and deposited into Construction, PFC, CFC and other funds not held under the 1978 Trust Agreement.
- (6) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of execution of the CFC Trust Agreement adopted on May 18, 2011.
- (7) Includes allocation of all operating expenses related to Authority General Administration.
- (8) PFC revenue collection began at Logan Airport on November 1, 1993. The PFC Trust Agreement became effective May 6, 1999.
- (9) The substantial increase in net PFC collections in fiscal year 2006 reflects the increase in the authorized PFC level to \$4.50 per passenger from \$3.00 effective October 1, 2005.
- (10) In fiscal year 2010, the Authority changed its accrual policy for calculating PFC revenue.
- (11) PFC investment income, per federal PFC law, includes only interest income generated by PFC collections. It does not include earnings on PFC bond funds.
- (12) 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

.....
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, 2004 through June 30, 2013
(In Thousands - except coverage and per passenger calculations)
.....

S-6 Debt Service Coverage and Debt Metrics

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1978 Trust Agreement					
Net Revenue	\$ 177,678	\$ 200,042	\$ 216,453	\$ 237,511	\$ 252,454
Debt Service - Principal	33,185	35,210	41,575	45,465	48,140
Debt Service - Interest	56,104	48,088	65,216	60,018	61,767
Credits to Debt Service (1)	(8,593)	(6,492)	(13,858)	(7,057)	-
Annual Debt Service	<u>\$ 80,696</u>	<u>\$ 76,806</u>	<u>\$ 92,934</u>	<u>\$ 98,426</u>	<u>\$ 109,907</u>
Debt Service Coverage	2.20	2.60	2.33	2.41	2.30
PFC Trust Agreement					
Net PFC Revenue (2)	\$ 33,452	\$ 35,937	\$ 49,589	\$ 58,442	\$ 54,746
Debt Service - Principal	9,995	10,425	10,945	11,435	15,540
Debt Service - Interest	11,553	11,118	10,601	8,374	11,771
Credits to Debt Service (3)	(895)	(1,329)	(1,305)	(1,318)	(2,153)
Annual Debt Service	<u>\$ 20,652</u>	<u>\$ 20,213</u>	<u>\$ 20,241</u>	<u>\$ 18,490</u>	<u>\$ 25,158</u>
Debt Service Coverage (4)	1.62	1.78	2.45	3.16	2.18
First Line Sufficiency Covenant	2.50	2.55	2.39	1.79	1.86
CFC Trust Agreement					
CFC Revenue (5)	N/A	N/A	N/A	N/A	N/A
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Credits to Debt Service	-	-	-	-	-
Annual Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Coverage before the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	-	-	-
Debt Service Coverage after the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	-	-	-
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 6.60	\$ 5.74	\$ 6.80	\$ 7.10	\$ 8.07
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,193,900	\$ 1,384,905	\$ 1,348,045	\$ 1,357,240	\$ 1,338,355
Less Annual Debt Service - Principal (includes reserved money)	<u>31,910</u>	<u>36,860</u>	<u>41,675</u>	<u>42,540</u>	<u>45,415</u>
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,161,990</u>	<u>\$ 1,348,045</u>	<u>\$ 1,306,370</u>	<u>\$ 1,314,700</u>	<u>\$ 1,292,940</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 94.97	\$ 100.74	\$ 95.62	\$ 94.80	\$ 94.97
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.69	\$ 1.51	\$ 1.48	\$ 1.33	\$ 1.85
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 221,705	\$ 211,710	\$ 201,285	\$ 236,285	\$ 224,850
Less Annual PFC Debt Service - Principal	<u>9,995</u>	<u>10,425</u>	<u>10,945</u>	<u>11,435</u>	<u>15,540</u>
PFC Trust Agreement Bonds Outstanding	<u>\$ 211,710</u>	<u>\$ 201,285</u>	<u>\$ 190,340</u>	<u>\$ 224,850</u>	<u>\$ 209,310</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 17.30	\$ 15.04	\$ 13.93	\$ 16.21	\$ 15.37
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
Total Outstanding Bonds at June 30 (GAAP)	<u>\$ 1,415,605</u>	<u>\$ 1,596,615</u>	<u>\$ 1,549,330</u>	<u>\$ 1,593,525</u>	<u>\$ 1,563,205</u>

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, 2004 through June 30, 2013
(In Thousands - except coverage and per passenger calculations)
.....

S-6 Debt Service Coverage and Debt Metrics (Continued)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1978 Trust Agreement					
Net Revenue	\$ 223,797	\$ 218,194	\$ 209,501	\$ 234,099	\$ 222,444
Debt Service - Principal	50,780	53,855	54,100	57,010	44,325
Debt Service - Interest	55,889	50,836	50,913	50,024	51,089
Credits to Debt Service (1)	-	-	(3,994)	(1,198)	(5,330)
Annual Debt Service	<u>\$ 106,669</u>	<u>\$ 104,691</u>	<u>\$ 101,019</u>	<u>\$ 105,836</u>	<u>\$ 90,084</u>
Debt Service Coverage	2.10	2.08	2.07	2.21	2.47
PFC Trust Agreement					
Net PFC Revenue (2)	\$ 50,699	\$ 59,067	\$ 58,662	\$ 59,339	\$ 60,167
Debt Service - Principal	16,540	17,390	15,735	16,160	16,925
Debt Service - Interest	10,648	9,799	7,214	6,999	6,236
Credits to Debt Service (3)	(2,758)	(1,642)	(1,618)	(924)	(1,417)
Annual Debt Service	<u>\$ 24,430</u>	<u>\$ 25,547</u>	<u>\$ 21,331</u>	<u>\$ 22,235</u>	<u>\$ 21,744</u>
Debt Service Coverage (4)	2.08	2.31	2.75	2.67	2.77
First Line Sufficiency Covenant	1.63	1.57	4.09	3.73	4.37
CFC Trust Agreement					
CFC Revenue (5)	N/A	N/A	\$ 26,203	\$ 28,749	\$ 29,354
Debt Service - Principal	-	-	-	2,575	3,185
Debt Service - Interest	-	-	-	11,814	11,796
Credits to Debt Service	-	-	-	(2,796)	(3,564)
Annual Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,593</u>	<u>\$ 11,417</u>
Debt Service Coverage before the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	-	2.48	2.57
Debt Service Coverage after the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	-	2.78	2.87
Debt Metrics (6)					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 8.57	\$ 7.98	\$ 7.15	\$ 7.27	\$ 6.16
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,292,560	\$ 1,220,925	\$ 1,254,460	\$ 1,200,360	\$ 1,238,865
Less Annual Debt Service - Principal (includes reserved money)	50,780	53,855	54,100	57,010	44,325
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,241,780</u>	<u>\$ 1,167,070</u>	<u>\$ 1,200,360</u>	<u>\$ 1,143,350</u>	<u>\$ 1,194,540</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 99.72	\$ 88.97	\$ 84.91	\$ 78.54	\$ 81.70
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.96	\$ 1.95	\$ 1.51	\$ 1.53	\$ 1.49
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 209,310	\$ 192,770	\$ 159,250	\$ 143,515	\$ 127,355
Less Annual PFC Debt Service - Principal	16,540	17,390	15,735	16,160	16,925
PFC Trust Agreement Bonds Outstanding	<u>\$ 192,770</u>	<u>\$ 175,380</u>	<u>\$ 143,515</u>	<u>\$ 127,355</u>	<u>\$ 110,430</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 15.48	\$ 13.37	\$ 10.15	\$ 8.75	\$ 7.55
CFC Trust Agreement Bonds Outstanding (GAAP)			\$ 214,060	\$ 214,060	\$ 211,485
Less Annual CFC Debt Service - Principal	N/A	N/A	-	2,575	3,185
CFC Trust Agreement Bonds Outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,060</u>	<u>\$ 211,485</u>	<u>\$ 208,300</u>
CFC Trust Agreement Bonds per enplaned passenger	N/A	N/A	\$ 15.14	\$ 14.53	\$ 14.25
Total Outstanding Bonds at June 30 (GAAP)	<u>\$ 1,501,870</u>	<u>\$ 1,413,695</u>	<u>\$ 1,627,770</u>	<u>\$ 1,557,935</u>	<u>\$ 1,577,705</u>

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.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and investment income generated by the PFC Debt Service Funds that were not received from PFC collections.
- (4) Debt Service Coverage for fiscal years 2004 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) 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 15, 2011. Due to the timing of the issuance, no debt service was due or paid in fiscal year 2011 and, accordingly, coverage cannot be calculated for fiscal year 2011.
- (6) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

Massachusetts Port Authority
Statistical Section

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

S-7 Massachusetts' Largest Employers (1)

Calendar Year 2013 (2)			
Employer	Headquarters	Product or Service	Employee Size Range
Staples Inc	Framingham	Office Supplies	10,000+
Raytheon Co	Waltham	Aerospace Industries (Mfrs)	10,000+
EMC Corp	Hopkinton	Information Technology Services	10,000+
Partners Health Care System	Boston	Hospitals	10,000+
National Amusements Inc	Norwood	Theatres-Movie	10,000+
Liberty Mutual Holding Co Inc	Boston	Insurance-Holding Companies	10,000+
Fresenius Medical Care	Waltham	Dialysis	10,000+
Thermo Fisher Scientific Inc	Waltham	Measuring/Controlling Devices Nec (Mfrs)	10,000+
Philips Electronics N America	Andover	Health Equipment & Supls-Manufacturers	10,000+
Shaw's Supermarkets Inc	East Bridgewater	Grocers-Retail	10,000+
State Street Corp	Boston	Holding Companies (Bank)	10,000+
Massachusetts Mutual Life Ins	Springfield	Insurance	10,000+
Five Star Quality Care Inc	Newton	Residential Care Homes	10,000+
John Hancock	Boston	Insurance	10,000+
BJ'S Wholesale Club Inc	Westborough	Wholesale Clubs	10,000+
Boston Scientific Corp	Natick	Surgical Instruments-Manufacturers	10,000+
Massachusetts General Hospital	Boston	Hospitals	10,000+
Bright Horizons Family Solutions	Watertown	Child Care Service	10,000+
National Mentor Holdings Inc	Boston	Human Services Organizations	10,000+
Iron Mountain Inc	Boston	Business Records & Documents-Storage	10,000+

Calendar Year 2004			
Employer	Headquarters	Product or Service	Employee Size Range
Massachusetts General Hospital	Boston	Hospitals	10,000+
Brigham & Womens Hospital	Boston	Hospitals	10,000+
Laboratory For Nuclear Science	Cambridge	Schools-Universities & Colleges Academic	5,000 to 9,999
MIT-Research Lab-Electronics	Cambridge	Schools-Universities & Colleges Academic	5,000 to 9,999
University Of Massachusetts	Amherst	Schools-Universities & Colleges Academic	5,000 to 9,999
Massachusetts Institute-Tech	Cambridge	Schools	5,000 to 9,999
Baystate Rehabilitation Care	Springfield	Hospitals	5,000 to 9,999
Boston University	Boston	Schools-Universities & Colleges Academic	5,000 to 9,999
August Jackson & Co	Uxbridge	Furniture-Dealers-Wholesale	5,000 to 9,999
Lucent Technologies	North Andover	Telephone & Telegraph Apparatus (Mfrs)	5,000 to 9,999
U Mass Memorial Medical Center	Worcester	Schools-Medical	5,000 to 9,999
Fidelity Investments	Boston	Investment Securities	5,000 to 9,999
Harvard University	Cambridge	Schools	5,000 to 9,999
GE Aircraft Engines	Lynn	Aircraft Engines & Engine Parts-Mfrs	5,000 to 9,999
Nsmcn Shore Childrens Hosp	Salem	Hospitals	5,000 to 9,999
Beth Israel Deaconess Med Center	Boston	Hospitals	5,000 to 9,999
EMC Corp	Hopkinton	Computer Storage Devices (Manufacturers)	5,000 to 9,999
Massachusetts Mutual Life Ins	Springfield	Insurance	5,000 to 9,999
New England Medical Center	Boston	Hospitals	5,000 to 9,999

(1) Top 20 Massachusetts largest employers with 5,000+ employees.

(2) Updated data as of September 2013.

Sources: InfoUSA, Inc.

**Massachusetts Port Authority
Statistical Section**

.....
Demographics and Employment Data
Calendar Years Ended 2003 through 2012
.....

S-8 Demographics and Employment Data

(Calendar Years)

Boston Metropolitan Statistical Area (1)	2003	2004	2005	2006	2007
Population	4,458,187	4,456,479	4,458,891	4,473,477	4,503,921
Total personal income (in millions)	\$193,938	\$203,465	\$212,287	\$230,353	\$243,740
Per capita personal income	\$43,502	\$45,656	\$47,610	\$51,493	\$54,117
Unemployment rate (annual average)	5.7%	5.0%	4.5%	4.4%	4.1%

Employment By Industry

Industry Type (In thousands)

Educational and Health Services	425.3	430.9	437.8	449.5	463.9
Trade, Transportation and Utilities	426.4	423.0	421.2	419.7	419.1
Professional and Business Services	368.0	376.4	386.0	396.7	408.3
Government	297.4	293.1	294.9	297.2	299.1
Manufacturing	237.6	230.3	226.5	223.3	222.0
Leisure and Hospitality	203.9	206.3	208.7	212.1	216.7
Financial Activities	186.6	183.2	186.2	188.4	189.4
Construction	100.4	100.6	101.3	101.9	99.3
Other Services	86.3	85.8	86.4	87.2	88.4
Information	77.2	73.7	73.9	74.3	74.7
Total	<u>2,409.1</u>	<u>2,403.3</u>	<u>2,422.9</u>	<u>2,450.3</u>	<u>2,480.9</u>

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

(2) U.S. Department of Labor changed its release date for statistical data estimates of personal income for all local areas. Data is expected to be released 11 months after the end of the referenced year.

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 2003 through 2012
.....

S-8 Demographics and Employment Data (Continued)

(Calendar Years)

Boston Metropolitan Statistical Area (1)	2008	2009	2010	2011	2012
Population	4,544,705	4,588,680	4,559,372	4,591,112	4,640,802
Total personal income (in millions)	\$250,810	\$246,471	\$252,729	265,794	N/A (2)
Per capita personal income	\$55,187	\$53,713	\$55,431	57,893	N/A (2)
Unemployment rate (annual average)	4.9%	7.6%	7.6%	6.6%	6.1%

Employment By Industry

Industry Type (In thousands)

Educational and Health Services	475.6	486.3	495.0	503.5	513.1
Trade, Transportation and Utilities	417.2	398.2	398.7	402.7	404.6
Professional and Business Services	415.0	391.2	395.2	405.5	418.1
Government	303.5	304.7	305.2	301.9	302.9
Manufacturing	216.2	197.9	194.4	194.1	193.6
Leisure and Hospitality	220.6	215.3	222.0	228.8	236.4
Financial Activities	186.1	178.5	173.9	172.9	172.8
Construction	96.3	81.2	78.0	80.4	83.6
Other Services	91.4	91.5	92.9	96.0	98.1
Information	75.5	73.1	73.0	73.2	75.5
Total	2,497.4	2,417.9	2,428.3	2,459.0	2,498.7

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

(2) U.S. Department of Labor changed its release date for statistical data estimates of personal income for all local areas. Data is expected to be released 11 months after the end of the referenced year.

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, 2004 through June 30, 2013
.....

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

<u>Facility</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Tobin Bridge (2)	53	53.0	54.5	54.5	53.5
Logan Airport	633	691.0	692.0	702.0	705.0
Hanscom Field	19	19.0	18.0	19.0	18.0
Worcester Regional Airport (3)	-	-	-	-	-
Maritime	104	109.0	111.0	112.5	116.0
General Administration	276	286.5	274.5	281.0	297.0
Total Employees	<u><u>1,085</u></u>	<u><u>1,158.5</u></u>	<u><u>1,150.0</u></u>	<u><u>1,169.0</u></u>	<u><u>1,189.5</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 2013, there were 133 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, 2004 through June 30, 2013
.....

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

<u>Facility</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tobin Bridge (2)	51.5	-	-	-	-
Logan Airport	705.5	698.5	686.5	696.5	678.5
Hanscom Field	18.0	19.0	18.0	19.0	19.0
Worcester Regional Airport (3)	-	-	5.0	24.0	21.0
Maritime	119.0	115.0	113.0	114.0	118.0
General Administration	271.0	264.5	258.0	255.0	287.5
Total Employees	<u>1,165.0</u>	<u>1,097.0</u>	<u>1,080.5</u>	<u>1,108.5</u>	<u>1,124.0</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 2013, there were 133 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, 2004 through June 30, 2013

S-10 Logan International Airport Activity:

	2004	2005	2006	2007	2008
Aircraft Operations (1)					
Domestic (2)	184,836	210,357	206,426	214,441	207,693
International (3)	39,799	39,554	36,772	37,368	39,094
Regional	132,496	131,074	128,337	126,097	115,529
General Aviation	28,890	32,352	31,016	30,716	27,724
Total Operations	386,021	413,337	402,551	408,622	390,040
Aircraft Landed Weights (1,000 pounds) (4)	19,864,000	20,822,000	20,376,000	20,408,164	19,905,370
Passengers Traffic					
Domestic (2)					
Enplaned	8,919,352	9,880,689	10,292,917	10,438,225	10,223,459
Deplaned	8,952,770	9,937,869	10,324,060	10,485,949	10,279,164
International (3)					
Enplaned	2,040,079	2,129,374	2,071,481	1,995,778	2,064,293
Deplaned	2,047,766	2,117,983	2,071,740	2,013,591	2,100,097
Regional					
Enplaned	1,276,296	1,371,024	1,297,303	1,433,466	1,326,073
Deplaned	1,240,351	1,307,858	1,272,474	1,432,862	1,322,741
Subtotal	24,476,614	26,744,797	27,329,975	27,799,871	27,315,827
General Aviation					
Enplaned	43,234	60,687	58,315	58,852	54,029
Deplaned	42,920	60,687	58,315	58,852	54,029
Total Passengers	24,562,768	26,866,171	27,446,605	27,917,575	27,423,885
Total Enplaned Passengers (excluding GA)	12,235,727	13,381,087	13,661,701	13,867,469	13,613,825
Average Passengers Per Flight					
Domestic (2)	96.7	94.2	99.9	97.6	98.7
International (3)	102.7	107.4	112.7	107.3	106.5
Regional	19.0	20.4	20.0	22.7	22.9
Air Carrier and Passenger Metrics					
Primary carrier	Delta	Delta	Delta	US Airways	American
Primary carrier market share	18.0%	17.0%	15.0%	13.8%	14.1%
Two top carriers market share	35.5%	33.2%	30.0%	27.6%	27.6%
Origination & destination share (1) & (5)	88.0% (6)	NA	NA	87.7%	88.4% (7)
Compensatory airline payments to Massport per enplaned passenger	\$11.42	\$11.56	\$12.97	\$13.18	\$14.30
Logan Airport revenue per enplaned passenger	\$27.39	\$27.52	\$29.03	\$30.29	\$33.04
Total Cargo & Mail (1,000 pounds)	809,179	796,252	759,326	680,079	644,552

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

(2) Includes jet and charter aircraft.

(3) Includes jet, charter and international commuter.

(4) Excludes general aviation 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 12 months ended September 30, 2004.

(7) Data for 12 months ended September 30, 2006.

(8) Data for 12 months ended September 30, 2007.

(9) Data for 12 months ended June 30, 2010.

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

(11) Data for 12 months ended September 30, 2011.

Source: Authority reports.

Massachusetts Port Authority
Statistical Section

Logan International Airport
Traffic Metrics
Fiscal Years Ended June 30, 2004 through June 30, 2013

S-10 Logan International Airport Activity: (Continued)

	2009	2010	2011	2012	2013
Aircraft Operations (1)					
Domestic (2)	190,271	200,015	216,249	210,309	206,541
International (3)	34,919	33,814	33,961	37,956	38,400
Regional	109,208	100,148	91,307	87,895	79,634
General Aviation	16,690	13,766	20,740	29,062	26,924
Total Operations	351,088	347,743	362,257	365,222	351,499
Aircraft Landed Weights (1,000 pounds) (4)	18,741,720	18,681,983	19,712,898	19,858,768	19,494,836
Passengers Traffic					
Domestic (2)					
Enplaned	9,314,138	10,062,680	11,110,527	11,296,136	11,374,807
Deplaned	9,344,673	10,085,288	11,152,038	11,308,598	11,409,669
International (3)					
Enplaned	1,868,603	1,818,370	1,874,108	2,146,491	2,216,937
Deplaned	1,884,406	1,834,023	1,896,528	2,182,472	2,255,775
Regional					
Enplaned	1,270,475	1,236,145	1,152,967	1,114,704	1,029,877
Deplaned	1,272,569	1,223,010	1,152,971	1,117,810	1,024,898
Subtotal	24,954,864	26,259,516	28,339,139	29,166,211	29,311,963
General Aviation					
Enplaned	32,606	27,473	42,048	58,899	48,471
Deplaned	32,606	27,473	42,048	58,899	48,471
Total Passengers	25,020,076	26,314,462	28,423,235	29,284,009	29,408,905
Total Enplaned Passengers (excluding GA)	12,453,216	13,117,195	14,137,602	14,557,331	14,621,621
Average Passengers Per Flight					
Domestic (2)	98.1	100.7	102.9	107.5	110.3
International (3)	107.5	108.0	111.0	114.1	116.5
Regional	23.3	24.6	25.3	25.4	25.8
Air Carrier and Passenger Metrics					
Primary carrier	JetBlue	JetBlue	JetBlue	JetBlue	JetBlue
Primary carrier market share	14.7%	16.9%	21.2%	23.8%	26.2%
Two top carriers market share	28.8%	29.9%	32.9%	35.0%	37.6%
Origination & destination share (1) & (5)	NA	95.0% (9)	96.0% (10)	94.2% (11)	94.2% (11)
Compensatory airline payments to Massport per enplaned passenger	\$15.66	\$14.93	\$13.65	\$13.20	\$13.16
Logan Airport revenue per enplaned passenger	\$34.96	\$33.45	\$32.23	\$32.75	\$33.00
Total Cargo & Mail (1,000 pounds)	571,186	563,210	568,806	546,243	552,378

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

(2) Includes jet and charter aircraft.

(3) Includes jet, charter and international commuter.

(4) Excludes general aviation 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 12 months ended September 30, 2004.

(7) Data for 12 months ended September 30, 2006.

(8) Data for 12 months ended September 30, 2007.

(9) Data for 12 months ended June 30, 2010.

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

(11) Data for 12 months ended September 30, 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

Air Carrier	Fiscal Year 2013		Fiscal Year 2004	
	Passenger	%	Passenger	%
JetBlue Airways Corp. (1)	7,719,513	26.2%	480,482	2.0%
United Air Lines, Inc. (2)	3,327,627	11.3%	2,236,875	9.1%
US Airways, Inc. (3)	3,198,798	10.9%	3,316,557	13.5%
American Airlines, Inc. (4)	3,173,727	10.8%	4,275,028	17.4%
Delta Air Lines, Inc. (5)	3,141,739	10.7%	4,415,843	18.0%
Foreign Flag	3,034,201	10.3%	2,644,386	10.8%
Regional Carriers (6)	2,101,822	7.1%	2,654,630	10.8%
Southwest Airlines Co. (7); (8)	1,521,489	5.2%		NA
Others	1,326,976	4.5%	1,390,100	5.7%
AirTran Airlines, Inc. (8)	863,013	2.9%	838,875	3.4%
Continental Airlines, Inc. (2)	NA	NA	1,087,798	4.4%
Northwest Airlines, Inc. (5)	NA	NA	1,222,194	5.0%
Total	29,408,905	100.0%	24,562,768	100.0%

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

(2) United and Continental Airlines closed their merger during October 2010 and continued to operate under their separate names until November 2011.

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

(4) AMR Corporation, the parent company of American Airlines ("American"), filed for Chapter 11 bankruptcy on November 29, 2011.

American continued to operate normally throughout the bankruptcy process. On September 12, 2013, the U.S. Bankruptcy Court in New York approved American's plan to emerge from bankruptcy, pending approval of their merger with US Airways.

(5) Delta Airlines and Northwest Airlines closed their merger during 2008 and continued to operate under their separate names until January 2010.

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

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

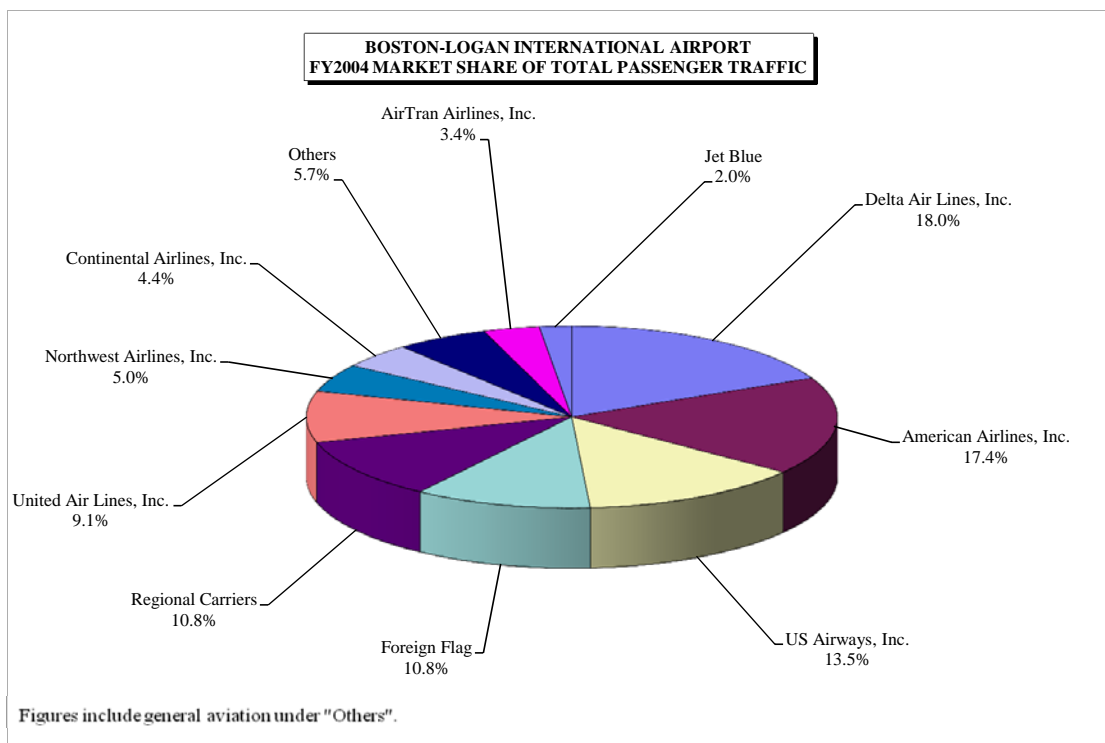
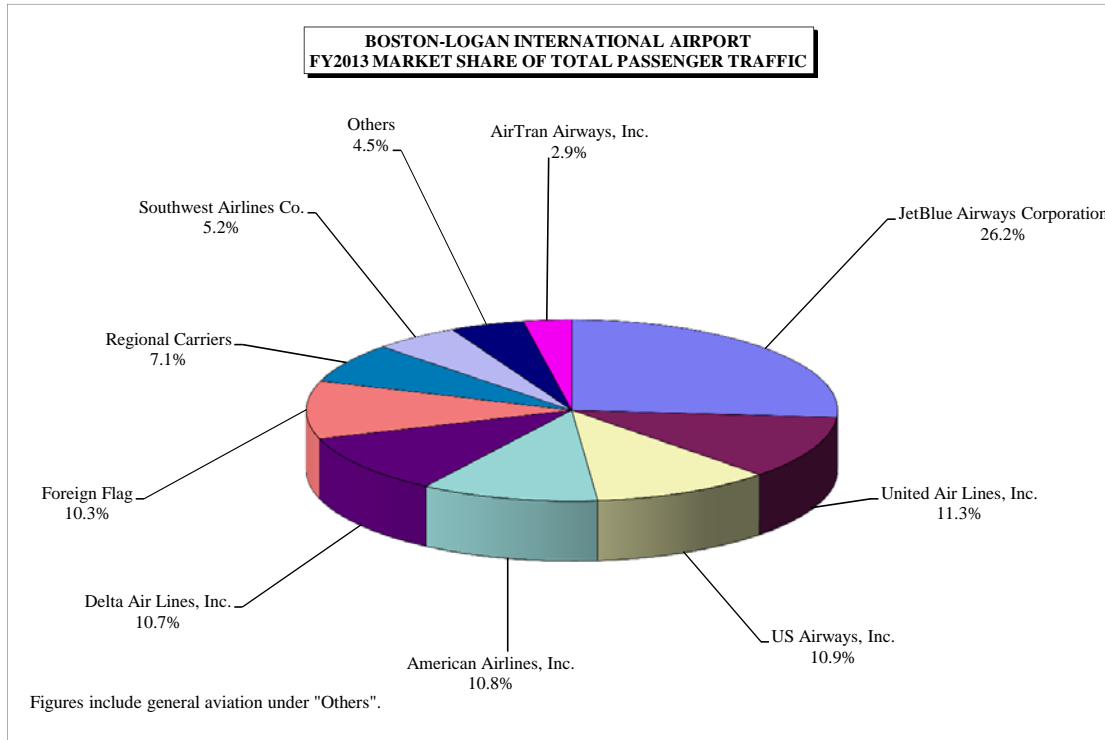
(8) Southwest Airlines and AirTran Airlines closed their merger during May 2011 and continue to operate under their separate names.

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 2012 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 2012, as reported by the United States Department of Transportation. 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 2003.

Market	Calendar 2012 Percentage	Calendar 2012 Rank	Calendar 2003 Rank
Washington DC Metro	9.8%	1	3
New York Metro Area	5.8%	2	1
San Francisco Metro	5.5%	3	4
Chicago Metro	5.9%	4	5
South Florida Metro*	6.4%	5	2
Los Angeles Metro	5.5%	6	7
Orlando, FL, US	4.3%	7	8
Atlanta, GA, US	3.2%	8	6
Dallas Metro	2.6%	9	11
Denver, CO, US	2.5%	10	14
Fort Myers, FL, US	2.1%	11	16
Philadelphia, PA, US	2.1%	12	9
Charlotte-Douglas, NC, US	1.9%	13	**
Raleigh/Durham, NC, US	1.9%	14	**
Tampa, FL, US	1.9%	15	13
Minneapolis/St. Paul, MN, US	1.8%	16	17
Las Vegas, NV, US	1.7%	17	12
Seattle/Tacoma, WA, US	1.7%	18	**
Phoenix, AZ, US	1.7%	19	20
Pittsburgh, PA, US	1.5%	20	**
 Total for Cities Listed	 70.0%		

* Florida South consists of Miami and Fort Lauderdale.

**Not listed in top 20 for calendar year 2003.

Source: Diio APGDAT.

**Massachusetts Port Authority
Statistical Section**

.....
**Port of Boston
Cargo and Passenger Activity**
Fiscal Years Ended June 30, 2004 through June 30, 2013
.....

S-13 Port of Boston Cargo and Passenger Activity

Port Activity	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Containers (1)	93,627	103,631	111,020	116,156	124,122
Cruise Passengers	200,836	192,869	246,365	200,998	236,922
Automobiles (2)	12,198	10,657	11,170	10,252	15,546
Bulk Tonnage	144,304	189,517	202,681	188,311	206,494

(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, 2004 through June 30, 2013
.....

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

Port Activity	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Containers (1)	114,871	100,970	106,857	107,477	110,163
Cruise Passengers	275,407	310,482	307,224	380,151	369,428
Automobiles (2)	26,966	33,208	42,256	37,215	46,116
Bulk Tonnage	167,881	89,394	112,667	144,430	121,890

(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 2013

<u>Direct Service</u>	<u>Shipping Lines</u>	<u>Cruise Lines</u>	<u>Large Customs House Brokers</u>
China Ocean Shipping Co.	China Ocean Shipping Co.	Aida Cruises	A.N. Deringer
Hanjin Shipping	Hanjin Shipping	Carnival Cruise Lines	Albatrans, Inc.
K-Line	K-Line	Crystal Cruise Line	BDP International, Inc.
Mediterranean Shipping Corp.	Mediterranean Shipping Corp.	Cunard	C.H. Powell Company
Yang Ming Line	Yang Ming Line	Holland America	DB Schenker
		Navitrans Shipping	DHL Forwarding
		Norwegian Cruise Lines	Dolliff & Company, Inc.
		Oceania Cruises	Dynasty International, Inc.
		P&O cruises	EGL Eagle Global Logistics
		Princess	Exel Global Logistics
		Regent Seven Seas	Expeditors Int'l
		Residen Sea	Fedex Trade Networks
		Royal Caribbean	Hellmann Worldwide Logistics, Inc.
		Seabourn Cruise Lines	J.F. Moran Co., Inc.
		Silversea Cruises	Kuehne & Nagel, Inc.
		V-Ships Leisure	Liberty International
			Magic Customs Brokers, Inc.
			OceanAir, Inc.
			Panalpina, Inc.
			Savino Del Bene, Inc.
			SDV (USA)
			UPS Supply Chain Solutions
			Vandegrift Intl.

Fiscal Year 2004

<u>Direct Service</u>	<u>Shipping Lines</u>	<u>Cruise Lines</u>	<u>Large Customs House Brokers</u>
China Ocean Shipping Co.	China Ocean Shipping Co.	Carnival Cruise Line	AIS International, Inc.
CMA - CGM	Evergreen America	Crystal Cruises	C.H. Powell Company
Columbia Coastal Transport	Hanjin Shipping	Holland America Line	Danzas A & I
Hanjin Shipping	Hapag Lloyd	Norwegian Cruise Line	Deringer, A.N.Inc.
K-Line	K-Line	P & O Cruises	Dynasty International
Mediterranean Shipping Corp.	Lykes Line	Princess Cruises	Emery Worldwide
SPM Marine Line	Maersk SeaLand	Royal Caribbean Cruise Line	Expeditors International
Yang Ming Line	Mediterranean Shipping Corp.	Seabourn Cruise Line	Fedex Trade Networks
	Orient Overseas Container Line	Silversea Cruises	Kuehne & Nagel, Inc.
	Yang Ming Line	Hapag Lloyd	Liberty International
	ZIM Container	Costa Cruise Line	UPS Freight Services
	Lloyd Triestino	Radisson Cruise Lines	Panalpina, Inc.
	Senator	Phoenix Reisin	Albatrans
	Lykes Line	Swan Hellenic	Geologistics America
	CMA-CGM		Boston Bay Brokers
	P & O Cruises		JF Moran
	NYK		OceanAir
	Columbus		Schenkers
	Hatsu		

Source: Authority reports.

**Massachusetts Port Authority
Statistical Section**

**Tobin Memorial Bridge
Fiscal Years Ended June 30, 2004 through June 30, 2010**

S-15 Bridge Statistics (In-Bound)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>
Tobin Bridge Toll	<u>\$3.00</u> (2)	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>
Class 1 - Passenger vehicles					
Class 1	9,427,512	8,164,954	8,384,939	8,988,012	9,203,180
Passenger (1)					
Resident:	<u>585,811</u>	<u>648,510</u>	<u>695,357</u>	<u>702,354</u>	<u>655,520</u>
Vehicles with					
Resident Discount (1)					
Total Passenger Vehicles	10,013,323	8,813,464	9,080,296	9,690,366	9,858,700
Class 2 - 6	<u>885,858</u>	<u>796,425</u>	<u>862,845</u>	<u>979,516</u>	<u>1,031,598</u>
Commercial					
Total Paying Vehicles	<u>10,899,181</u>	<u>9,609,889</u>	<u>9,943,141</u>	<u>10,669,882</u>	<u>10,890,298</u>
Massachusetts Bay					
Transportation Authority	23,302	48,231	54,460	74,289	68,143
(MBTA)					
Other Non-Revenue Vehicles	<u>61,827</u>	<u>65,093</u>	<u>44,039</u>	<u>48,012</u>	<u>39,463</u>
Total Non-Paying Vehicles	<u>85,129</u>	<u>113,324</u>	<u>98,499</u>	<u>122,301</u>	<u>107,606</u>
Total Vehicles	<u>10,984,310</u>	<u>9,723,213</u>	<u>10,041,640</u>	<u>10,792,183</u>	<u>10,997,904</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) 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.

(3) 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, 2004 through June 30, 2010
.....

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

	<u>2009</u>	<u>2010 ⁽³⁾</u>
Tobin Bridge Toll	\$3.00	\$3.00
Class 1 - Passenger vehicles		
Class 1	8,526,559	4,498,957
Passenger (1)		
Resident:	739,921	400,356
Vehicles with		
Resident Discount (1)		
Total Passenger Vehicles	9,266,480	4,899,313
Class 2 - 6	901,558	458,740
Commercial		
Total Paying Vehicles	<u>10,168,038</u>	<u>5,358,053</u>
Massachusetts Bay		
Transportation Authority	70,609	34,547
(MBTA)		
Other Non-Revenue Vehicles	56,729	27,468
Total Non-Paying Vehicles	<u>127,338</u>	<u>62,015</u>
Total Vehicles	<u><u>10,295,376</u></u>	<u><u>5,420,068</u></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) 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.

(3) 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, 2013

S-16 Insurance Coverage

POLICY - 7/01/12 - 6/30/2013	BROKER / UNDERWRITER	LIMITS	RETENTION / UNDERLYING
PROPERTY INSURANCE			
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
LIABILITY INSURANCE			
Aviation General Liability War Risk Coverage Primary and Excess Deductible for non-airside auto losses only	Aon / ACE USA	\$500,000,000	\$250,000
			\$500,000
Marine Liability Terminal Operator's Liability Protection & Indemnity Including Port & Stevedore Liability Primary and Excess Including Terrorism	HUB International / Starr Marine	\$100,000,000	\$25,000
Automobile Liability Primary & Excess Comprehensive & Collision Deductible	Willis/AAIC	\$5,000,000	\$1,000
WORKERS' COMPENSATION			
Excess Workers' Compensation	HUB International / AIG	Statutory	\$750,000
Excess Workers' Compensation (ILA & Port Officers)	HUB International / AIG	Statutory	\$1,000,000
OTHER COVERAGE			
Crime, Dishonesty Burglary and Robbery	Braley & Wellington/ Hartford Insurance Company	\$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

Source: Authority reports.

Massachusetts Port Authority

Statistical Section

Physical Asset Data

Fiscal Year Ended June 30, 2013

S-17 List of Certain Physical Asset Characteristics

2013

Logan Airport

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

Runway 15R/33L (length in feet)	10,083
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)	36
Terminal C (number of jet contact gates)	24
Terminal E (number of jet contact gates)	16

Parking

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

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

Hanscom Field

Area of Airport (acres - approximate)	1,300
---------------------------------------	-------

Runways

Runway 11/29 (length in feet)	7,011
Runway 5/23 (length in feet)	5,107

Worcester Regional Airport

Area of Airport (acres - approximate)	1,300
---------------------------------------	-------

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
--------------------------	-------

Black Falcon Terminal

10 berths (length in feet (each))	500
-----------------------------------	-----

<u>Commercial Real Estate</u> (approximate acres)	60
--	----

Source: Authority reports.

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copa airlines

Massachusetts welcomed Copa Airlines to Boston Logan International Airport as the Star Alliance member began offering daily nonstop service from Panama's Hub of the Americas at Tocumen International Airport in Panama City with convenient connections to more than 55 other destinations in Latin America. 2013 also saw Logan announce new International nonstop services to both Istanbul and Dubai.

**STATEMENT OF
ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2013**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 26, 2013 (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, 2013 (“fiscal year 2013”) updating the financial information and operating data presented in the Authority’s Statement of Annual Financial Information and Operating Data dated as of November 26, 2012 (the “2012 Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Authority’s Official Statement dated July 11, 2012 (the “2012 Official Statement”). This Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 26, 2013 (the “CAFR”) for fiscal year 2013 and the remaining sections of the CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2013 and comparative information for fiscal year 2012, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included in the financial section of the CAFR. The 2012 Official Statement and the 2012 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 2012 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 2012-A (AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2012-B (Non-AMT)
- 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 Multi-Modal Revenue Bonds, Series 2008-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2008-C (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)

As of June 30, 2013, the Authority had issued and outstanding 14 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, 2013 for more detailed information. On July 19, 2012 the Authority issued \$116,785,000 Series 2012-A Bonds (AMT) (the “Series 2012-A Bonds”). Proceeds of the Series 2012-A Bonds are being used to finance various capital projects. The Authority simultaneously issued \$158,830,000 of Series 2012-B Revenue Refunding Bonds (Non-AMT) (the “Series 2012-B Bonds”). The Series 2012-B Bonds advance refunded portions of the Series 2003-A Bonds and 2003-C Bonds.

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, 2013 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 2013 (the “2013 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, 2013 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 2013 (the “2013 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. The 1997 BOSFUEL Bonds and the 2007 BOSFUEL Bonds are not subject to the Authority’s Annual Disclosure Agreement, the PFC Disclosure Agreement or the CFC Disclosure Agreement.

For additional information concerning the Authority, please see the Authority’s website, www.massport.com. Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared

pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2013 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.

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 2013, Logan Airport accounted for 84.0% of the Authority’s Revenues and 96.8% 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 2013, please refer to Exhibits S-10, S-11 and S-12 presented in the statistical section of the CAFR. 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 2012, based upon total passenger volume, Logan Airport was the most active in New England, the 20th most active in the United States and the 52nd most active in the world, according to the Airports Council International (“ACI”). Enplaned plus deplaned passengers at Logan Airport for fiscal year 2013 totaled approximately 29.4 million passengers. This is a 0.4% increase from the 29.3 million passengers that used Logan Airport in fiscal year 2012.

The primary destinations of passengers using Logan Airport for calendar year 2012 were: 15.8% 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 12.8%.

In fiscal year 2013, international passengers (including those traveling on foreign flag and regional carriers) accounted for 15.2% of passenger traffic, or approximately 4.5 million passengers. This is an increase of 3.3% or 143.7 thousand international passengers over last year. The shares of international passengers at Logan Airport were 64.4% for Europe and the Middle East, 14.2% for Canada and 19.0% for Bermuda and the Caribbean. In fiscal year 2013, the top five international origin-destination markets were London, Toronto, Paris, Frankfurt and Amsterdam. International passenger traffic grew by 3.3% and 14.2% in fiscal years 2013 and 2012, respectively.

In fiscal year 2013, regional airlines accounted for approximately 7.0% of total passenger traffic at Logan Airport, or approximately 2.1 million passengers. The number of regional passengers (excluding passengers traveling internationally) decreased by 8.0% and 3.2% in fiscal years 2013 and 2012, respectively. As of June 30, 2013, the top five regional airlines were Shuttle America Corporation with 29.0% of domestic regional passengers, followed by Air Wisconsin Airlines Corporation with 12.6%, ExpressJet with 11.9%, Pinnacle Airlines, Inc. with 11.1% and Hyannis Air Service, Inc. with 9.8% of domestic regional passengers.

During fiscal year 2013, low-cost carriers handled 37.7% of Logan Airport’s passengers. As of June 30, 2013, the low-cost carriers providing service at Logan Airport were AirTran Airways, JetBlue Airways, Porter Airlines, Southwest Airlines, Spirit Airlines and Virgin America. As of June 30, 2013, these six carriers scheduled 72 non-stop destinations. Logan Airport passenger traffic as a whole grew by 0.5% in fiscal year 2013 while passenger traffic for the low-cost carriers serving Logan Airport grew 2.7%.

In fiscal year 2013, total combined cargo and mail volume was approximately 552.4 million pounds. The volume in fiscal year 2013 increased by 1.1% from fiscal year 2012. From fiscal year 2013 to fiscal year 2012, air cargo (small package/express and freight) increased by 0.3%. 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 and ABX Air, Inc. Integrated carriers accounted for 63.6% of total domestic and international cargo volume in fiscal year 2013 and 64.3% in fiscal year 2012.

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 2013 and comparative data for fiscal year 2012, together with the report thereon of Ernst & Young 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 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 2013 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 2013 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 2013 were \$574.4 million compared to \$568.1 in fiscal year 2012, while Operating Expenses were \$352.0 million in fiscal year 2013 compared to \$334.0 in fiscal year 2012, resulting in Net Revenues of \$222.4 million and \$234.1 million in fiscal year 2013 and fiscal year 2012, 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 revenues and CFC revenues. PFC revenue is required under federal law and according to the PFC Trust Agreement, and CFC revenue is required under 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 issued under the 1978 Trust Agreement.

Airport Properties

Airport Properties Net Revenues (Airport Properties Revenues less Airport Properties Operating Expenses) decreased by \$10.9 million or 4.9% from fiscal year 2012. The number of passengers using Logan Airport (excluding general aviation) in fiscal year 2013 was 0.5% higher than in fiscal year 2012. Landed weights were 1.8% lower than the prior fiscal year. Parking revenues were 4.9% higher than such revenues in fiscal year 2012, due to the increased passenger traffic at Logan Airport and the 12.5%

increase in the daily commercial parking rate that took effect in March 2012. Logan Airport generated approximately \$482.5 million of Operating Revenues and incurred \$267.2 million of Operating Expenses in fiscal year 2013 compared to \$476.8 million of Operating Revenues and \$251.7 million of Operating Expenses in fiscal year 2012. 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, terminal rentals, baggage screening fee and public space utilities fee. Instead, the landing fees, terminal rentals, baggage screening fee and public space utilities fee 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, terminal rentable square feet (as applicable), number of bags screened and utility usage and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year.

Landing Fees. Logan Airport generated \$86.5 million in landing fee revenue in fiscal year 2013. This was a \$1.8 million or 2.0% decrease over the \$88.3 million generated in fiscal year 2012. Logan Airport's 2013 landing fee rate of \$4.34 per thousand pounds was lower than the \$4.36 per thousand pounds approved in 2012. Total landed weights in fiscal year 2013 was 19,495,000 pounds, a decrease of 364,000 pounds compared to fiscal year 2012. The combination of a lower landing fee rate and the decrease in landed weight resulted in the overall 2.0% decrease in landing fee revenue during fiscal year 2013.

Parking Fees. Logan Airport parking revenues (including Logan Express) increased from \$125.8 million in fiscal year 2012 to \$131.9 million in fiscal year 2013. This increase is a result of the 12.5% daily commercial parking rate increase that took effect in March 2012. 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 which ended in November 2012 and Continental is currently on a month to month lease term. 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 amended the lease to add seven gates in the Southwing Addition for a term that is scheduled to end in November 2021. 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 on March 31, 2015. In fiscal year 2013, rentals from Terminal A were \$26.3 million and rentals from Terminal B were \$23.2 million.

In Terminal C, JetBlue entered into a lease in March 2005 that resulted in its leasing 11 gates as of November 1, 2008. As of June 30, 2011, JetBlue leased 13 gates in Terminal C. As of November 2011, JetBlue leased 16 gates in Terminal C. The JetBlue lease ran through April 2010, with 20 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 eight 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 \$67.2 million in fiscal year 2013. In fiscal year 2013 rental income from buildings other than Terminals totaled \$25.2 million and income from land rentals produced an additional \$18.2 million.

Concessions. Revenues from concessions decreased from \$71.3 million in fiscal year 2012 to \$70.1 million in fiscal year 2013. The decrease is primarily due to a new foreign exchange contract upfront payment made during fiscal year 2012. 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 2013, Revenues from operations at Hanscom Field represented approximately 1.8% 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 2013, Hanscom Field generated \$10.4 million of Revenue, with Operating Expenses of \$9.2 million, yielding an operating surplus before debt service or other capital expenses of approximately \$1.8 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 2013, Worcester Airport generated \$0.8 million of Revenue, with Operating Expenses of \$5.0 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 2013, the Revenue attributable to the Port Properties totaled approximately \$76.2 million, or approximately 13.3% of the Revenues of the Authority, and the Port Properties accounted for approximately \$70.6 million of Operating Expenses, or approximately 20.1% of the Authority's

Operating Expenses. The Port Properties realized a surplus of approximately \$6.0 million and \$4.3 million in Net Revenues in fiscal years 2013 and 2012, respectively. The net loss (or negative Net Revenues) from Maritime Operations was \$1.0 million for fiscal year 2013, while the Net Revenue from Maritime Real Estate was \$7.0 million in fiscal year 2013. 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.

Other

Investment Income. Investment income (excluding CFCs, PFCs and other funds not held under the 1978 Trust Agreement) decreased from \$8.3 million in fiscal year 2011 to \$6.7 million in fiscal year 2012 and decreased to \$4.2 million in fiscal year 2013. Further declines in interest income in fiscal year 2013 were the result of the continuing reduction in interest rates throughout the year.

Exhibit - I

(Unaudited)

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

	Airport Properties	Port Properties	Investment Income	Net change in the fair value of investments	6/30/2013 Fiscal Year 2013 Total	6/30/2012 Fiscal Year 2012 Total
(In Thousands)						
Trust revenues:						
Pledged revenues	\$ 490,853	\$ 76,601	\$ -	\$ -	\$ 567,454	\$ 560,076
Operating grants	2,376	91	-	-	2,467	2,357
Subtotal	493,229	76,692	-	-	569,921	562,433
Operating interest income	-	-	4,168	-	4,168	6,695
Adjustment for uncollectible accounts	416	(63)	-	-	353	(1,061)
Total Trust Revenues	493,645	76,629	4,168	-	574,442	568,067
Trust operating expenses:						
Operations and maintenance	214,490	54,992	-	-	269,482	261,307
Administration	41,219	9,985	-	-	51,204	46,635
Insurance	6,478	2,220	-	-	8,698	8,325
Pension	8,264	1,350	-	-	9,614	5,710
Other Postemployment Benefits (1978 Trust)	10,953	2,047	-	-	13,000	11,991
Total Trust Expenses	281,404	70,594	-	-	351,998	333,968
Excess of revenues over operating expenses as prescribed by the 1978 Trust Agreement	212,241	6,035	4,168	-	222,444	234,099
<u>ADD:</u>						
<u>Revenues recognized under GAAP which are excluded under 1978 Trust Agreement:</u>						
Investment income self insurance / others	-	-	2,279	-	2,279	1,538
Passenger facility charge (PFC)- Logan	60,105	-	-	-	60,105	59,258
Investment income PFC- FAA	-	-	62	-	62	81
Investment income PFC- Non FAA	-	-	1,056	-	1,056	1,060
Passenger facility charge (PFC)- Worcester	-	-	-	-	-	(46)
Customer facility charge (CFC)	29,354	-	-	-	29,354	28,749
Investment income CFC	-	-	771	-	771	802
Capital grant revenue	18,566	1,668	-	-	20,234	40,750
Gain/Loss on sale of equipment	57	(121)	-	-	(64)	354
Unrealized net increase in the fair value of investments	-	-	-	(2,821)	(2,821)	-
Administration Expenses	1,903	351	-	-	2,254	2,648
Operating revenues	1,731	-	-	-	1,731	(3,979)
Adjust for Operating Grant	171	-	-	-	171	-
Settlement of claims	112	455	-	-	567	640
Nonoperating other revenues	(1)	188	-	-	187	618
<u>LESS:</u>						
<u>Expenses recognized under GAAP which are excluded under 1978 Trust Agreement:</u>						
PILOT	(16,002)	(2,088)	-	-	(18,090)	(17,642)
Other Postemployment Benefits	(381)	(69)	-	-	(450)	(5,859)
Self insurance cost	140	538	-	-	678	266
Interest expense	(57,720)	(3,351)	-	-	(61,071)	(59,307)
Unrealized net (decrease) in the fair value of investments	-	-	-	-	-	255
Depreciation and amortization (1)	(182,213)	(16,833)	-	-	(199,046)	(181,166)
Operating expenses	(2,863)	(266)	-	-	(3,129)	(4,300)
Adjustment for uncollectible accounts - non Trust fund	-	-	-	-	-	(24)
Terminal A debt service contributions by PFC	(12,114)	-	-	-	(12,114)	(9,105)
Nonoperating other expenses	(883)	(396.00)	-	-	(1,279)	(398)
Increase / (decrease) in net assets	<u>\$ 52,203</u>	<u>\$ (13,889)</u>	<u>\$ 8,336</u>	<u>\$ (2,821)</u>	<u>\$ 43,829</u>	<u>\$ 89,292</u>

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

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boston logan runway safety area

The Massachusetts Port Authority completed an expanded and enhanced Runway Safety Area (RSA) at the approach of Runway 33L at Boston Logan International Airport. Designed to stop an aircraft as large as a Boeing 747-400 at 70 knots, the \$63 million project began in 2011 and created approximately 70 construction jobs. The safety area includes a new concrete pier 300 feet wide and extending 470 feet into Boston Harbor. A 500-foot by 170-foot Engineered Material Arresting System (EMAS) bed was also installed to reduce the risk of damage to an aircraft in the event an aircraft undershot, overshot, or exited from the runway.

**STATEMENT OF
PFC ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2013**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 26, 2013 (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, 2013 (“fiscal year 2013”) 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 26, 2012 (the “2012 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 26, 2013 (the “2013 CAFR”) for fiscal year 2013 and the remaining sections of the 2013 CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2013 and comparative information for fiscal year 2012, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included as part of the 2013 CAFR. The 2010 PFC Official Statement and the 2012 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 Bonds, Series 2007-B (Non-AMT)
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT)
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2010-E (AMT)

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. Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2013 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.

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 2013 CAFR on-line, please visit: <http://www.massport.com/cafr>.

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, 2013 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, 2013 is attached hereto as APPENDIX PFC-2.

Sources and Uses of Funds for 1999 PFC Bond Projects, now refunded by the 2007-D Bonds 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 had 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 budget for the International Gateway Project from \$322.0 million to \$410.0 million (excluding an additional \$44.0 million of baggage screening improvements). 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, 2013, 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. 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 Series 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 including financing costs. 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 including financing costs, 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 amend one previously approved project, add ten new projects to Logan Airport’s PFC Program and 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.

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 collection and use authority, 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 use \$392.1 million of PFC revenues to fund certain projects including the Rehabilitation of Taxiway N, Access Control to the Airport Operation Area ("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 Runway Safety Area ("RSA") for Runway 33L.

On November 1, 2011, the Authority submitted an application to use PFCs for the RSA for Runway 33L. In March 2012, the Authority received approval for the use of PFCs for the RSA for Runway 33L in the amount of \$18.3 million. The Authority's total PFC impose and use authority was amended to \$1.352 billion with an expected expiration date of December 1, 2023.

On September 23, 2013, the Authority submitted its eighth application to the FAA to impose and use an additional \$100.0 million in PFCs with an expected expiration date of May 1, 2023. The PFC revenues would fund certain projects in the Authority's capital program including the Runway Protection Zone Land Purchase, Renovations and Improvements to Terminal B, the Apron and Gate Electrification also at Terminal B and the Light Pier and CAT III. The application, once approved, would increase the impose and use authority to \$1.452 billion.

**FAA PFC # 6: International Gateway Project Sources and Uses
including Gateway Roadways and Hold Baggage**

	Gateway Roadways	Gateway Terminal Building Including Hold Baggage	Total
<u>PFC Pay-as-you-go Funding:</u>			
Design:	\$ 3,281,400	\$ 3,266,000	\$ 6,547,400
Construction Costs:	5,388,777	107,142,321	112,531,098
Subtotal PFC Pay-as-you-go Funding:	8,670,177	110,408,321	119,078,499
<u>PFC Revenue Bonds:</u>			
Series 1999 A:	39,237,376	-	39,237,376
Series 1999 B:	374	182,671,928	182,672,302
2012 A CP Note Project-non AMT (1)	335,454	-	335,454
2012 B CP Note Project- AMT (1)	-	44,000,000	44,000,000
2003B-D	-	-	-
Subtotal PFC-Related Funding:	48,243,381	337,080,249	385,323,630
<u>Non-PFC Revenue Bonds:</u>			
Series 1990:	-	1,562,899	1,562,899
Series 1997B:	-	14,569	14,569
Series 1999D:	1,674,743	37,753,018	39,427,761
Series 2003B:	-	3,551,938	3,551,938
Series 2005B:	10,441	15,871,739	15,882,180
I&E Fund:	-	707,831	707,831
<u>Other Sources:</u>			
TSA Grant:	-	12,092,231	12,092,231
Total Funding for International Gateway:	\$ 49,928,565	\$ 408,634,473	\$ 458,563,039

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 for 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 6/30/13
PFC PROJECTS INCLUDED IN THE 1997 APPROVAL								
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
PFC PROJECTS INCLUDED IN THE 1998 APPROVAL FUNDED WITH 2007D AND 2010 E BONDS (WHICH REFUNDED THE 1999 A & B BONDS)								
International Gateway including Terminal E Hold Baggage Screening System (1)	\$ 458.6 million	\$ 221.9 million	\$ 119.1 million	\$ 44.3 million	\$ 12.1 million	\$ 61.1 million	August 1998	October 2011
ADDITIONAL PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2006 APPROVAL AS AMENDED IN APRIL 2011								
Hold Baggage Screening at Terminal C	\$ 46.5 million	--	\$ 6.2 million	--	\$ 40.3 million	--	July 2002	December 2002
Terminal B Security Checkpoint Consolidation	\$ 7.6 million	--	\$ 7.6 million	--	--	--	September 2004	February 2007
Boundary Security Infrastructure	\$ 15.1 million	--	\$ 4.3 million	--	--	\$ 10.8 million	September 2005	September 2008
Access Control	\$ 29.4 million	--	\$ 25.2 million	--	\$ 4.2 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	\$ 18.9 million	--	\$ 4.3 million	--	\$ 10.6 million	\$ 4.0 million	May 2010	December 2010
Residential Sound Insulation Program - 1998, 2001 and Runway 14-32 Mitigation Contours	\$ 69.9 million	--	\$ 14.0 million	--	\$ 54.6 million	\$ 1.3 million	July 2001	May 2012
Centerfield Taxiway	\$ 44.0 million	--	\$ 9.1 million	--	\$ 28.9 million	\$ 6.0 million	April 2008	February 2012
APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2006 APPROVAL AS AMENDED IN APRIL 2010								
Runway 14/32 and Associated Taxiways	\$ 83.1 million	\$ 16.6 million	--	--	\$ 50.3 million	\$ 16.2 million	August 2004	December 2006
Southwest Taxiway, Infield and Taxiway K Improvements	\$ 26.7 million	\$ 5.0 million	--	--	\$ 14.8 million	\$ 6.9 million	April 2007	December 2007
Runway 4L-22R and 4R-22L Improvements	\$ 31.9 million	\$ 16.6 million	\$ 4.0 million	--	\$ 10.6 million	\$ 0.7 million	April 2004	March 2007
Airfield Drainage and Perimeter Road Improvements	\$ 0.4 million	\$ 0.4 million	--	--	--	--	June 2007	December 2007
APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2011 APPROVAL								
Reconstruction of Runway 22L (2)	\$ 6.4 million	\$ 5.4 million	\$ 1.0 million	--	--	--	September 2008	December 2008

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 6/30/13
PFC PROJECTS INCLUDED IN THE 2011 APPROVAL								
Development of Runway Safety Area for Runway 33L (3)	\$ 80.0 million	--	--	\$ 15.0 million	\$ 49.9 million	\$ 15.1 million	June 2011	May 2014
Airfield Electrical System Upgrade	\$ 11.8 million	--	--	\$ 11.8 million	--	--	May 2009	May 2014
Rehabilitation of Taxiway N	\$ 5.0 million	--	--	\$ 4.0 million	\$ 1.0 million	--	July 2010	July 2011
Access Control to AOA from Ancillary Buildings	\$ 1.0 million	--	--	\$ 1.0 million	--	--	October 2009	October 2013
Access Control Data Storage & Server Enhancements	\$ 2.8 million	--	--	\$ 1.5 million	--	\$ 1.3 million	May 2010	September 2013
Replace Fireboat Marine 1	\$ 5.7 million	--	--	\$ 5.7 million	--	--	May 2010	October 2011
Terminal C Checkpoint Consolidation	\$ 58.6 million	--	--	\$ 21.7 million	\$ 0.2 million	\$ 36.7 million	April 2010	August 2013
Terminal E Gate Departure Area & Baggage System Upgrade*	\$ 30.5 million	--	--	\$ 18.5 million	--	\$ 12.0 million	August 2009	November 2011
Terminal A Development (4)	\$ 180.9 million	--	\$ 180.9 million	--	--	--	June 2011	December 2030

*\$ 22,000 of this project was reimbursed by the TSA CCTV project.

Notes: Amounts shown reflect FAA approved PFC funding authority for project costs through June 30, 2013. **(1)** The International Gateway is complete. **(2)** 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. **(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 approved by the FAA in March 2012 for 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, 2013, the Letter of Transmittal, the Statistical Information or the Annual Disclosure Statement included in the 2013 CAFR.

* * *

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

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	58,443	19,809	1,318	18,490	3.16
2008	13,614	-1.83%	89.92%	53,740	1,006	54,745	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
2012	14,557	2.96%	92.73%	59,258	81	59,340	23,159	924	22,236	2.67
2013	14,622	0.45%	93.63%	60,105	62	60,167	23,161	1,417	21,744	2.77

(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, 2013, 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 FY2001 through FY2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for FY2006 through FY2013 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 Massport's Board on May 17, 2007.

(6) In FY2010 the Authority changed its accrual policy for calculating PFC revenue. Therefore, for the purpose of calculating the FY2010 estimated percent of passengers paying PFCs, the FY2010 enplaned passenger number was similarly adjusted.

Appendix PFC - 2

**First Lien Sufficiency Covenant
for the fiscal year ending June 30, 2013
(see attached notes and exhibits)
Unaudited**

Unspent PFC Authority + Projected Additional Pledged Revenue

First Lien Sufficiency Covenant = _____ **= 4.37**

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	\$1,352,273,158	\$0	Amount necessary to pay or redeem the 2007-B, 2007-D, 2010-E PFC Bonds at maturity
minus			Projected Aggregate Debt Service =
(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	606,900,924		(D) Aggregate amount of Annual Debt Service for the period commencing July 1, 2013 assuming all bonds redeemed at maturity including future interest on commercial pap \$157,953,788
(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)	<u>272,521,397</u>		minus
Unspent PFC Authority = (A) minus sum of (B) and (C)	<u>\$472,850,837</u>		amounts on deposit as of June 30, 2013 in the Debt Service Fund and \$20,059,652 Debt Service Reserve Fund, 27,716,759 and projected interest earnings on the Project Funds and 0 the Debt Service Reserve Fund 1,922,821
			(E) Subtotal <u>\$49,699,232</u>
			Projected Aggregate Debt Service = (D) minus (E) <u>\$108,254,555</u>

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

Notes:

(A) See FAA's Final Agency Decision (Record of Decision), March 20, 2012 (See attached Exhibit 1)			
(B) This figure is the total of (1) pay-as-you-go expenditures paid through June 30, 2013 plus (2) binding commitments legally obligated to be paid (but not yet paid as of June 30, 2013).			
		<u>PFC Project Expenses "Pay-Go"</u>	
		Legally Obligated	
		Paid to Date *	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	-
PFC Project 3:	Terminal E Modernization	20,891,765	-
PFC Project 4:	Circulating Roadways	135,908,985	-
PFC Project 6:	International Gateway	111,368,362	-
PFC Project 17:	Elevated Walkways	110,720,934	-
PFC Project 20:	Residential Sound Insulation 1998 and 2001 65 Ldn Contours	8,715,896	-
PFC Project 21:	Residential Sound Insulation 14/32 Mitigation Contour	5,272,305	-
PFC Project 23:	Taxiway Improvements	4,284,582	-
PFC Project 24:	Runway Improvements	4,013,848	-
PFC Project 25:	Reconstruction of Aprons & Alleyways	12,053,535	-
PFC Project 26:	Security Improvements	44,011,188	-
PFC Project 27:	Centerfield Taxiway	9,107,072	-
PFC Project 32:	Development of Runway Safety Area for Runway 33L	-	13,553,000
PFC Project 33:	Reconstruction of Runway 22L	986,644	-
PFC Project 35:	Airfield Electrical System	-	10,950,000
PFC Project 36:	Rehabilitation of Taxiway "N"	-	3,500,000
PFC Project 37:	Access Control to Ancillary Buildings	-	1,105,000
PFC Project 38:	Access Control Data Storage and Server Capacity	-	1,080,000
PFC Project 39:	Replacement of Fireboat Marine 1	-	6,168,000
PFC Project 40:	Terminal "C" Checkpoint Consolidation	30,907	18,000,000
PFC Project 41:	Terminal "E" Gate Area and Baggage System Upgrades	-	18,251,000
PFC Project 42:	Terminal "A" Development	27,288,902	-
Total of Paid to Date and Legally Obligated to be Paid:		\$ 519,494,126	\$ 72,607,000
*Source: June 30, 2013 FAA Passenger Facility Charge Quarterly Report. (See attached Exhibit 2)			
**Source: Capital Programs Project Reports (as of June 30, 2013) and FAA PFC Quarterly Report (as of June 30, 2013)			
(C) Debt Service Paid-to-Date consists of the interest and principal payments made to bondholders through January 1, 2013, the interest paid for commercial paper through June 30, 2013, 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 \$ 247,769,331.13; interest amount paid on commercial paper was \$ 14,535,565.82; 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, 2013 assuming the 2007-B, 2007-D and 2010-E Bonds are redeemed at maturity. (See attached Exhibit 3)		\$ 146,781,788	
Aggregate amount of projected future interest payments on commercial paper, as of June 30, 2013		\$ 11,172,000	
(E) Sum of amounts on deposit as of June 30, 2012 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)		\$ 49,699,232	

Cumulative PFC Authority

For the purpose of any future amendments under 14 CFR § 158.37 that might increase the total approved net PFC revenue, the amounts "Approved for Use" are specified here. The applicability of 14 CFR § 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

Application Number	Approved for Collection	Approved for Use
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-U-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
12-07-U-00-BOS	\$0	\$18,278,000
Totals	\$1,352,273,158	\$1,352,273,158

**P F C Quarterly Report
Project Activity
General Edward Lawrence
Logan International Airport
Quarter Ended June 30, 2013
(Unaudited)**

Projects	Approval of PFC Use Date	Project Construction Start	Cumulative Project Expenditures	Amount of PFC Use Approval	Current Estimated PFC Costs
Project 1 - Residential Sound Insulation (RSIP)	Jan-27-97	Jan-01-91	\$ 15,323,217	\$ 15,323,217	\$ 15,325,217
Project 2A - Logan Modernization Program (LMP) Planning, Preliminary Design, and Environmental Analysis	Aug-24-93	Jul-01-93	9,513,984	9,514,000	9,513,984
Project 3 - Terminal E Improvements	Jan-27-97	Jul-01-94	20,891,765	20,892,000	20,891,765
Project 4 - Roadway System (Circulation and Terminal E)	Jan-27-97	Jul-01-95	154,139,665	172,655,000	171,269,000
Project 6 - International Gateway	Feb-05-98	Jul-01-95	374,867,068	483,631,000	483,631,000
Project 17 - Elevated Walkways	Apr-20-06	Jun-01-95	110,720,934.07	112,298,000.00	112,298,000.00
Project 20 - Residential Sound Insulation -1998 & 2001- 65 LDN Contours	Apr-20-06	Jul-01-01	8,590,000	8,590,000	8,590,000
Project 21 - Residential Sound Insulation -Runway 14/32 Mitigation Contour	Apr-20-06	Sep-01-05	5,200,000	5,200,000	5,200,000
Project 22 - Runway 14/32	Apr-20-06	Aug-01-04	12,506,350	23,178,000	23,178,000
Project 23 - Taxiway Improvement	Apr-20-06	Oct-01-06	7,975,606	11,243,000	11,243,000
Project 24 - Runway Improvement -to 4L-22R and 4R-22L	Apr-20-06	Apr-01-04	16,468,656	27,137,000	27,137,000
Project 25 - Reconstruction of Aprons & Alleyways at Terminal B, C, D	Apr-20-06	Sep-01-05	12,053,535	12,054,000	12,053,535
Project 26 - Security Improvement	Apr-20-06	Aug-01-02	44,011,868	48,191,000	48,191,000
Project 27 - Centerfield Taxiway	May-14-09	Jun-01-05	9,107,072	9,756,941	9,756,941
Project 30 - Airfield Drainage Improvement	Apr-20-06	Jul-01-06	58,926	237,000	237,000
Project 31 - Airfield Perimeter	Apr-20-06	Jul-01-07	69,061	280,000	280,000
Project 32 - Development of Runway Safety Area for Runway 33L	Mar-20-12	Jun-01-11	30,786	18,278,000	18,278,000
Project 33 - Reconstruction of Runway 22L	Apr-25-11	Sep-01-08	3,194,212.44	8,741,000.00	8,741,000.00
Project 35 - Airfield Electrical System Upgrades	Apr-25-11	May-01-10	0.00	13,646,000.00	13,646,000.00
Project 36 - Rehabilitation of Taxiway "N"	Apr-25-11	Jul-01-10	0.00	4,720,000.00	4,720,000.00
Project 37 - Access Control to the AOA from Terminal and Ancillary Buildings	Apr-25-11	Oct-01-10	0.00	1,490,000.00	1,490,000.00
Project 38 - Access Control Data Storage and Server Capacity Enhancements	Apr-25-11	Aug-01-10	0	1,456,000	1,456,000
Project 39 - Replacement of Fireboat Marine 1	Apr-25-11	May-01-10	0.00	8,318,000.00	8,318,000.00
Project 40 - Terminal "C" Checkpoint Consolidation	Apr-25-11	Jan-01-10	262,407.32	22,431,000.00	22,431,000.00
Project 41 - Terminal "E" Gate Departure Area Modifications & Baggage System Upgrades	Apr-25-11	May-01-08	152,909.69	24,613,000.00	24,613,000.00
Project 42 - Terminal A Development	Apr-25-11	Jun-20-11	27,288,902	288,400,000	288,400,000
Total Imposed and Use			\$ 832,426,923	\$ 1,352,273,158	\$ 1,350,888,442

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

1	Principal Payment to be made on July 1, 2013 - 2010-E Bonds	\$12,365,000
2	Principal Payment to be made on July 1, 2013 - 2007-B and 2007-D Bonds	4,560,000
3	Principal Payment to be made on July 1, 2014 - 2010-E Bonds	12,985,000
4	Principal Payment to be made on July 1, 2014 - 2007-B and 2007-D Bonds	4,735,000
5	Principal Payment to be made on July 1, 2015 - 2010-E Bonds	8,510,000
6	Principal Payment to be made on July 1, 2015 - 2007-B and 2007-D Bonds	8,965,000
7	Principal Payment to be made on July 1, 2016 - 2007-B and 2007-D Bonds	22,325,000
8	Principal Payment to be made on July 1, 2017 - 2007-B and 2007-D Bonds	<u>52,910,000</u>
9	Principal Balance Remaining to be Paid as of June 30, 2013 (Sum of Rows 1-8)	<u>\$127,355,000</u>
10	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2010-E Bonds	846,500
11	Interest Payments to be made July 2, 2012 through July 1, 2013 - 2007-B and 2007-D Bonds	2,271,263
12	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2010-E Bonds	1,074,750
13	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2007-B and 2007-D Bonds	4,360,275
14	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2010-E Bonds	425,500
15	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2007-B and 2007-D Bonds	4,137,650
16	Interest Payments to be made July 2, 2015 through July 1, 2016 - 2007-B and 2007-D Bonds	3,731,450
17	Interest Payments to be made July 2, 2016 through July 1, 2017 - 2007-B and 2007-D Bonds	<u>2,579,400</u>
18	Interest Remaining to be Paid as of June 30, 2013 (Sum of Rows 10-17)	<u>\$19,426,788</u>
19	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2013 assuming all bonds are held to maturity (Sum of Rows 9 and 18)	<u><u>\$146,781,788</u></u>
20	Projected earnings on Debt Service Reserve Fund as of June 30, 2013	(1,922,821)
21	Projected earnings on the Project Fund as of June 30, 2013	0
22	Balance of the Debt Service Fund as of June 30, 2013	(20,059,652)
23	Balance of the Debt Service Reserve Fund as of June 30, 2013	<u>(27,716,759)</u>
24	Subtotal (Sum of Rows 20-23)	<u>(\$49,699,232)</u>
25 *	Amount necessary to pay or redeem the PFC Bonds at maturity: (Sum of Row 19 and Row 24)	<u><u>\$97,082,555</u></u>

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

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rental car center

The Massachusetts Port Authority unveiled the new \$310 million Rental Car Center at Boston Logan International Airport. The 120,000 square foot customer service center and four level garage will have space for all nine rental car companies -- Advantage, Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty -- that have operating agreements with Logan to work in one common building. The RCC includes a new unified shuttle bus system operated by Massport. On Sept. 25, diesel powered rental car buses were eliminated entirely from the airport roadway as bus traffic drops from about 100 buses per hour to 28 fuel efficient clean hybrid buses.

**STATEMENT OF
CFC ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
of the
MASSACHUSETTS PORT AUTHORITY
FOR FISCAL YEAR 2013**

INTRODUCTION

This Statement of Annual Financial Information and Operating Data dated as of November 26, 2013 (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, 2013 (“fiscal year 2013”) 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 26, 2013 (the “2013 CAFR”) for fiscal year 2013. The Authority’s audited financial statements for fiscal year 2013 and comparative information for fiscal years 2012, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included as part of the 2013 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”) 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. Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2013 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. Prankevicus, CPA, the Authority’s Director of Administration and Finance and Secretary-Treasurer.

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 2013 CAFR on-line, please visit: <http://www.massport.com/cafr>.

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, 2013 is attached hereto as APPENDIX CFC-1.

Debt Service Coverage – Rate Covenant

A table presenting CFC Revenues (as defined in the CFC Trust Agreement) and debt service coverage on the CFC Bonds as of June 30, 2013 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, 2013, part of the 2013 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 Years ended June 30, 2013, 2012 and 2011; passengers in thousands

Fiscal Year	Outbound O&D passengers					Connecting and other passengers	Total
	Residents		Visitors		Total		
	Passengers	Percent of O&D total	Passengers	Percent of O&D total			
2011	7,129	52.6%	6,426	47.4%	13,555	625	14,180
2012	7,368	52.7%	6,601	47.3%	13,969	662	14,631
2013	7,374	52.7%	6,614	47.3%	13,988	729	14,717

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

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

	<u>Fiscal Year 2013</u>
Rental car transaction days	4,892,317
Percentage change from prior year	2.11%
CFC Revenues	\$ 29,353,902
Plus: Portion of Rolling Coverage Fund balance (a)	\$ 2,854,431
Plus: Portion of Supplemental Reserve Fund balance (b)	\$ 570,886
Total	<u>\$ 32,779,219</u>
Aggregate Debt Service	\$ 11,417,725
Debt service coverage	2.87
Debt service coverage (without Rolling Coverage Fund and Supplemental Reserve Fund balances)	2.57

(a) An amount equivalent to not more than 25% of Aggregate Debt Service.

(b) An amount equivalent to not more than 5% of Aggregate Debt Service.

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Boston Logan's 90th Celebration

Report Prepared by
The Administration and Finance Department

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

Betsy Taylor
Director of Finance and Treasury

Joseph McCann
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