MASSACHUSETTS PORT AUTHORITY

Financial Statements, Required Supplementary Information, and Supplementary Schedules

Years Ended June 30, 2020 and 2019

(With Report of Independent Auditors)

MASSACHUSETTS PORT AUTHORITY

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Building a better
working world

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Report of Independent Auditors

To the Members of the Massachusetts Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Massachusetts Port Authority (the Authority), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information
U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of pension contributions, schedule of changes in the net pension liability and related ratios, schedule of OPEB contributions, schedule of changes in the net OPEB liability and related ratios and schedule of investment returns, 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 Accounting Standards Board which 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 audit 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. 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 basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst + Young LLP

September 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) section of the activities and financial performance of the Massachusetts Port Authority (Massport or the Authority) provides an introduction to the financial statements of the Authority for the fiscal years ended June 30, 2020 and 2019. This discussion was prepared by management, and it should be read in conjunction with the audited financial statements and notes that follow this section.

Overview of the Financial Statements

The Authority's financial statements consist of: (1) the Statements of Net Position; (2) the Statements of Revenues, Expenses and Changes in Net Position; and (3) the Statements of Cash Flows. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles 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, 2020, 2019 and 2018, and include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority. Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The Authority's net position is divided into three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Please see Note 1 in the financial statements attached 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. 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 Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), investment income and capital grants are reported as other than operating revenue and their uses are restricted and generally are not available for operating purposes.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents 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.

COVID-19 Impact Statement

During the first eight months of FY20, prior to the COVID-19 outbreak, the Authority experienced strong business activity. Logan Airport, the principal source of the Authority's revenue, served a record 42.5 million passengers in calendar 2019, up 4% from the prior year. In January 2020 and February 2020 passenger volume increased 8% and 6%, respectively.

The outbreak of COVID-19 in March and related restrictions had an adverse impact on business activity at Massport. The pandemic affected international and domestic travel at the Authority's airport properties (Boston-Logan International Airport, Worcester Regional Airport and Hanscom Field) as well as the airport concessionaires. Airlines reported a significant downturn in traffic, causing the cancellation of numerous flights. A rebound back to pre-pandemic activity did not occur in the short-term and may not occur for several years. From March-June of 2020, Logan passenger volume was down 84.1%.

In addition to a reduction in flight operations, retail concessionaires at the Authority's airport properties have either temporarily closed or have reported significant declines in sales. Reduced air travel has also had an adverse effect on parking as FY20 exits were down 31%, ride app (transportation network companies) pick-ups were down 27%, and rental car transactions were down 26% compared to FY19.

The pandemic also impacted the Authority's port properties, but to a lesser extent. COVID-19 caused declines in retail operations and consumer demand that led to lower container volumes and associated revenues. The Centers for Disease Control (CDC) issued a "No Sail Order" effective March 14, 2020 that effectively suspended the start of Cruise Season 2020 at Flynn Cruiseport Boston and eliminated cruise-related revenues.

As a result of the above, Massport's revenues for FY20 were lower than planned.

BUSINESS ACTIVITY HIGHLIGHTS FOR FISCAL YEAR 2020

Logan International Airport

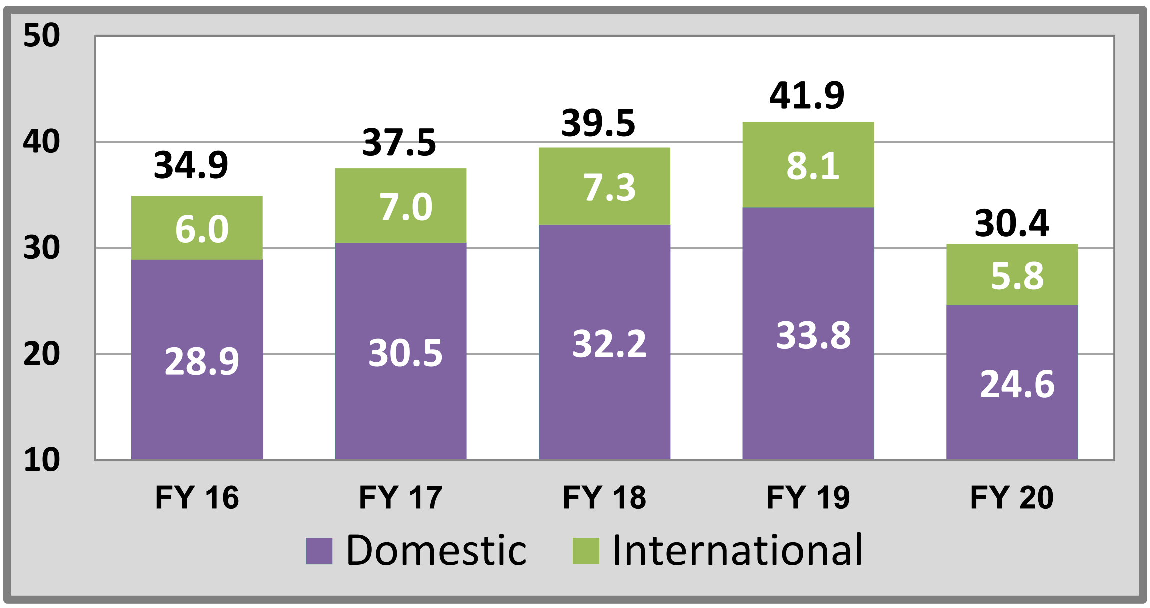
- **30.4 million passengers used Logan Airport during FY20.**
- From July 2019 through February 2020 Logan's passenger activity was up 4%. New domestic and international travel restrictions that were placed into effect in March 2020 due to COVID-19 resulted in an 84% decline in passenger activity for the months of March through June compared

to the previous year. These travel restrictions caused Logan Airport's passenger activity to be 27.5% lower than the previous year's nearly 42 million passengers.

- Logan Airport served 24.6 million domestic passengers and 5.8 million international passengers in FY20. Total domestic and international passengers were lower by 28% for the year.

LOGAN INTERNATIONAL AIRPORT

Passengers Served (Millions)



- Flight operations in FY20 were down by 20% versus the prior year. Similar to passenger activity, airline flight operations were 2.1% higher from July 2019 through February 2020, and declined 62.7% from March through June.

- Logan's ground transportation programs were also impacted by fewer passengers using Logan Airport. Parking exit volume was 1.7 million, a reduction of 0.8 million exits or 30.9%, Logan Express High Occupancy Vehicle (HOV) bus ridership declined by 22%, and Ride App pick-ups and drop-offs were lower by 26.5% compared to the prior year.

Worcester Regional Airport

- During FY20, Worcester was served by three major airlines: Delta, American Airlines, and JetBlue. The revitalization plan for this important transportation asset was progressing as planned with **cumulative passengers at the Airport exceeding 850,000 passengers since 2013.**

- In the fourth quarter, many airlines petitioned the U.S. Department of Transportation (US DOT) to reduce service at airports including Worcester. The US DOT granted Worcester service exemptions to JetBlue and American. By the end of June, JetBlue suspended flights to Orlando, Ft. Lauderdale, and its New York (JFK) hub and American Airlines suspended flights to its Philadelphia hub. Delta continued to provide service to its Detroit hub through the end of the fiscal year.

- Worcester Airport submitted a $5 million Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grant application to improve the airport's runway surface condition by replacing deteriorated pavement for improved safety and to keep our airline partners operational at this facility. In addition to safety enhancements, existing runway lights will be replaced with energy efficient LED fixtures. This project leverages $5 million in FAA funding and creates the equivalent of 139 full time jobs during the construction period.

Conley Container Terminal

- Conley Container Terminal is anchored by the strength of the New England economy, easy and quick truck access in and out of the terminal with efficient access to the interstate highway system, a highly productive workforce, and a continued focus on customer service. In FY20, **282,629 TEUs (Twenty-foot Equivalent Units) went through the Port,** 24,000 fewer TEUs than the record year of FY19 due to the impact that the pandemic had on global supply chains.

- Average turn time per truck was 33 minutes in FY20, a decrease from 34 minutes in the prior year. The average number of container lifts per hour, per crane was 33, which maintained Conley's position as a highly efficient port.

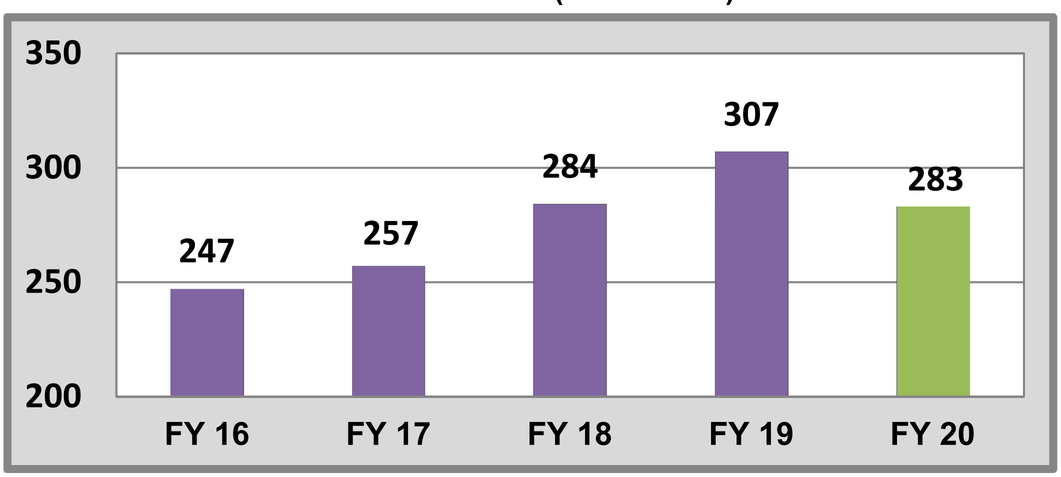
- A recent study concluded that maritime activity at Massport-owned facilities and private marine terminals/businesses within Boston Harbor generated $8.2 billion in economic output during 2018, up $3.8 billion or 78% since 2012. Total jobs at the Port increased by 16,000 or 32% to 66,000, and direct jobs grew by 27% from 7,000 to 9,000. State and local taxes paid increased by $50 million or 37% to $186 million. These significant economic impacts are largely due to growth in Massport's business activity at the Port during this period.

- The Maritime Strategic Plan calls for an $850 million investment to revitalize the Port of Boston. The Boston Harbor Dredging project continued to advance Phase I nearing completion (fall 2020) and Phase II anticipated to start in early 2021. To date, approximately 11 million cubic yards have been dredged, which is 95% of the total 11.5 million cubic yards required under the project plan. The Harbor Dredging Project is anticipated to be completed in late 2022/early 2023 and when finished, the Broad Sound North Channel depth will be increased to 51 feet, and the Main Ship Channel and Reserved Channel Turning Basin will both be deepened to 47 feet.

- The Conley Terminal modernization initiative, funded in part with a $42 million FASTLANE grant from the federal government, also advanced during FY20. At Berth 12, new fenders capable of accommodating the larger cargo vessels were installed, and the structural rehab of Berth 11 was completed. Expanded container storage, new reefer racks, upgraded Wifi broad band and new terminal yard lighting have been completed and/or installed. Five existing Rubber Tired Gantry (RTG) cranes were upgraded and 11 new tractors and four new RTG cranes have been procured and delivered to the Terminal.

CONLEY CONTAINER TERMINAL

TEUs Processed (thousands)



- Construction of the new deep-water Berth 10 began in June 2018, and three new ship-to-shore cranes capable of servicing the next generation of container ships are being manufactured with a targeted commissioning in mid-2021. The $215 million cost of Berth 10 and the three new cranes are being jointly funded by the Authority and the Commonwealth.

Flynn Cruiseport Boston

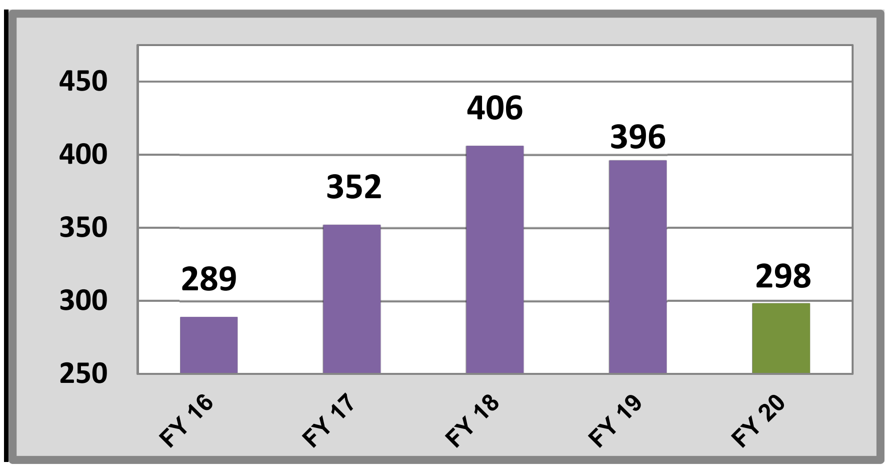
- **Flynn Cruise Port Boston served 298,029 Cruise passengers in FY20.**

- Flynn Cruiseport Boston had a very successful fall 2019 season that featured the following:
  - The longest cruise season ever as ship visits began in March and extended into mid-November
  - A visit from the largest ship ever to call on Flynn Cruiseport Boston, the MSC Meraviglia, which can accommodate 4,500 passengers
  - 9 maiden voyages
  - 86 ships during the peak months of September and October
  - 2% more passengers compared to the previous fall season

However, the FY20 season overall was negatively impacted by the pandemic. The CDC issued a "No Sail Order" effective March 14, 2020 as a result of COVID-19, suspending all cruises for the spring and summer of FY20.

FLYNN CRUISEPORT BOSTON

PASSENGERS (thousands)



Real Estate

- Massport's real estate portfolio generated 6.3% more revenue than the prior year despite COVID-19 impacts.

- Massport selected Boston Global Investors (BGI) to develop Parcel A-2, a 1.1 acre property on Congress Street in South Boston. BGI has steadily and significantly advanced the design and permits for an approximately 575,000-square foot office tower anticipates that all required approvals will be obtained by fall of 2020. As with the OMNI Hotel project now under construction, Massport placed a high priority on **diversity, equity and inclusion in the Parcel A-2 RFP** selection criteria. The project features more than 25 percent participation by minority-owned and women-owned businesses throughout the team, from the developer, to equity investors, to consultants and contractors. The project design features a number of **significant public realm** components, which will account for more than 100,000 square feet of combined interior and exterior programmed spaces.

- In June 2019, Massport issued a Request for Proposal (RFP) to develop Parcel H on Congress Street in South Boston. Massport offered the parcel for commercial mixed-use, with a noteworthy opportunity to **construct a new station serving the MBTA Silver Line** within the parcel footprint. Like the Omni Hotel and the Parcel A-2 developments, the offering included and advanced Massport's expectations for **strong diversity, equity and inclusion** within the responding teams and proposals, a process which has come to be known as the "Massport Model". Massport received seven proposals and is evaluating the best submissions for selection.

- In April 2020, Boston Sword and Tuna (BST) opened its new 50,000-square foot modern seafood processing plant on Parcel 6 at the Massport Marine Terminal in South Boston. The space has enabled BST to expand operations and grow its employee base, despite COVID-19 impacts.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

- **Total Operating Revenue was $825 million for FY20.**

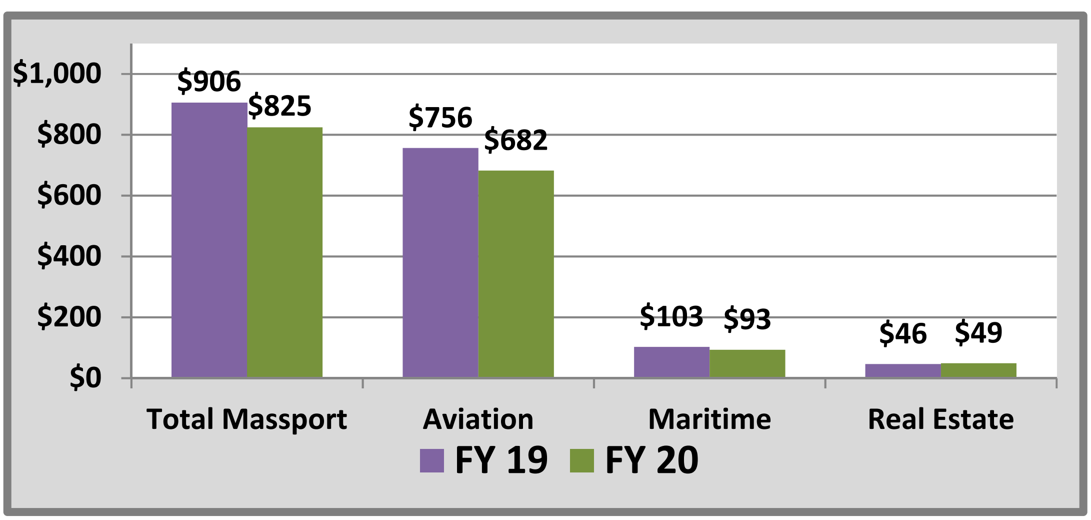
- Aviation revenue of $682 million, 9.8% lower than prior year. The 27.5% decrease in Logan Airport passenger volume resulted in a decline in passenger volume related revenues, such as parking and terminal concessions. While revenue for these items was trending above prior year before COVID-19, the severity of the pandemic resulted in a decrease for the full year. Since revenue growth is used to fund Massport's strategic initiatives and its capital program, the decline in revenue necessitated reductions in expenses and capital spending.

- Maritime revenue of $93 million, down 9.5% versus prior year. Conley Terminal container revenue was also impacted by the pandemic. As a result, Conley serviced 282,629 TEUs in FY20, an 8% decline versus the prior year. Flynn Cruiseport revenues were also drastically affected after a very successful fall season that extended into November 2019. Revenue generated by Maritime is being used to fund the $850 million Maritime Strategic Plan, which is continuing despite the pandemic because making Conley "big ship ready" remains a critical strategic initiative for the Authority.

- Real Estate revenue of $49 million, up 6.3% versus prior year. Ground rents increased due to one-time transaction rent income and annual lease escalations and parking revenue was slightly higher than prior year as the real estate business experienced less significant impacts from the pandemic than the aviation and maritime businesses. Revenue generated by the real estate business is also being used to support the $850 million Maritime Strategic Plan.

OPERATING REVENUES

($ Millions)



- **Operating Expenses for FY20 were $507 million.**

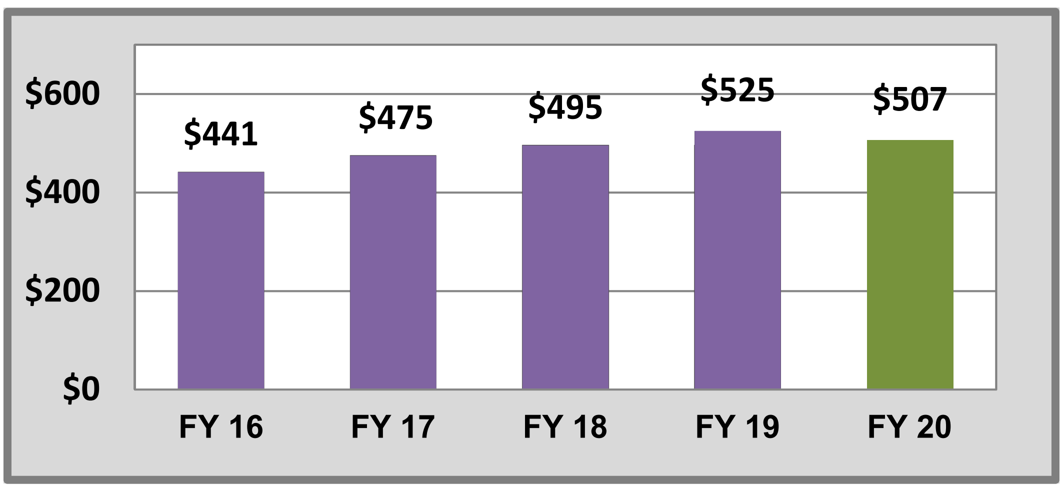
- As a result of the pandemic, Massport executed a plan in March 2020 to reduce operating expenses to mitigate the decline in business activity and associated revenues. Expenses including Shuttle Bus Services, Stevedoring, Overtime, Materials & Supplies, Repairs, Professional Fees, Students, Temps and Interns, Travel and other such costs were decreased by as much as 100%.

- Snow-related expenses were lower by $1.2 million due to a milder winter in FY20 versus FY19.

- Pension and Other Post-Employment Benefits (OPEB) expense decreased by $4.6 million or 11.3% due primarily to favorable net investment returns for the Pension fund for the calendar year ending December 31, 2019.

- Depreciation and Amortization expense increased by $11.0 million or 3.8% due to new investment in the Authority's assets and the full year impact of the refinancing of the Terminal A debt in FY19.

OPERATING EXPENSES excluding Depreciation
($ Millions)



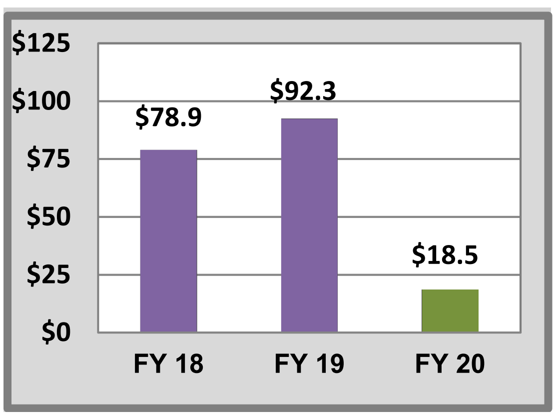
- **Operating Income for FY20 was $19 million.**

- Prior to COVID-19, management's five-year plan projected margin expansion in order to fund Massport's $2.6 billion capital program, the largest in the Authority's history. Massport was well on its way to achieving this aggressive investment target to keep pace with record business growth.

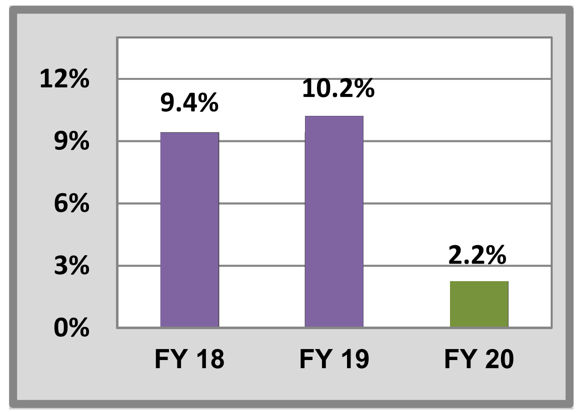
- The decline in passenger traffic at Logan Airport in the fourth quarter of FY20 reduced activity-based revenues such as Parking, Concessions and other volume-related items. As a result, Massport's operating income and margin, while still positive, declined by nearly $74 million compared to last year.

OPERATING INCOME

($ Millions)



OPERATING MARGIN



- **Net Position of $2.5 billion was 6.9% higher.**

- Net position is a key indicator of the financial health of the Authority and is comprised primarily of capital assets owned by the Authority.

- The FY20 increase in net position of $164.1 million was due to $18.5 million of operating income, $85.8 million of non-operating income, and $59.9 million of capital grant revenue.

- The $85.8 million of non-operating income includes $57.1 million of federal CARES Act funds. This represents a portion of the $143.7 million grant awarded to Massport to help offset the financial impact of COVID-19.

- Expansion of the Authority's net position is critical to fund the capital program, which includes strategic initiatives such as the modernization of Terminal E to accommodate more international flights, redesigning the roadways at Logan Airport to make travel easier for our customers, and the dredging of Boston Harbor and modernization of Conley Terminal to support the industry trend toward larger 10,000+ TEU container ships.

Condensed Statement of Revenues, Expenses and Changes in Net Position
($ millions)

	FY 2020	FY 2019	$ Change	% Change
Operating revenues	$ 824.5	$ 905.5	($ 81.0)	(8.9%)
Operating expenses including depreciation and amortization	806.0	813.2	(7.2)	(0.9%)
Operating income	**18.5**	**92.3**	**(73.8)**	**(80.0%)**
Total non-operating revenues (expenses), net	85.8	91.4	(5.6)	(6.1%)
Capital grant revenues	59.9	28.2	31.7	112.4%
Increase (decrease) in net position	**164.2**	**211.9**	**(47.7)**	**(22.5%)**
Net position, beginning of year	2,376.2	2,164.3	211.9	9.8%
Net position, end of year	**$ 2,540.3**	**$ 2,376.2**	**$ 164.1**	**6.9%**

	FY 2019	FY 2018	$ Change	% Change
Operating revenues	$ 905.5	$ 836.4	$ 69.1	8.3%
Operating expenses including depreciation and amortization	813.2	757.5	55.7	7.4%
Operating income	**92.3**	**78.9**	**13.4**	**17.0%**
Total non-operating revenues (expenses), net	91.4	51.9	39.5	76.1%
Capital grant revenues	28.2	25.4	2.8	11.0%
Increase (decrease) in net position	**211.9**	**156.2**	**55.7**	**35.7%**
Net position, beginning of year	2,164.3	2,008.1	156.2	7.8%
Net position, end of year	**$ 2,376.2**	**$ 2,164.3**	**$ 211.9**	**9.8%**

Detailed descriptions of operating revenues and expenses, and non-operating revenues and expenses are described in the following sections.

OPERATING REVENUE

The Authority's operating revenues for FY20 were $824.5 million, down $81.0 million or 8.9% from the prior year. The decline was mainly attributable to lower business activity at Logan Airport. Business activity across all of Massport's businesses was strong and surpassing the prior year for the first eight months until March when the pandemic hit. Logan was impacted the most; the Authority's real estate business produced higher revenues in FY20 and the maritime businesses were down only marginally.

Operating Revenues
($ millions)

	FY 2020	FY 2019	$ Change	% Change
Aviation Rentals	$ 275.3	$ 267.1	$ 8.2	3.1%
Aviation Parking	137.0	182.1	(45.1)	(24.8%)
Aviation Fees	139.2	153.2	(14.0)	(9.1%)
Aviation Concessions	111.1	130.8	(19.7)	(15.1%)
Shuttle Bus	17.0	21.2	(4.2)	(19.8%)
Aviation Operating Grants and Other	2.8	2.0	0.8	40.0%
Total Aviation Revenues	**$ 682.4**	**$ 756.4**	**($ 74.0)**	**(9.8%)**
Maritime Fees, Rentals and Other	93.0	102.8	(9.8)	(9.5%)
Real Estate Fees, Rentals and Other	49.2	46.3	2.9	6.3%
Total	**$ 824.5**	**$ 905.5**	**($ 81.0)**	**(8.9%)**

	FY 2019	FY 2018	$ Change	% Change
Aviation Rentals	$ 267.1	$ 240.8	$ 26.3	10.9%
Aviation Parking	182.1	180.8	1.3	0.7%
Aviation Fees	153.2	153.2	0.0	0.0%
Aviation Concessions	130.8	114.5	16.3	14.2%
Shuttle Bus	21.2	20.3	0.9	4.4%
Aviation Operating Grants and Other	2.0	1.9	0.1	5.3%
Total Aviation Revenues	**$ 756.4**	**$ 711.5**	**$ 44.9**	**6.3%**
Maritime Fees, Rentals and Other	102.8	94.4	8.4	8.9%
Real Estate Fees, Rentals and Other	46.3	30.5	15.8	51.8%
Total	**$ 905.5**	**$ 836.4**	**$ 69.1**	**8.3%**

AVIATION REVENUES

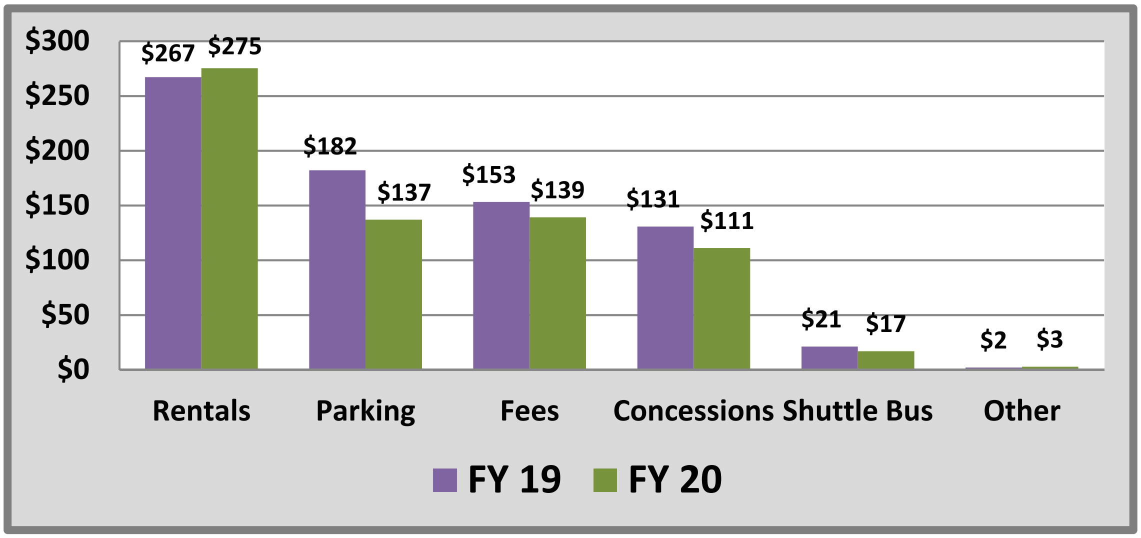
The Authority's Aviation revenues are derived from its three airport facilities: Logan Airport, Hanscom Field and Worcester Regional Airport.

The Authority's airports generated $682.4 million of Aviation revenues during FY20, which was $74.0 million or 9.8% lower than the prior year.

Aviation Revenues
($ millions)

	FY2020	FY2019
Logan	$ 665.4	$ 738.3
Hanscom	14.6	14.9
Worcester	2.3	3.2
Total	**$ 682.4**	**$ 756.4**

Aviation Revenues by Category
($ Millions)



Fiscal Year 2020 Compared to 2019

<u>Logan Airport Revenues</u>

Logan Airport generated $665.4 million in revenues in FY20, a $72.9 million or 9.9% decrease versus last year.

Logan Airport Revenues
($ millions)

	FY2020	FY2019
Logan Rentals	$ 266.9	$ 258.6
Logan Parking	136.4	181.5
Logan Fees	132.2	145.3
Logan Concessions	110.2	129.8
Shuttle Bus	17.0	21.2
Logan Operating Grants	2.7	1.8
Total	**$ 665.4**	**$ 738.3**

Logan rental revenues are earned through terminal building, non-terminal building and ground lease agreements. Revenue from Logan Airport rentals was $266.9 million, an $8.3 million or 3.2% increase versus the prior year. Terminal rent accounts for 79.1% or $211.1 million of this revenue, and increased by $7.3 million. The remaining 20.9% is comprised of non-terminal rent (11.1%) and ground rent (9.8%).

The increase in terminal rent was driven primarily by the recovery of terminal operating and capital costs from the airlines in the form of higher terminal rental rates, and also the full year impact of the refinancing of Terminal A debt, which resulted in more terminal rent recovery.

Logan parking revenues are generated from the Authority's on-airport and off-airport parking facilities. In FY20, Logan parking revenue was $136.4 million, down $45.1 million, or 24.8% versus the prior year. Revenue from on-airport facilities was down $43.6 million, or 25.0%. Parking revenue from the three off-airport Logan Express parking locations was $5.5 million, down $1.4 million or 20.3% driven by 22% fewer Logan Express passengers.

Logan fee revenues consist of revenues earned from aircraft landing fees, utility reimbursements, and aircraft parking and fueling. During FY20, Logan Airport aviation fees were $132.2 million, a $13.1 million or 9.0% decrease versus prior year. Utility reimbursements were lower in FY20 by $2.6 million, primarily as a result of lower electricity costs due to chiller upgrades at Logan's central heating plant. Logan Airport aircraft landing fees, which account for 83.6% of Logan aviation fees, were lower by $9.3 million or 7.8% versus FY19. Landing fees are collected from scheduled and non-scheduled airlines based on the landed weight of aircraft serving Logan Airport. The landing fee rate is determined annually based on full cost recovery of landing field costs necessary to operate and maintain the airfield for our airline customers.

Logan Airport Aviation Fees
($ millions)

	FY2020	FY2019
Landing Fees	$ 110.5	$ 119.8
Utilities	11.0	13.6
Other	10.8	11.8
Total	**$ 132.2**	**$ 145.3**

Logan concessions revenues are earned from airport terminal retail operations, on-airport car rental transactions, and the activities of ground transportation and other service providers including taxis, bus, limousine, Ride Apps (Transportation Network Companies), aircraft ground handling, and in-flight catering. In FY20, Logan Airport earned $110.2 million from concessions versus $129.8 million in FY19, a decrease of $19.6 million or 15.1% as a result of fewer passengers.

Revenues from in-terminal concessions totaled $46.6 million, a decrease of $9.4 million or 16.8% compared to the prior year. This decrease was mainly due to a $5.6 million decline in food and beverage. Revenues from ground and commercial services declined by $2.6 million while foreign exchange commissions were also down by $1.1 million.

Logan Airport earned $30.0 million from rental car companies during FY20, a decrease of $5.3 million or 15.0% compared to FY19. Rental car transactions decreased by 25.7% and sales per transaction increased slightly by 1.3%. Ground transportation and other fees of $33.6 million declined by $4.9 million or 12.7%. Ground transportation fees collected from Taxis, Limos, and Ride Apps totaled $16.3 million, a decrease of $1.0 million or 6.0%, driven by fewer pick-ups due to fewer passengers.

Logan Airport Concession Fees

($ millions)

	FY2020	FY2019
In-Terminal	$ 46.6	$ 56.0
Rental Car	30.0	35.3
Ground Transportation & Other	33.6	38.5
Total	**$ 110.2**	**$ 129.8**

Shuttle bus and other revenues are primarily the result of an on-airport shuttle that links the terminal buildings, rental car center, and the MBTA Blue Line station, as well as the bus operations from four off-airport Logan Express sites in the Boston metropolitan region and Boston's Back Bay area. The Authority earned $17.0 million of revenue from the Logan Airport shuttle bus operations, a decline of $4.2 million from the prior year. Revenue from the on-airport shuttle bus was down by $1.0 million and Logan Express ticket revenue was down by $3.2 million as service was reduced or suspended to adjust to passenger demand.

During FY20, Logan Airport received $2.7 million in other revenues from federal operating grants.

Logan Airport Shuttle Bus and Other Revenues

($ millions)

	FY2020	FY2019
Shuttle Bus	$ 17.0	$ 21.2
Other	2.7	1.8
Total	**$ 19.7**	**$ 23.0**

Hanscom Field and Worcester Regional Airport Revenues

Hanscom Field revenues were $14.6 million in FY20, down slightly by $0.3 million or 2.0% from the prior year. The decrease was primarily due to lower aircraft fuel flowage fees. Worcester Regional Airport generated $2.3 million in operating revenues in FY20, down $0.9 million due to reduced ground lease revenue.

Hanscom and Worcester Revenues
($ millions)

	FY2020	FY2019
Hanscom	$ 14.6	$ 14.9
Worcester	2.3	3.2
Total	**$ 16.9**	**$ 18.1**

Fiscal Year 2019 Compared to 2018

The Authority earned $756.4 million in revenues from its aviation operations in FY19, up $44.9 million or 6.3% compared to prior year.

Revenue from Logan Airport rentals was $258.6 million, a $25.3 million or 10.8% increase over prior year. Terminal rent accounts for 78.8% of this revenue, and increased by $23.4 million. This was driven by the recovery of terminal operating and capital costs from the airlines in the form of higher terminal rental rates and by the refinancing of the Terminal A debt, which resulted in an increase in terminal rent from the tenants in that terminal.

Aviation parking revenues are primarily generated from the Authority's on-airport and off-airport parking facilities. Logan parking revenue was $181.5 million, up $1.2 million or 0.7% versus prior year due to an increase in airport passenger volume. Parking revenue from the three off-airport Logan Express locations was $6.9 million, up $0.7 million or 11.3% due to a 8% increase in passenger use and a longer duration in the average number of days parked.

During FY19, Logan Airport aviation fees were $145.3 million, a $0.7 million or 0.5% decrease from prior year. Utility expense reimbursements were lower by $2.1 million due to lower rates. Logan Airport aircraft landing fees, which account for 82.5% of Logan aviation fees, were up by $0.6 million or 0.5% versus FY18 and reflect an increase in operating and capital cost recovery.

Logan concessions revenues earned from airport terminal food, beverage and retail operations, on-airport car rental transactions, ground transportation and other service providers including taxis, bus, limousine, Ride Apps, aircraft ground handling, advertising and in-flight catering totaled

$129.8 million in FY19. This was $16.2 million or 14.3% higher than FY18 due to increased passengers and enhancements by the new concession management company.

Logan Airport shuttle bus operations generated $21.2 million, a $0.9 million increase over prior year due to an increase in Logan Express ridership.

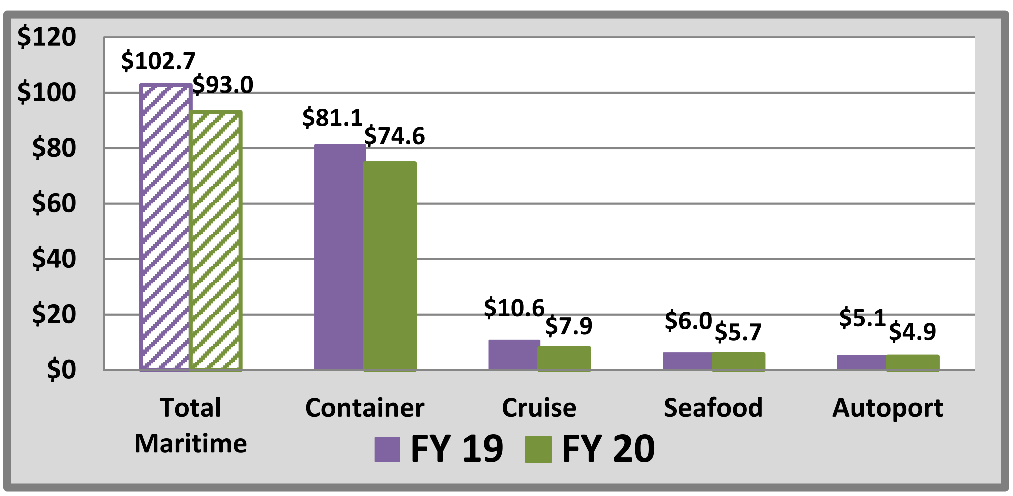
Worcester Regional Airport revenues were up by $1.4 million due primarily to higher fixed base operator ground lease revenue and higher parking revenue driven by the 34% increase in passengers. Hanscom Field revenues were up $0.6 million or 4.2% from prior year due to higher aircraft fuel flowage and aircraft parking revenues.

MARITIME REVENUES

The Authority's maritime business includes container operations at Conley Terminal, cruise activity at the Flynn Cruiseport, rental facilities for seafood processors and commercial parking at the Boston Fish Pier in South Boston, and the Autoport, which houses an automobile import/export facility and other maritime industrial businesses in Charlestown.

The Authority's maritime operations at the Port of Boston generated $93.0 million of revenue during FY20, which was $9.7 million or 9.4% below the prior year.

Maritime Revenues by Category
($ Millions)



Fiscal Year 2020 Compared to 2019

Maritime fees, rentals and other revenues are collected primarily from container shipping lines, cruise lines and other customers that use the Authority's Port facilities. The Authority collected

$93.0 million in fees, rentals and other income from its maritime operations in FY20, which was a solid performance given the pandemic's impact on the global economy.

Container revenue during FY20 was $74.6 million, $6.5 million or 8.0% below the prior year. Revenue is generated through the collection of fees from ocean shipping lines for the loading and unloading of containers at Conley Terminal and for related services through tariffs and contracts with the shipping lines and shippers using the Port. Conley Terminal processed 282,629 TEUs, making FY20 one of Conley's strongest years.

Cruise revenue from operations at Flynn Cruiseport Boston was $7.9 million in FY20, down $2.7 million or 25.5% versus prior year. The Authority collects per passenger fees as well as dockage, water and equipment rental charges from home-port and port-of-call cruise ships that dock at the Cruiseport. Annual rate increases in these fees were offset by lower volumes. After a very strong fall season that saw new lines call on the Cruiseport and an extension of the season into November, the CDC issued a "No Sail Order" in March 2020 due to the pandemic, which effectively cancelled the spring and summer cruise season.

Seafood revenues were $5.7 million in FY20, a decline of $0.3 million or 5.0% from the prior year. Revenues are earned through space and ground rents from seafood processing and office tenants, commissions, utility charges, fees and parking lots at the Fish Pier. The $0.3 million decrease in FY20 is due to less parking revenue and a decrease in utility reimbursement fees.

Autoport revenue was $4.9 million in FY20, down marginally from prior year due to a decrease in utility reimbursement fees.

Fiscal Year 2019 Compared to 2018

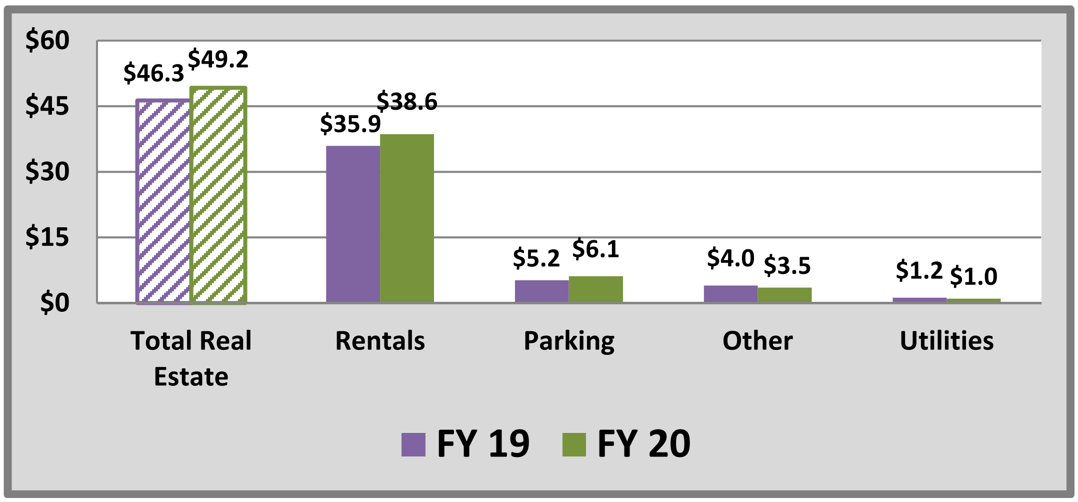
The Authority collected $102.7 million in fees, rentals and other income from its maritime operations in FY19. This was $8.4 million or 8.9% higher than the prior year.

Container revenues were higher by $8.0 million or 10.9% as Conley Terminal set a new record by processing 307,331 TEUs, an 8.3% increase over the prior year. Flynn Cruiseport Boston revenues increased by $0.7 million or 7.1% as annual fee increases slightly offset a 2.6% decline in cruise passengers. Seafood revenues declined $0.4 million due to the discontinuance of payments from a lease at the Fish Pier that was terminated in early 2019. Autoport revenue was relatively flat versus prior year.

REAL ESTATE REVENUES

- **The Authority's real estate division produced $49.2 million of revenue.**

Real Estate Revenues by Category
($ Millions)



Fiscal Year 2020 Compared to 2019

The Authority's commercial real estate line of business earns revenues from ground leases, district service fees and parking on properties owned by the Authority in South Boston, East Boston and Charlestown. Revenues from the Authority's real estate activities totaled $49.2 million in FY20, up $2.9 million or 6.3% versus prior year.

The $2.9 million increase in revenue was primarily due to one-time transaction rent fees, which were higher in FY20 than in FY19. Parking revenue increased by $0.9 million due in part to dynamic pricing at the 1,550 space South Boston Waterfront Transportation Center. Other revenue was down by $0.9 million due to lower utility fees, security detail reimbursements and other fees.

Fiscal Year 2019 Compared to 2018

Revenues from the Authority's real estate activities in FY19 totaled $46.3 million and reflected an increase of $15.8 million versus FY18. The increase was primarily due to a $13.3 million increase in ground rent income from the sale of a building on a Massport parcel in South Boston that resulted in a transaction rent payment along with annual escalations to existing leases. Parking revenue increased $1.1 million due to a full year of operation at the South Boston Waterfront Transportation Center. Other revenue increases included higher utility fee reimbursements and an increase in licensing fees for the short-term use of Massport land or facilities.

OPERATING EXPENSES

The Authority's total operating expenses in FY20 were $806.0 million, a decrease of $7.2 million or 0.9% versus the prior year. Excluding Depreciation and Amortization, operating expenses were down $18.2 million 3.5%.

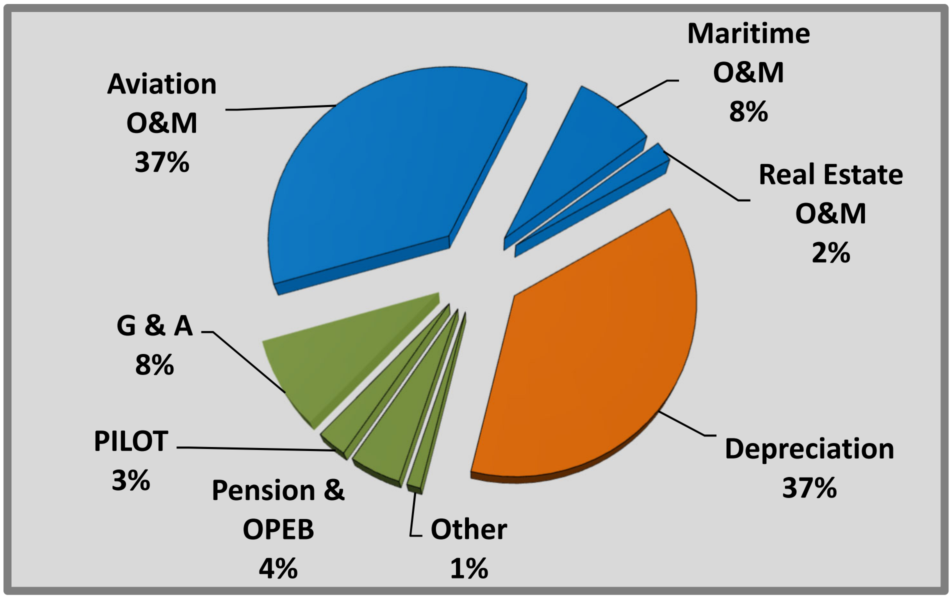
Total operating expenses were lower in FY20 as the result of actions taken by Massport management to maintain a balanced budget given the decline in revenues from reduced business activity. All operating and administrative departments took immediate action to reduce costs during March through June of 2020.

Operating Expenses
($ Millions)

	FY 2020	FY 2019	$ Change	% Change
Aviation Operations and Maintenance	$ 295.7	$ 305.6	($ 9.9)	(3.2%)
Maritime Operations and Maintenance	61.1	64.4	(3.3)	(5.1%)
Real Estate Operations and Maintenance	15.0	16.9	(1.9)	(11.2%)
General and Administrative	68.1	67.3	0.8	1.2%
Payments in Lieu of Taxes	21.0	21.3	(0.3)	(1.4%)
Pension and Other Post-employment Benefits	36.1	40.7	(4.6)	(11.3%)
Other	9.7	8.6	1.1	12.8%
Depreciation and Amortization	299.3	288.3	11.0	3.8%
Total Operating Expenses	**$ 806.0**	**$ 813.2**	**($ 7.2)**	**(0.9%)**

	FY 2019	FY 2018	$ Change	% Change
Aviation Operations and Maintenance	$ 305.6	$ 296.2	$ 9.4	3.2%
Maritime Operations and Maintenance	64.4	64.0	0.4	0.6%
Real Estate Operations and Maintenance	16.9	14.9	2.0	13.4%
General and Administrative	67.3	62.5	4.8	7.7%
Payments in Lieu of Taxes	21.3	20.4	0.9	4.4%
Pension and Other Post-employment Benefits	40.7	29.0	11.7	40.3%
Other	8.6	8.4	0.2	2.4%
Depreciation and Amortization	288.3	262.1	26.2	10.0%
Total Operating Expenses	**$ 813.2**	**$ 757.5**	**$ 55.7**	**7.4%**

FY20 Operating Expenses by Category
(% of Total Expenses)



<u>Aviation Operations and Maintenance Expenses – FY 2020</u>

In FY20, aviation operations and maintenance expenses were $295.7 million, a decrease of $9.9 million or 3.2% from the previous year. The breakdown of aviation operations and maintenance expenses by each of Massport's aviation facilities is provided below:

Aviation Operating and Maintenance Expenses
($ millions)

	FY 2020	FY 2019	FY 2018
Logan	$ 272.6	$ 285.5	$ 277.4
Hanscom	11.0	10.6	11.8
Worcester	12.1	9.5	7.0
Total	$ 295.7	$ 305.6	$ 296.3

<u>Logan Airport Operations and Maintenance Expenses – FY 2020</u>

Operations and maintenance expenses for Logan Airport in FY20 were $272.6 million and accounted for approximately 92.2% of all aviation operations and maintenance expenses and 73.3% of the Authority's total operations and maintenance expenses. In FY20, operations and maintenance expenses for Logan Airport were lower by $12.9 million or 4.5% versus the prior year.

Actions taken to reduce expenses include the reduction and/or suspension of services including the Logan Airport Shuttle bus and Logan Express, the consolidation or closure of airport parking and some terminal spaces, and a scaling back of facility maintenance activities, supplies, services and repairs. As a result, expenses versus prior year were lower by $13.2 million. Wage and benefit expense was higher by $2.8 million or 3.0% due to merit increases and collectively bargained wage adjustments partially offset by the elimination of all temporary employees, students and interns. A mild winter allowed snow-related costs to be $0.9 million lower as the Authority required fewer services and supplies to keep the airport operational. Other expenses were lower by $1.6 million.

Logan Airport Operations and Maintenance Expenses – FY 2019

Operations and maintenance expenses for Logan Airport in FY19 were $285.5 million and accounted for approximately 93.4% of all aviation operations and maintenance expenses and 73.8% of the Authority's total operations and maintenance expenses. In FY19, operations and maintenance expenses for Logan Airport increased by $8.1 million, or 2.9% over the prior year.

Increased business activity resulted in a $1.8 million cost increase for shuttle bus operations, terminal building cleaning, and rubbish removal. Wage and benefit expenses were higher by $2.2 million due to merit increases and collectively bargained wage adjustments. State Police expenses were higher by $2.7 million due primarily to a new class of 30 troopers hired to bolster security at Logan Airport. Expenses were also higher by $3.0 million for the new Logan commissary, which is part of an enhanced security plan at the airport. Snow-related costs decreased by $2.0 million as the Authority required fewer services and supplies. Other expenses were higher by $0.4 million.

Hanscom Field and Worcester Airport Operations and Maintenance Expenses – FY 2020

In FY20, operations and maintenance expenses for Hanscom Field were $11.0 million, a $0.4 million or 3.8% increase versus the prior year. The increase was due to a $1.3 million increase in wage and benefit expenses due to the full year impact of additional ARFF (Aircraft Rescue and Firefighting) personnel hired in April 2019, which was partially offset by a decrease of $0.9 million for lower materials, supplies and services expenses.

Operations and maintenance expenses for Worcester Regional Airport were $12.1 million, a $2.6 million or 27.4% increase. The increase was due to a $2.0 million increase in wage and benefit expenses due to the full year impact of additional ARFF personnel hired in FY19 and higher State Police costs of $1.6 million that were partially offset by $0.6 million less overtime and a $0.5 million decrease in materials, services and supplies expenses.

Hanscom Field and Worcester Airport Operations and Maintenance Expenses – FY 2019

In FY19, operations and maintenance expenses for Hanscom Field were $10.6 million, a decrease of $1.2 million or 10.2% versus the prior year. The decrease was primarily attributable to a $1.1 million reduction in repairs expense and a decline in remediation and services costs by $0.9 million. These were mostly offset by an increase in expenses related to additional ARFF personnel, gear and training.

Operations and maintenance expenses for Worcester Regional Airport were $9.5 million, a $2.5 million or 35.7% increase. The increase included $1.3 million for more ARFF personnel, gear and training, $0.5 million for higher materials and supplies, and $0.7 million for an increase in services, repairs and other miscellaneous expenses.

Maritime Operations and Maintenance Expenses – FY 2020

Maritime operations and maintenance expenses were $61.1 million, a $3.3 million or 5.1% decrease from the prior year. Stevedoring costs were $1.0 million lower due to lower container volume and the new flex-time rules that lowered wage expenses. Materials, supplies, services and repairs expenses collectively were $1.0 million lower than prior year. Overtime was down $0.9 million based on a successful initiative to realign staffing needs.

Wage and benefit expenses increased by $0.7 million, and other expenses were lower by $1.1 million due in part to lower maritime property remediation expenses versus FY19.

Maritime Operations and Maintenance Expenses – FY 2019

Maritime operations and maintenance expenses were $64.4 million, $0.4 million or 0.6% higher than the prior year. Higher business activity resulted in a $1.5 million increase in stevedoring expense to handle the 8.3% increase in container volume (TEUs). Other increases included a $0.2 million increase in payroll and benefits expense.

Expenses for services decreased in FY19 by $0.5 million versus the prior year. The primary driver was a milder winter, which resulted in lower snow removal services. Materials and supplies expense declined slightly $0.2 million. Other expenses were lower by $0.6 million due to lower remediation costs, lower repair costs, and lower professional fees.

Real Estate Operations and Maintenance Expenses – FY 2020

Real Estate operations and maintenance costs in FY20 were $15.0 million, down $1.9 million or 11.2% versus the prior year. Professional fees for parcel developments were reduced by $0.9 million. Repairs and services expenses were lower by $0.5 million, and reimbursement fees for utility expenses were down by $0.3 million. Other expenses were down by $0.2 million versus prior year.

Real Estate Operations and Maintenance Expenses – FY 2019

Real Estate operations and maintenance costs in FY19 were $16.9 million, up $2.0 million or 13.4% versus the prior year. Wage and benefit expenses were higher by $1.3 million due in part to additional staffing to support an increase in properties being developed. State Police costs were higher by $0.4 million. Professional fees increased by $0.3 million. Other miscellaneous expenses were higher by $0.6 million. Repair expenses decreased by $0.6 million due to lower costs to repair damages to the pier at 88 Black Falcon.

General and Administrative Expenses – FY 2020

The Authority's general and administrative costs were $68.1 million in FY20, $0.8 million or 1.2% higher than FY19. Employee wage and benefit costs for administrative employees increased by $2.4 million for annual merit pay adjustments, and services expenses were up $1.1 million due primarily to increased cleaning costs necessitated by COVID-19 and an increase in subscription-based software platforms and computer maintenance costs.

The increases were partially offset by a $1.5 million decline in professional fees for engineering and planning resources. Media and advertising was lower by $1.5 million as this spending was reduced to meet expense reduction targets. Other expenses were higher by $0.3 million.

The following table shows the allocation of the Authority's general and administrative expenses by business line for FY20, FY19 and FY18.

General and Administrative Expenses
($ millions)

	FY 2020	FY 2019	FY 2018
Logan	$ 45.6	$ 46.1	$ 43.6
Hanscom	2.7	3.1	2.3
Worcester	3.6	3.4	2.8
Maritime	10.1	9.2	8.5
Real Estate	6.2	5.4	5.3
Total	**$ 68.1**	**$ 67.3**	**$ 62.5**

General and Administrative Expenses – FY 2019

The Authority's general and administrative costs were $67.3 million in FY19, $4.8 million or 7.7% higher than FY18. Employee wage and benefit costs for administrative employees increased by $1.0 million for annual merit pay adjustments, and professional fees for engineering and planning resources grew by $1.2 million. Other expenses were higher by $2.5 million, primarily for items including computer maintenance costs, software licensing fees, special events including the

American Association of Airport Executives (AAAE) conference hosted by the Authority, and advertising to promote new initiatives.

PILOT, Pension & OPEB and Other Expenses – FY 2020

In FY20, the Authority's PILOT (payment in lieu of tax) payments to the City of Boston and the Town of Winthrop totaled $21.0 million and reflect a $0.3 million or 1.4% decrease versus FY19. The City of Boston's PILOT payments are contractually linked to the annual rise in the Consumer Price Index (CPI), which added $0.4 million of new costs. This was more than offset by lower expenses in FY20 related to community mitigation payments made to organizations such as the East Boston Foundation as fewer milestones were achieved.

The Authority's expenses for pension and OPEB were $36.1 million, a decrease of $4.6 million or 11.3% compared to FY19. The Authority's pension expense decreased by $8.7 million, primarily due to a 19.7% favorable net return on pension plan assets versus the 7.25% rate used to project the pension liability. The Authority's OPEB expense increased by $4.1 million as the result of the Trust fiscal year end being changed from June 30th to December 31st, which resulted in recording 18 months of expense during FY20. The measurement period for both the pension and OPEB assets was calendar year ended December 31, 2019.

The following tables show the allocation of PILOT, Pension, OPEB, and other expenses by business line for FY20 and FY19:

FY20 - PILOT, Pension, OPEB, and Other Expenses
($ millions)

	PILOT	PENSION	OPEB	OTHER	TOTAL
Logan	$ 18.2	$ 10.4	$ 17.4	$ 7.9	$ 53.9
Hanscom	0.0	0.5	0.8	0.2	1.5
Worcester	0.0	0.6	0.5	0.4	1.5
Maritime	1.5	1.3	2.8	0.9	6.5
Real Estate	1.3	0.7	1.1	0.3	3.4
Total	**$ 21.0**	**$ 13.5**	**$ 22.6**	**$ 9.7**	**$ 66.8**

FY19 - PILOT, Pension, OPEB, and Other Expenses
($ millions)

	PILOT	PENSION	OPEB	OTHER	TOTAL
Logan	$ 18.8	$ 17.4	$ 14.4	$ 6.2	$ 56.8
Hanscom	0.0	0.7	0.6	0.2	1.5
Worcester	0.0	0.8	0.4	0.4	1.6
Maritime	1.3	2.3	2.4	1.4	7.4
Real Estate	1.2	1.0	0.7	0.4	3.3
Total	**$ 21.3**	**$ 22.2**	**$ 18.5**	**$ 8.6**	**$ 70.6**

PILOT, Pension & OPEB and Other Expenses – FY 2019

In FY19, the Authority's PILOT payments to the City of Boston and the Town of Winthrop totaled $21.3 million and reflect a $0.9 million or 4.4% increase versus FY18. The City of Boston's PILOT payments are contractually linked to the annual rise in the CPI, which added $0.4 million of new costs. The remainder of the increase is related to community mitigation milestone payments made to organizations such as the East Boston Foundation in association with new facilities being constructed at Logan Airport.

The Authority's expenses for pension and OPEB were $40.7 million, an increase of $11.7 million or 40.4% compared to FY18. The Authority's pension expense increased by $13.4 million, primarily due to a (4.62%) unfavorable net return on pension plan assets versus the 7.25% rate used to project the pension liability. The Authority's OPEB expense decreased by $1.7 million as the net investment return on the OPEB assets of 7.59% was slightly above the 7.25% rate used to project the OPEB liability net of amortization of prior years' losses. The measurement period for the pension assets was calendar year ended December 31, 2018, while the measurement period for OPEB was fiscal year ended June 30, 2018.

Depreciation and Amortization Expenses – FY 2020

The Authority recognized $299.3 million in depreciation and amortization expenses in FY20, an increase of $11.0 million or 3.8% compared to FY19. The increase is the result of $291.2 million of new assets being placed into service. During FY20, major projects completed and placed into service included Logan Terminal C Optimization and Terminals B – C Connector ($32.0 million), Terminal B to C Roadway Improvements ($27.8 million), Terminal C Canopy and Upper Deck ($26.5 million), Terminal B Gate Reconfiguration ($15.0 million), Terminal B Sanitary Pipe Replacement ($14.2 million), Logan Airport Old Tower Relocation ($13.6 million) and the New Hanscom ARFF and CBP Facility ($11.9 million).

Depreciation and Amortization Expenses – FY 2019

The Authority recognized $288.3 million in depreciation and amortization expenses in FY19, an increase of $26.2 million or 10.0% compared to FY18. The increase reflects the Authority's acquisition of the Logan Terminal A asset as part of the refunding of the Terminal A Special Facility Bonds during FY19, which resulted in an additional $14.4 million of depreciation. The remaining increase of $11.8 million or 4.5% is the result of $370.3 million of new assets (excluding Terminal A) being placed into service, including Terminal B Optimization ($149.0 million), Conley Terminal Berths 11 and 12 Rehabilitation ($30.8 million), Logan Terminal C Optimization and Terminals B – C Connector ($18.0 million), Logan Central Heating Plant Upgrade ($12.2 million), and Phase 2 of the HVAC Replacement at Logan Terminals B, C and E ($9.2 million).

NON-OPERATING REVENUES (EXPENSES) AND CAPITAL CONTRIBUTIONS

The Authority recognized a net $85.8 million in non-operating revenues in FY20, a decrease of $5.6 million or 6.1% versus FY19. Non-operating revenues in FY19 were $91.4 million, an increase of $39.5 million or 76.1% over the $51.9 million recognized in FY18.

Non-operating Revenues and Expenses and Capital Contributions
($ millions)

	FY 2020	FY 2019	$ Change	% Change
Passenger facility charges	$ 59.9	$ 84.8	($ 24.9)	(29.4%)
Customer facility charges	25.9	33.5	(7.6)	(22.7%)
Investment income	35.9	29.8	6.1	20.5%
Other income (expense), net	73.5	26.8	46.7	174.3%
Terminal A debt service contributions	0.0	(7.5)	7.5	(100.0%)
Interest expense	(109.4)	(76.0)	(33.4)	43.9%
Total Non-operating Revenues (Expenses)	**$ 85.8**	**$ 91.4**	**($ 5.6)**	**(6.1%)**
Capital Contributions	**$ 59.9**	**$ 28.2**	**$ 31.7**	**112.4%**

	FY 2019	FY 2018	$ Change	% Change
Passenger facility charges	$ 84.8	$ 81.0	$ 3.8	4.7%
Customer facility charges	33.5	33.0	0.5	1.5%
Investment income	29.8	18.6	11.2	60.2%
Other income (expense), net	26.8	(1.0)	27.8	(2780.0%)
Terminal A debt service contributions	(7.5)	(12.2)	4.7	(38.5%)
Interest expense	(76.0)	(67.5)	(8.5)	12.6%
Total Non-operating Revenues (Expenses)	**$ 91.4**	**$ 51.9**	**$ 39.5**	**76.1%**
Capital Contributions	**$ 28.2**	**$ 25.4**	**$ 2.8**	**11.0%**

For FY20, PFCs were $59.9 million, a $24.9 million or 29.4% decrease as a result of fewer enplaned passengers. Revenues from CFCs totaled $25.9 million, a $7.6 million or 22.7% decrease as rental car transaction days at Logan Airport's Rental Car Center were down by 22.6%. The Authority generated $35.9 million of investment income, an increase of $6.1 million due to higher interest rates on fixed income investments and an increase in the Authority's cash balance available for investment. Other income was $73.5 million, which was $46.7 million higher than prior year. Other income includes $57.1 million from the federal CARES Act grant, $7.6 million from the BOSFUEL bond refinancing transaction and $0.6 million from airlines that reimbursed the Authority for prior expenditures and an $8.2 million increase in the fair value of investments. Interest expense was $109.4 million, up $33.4 million or 43.9% versus FY19 due to an increase in debt outstanding.

For FY19, PFCs were $84.8 million, a $3.8 million or 4.7% increase over the prior year due to increased passenger activity at Logan Airport. Revenues from CFCs totaled $33.5 million, a $0.5

million or 1.5% increase versus prior year as rental car transaction days at Logan Airport's Rental Car Center were higher by 1.6%. The Authority also generated $29.8 million of investment income, an increase of $11.2 million due to higher interest rates on fixed income investments and an increase in the Authority's cash balance available for investment. Other income was $26.8 million, which was $27.8 million higher than prior year. The FY19 amount includes a $20.2 million gain from the refinancing of debt related to Terminal A and a $7.0 million unrealized gain on the fair value of investments. The Authority made a voluntary contribution of $7.5 million in PFCs to the Terminal A debt service fund to help reduce terminal rental rates, which was only a partial year amount due to the refinancing of the debt related to Terminal A and was thus lower than the $12.2 million contribution in the prior year. Interest expense was $76.0 million, up $8.5 million or 12.6% versus FY18 due to a higher debt balance.

Capital Contributions

Capital contributions in FY20 were $59.9 million, an increase of $31.7 million versus the prior year. The Authority received capital contributions for projects from the Massachusetts Department of Transportation (MassDOT), the FAA AIP grant program and from the Maritime Administration unit of the United States Department of Transportation (MARAD) FASTLANE grant. The MassDOT funds will help pay for a portion of the new Berth 10 and three new cranes at Conley Terminal. The FAA AIP grants include reimbursements for the rehabilitation of runway 9-27 at Logan Airport, resurfacing of the north cargo apron at Logan Airport, the GSE electrification of all terminals at Logan Airport, two new jet bridges at Worcester Regional Airport, and the east ramp joint repair at Hanscom Field. The MARAD grant funds were primarily used for the rehabilitation of Conley Terminal Berths 11 and 12, paving of the reefer area at Conley Terminal, and the replacement of RTG (Rubber Tired Gantry) drives.

Capital contributions in FY19 were $28.2 million, an increase of $2.8 million versus the prior year. The major components of the FY19 revenues were from the FAA AIP grant program and from the MARAD FASTLANE grant. Major projects funded by AIP grants included the rehabilitation of taxiways east alpha and bravo at Logan Airport, a new ARFF and CBP facility at Hanscom Field, and the rehabilitation of runway 15-33 at Worcester Regional Airport. MARAD grant funds were primarily used for the rehabilitation of Conley Terminal Berths 11 and 12, paving of the reefer area at Conley Terminal, and the replacement of RTG (Rubber Tired Gantry) drives. The total capital contributions increase of $2.8 million versus last year was due to a $1.6 million increase in FAA AIP funding and a $1.2 million increase in MARAD funding.

THE AUTHORITY'S STATEMENTS OF NET POSITION

The Statements of Net Position present the financial position of the Authority at the end of each fiscal year. The Statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Authority. Net Position is the difference between total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources and is an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020, 2019 and 2018 is as follows:

Condensed Statements of Net Position for FY 2020 and FY 2019
($ millions)

	FY 2020	FY 2019	$ Change	% Change
Assets				
Current assets	$ 1,242.8	$ 902.1	$ 340.7	37.8%
Capital assets, net	3,963.1	3,725.3	237.8	6.4%
Other non-current assets	589.8	506.4	83.4	16.5%
Total Assets	**5,795.7**	**5,133.8**	**661.9**	**12.9%**
Deferred Outflows of Resources				
Deferred loss on refunding of bonds	13.3	14.7	(1.4)	(9.5%)
Deferred outflows of resources related to Pension plan	9.7	51.9	(42.2)	(81.3%)
Deferred outflows of resources related to OPEB	17.3	36.2	(18.9)	(52.2%)
Total Deferred Outflows of Resources	**40.3**	**102.8**	**(62.5)**	**(60.8%)**
Liabilities				
Current liabilities	$ 325.7	$ 366.9	($ 41.2)	(11.2%)
Bonds payable, including current portion	2,688.2	2,176.2	512.0	23.5%
Other non-current liabilities	193.8	293.6	(99.8)	(34.0%)
Total Liabilities	**3,207.7**	**2,836.7**	**371.0**	**13.1%**
Deferred Inflows of Resources				
Deferred gain on refunding of bonds	9.8	5.2	4.6	88.5%
Deferred inflows of resources related to Pension plan	47.9	2.6	45.3	1742.3%
Deferred inflows of resources related to OPEB	30.2	16.0	14.2	88.8%
Total Deferred Inflows of Resources	**87.9**	**23.8**	**64.1**	**269.3%**
Total Net Position	**$ 2,540.3**	**$ 2,376.2**	**$ 164.1**	**6.9%**

Column totals may not add due to rounding.

The Authority ended FY20 with total assets of $5,795.7 million, an increase of $661.9 million or 12.9% over the prior year. The increase is primarily due to additional cash from the issuance of new bonds, $237.8 million of new capital assets placed into service and construction in progress net of accumulated depreciation. Deferred outflows of resources totaled $40.3 million, a $62.5 million decrease caused by favorable investment gains and increased amortization of prior years' losses. The Authority's total assets consist primarily of capital assets, net, which represent $3,963.1 million or 67.9% of the Authority's total assets and deferred outflows of resources as of June 30, 2020.

The Authority's total liabilities as of June 30, 2020 were $3,207.7 million, an increase of $371.0 million or 13.1% as the bonds payable balance increased by $512.0 million due to new debt issued in FY20. Bonds payable (including current portion) is the largest component of total liabilities, and accounted for 81.6% of the Authority's total liabilities and deferred inflows at June 30, 2020.

The Authority's total net position for FY20 was $2,540.3 million, a $164.1 million or 6.9% increase over the prior year. This increase reflects the Authority's net operating income of $18.5 million, net non-operating income of $85.8 million and capital contributions of $59.9 million. The growth in net position will be used to fund the Authority's strategic initiatives.

Condensed Statements of Net Position for FY 2019 and FY 2018

($ millions)

	FY 2019	FY 2018	$ Change	% Change
Assets				
Current assets	$ 902.1	$ 948.4	($ 46.3)	(4.9%)
Capital assets, net	3,725.3	3,216.3	509.0	15.8%
Other non-current assets	506.4	402.6	103.8	25.8%
Total Assets	**5,133.8**	**4,567.3**	**566.5**	**12.4%**
Deferred Outflows of Resources				
Deferred loss on refunding of bonds	14.7	16.2	(1.5)	(9.3%)
Deferred outflows of resources related to Pension plan	51.9	13.9	38.0	273.4%
Deferred outflows of resources related to OPEB	36.2	29.0	7.2	24.8%
Total Deferred Outflows of Resources	**102.8**	**59.1**	**43.7**	**73.9%**
Liabilities				
Current liabilities	$ 366.9	$ 360.6	$ 6.3	1.7%
Bonds payable, including current portion	2,176.2	1,835.3	340.9	18.6%
Other non-current liabilities	293.6	233.8	59.8	25.6%
Total Liabilities	**2,836.7**	**2,429.7**	**407.0**	**16.8%**
Deferred Inflows of Resources				
Deferred gain on refunding of bonds	5.2	6.1	(0.9)	(14.8%)
Deferred inflows of resources related to Pension plan	2.6	25.4	(22.8)	(89.8%)
Deferred inflows of resources related to OPEB	16.0	0.8	15.2	1900.0%
Total Deferred Inflows of Resources	**23.8**	**32.3**	**(8.5)**	**(26.3%)**
Total Net Position	**$ 2,376.2**	**$ 2,164.3**	**$ 211.9**	**9.8%**

The Authority ended FY19 with total assets of $5,133.8 million, an increase of $566.5 million or 12.4% over the prior year. This increase is primarily due to the growth in capital assets, net, which increased by $509.0 million due primarily to the Authority's acquisition of the Logan Terminal A asset as part of the refunding of the Terminal A Special Facility Bonds during FY19. This accounts for $344.5 million ($358.9 million asset net of $14.4 million depreciation) of the increase. The remaining $164.5 million is from new assets being placed into service. Deferred outflows of resources were $102.8 million, a $43.7 million increase from the previous year due to an increase in the deferred outflows on the OPEB and Pension Plan investments from unfavorable investment gains on plan assets and higher amortization of prior year losses. The Authority's total assets consist primarily of capital assets, net, which represent $3,725.3 million or 71.1% of the Authority's total assets and deferred outflows of resources as of June 30, 2019.

The Authority's total liabilities as of June 30, 2019 were $2,836.7 million, an increase of $407.0 million or 16.8% as the bonds payable balance increased $340.9 million due to issuances during FY19. Bonds payable (including current portion) is the largest component of total liabilities, and accounted for 76.1% of the Authority's total liabilities and deferred inflows at June 30, 2019.

The Authority's total net position for FY19 was $2,376.2 million, a $211.9 million or 9.8% increase over the prior year. This increase reflects the Authority's net operating income of $92.3 million, net non-operating income of $91.4 million and capital contributions of $28.2 million. The growth in net position will be used to fund the Authority's strategic initiatives.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020 and 2019, the Authority had $3,963.1 million and $3,725.3 million 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 by $237.8 million or 6.4% in FY20 primarily as the result of the addition of $537.1 million in capital expenditures partially offset by $299.3 million of depreciation expense.

In FY20, the Authority placed $291.2 million of new assets into service. Major projects completed and placed into service included Logan Terminal C Optimization and Terminals B – C Connector ($32.0 million), Terminal B to C Roadway Improvements ($27.8 million), Terminal C Canopy and Upper Deck ($26.5 million), Terminal B Gate Reconfiguration ($15.0 million), Terminal B Sanitary Pipe Replacement ($14.2 million), Logan Airport Old Tower Relocation ($13.6 million) and the New Hanscom ARFF and CBP Facility ($11.9 million).

In FY19, the Authority placed $729.2 million of new assets into service. The largest component was Terminal A at Logan Airport with an asset value of $358.9 million, which the Authority acquired as part of the refunding of the Terminal A Special Facility Bonds during FY19. Other significant assets completed and placed into service include $149.0 million for Terminal B Optimization, $30.8 million for Conley Terminal Berths 11 and 12 Rehabilitation, $18.0 million for Logan Terminal C Optimization and Terminals B – C Connector, $12.2 million for the Logan Central Heating Plant Upgrade, and $9.2 million for Phase 2 of the HVAC Replacement at Logan Terminals B, C and E.

Capital assets, net comprised 67.9%, 71.2% and 69.5% of the Authority's total assets and deferred outflows of resources at June 30, 2020, 2019 and 2018, respectively. During FY20, FY19 and FY18, the Authority spent approximately $492.0 million, $759.9 million (including the $358.9 million related to the refunding of debt for Logan Terminal A), and $293.2 million, respectively, constructing new assets and improving existing assets already in service.

The Authority's capital assets are principally funded by the proceeds of revenue bonds, operating revenues, PFCs, CFCs, and federal and state grants. The following chart provides a breakdown of the Authority's total capital assets at June 30, 2020, 2019 and 2018.

Capital Assets by Type
($ thousands)

	FY 2020	FY 2019	FY 2018	% Change 2020-2019	% Change 2019-2018
Land	$ 230,600	$ 230,600	$ 230,600	0.0%	0.0%
Construction in progress	499,869	260,888	192,782	91.6%	35.3%
Buildings	2,199,903	2,190,942	1,727,729	0.4%	26.8%
Runways and other pavings	363,950	386,629	389,082	(5.9%)	(0.6%)
Roadways	322,842	316,585	345,881	2.0%	(8.5%)
Machinery and equipment	287,075	275,111	258,063	4.3%	6.6%
Air rights	41,908	46,015	52,143	(8.9%)	(11.8%)
Parking rights	16,963	18,504	20,047	(8.3%)	(7.7%)
Capital assets, net	**$ 3,963,110**	**$ 3,725,274**	**$ 3,216,327**	**6.4%**	**15.8%**

Please see Note 4, Capital Assets in the attached financial statements.

Debt Administration

The Authority's bond issuances must be approved by the Members of the Authority (the "Board") and must comply with the rules and regulations of the United States Treasury Department. The Authority, through its 1978 Trust Agreement, has a covenant 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 1978 Trust Agreement requirement to maintain its high investment grade bond ratings and keep capital costs low. The Authority's debt service coverage has exceeded the Trust covenant by more than 200 basis points in each of the last three fiscal years.

The CFC Trust Agreement requires that the Authority maintain a debt service coverage ratio of at least 1.30. The Authority has exceeded the required debt covenant by over 110 basis points in each of the last three fiscal years.

The Authority had net bonds payable and subordinated obligations outstanding as of June 30, 2020 in the amount of $2,431.5 million, a net increase of $448.4 million compared to June 30, 2019. During FY20, the Authority issued $455.0 million of Massachusetts Port Authority Revenue Bonds in two series. The Series 2019-B Revenue Bonds were issued in the principal amount of

$157.7 million with a net original issue premium of $27.6 million. The Series 2019-C Revenue Bonds were issued in the principal amount of $297.4 million with an original issue premium of $62.4 million. The proceeds from these bonds were used to finance a portion of the Authority's FY19-23 Capital Program. Due to the "private activity" nature of a portion of the construction projects, the Series 2019-C bonds were sold as AMT bonds.

On April 3, 2020, the Authority entered into a direct purchase agreement with Bank of America, NA for the sale of up to $258.0 million of Massachusetts Port Authority Revenue Bonds in two series. The Series 2020-A Revenue Refunding Bonds were issued in the principal amount of $95.6 million. The Series 2020-B Revenue Bonds were issued in the principal amount of $162.4 million. The Series 2020-A Bonds were issued to refund portions of the Series 2010 Bonds, the Series 2012-A Bonds and the Series 2012-B Bonds and the Series 2020-B Bonds to finance a portion of the Authority's Capital Program. Due to the "private activity" nature of a portion of the construction projects, the Series 2020-A bonds were sold as AMT bonds.

The Authority had net bonds payable and subordinated obligations outstanding as of June 30, 2019 in the amount of $1,983.1 million, a net increase of $299.1 million compared to the prior year. During FY19, the Authority issued $315.2 million of Massachusetts Port Authority Revenue Bonds Series 2019-A with an original issue premium of $49.5 million. Approximately $358.9 million of the proceeds from the Series 2019-A Bonds was used to refund the entire outstanding balance of the Authority's Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001-A, 2001-B and 2001-C, resulting in a net present value benefit of $34.2 million. As a result of the refunding, the Authority recognizes all Terminal A rental revenue as revenue under the 1978 Trust Agreement commencing in February 2019.

In addition, on November 20, 2018, the Authority issued its Subordinated Obligations, Series 2018-A (AMT) in the aggregate principal amount of up to $107.5 million to provide bridge financing for the Commonwealth's portion of the costs of design and construction of the new Berth 10 at Conley Terminal. The Series 2018 Subordinated Obligations were sold in a private placement transaction to a bank lender, bear a variable rate of interest and mature on July 1, 2028. The Series 2018 Subordinated Obligations are subject to mandatory tender on July 1, 2023 (the "Tender Date"). If not repaid in full on the Tender Date, the remaining outstanding principal amount of the Series 2018 Subordinated Obligations must be repaid over a three year term in equal semi-annual principal installments, plus interest. Although the Authority expects to repay the principal of the Series 2018 Subordinated Obligations in full on or before July 1, 2022 from the Commonwealth's payments under the Conley Terminal MOU, the Series 2018 Subordinated Obligations are secured by the moneys on deposit in the Improvement and Extension Fund available for such purpose and by a pledge of the Authority's Revenues, subordinate to the pledge securing bonds issued under the 1978 Trust Agreement. In the event that the Commonwealth's payments under the Conley Terminal MOU are delayed or not made, and the Authority reaches agreement with the purchaser on or before the Tender Date, the Series 2018 Subordinated

Obligations are also subject to sinking fund payments of the principal thereof on each July 1, commencing July 1, 2023 through July 1, 2028 As of June 30, 2020 the amount outstanding was $72.5 million.

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

Please see Note 5, Bonds and Notes Payable in the attached Financial Statements.

THE AUTHORITY'S CONDENSED CASH FLOWS

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

Statements of Cash Flows
($ millions)

	FY 2020	FY 2019	$ Change	% Change
Net cash provided by operating activities	$ 325.7	$ 372.9	($ 47.2)	(12.7%)
Net cash provided by non-capital activities (CARES Act fund)	35.0	—	35.0	100.0%
Net cash provided / (used in) capital and related financing activities	1.6	(372.1)	373.7	(100.4%)
Net cash provided / (used in) investing activities	(151.8)	76.9	(228.7)	(297.4%)
Net increase in cash and cash equivalents	210.5	77.8	132.7	170.6%
Cash and cash equivalents, beginning of year	290.3	212.6	77.7	36.5%
Cash and cash equivalents, end of year	**$ 500.8**	**$ 290.3**	**$ 210.5**	**72.5%**

	FY 2019	FY 2018	$ Change	% Change
Net cash provided by operating activities	$ 372.9	$ 334.0	$ 38.9	100.0%
Net cash (used in) capital and related financing activities	(372.1)	(228.1)	(144.0)	63.1%
Net cash provided / (used in) investing activities	76.9	(166.3)	243.2	(146.2%)
Net increase / (decrease) in cash and cash equivalents	77.8	(60.4)	138.2	(228.8%)
Cash and cash equivalents, beginning of year	212.6	273.0	(60.4)	(22.1%)
Cash and cash equivalents, end of year	**$ 290.3**	**$ 212.6**	**$ 77.7**	**36.5%**

The Authority's cash and cash equivalents at June 30, 2020 was $500.8 million, an increase of $210.5 million or 72.5%. The Authority generated $325.7 million in cash during FY20 primarily from business activity at Logan Airport and the Port of Boston. In addition, the Authority received $35.0 million of federal CARES Act funds as a result of the COVID-19 Public Health Emergency. The Authority provided $1.6 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. Finally, the Authority also invested $151.8 million in cash for future operating and capital payments.

The Authority's cash and cash equivalents at June 30, 2019 was $290.3 million, an increase of $77.7 million or 36.5% from the $212.6 million in cash and cash equivalents reported in FY18. The Authority generated $372.9 million in cash from operations during FY19 compared to $334.0 million in the prior year, an increase of $38.9 million, or 11.6%, primarily from increased business activity at Logan Airport, record container volumes at Conley Terminal, and activity at its other facilities. The Authority used $372.1 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 was a $144.0 million increase from the prior year due mainly to the use of cash for capital assets including Terminal A partially offset by an increase in proceeds from the issuance of bonds. The Authority generated $76.9 million in cash from investments, an increase of $243.2 million from the $166.3 million of cash used for investing activities in FY18.

Contacting the Authority's Financial Management

For additional information concerning the Authority and the Retirement System, please see the Authority's website, www.massport.com. Financial information can be found by clicking on "Finance". 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. Pranckevicius, CPA, Director of Administration and Finance, and Secretary-Treasurer for the Massachusetts Port Authority.

MASSACHUSETTS PORT AUTHORITY

Statements of Net Position

June 30, 2020 and 2019

(In thousands)

	2020	2019
Current assets:		
Cash and cash equivalents	$ 82,623	$ 74,191
Investments	142,427	195,967
Restricted cash and cash equivalents	418,182	216,153
Restricted investments	475,577	310,976
Accounts receivable		
Trade, net	74,404	87,315
Grants receivable	39,229	7,123
Total receivables (net)	113,633	94,438
Prepaid expenses and other assets	10,349	10,411
Total current assets	1,242,791	902,136
Noncurrent assets:		
Investments	254,683	142,665
Restricted investments	325,531	352,684
Prepaid expenses and other assets	6,422	7,591
Investment in joint venture	3,147	3,495
Capital assets-not being depreciated	730,469	491,488
Capital assets-being depreciated-net	3,232,641	3,233,786
Total noncurrent assets	4,552,893	4,231,709
Total assets	5,795,684	5,133,845
Deferred outflows of resources		
Deferred loss on refunding of bonds	13,304	14,674
Deferred outflows of resources related to pensions	9,712	51,895
Deferred outflows of resources related to OPEB	17,254	36,206
Total deferred outflows of resources	40,270	102,775
Current liabilities:		
Accounts payable and accrued expenses	231,852	196,486
Compensated absences	1,462	1,299
Contract retainage	11,007	10,021
Current portion of long term debt	78,178	66,801
Commercial notes payable	22,000	104,000
Accrued interest on bonds payable	53,913	45,517
Unearned revenues	5,462	9,597
Total current liabilities	403,874	433,721
Noncurrent liabilities:		
Accrued expenses	10,025	9,938
Compensated absences	18,698	16,618
Net pension liability	18,785	104,920
Net OPEB liability	108,287	134,549
Contract retainage	10,233	7,494
Long-term notes payable	330,500	40,000
Long-term debt, net	2,279,530	2,069,399
Unearned revenues	27,730	20,037
Total noncurrent liabilities	2,803,788	2,402,955
Total liabilities	3,207,662	2,836,676
Deferred inflows of resources		
Deferred gain on refunding of bonds	9,847	5,243
Deferred inflows of resources related to pensions	47,935	2,551
Deferred inflows of resources related to OPEB	30,162	15,981
Total deferred inflows of resources	87,944	23,775
Net position		
Net investment in capital assets	1,548,630	1,489,809
Restricted		
Bond funds	259,893	242,702
Project funds	328,897	267,656
Passenger facility charges	51,577	60,999
Customer facility charges	39,869	87,207
Other purposes	34,416	31,401
Total restricted	714,652	689,965
Unrestricted	277,066	196,395
Total net position	$ 2,540,348	$ 2,376,169

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, 2020 and 2019

(In thousands)

	2020	2019
Operating revenues:		
Aviation rentals	$ 275,271	$ 267,055
Aviation parking	136,951	182,135
Aviation shuttle bus	17,013	21,196
Aviation fees	139,239	153,194
Aviation concessions	111,130	130,801
Aviation operating grants and other	2,762	2,034
Maritime fees, rentals and other	92,952	102,774
Real estate fees, rents and other	49,196	46,334
Total operating revenues	824,514	905,523
Operating expenses:		
Aviation operations and maintenance	295,748	305,596
Maritime operations and maintenance	61,089	64,412
Real estate operations and maintenance	14,971	16,898
General and administrative	68,083	67,273
Payments in lieu of taxes	21,030	21,331
Pension and other post-employment benefits	36,058	40,740
Other	9,684	8,631
Total operating expenses before depreciation and amortization	506,663	524,881
Depreciation and amortization	299,334	288,344
Total operating expenses	805,997	813,225
Operating income	18,517	92,298
Nonoperating revenues and (expenses):		
Passenger facility charges	59,875	84,824
Customer facility charges	25,884	33,517
Investment income	35,931	29,785
Net increase in the fair value of investments	8,207	6,989
Other revenues	65,252	21,052
Settlement of claims	(22)	1,469
Terminal A debt service contribution	—	(7,494)
Other expenses	(187)	(2,940)
Gain on sale of equipment / property	264	203
Interest expense	(109,441)	(76,010)
Total nonoperating revenues, net	85,763	91,395
Increase in net position before capital contributions	104,280	183,693
Capital contributions	59,899	28,143
Increase in net position	164,179	211,836
Net position, beginning of year	2,376,169	2,164,333
Net position, end of year	$ 2,540,348	$ 2,376,169

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

MASSACHUSETTS PORT AUTHORITY
Statements of Cash Flows
Years ended June 30, 2020 and 2019
(In thousands)

	2020	2019
Cash flows from operating activities:		
Cash received from customers and operating grants	$ 822,280	$ 886,500
Payments to vendors	(284,813)	(302,276)
Payments to employees	(176,426)	(171,521)
Payments in lieu of taxes	(22,030)	(21,356)
Other post-employment benefits	(13,341)	(18,398)
Net cash provided by operating activities	325,670	372,949
Cash flows from noncapital financing activities:		
Cash received from CARES Act Airport Relief fund	34,958	—
Net cash provided by noncapital financing activities	34,958	—
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(491,978)	(401,012)
Acquisition of Terminal A through issuance of Series 2019 A bonds	—	(358,863)
Proceeds from the 2001 Delta Special Facility Bonds refunding	—	20,186
Proceeds from Bosfuel project contribution	7,579	—
Proceeds from the issuance of bonds and notes	833,347	403,866
Principal payments on refunded debt	(239,640)	—
Interest paid on bonds and notes	(119,503)	(84,956)
Principal payments on long-term debt	(57,525)	(56,105)
Principal payments on commercial paper	(82,000)	(38,000)
Terminal A debt service contribution	—	(7,495)
Proceeds from passenger facility charges	72,140	84,254
Proceeds from customer facility charges	28,617	33,266
Proceeds from capital contributions	49,653	31,039
Settlement of claims	648	1,544
Proceeds from sale of equipment	282	203
Net cash used in capital and related financing activities	1,620	(372,073)
Cash flows from investing activities:		
Purchases of investments, net	(1,562,646)	(925,555)
Sales of investments, net	1,373,589	974,767
Realized (loss)/gain on sale of investments	223	7
Interest received on investments	37,049	27,665
Net cash provided by/(used in) investing activities	(151,785)	76,884
Net increase (decrease) in cash and cash equivalents	210,463	77,760
Cash and cash equivalents, beginning of year	290,344	212,584
Cash and cash equivalents, end of year	$ 500,807	$ 290,344
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating income	$ 18,517	$ 92,298
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	299,334	288,344
Provision for uncollectible accounts	1,056	385
Changes in operating assets and liabilities:		
Trade receivables	(3,022)	(18,985)
Prepaid expenses and other assets	3,107	(3,020)
Accounts payable and accrued expenses	(7,422)	8,139
Net pension liability and deferred inflows/outflows	1,433	9,127
Net OPEB liability and deferred inflows/outflows	6,869	(1,390)
Compensated absences	2,243	(976)
Unearned revenue	3,555	(973)
Net cash provided by operating activities	$ 325,670	$ 372,949
Noncash investing activities:		
Net increase in the fair value of investments	$ 9,300	$ 1,316

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

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”) Depositary Agreement dated July 3, 2017 (the “PFC Depositary Agreement”), between the Authority and The Bank of New York Mellon, as custodian (the “PFC Custodian”)”, 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 2009 and May 2016, the Board made changes to the plan benefits to be paid by the Authority for certain existing and future retirees. For additional details, see Note 7.

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. 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, tolls and concessions are reported as operating revenues. Capital contributions, PFCs, CFCs and financing or investing related transactions are reported as non-operating revenues and expenses. All expenses related to operating the Authority's facilities are reported as operating expenses.

Accounting per Applicable Trust Agreements

Under the 1978 Trust Agreement, cash of the Authority is deposited daily into the Revenue Fund established pursuant to the 1978 Trust Agreement and is transferred to the cash concentration account. All such revenues are then transferred to the various funds established pursuant to the 1978 Trust Agreement. After providing for operating expenses, including pension expense and transfers to the self-insurance account, cash revenues are then transferred to the Bond Service Account, 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.

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.

a) 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*, as amended, 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 of resources 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 Depositary 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 investment 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.

b) Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period and will be recognized as an outflow of resources (expense) in a future period. At June 30, 2020 and 2019, the Authority recognizes deferred outflows for debt refundings, the pension plan, and other post-employment benefits (OPEB).

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources which represents an acquisition of net position that applies to a future period and will be recognized as an inflow of resources (revenue) in a future period. At June 30, 2020 and 2019, the Authority recognizes deferred inflows for debt refundings, the pension plan, and other post-employment benefits (OPEB).

Deferred outflows and inflows of resources for debt refundings are amortized over the shorter maturity of the refunded or the refunding debt. The pension and OPEB deferred inflows and outflows related to the difference between expected and actual experience and changes in assumptions are recognized in pension and OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension and OPEB through the plans. The pension and OPEB deferred inflows and outflows related to the difference between projected and actual earnings are recognized in pension and OPEB expense using a systematic and rational method over a closed five-year period.

c) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments, including restricted assets, with an original maturity date of 30 days or less to be cash equivalents.

d) Investments

Investments with a maturity greater than one year are recorded at 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. Nonparticipating interest earning contracts, including certificates of deposit and guarantees investment contracts, are carried at cost. Fair value is determined based on quoted market prices. The Authority recorded in investment income an unrealized increase in the fair value of investments of $8.0 million and a realized gain of $0.2 million at June 30, 2020 and an unrealized increase in the fair value of investments of $7.0 million and a realized gain of $0.01 million at June 30, 2019.

e) *Restricted Cash and Investments*

Certain cash, cash equivalents and investments are restricted for use by the 1978 Trust Agreement, the PFC Depositary 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.

f) *Capital Assets*

Capital assets are recorded at cost and include land, land improvements, buildings, machinery and equipment, runways, roadways and other paving and non-maintenance dredging. Such costs include, where appropriate, capitalized interest and related legal costs. The costs of normal upkeep, maintenance, maintenance dredging 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 Improvements	50,000

Prior to the fiscal year ended June 30, 2020, the Authority capitalized 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. In fiscal year 2020 the Authority adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Interest expense of $7.0 million, reduced by interest income of $125.6 thousand, resulted in capitalized interest of $6.9 million for the year ended June 30, 2019.

g) Depreciation

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

Asset Category	Years
Buildings	25
Air rights	10 to 15
Runways (original construction)	25
Other airfield paving	12
Roadway	25
Roadway-landscaping	10
Dredging	15
Machinery and equipment	5 to 10
Land use rights	30

h) 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.

i) Amortization

Revenue bond premiums and discounts 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 inflows/outflows of resources on the statement of net position.

j) 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 car companies, and other commercial tenants. Rental revenue on leases is recognized over the term of the associated lease. Concession revenue is recognized partially based on self-reported concession revenue by the tenants and partially based on minimum rental rates. Unearned 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 has recorded an allowance for doubtful accounts against its accounts receivable of $6.9 million and $5.2 million at June 30, 2020 and 2019, respectively.

k) Passenger Facility Charges

In 1993, the Authority received initial approval from the Federal Aviation Administration (“FAA”) to impose a $3.00 PFC on all outbound tickets purchased 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 deposited under the PFC Depositary Agreement with the PFC Custodian.

Through June 30, 2020, the Authority had cumulative PFC cash collections of $1,362.0 million, including interest thereon.

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 through January 1, 2019 for the Terminal A bonds. This use of PFCs maintained a consistent rate across all terminals and facilitated the Authority’s ability to assign carriers to Terminal A. On February 13, 2019, the Authority issued the Series 2019 A Bonds to refund all of the outstanding Terminal A Special Facility Bonds to achieve significant interest rate savings compared to the rates on the Terminal A Special Facility Bonds. For additional information on Terminal A Special Facility bonds, see Note 5 a).

At June 30, 2020, the Authority's collection authorization and total use approval is $1.81 billion.

Revenues derived from the collection of PFCs are recognized on the accrual basis, based on the month the charges were levied and collected by the airlines. Due to their restricted use, PFCs are categorized as non-operating revenues. The Authority recognized $59.9 million and $84.8 million in PFC revenue for the fiscal years ended June 30, 2020 and 2019, respectively.

l) 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 finance the Rental Car Center (the "RCC") and associated bus purchases. 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, the Authority issued two series of Special Facilities Revenue Bonds in June 2011 (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 RCC 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, if any, payable by the rental car companies and other funds. The Series 2011 Bonds are not secured by any other revenues of the Authority. For additional information on the Series 2011 Bonds, see Note 5.

The Authority recognized $25.9 million and $33.5 million in CFC revenue for the fiscal years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, $124.4 million and $190.8 million of CFC bonds were outstanding, respectively.

m) Capital Contributions

The Authority receives capital contributions from various federal agencies and the Commonwealth in support of specific operational programs and its Capital Program. Grant revenues are recognized as related expenditures are incurred and all eligibility requirements are met. Grants for capital asset acquisition, facility development, runway/airfield rehabilitation and long-term planning are reported as capital contributions. Capital contributions are reported in the Statement of Revenues, Expenses and Changes in Net Position after non-operating revenues and expenses and their use is restricted. In fiscal years 2020 and 2019, the Authority recognized $59.9 million and $28.1 million of capital contributions, respectively. The 2020 and the 2019 capital contributions were generated primarily from reimbursements under the FAA AIP grant program, the Nationally Significant Freight and Highway Project Program – Fastlane, and The Commonwealth of Massachusetts, Department of Transportation for the Conley Terminal Berth 10 project.

n) 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 current portion of compensated absences at June 30, 2020 and 2019 was $1.5 million and $1.3 million, respectively. The table below presents the Authority's compensated absences activity at June 30, 2020 and 2019 and for the years then ended (in thousands):

	2020	2019
Liability balance, beginning of year	$ 17,917	$ 18,893
Vacation and sick pay earned during the year	17,921	16,440
Vacation and sick pay used during the year	(15,678)	(17,416)
Liability balance, end of year	$ 20,160	$ 17,917

o) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts Port Authority Employees Retirement System (the "Plan") and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information on Pension Plan, see Note 6.

p) *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Massachusetts Port Authority Retiree Benefits Trust (the "Trust") and additions to/deductions from Trust's fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information on OPEB, see Note 7.

q) *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.

r) *Recent and Upcoming Accounting Pronouncements*

GASB Statement No. 84, *Fiduciary Activities,* was issued in January 2017. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The Statement, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95) is effective for fiscal years beginning after December 15, 2019. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 87, *Leases*, was issued in June 2017. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Statement, as amended by GASB 95, is effective for fiscal years beginning after June 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* was issued in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The Statement, as amended by GASB 95, is effective for fiscal years beginning after June 15, 2020. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* was issued in June 2018. The primary objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1980 FASB and AICPA Pronouncements*, which are superseded by this Statement.

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The Statement was adopted during fiscal year 2020. See Note 1 (f).

GASB Statement No. 90*, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61,* was issued in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The Statement, as amended by GASB 95, is effective for fiscal years beginning after December 15, 2019. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 91*, Conduit Debt Obligations,* was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The Statement, as amended by GASB 95, is effective for reporting periods beginning after December 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 92*, Omnibus 2020,* was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases,* and Implementation Guide No. 2019-3, *Leases,* for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to all other items, as amended by GASB 95, are effective for fiscal years beginning after June 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 93*, Replacement of Interbank Offered Rates,* was issued in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement, as amended by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the
service utility of the underlying PPP asset at the end of the arrangement.
This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 95*, Postponement of the Effective Dates of Certain Authoritative Guidance,* was issued in May 2020. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the previous pronouncements are postponed by one year. The effective date for GASB 87 is postponed by 18 months.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97, *Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued in June 2020. This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities,* be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans,* or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

2. Reconciliation between increase in net position as calculated under GAAP and net revenues 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 (in thousands).

		2020		2019
Increase in Net Position per GAAP	$	164,179	$	211,836
Additions:				
Depreciation and amortization		299,334		288,344
Interest expense		109,441		76,010
Payments in lieu of taxes		21,030		21,331
Other operating expenses		(3,128)		3,076
Adjustment for uncollectible accounts		(1,122)		-
Terminal A bonds - debt service contribution		-		7,494
OPEB expenses, net		4,799		165
Pension expense		1,434		9,126
Less:				
Passenger facility charges		(59,875)		(84,824)
Customer facility charges		(25,884)		(33,517)
Self insurance expenses		(237)		(140)
Capital grant revenue		(59,899)		(28,143)
Net decrease (increase) in the fair value of investments		(8,207)		(6,989)
Loss (gain) on sale of equipment		(264)		(203)
Settlement of claims		22		(1,469)
Other (revenues) expenses		(1,739)		(2,129)
Other non-operating revenues		(7,988)		(18,112)
Investment income		(12,537)		(8,126)
Net Revenue per the 1978 Trust Agreement	$	419,359	$	433,730

Total net revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were $419.4 million and $433.7 million for the years ended June 30, 2020 and 2019, respectively.

3. Deposits and Investments

The Authority's investments are made in accordance with the provisions of the 1978 Trust Agreement, the PFC Depositary 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, 2020 and 2019, all investments were held on behalf of the Authority by the Trustee, the PFC Custodian, the CFC Trustee or custodians in the Authority's name. The 1978 Trust Agreement, the PFC Depositary 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 structured investments are in the form of a guaranteed investment contract ("GIC") and are fully collateralized. These investments provide for scheduled principal payments equaling the interest rate previously agreed to between the Authority and the provider of the guaranteed investment contract.

The total accumulated unrealized gain due to the changes in fair value of investments related to investments with maturities in excess of one year was a gain of approximately $9.3 million as of June 30, 2020 and a gain of approximately $1.3 million as of June 30, 2019.

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2020 and 2019 (in thousands):

2020	Credit Rating (1)		Cost		Fair Value	Effective Duration
Massachusetts Municipal Depository Trust (6)	Unrated	$	415,161	$	415,161	0.003
Federal Home Loan Bank	AA+ / Aaa		16,096		16,125	1.512
Federally Deposit Insurance Corporation	Unrated (2)		1,000		1,000	0.003
Federal Home Loan Mortgage Corp.	AA+ / Aaa		151,266		151,341	1.353
Federal National Mortgage Association	AA+ / Aaa		16,710		16,736	1.224
Federal Farm Credit	AA+ / Aaa		22,554		22,619	1.411
Guaranteed Investment Contracts (GIC) (6)	AA+ / A1 (4)		48,536		48,536	8.260
Cash Deposit	Unrated		2,815		2,815	0.003
Certificates of Deposit	AAA / Aaa (3)		108,215		108,215	0.720
Commercial Paper	A-1/ P-1 (5)		231,472		231,472	0.279
Supranational	AAA / Aaa (5)		107,715		108,166	3.492
Government Fund-Morgan Stanley / Wells Fargo	AAA / Aaa (5)		43,279		43,279	0.003
Municipal Bond	AAA/ Aa1		186,506		189,795	1.950
Money Market Funds	Unrated		7,254		7,254	0.004
Insured Cash Sw eep	Unrated (2)		31,295		31,295	0.003
Corporate Bonds	AA- / Aa2 (7)		299,848		305,214	1.346
		$	1,689,722	$	1,699,023	

2019	Credit Rating (1)		Cost		Fair Value	Effective Duration
Massachusetts Municipal Depository Trust (6)	Unrated	$	163,716	$	163,716	0.003
Federal Home Loan Bank	AA+ / Aaa		55,458		55,490	0.696
Federally Deposit Insurance Corporation	Unrated (2)		1,002		1,002	0.003
Federal Home Loan Mortgage Corp.	AA+ / Aaa		93,503		93,512	1.240
Federal National Mortgage Association	AA+ / Aaa		46,352		46,255	0.458
Federal Farm Credit	AA+ / Aaa		7,014		7,036	0.680
Guaranteed Investment Contracts (GIC) (6)	AA+ / A1 (4)		46,652		46,652	9.039
Cash Deposit	Unrated		1,729		1,729	0.003
Certificates of Deposit	AAA / Aaa (3)		27,215		27,215	0.603
Commercial Paper	A-1/ P-1 (5)		296,585		296,585	0.283
NOW Account Deposit	Unrated		55,311		55,311	0.003
Supranational	AAA / Aaa (5)		35,225		35,504	2.700
Government Fund-Morgan Stanley / Wells Fargo	AAA / Aaa (5)		23,211		23,211	0.003
Municipal Bond	AAA/ Aa1		126,793		127,346	1.437
Money Market Funds	Unrated		3,339		3,339	0.004
Insured Cash Sw eep	Unrated (2)		43,036		43,036	0.003
Treasury Notes	AA+ / Aaa		2,608		2,603	0.167
Corporate Bonds	AA- / Aa2 (7)		262,571		263,094	1.178
		$	1,291,320	$	1,292,636	

1. The ratings are from S&P or Moody's as of the fiscal year presented.
2. FDIC Insured Deposits Accounts.
3. Collateralized by Federal Agency Notes or Letter of Credit backed by each reserve.
4. Underlying rating of security held.
5. Credit quality of fund holdings.
6. MMDT and GIC are carried at cost, w hich approximates fair value in the tables.
7. The Authority ow ns a diverse portfolio of corporate bonds w ith S&P credit ratings ranging from A to AAA and Moody's credit ratings ranging from A1 to Aaa. These corporate bonds have an average credit rating of AA- / Aa2.

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Securities maturing in 1 year or more	$ 573,323	$ 580,214	$ 493,558	$ 495,349
Securities maturing in less than 1 year	615,594	618,004	507,418	506,943
Cash and cash equivalents	500,805	500,805	290,344	290,344
	$ 1,689,722	$ 1,699,023	$ 1,291,320	$ 1,292,636

a) 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 Depositary 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. In addition, U.S. dollar denominated corporate bonds, notes or other debt obligations issued or guaranteed by a domestic or foreign corporation, financial institution, non-profit or other entity rated in one of the three highest rating categories, without regard to gradations within such categories by Moody's and S&P.

b) 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. Bank deposits in excess of the insured amount are uninsured and uncollateralized.

The Authority maintains depository accounts with Bank of America, N.A., Wells Fargo Bank, N.A., TD Bank, N.A. and the PFC Custodian. The Authority maintains a payroll disbursement, lockbox and collection accounts (for other than PFCs) with 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, 2020 and 2019 was $2.8 million and $1.7 million, respectively, and of these amounts, $250.0 thousand and $250.0 thousand was insured in each year, and no amount was collateralized at June 30, 2020 or 2019.

c) *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 Depositary 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, commercial paper of a U.S. corporation or finance company and corporate bonds. 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 Authority can purchase and sell its investments at any time without penalty.

The following guaranteed investment contracts were in force as of June 30, 2020 and 2019, respectively; they are uncollateralized and recorded at cost:

Investment Agreement Provider	Rate	Maturity	2020	2019
Trinity Plus Funding Company	4.36%	January 2, 2031	$ 21,613	$ 20,717
GE Funding Capital Markets	3.81%	December 31, 2030	26,923	25,935
Total			$ 48,536	$ 46,652

d) *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% 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 book values of portions of the Authority-wide portfolio, excluding investments issued by MMDT, the FDIC, or U.S. Government guaranteed obligations, that exceed 5% of the portfolio are as follows (in thousands):

Issuer:	2020 % of Portfolio	2019 % of Portfolio
Corporate Bonds	17.75%	20.33%
Commercial Paper	13.70%	22.97%
Municipal Bond	11.04%	9.82%
Federal Home Loan Mortgage Corp	8.95%	7.24%
Certificates of Deposit	6.40%	2.11%
Supranational	6.37%	2.73%

Commercial Paper Issuer	2020	2019
Bank of Tokyo	$ 76,809	$ 64,369
BNP Paribas	-	9,886
Natixis	19,976	59,318
Canadian Imperial Holdings Inc.	29,949	-
JP Morgan Chase	-	60,643
Credit Agricole	74,850	46,682
Rabobank	-	14,987
Toyota Motor Corporation	29,888	24,710
ING Funding	-	15,990
Total	$ 231,472	$ 296,585

e) Credit Ratings – Investments

The 1978 Trust Agreement, the PFC Depositary Agreement, the CFC Trust Agreement and the Investment Policy generally limit 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 Moody's (Aaa, Aa1, Aa2, and Aa3) and S&P (AAA, AA+, AA, and AA-) and in corporate bonds rated in one of the three highest rating categories without regard to gradations within such categories by Moody's and S&P.

Investments in bank certificates of deposits were fully collateralized. Also, the Authority invested in MMDT, managed by the State Treasury, which is not rated.

f) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair 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.

g) *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 the following table, the fair value of MMDT and GIC approximate their costs (in thousands):

	2020		2019	
1978 Trust	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Improvement and Extension Fund	$ 393,850	$ 395,950	$ 336,235	$ 336,218
Capital Budget Account	220,058	220,056	123,243	123,242
Debt Service Reserve Funds	148,414	150,851	138,421	138,883
Debt Service Funds	101,190	101,190	89,781	89,781
Maintenance Reserve Fund	196,256	198,828	224,431	225,021
Operating/Revenue Fund	83,783	83,783	76,605	76,605
Subordinated Debt Funds	50,933	50,933	49,053	49,053
Self-Insurance Account	34,418	35,281	33,262	33,283
2017 B Project Fund	-	-	9,079	9,079
2018 A Project Fund	43,000	43,000	4,675	4,675
2019 B Project Fund	92,780	93,234	-	-
2019 C Project Fund	73,054	73,667	-	-
2020 B Project Fund	86,166	86,167	-	-
Other Funds	52,271	52,271	45,997	45,997
PFC Depositary Agreement				
Other PFC Funds	50,545	50,575	47,816	47,865
2011 CFC Trust				
Debt Service Reserve Funds	21,834	21,943	28,074	28,087
CFC Maintenance Reserve Fund	4,577	4,600	3,553	3,568
Debt Service Funds	9,721	9,721	9,619	9,619
CFC Stabilization and Other CFC Func	26,872	26,973	71,476	71,660
Total	$ 1,689,722	$ 1,699,023	$ 1,291,320	$ 1,292,636

h) *Fair Value Measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The following tables show the fair value and the fair value measurements for our investments:

Investments Measured at Fair Value (in thousands)

As of June 30, 2020	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Federal Home Loan Bank	$ 16,125	$ -	$ 16,125	$ -
Federal Home Loan Mortgage Corp.	151,341	-	151,341	-
Federal National Mortgage Association	16,736	-	16,736	-
Federal Farm Credit	22,619	-	22,619	-
Certificates of Deposit	108,215	108,215	-	-
Supranational	108,166	-	108,166	-
Commercial Paper	231,472	-	231,472	-
Government Fund-Morgan Stanley / Wells Fargo	43,279	43,279	-	-
Municipal Bond	189,795	-	189,795	-
Money Market Funds	7,254	7,254	-	-
Treasury Notes	-	-	-	-
Corporate Bonds	305,214	-	305,214	-
Total Investments Measured at Fair Value	$ 1,200,216	$ 158,748	$ 1,041,468	$ -

Investments Measured at Fair Value (in thousands)

As of June 30, 2019	Fair Value	Level 1	Level 2	Level 3
Federal Home Loan Bank	$ 55,490	$ -	$ 55,490	$ -
Federal Home Loan Mortgage Corp.	93,512	-	93,512	-
Federal National Mortgage Association	46,255	-	46,255	-
Federal Farm Credit	7,036	-	7,036	-
Certificates of Deposit	27,215	27,215	-	-
Supranational	35,504	-	35,504	
Commercial Paper	296,585	-	296,585	-
Government Fund-Morgan Stanley / Wells Fargo	23,211	23,211	-	-
Municipal Bond	127,346	-	127,346	-
Money Market Funds	3,339	3,339	-	-
Treasury Notes	2,603	-	2,603	-
Corporate Bonds	263,094	-	263,094	-
Total Investments Measured at Fair Value	$ 981,190	$ 53,765	$ 927,425	$ -

Money Market Funds

As of June 30, 2020 and 2019, the Authority held positions in various money market funds and the fair values of those funds were $158.7 million and $53.8 million, respectively. The fair values of the money market funds are valued at the daily closing price as reported by the fund (Level 1).

Federal Agency Notes

As of June 30, 2020 and 2019, the Authority held positions in federal agency notes and the fair values were $206.8 million and $202.3 million, respectively. The fair values of the federal agency notes are based on a market approach using quoted prices by a third party, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers (Level 2).

Commercial Paper Notes

As of June 30, 2020 and 2019, the Authority held positions in commercial paper notes and the fair values were $231.5 million and $296.6 million, respectively. The fair values of the commercial paper notes are based on a market approach using matrix pricing determined by investment managers (Level 2).

Municipal Bonds

As of June 30, 2020 and 2019, the Authority held positions in municipal bonds and the fair values were $189.8 million and $127.3 million, respectively. The fair values of the Municipal Bonds are based on a market approach using quoted prices by a third party, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers (Level 2).

Treasury Notes

As of June 30, 2020 and 2019, the Authority held positions in Treasury Notes and the fair values were $0.0 million and $2.6 million, respectively. The fair values of the Treasury Notes are based on a market approach using quoted prices by a third party, documented trade history in the security, and pricing models maximizing the use of observable inputs determined by investment managers (Level 2).

Corporate Bonds

As of June 30, 2020 and 2019, the Authority held positions in corporate bonds and the fair values were $305.2 million and $263.1 million. The fair values of the corporate bonds are based on a market approach valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager (Level 2).

Supranational

As of June 30, 2020 and 2019, the Authority held positions in Supranational bonds and the fair values were $108.2 million and $35.5 million. The fair values of the bonds are based on a market approach valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager (Level 2).

4. Capital Assets

Capital assets consisted of the following at June 30, 2020 and 2019 (in thousands):

	June 30, 2019	Additions and Transfers In	Deletions and Transfers Out	June 30, 2020
Capital assets not being depreciated				
Land	$ 230,600	$ —	$ —	$ 230,600
Construction in progress	260,888	537,187	298,206	499,869
Total capital assets not being depreciated	491,488	537,187	298,206	730,469
Capital assets being depreciated				
Buildings	4,176,228	162,270	—	4,338,498
Runway and other paving	990,046	20,163	—	1,010,209
Roadway	767,973	37,808	—	805,781
Machinery and equipment	749,744	76,075	2,023	823,796
Air rights	185,258	1,890	—	187,148
Parking rights	46,261	—	—	46,261
Total capital assets being depreciated	6,915,510	298,206	2,023	7,211,693
Less accumulated depreciation:				
Buildings	1,985,286	153,309	—	2,138,595
Runway and other paving	603,417	42,842	—	646,259
Roadway	451,388	31,551	—	482,939
Machinery and equipment	474,634	64,092	2,005	536,721
Air rights	139,243	5,997	—	145,240
Parking rights	27,756	1,542	—	29,298
Total accumulated depreciation	3,681,724	299,333	2,005	3,979,052
Total capital assets being depreciated, net	3,233,786	(1,127)	18	3,232,641
Capital assets, net	$ 3,725,274	$ 536,060	$ 298,224	$ 3,963,110

Depreciation and amortization for fiscal year 2020 and 2019 was $299.3 million and $288.3 million, respectively.

	June 30, 2018	Additions and Transfers In	Deletions and Transfers Out	June 30, 2019
Capital assets not being depreciated				
Land	$ 230,600	$ —	$ —	$ 230,600
Construction in progress	192,782	797,292	729,186	260,888
Total capital assets not being depreciated	423,382	797,292	729,186	491,488
Capital assets being depreciated				
Buildings	3,564,259	611,969	—	4,176,228
Runway and other paving	948,048	41,998	—	990,046
Roadway	767,054	919	—	767,973
Machinery and equipment	676,895	74,173	1,324	749,744
Air rights	185,131	127	—	185,258
Parking rights	46,261	—	—	46,261
Total capital assets being depreciated	6,187,648	729,186	1,324	6,915,510
Less accumulated depreciation:				
Buildings	1,836,530	148,756	—	1,985,286
Runway and other paving	558,966	44,451	—	603,417
Roadway	421,173	30,215	—	451,388
Machinery and equipment	418,832	57,126	1,324	474,634
Air rights	132,988	6,255	—	139,243
Parking rights	26,214	1,542	—	27,756
Total accumulated depreciation	3,394,703	288,345	1,324	3,681,724
Total capital assets being depreciated, net	2,792,945	440,841	—	3,233,786
Capital assets, net	$ 3,216,327	$ 1,238,133	$ 729,186	$ 3,725,274

5. Bonds and Notes Payable

Long-term debt at June 30, 2020 consisted of the following and represents maturities on the Authority's fiscal year basis (in thousands):

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
Revenue Bonds:					
Senior Debt-1978 Trust Agreement:					
2008, Series C, 4.60% to 4.70%, issued July 9, 2008 due 2021	$ 2,555	$ —	$ 1,250	$ 1,305	$ 1,305
2010, Series A, 4.00% to 5.00%, issued August 5, 2010 due 2021 to 2041	85,805	—	41,370	44,435	2,400
2010, Series B, 3.00% to 5.00%, issued August 5, 2010 due 2034 to 2041	124,390	—	78,110	46,280	9,180
2012, Series A, 3.50% to 5.00%, issued July 11, 2012 due 2021 to 2043	88,770	—	13,810	74,960	1,705
2012, Series B, 3.00% to 5.00%, issued July 11, 2012 due 2021 to 2034	149,255	—	63,700	85,555	7,375
2014, Series A, 3.00% to 5.00%, issued July 17, 2014 due 2021 to 2045	43,785	—	875	42,910	900
2014, Series B, 4.00% to 5.00%, issued July 17, 2014 due 2021 to 2045	46,485	—	925	45,560	965
2014, Series C, 3.00% to 5.00%, issued July 17, 2014 due 2021 to 2036	129,440	—	5,010	124,430	5,210
2015, Series A, 5.00%, issued July 15, 2015 due 2021 to 2046	104,480	—	1,910	102,570	2,005
2015, Series B, 5.00%, issued July 15, 2015 due 2021 to 2046	67,005	—	1,225	65,780	1,290
2015, Series C, 2.12% to 2.83%, issued June 30, 2015 due 2026 to 2030	128,525	—	11,900	116,625	12,160
2016, Series A, 4.00% to 5.00%, issued July 20, 2016 due 2021 to 2039	48,360	—	1,300	47,060	1,460
2016, Series B, 4.00% to 5.00%, issued July 20, 2016 due 2041 to 2047	180,285	—	—	180,285	—
2017, Series A, 3.25% to 5.00%, issued July 19, 2017 due 2021 to 2048	163,935	—	6,095	157,840	6,880
2019, Series A, 3.00% to 5.00%, issued February 13, 2019 due 2021 to 2041	315,240	—	3,310	311,930	8,735
2019, Series B, 3.00% to 5.00%, issued July 17, 2019 due 2022 to 2050	—	157,680	—	157,680	—
2019, Series C, 3.00% to 5.00%, issued July 17, 2019 due 2021 to 2050	—	297,365	—	297,365	1,110
Subtotal Senior Debt	1,678,315	455,045	230,790	1,902,570	62,680

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
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 2031	34,000	—	—	34,000	—
Subtotal Subordinate Debt	74,000	—	—	74,000	—
Senior Debt - CFC Trust Agreement:					
2011, Series A, 5.125%, issued June 15, 2011 due 2038 to 2042	58,030	—	58,030	—	—
2011, Series B, 4.85% to 6.352%, issued June 15, 2011 due 2021 to 2038	132,765	—	8,345	124,420	4,165
Subtotal CFC Senior Debt	190,795	—	66,375	124,420	4,165
Total Bonds Payable	1,943,110	455,045	297,165	2,100,990	66,845
Less unamortized amounts:					
Bond premium (discount), net	193,090	89,137	25,509	256,718	11,333
Total Bonds Payable, net	$ 2,136,200	$ 544,182	$ 322,674	$ 2,357,708	$ 78,178

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

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
Senior Debt-1978 Trust Agreement:	$ 1,678,315	$ 455,045	$ 230,790	$ 1,902,570	$ 62,680
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - CFC Trust Agreement:	190,795	—	66,375	124,420	4,165
	$ 1,943,110	$ 455,045	$ 297,165	$ 2,100,990	$ 66,845

	June 30, 2018	Additions	Reductions	June 30, 2019	Due within one year
Senior Debt-1978 Trust Agreement:	$ 1,415,400	$ 315,240	$ 52,325	$ 1,678,315	$ 53,565
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - CFC Trust Agreement:	194,575	—	3,780	190,795	3,960
	$ 1,683,975	$ 315,240	$ 56,105	$ 1,943,110	$ 57,525

Debt service requirements on revenue bonds (1978 Trust and CFC Trust) outstanding at June 30, 2020 are as follows (in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 66,845	$ 105,903	$ 172,748
2022	44,405	99,521	143,926
2023	63,415	97,682	161,097
2024	68,390	94,966	163,356
2025	71,500	91,904	163,404
2026 – 2030	372,300	406,930	779,230
2031 – 2035	419,645	306,445	726,090
2036 – 2040	389,775	199,890	589,665
2041 – 2045	354,145	106,454	460,599
2046 – 2050	250,570	28,010	278,580
Total	$ 2,100,990	$ 1,537,705	$ 3,638,695

a) *Senior Debt - 1978 Trust Agreement*

On July 17, 2019, the Authority issued $455.0 million of Massachusetts Port Authority Revenue Bonds in two series. The Series 2019 B Revenue Bonds were issued in the principal amount of $157.7 million with a net original issue premium of approximately $26.8 million and interest rates ranging from 3.0% to 5.0%. The Series 2019 C Revenue Bonds were issued in the principal amount of $297.4 million with an original issue premium of approximately $62.4 million and interest rates ranging from 3.0% to 5.0%. The 2019 B and C Bonds were issued to finance a portion of the Authority's FY19-23 Capital Program. Due to the "private activity" nature of a portion of the construction projects, the Series 2019 C bonds were sold as AMT bonds.

On February 13, 2019, the Authority issued $315.2 million of Massachusetts Port Authority Revenue Bonds in one series. The Series 2019 A Bonds were issued in the principal amount of $315.2 million with an original issue premium of approximately $49.5 million and interest rates ranging from 3.0% to 5.0%. The 2019 A Bonds were issued to currently refund all of the Terminal A outstanding Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001 A (AMT), Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001 B (Auction Rate Securities) and Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001 C (Auction Rate Securities) (collectively, the "Terminal A Special Facility Bonds"), previously disclosed as conduit debt. The Authority achieved significant interest rate savings compared to rates on the Terminal A Special Facility Bonds.

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, 2020 and 2019, the Authority's debt service coverage under the 1978 Trust Agreement was 3.52 and 3.66, respectively.

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 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 29, 2030 and January 2, 2031. As of June 30, 2020, the value of the two GICs was approximately $48.5 million as compared to $46.7 million as of June 30, 2019.

c) *Senior Debt - CFC Trust Agreement*

The Authority's outstanding CFC debt continues to be backed by a pledge of the $6.00 CFC collections. The Authority earned CFC Revenues, as defined in the CFC Trust Agreement, of approximately $25.8 million and $33.5 million during fiscal years 2020 and 2019, respectively. The CFC Trust Agreement requires that the Authority maintain a debt service coverage ratio of at least 1.30. As of June 30, 2020 and 2019, the CFC debt service coverage ratio was 2.42 and 2.86, respectively. On June 24, 2020, the Authority deposited $65.6 million into an irrevocable trust with the CFC trustee to provide for all future debt service payments in an in-substance defeasance of all of the outstanding CFC Revenue Bonds, Series 2011 A ($58.0 million) and the 2021 maturity ($4.4 million) of its CFC Revenue Bonds, Series 2011 B (collectively the "Defeased CFC Bonds") plus interest thereon of $3.2 million. This transaction satisfies the criteria for an in-substance defeasance and allows for future debt service savings. Accordingly, the trust fund assets and the liability for the Defeased CFC Bonds are not included in the Authority's financial statements at June 30, 2020.

d) *Senior Debt – Direct Placement*

On April 3, 2020, the Authority entered into a direct purchase agreement with Bank of America, NA ("BAML") for the sale of up to $258.0 million of Massachusetts Port Authority Revenue Bonds in two series. The Series 2020 A Revenue Refunding Bonds ("2020 A Bonds") were issued in the principal amount of $95.6 million at an interest rate of 1.57%. The Series 2020 B Revenue Bonds (2020 B Bonds) were issued in the principal amount of $162.4 million and an interest rate of 2.08%. The 2020 A and 2020 B Bonds were issued to refund portions of the Series 2010 Bonds, the Series 2012A Bonds and the Series 2012B Bonds and to finance a portion of the Authority's Capital Program. Due to the "private activity" nature of a portion of the construction projects, the 2020 A Bonds were sold as AMT bonds. The 2020 A Bonds consist of a single bond maturing on July 1, 2031 and the 2020 B Bonds consist of a single bond maturing on July 1, 2032.

e) *Subordinate Debt – Direct Placement*

On November 20, 2018, the Authority entered into a direct purchase agreement with Bank of America, NA ("BAML") for sale of up to $107.5 million in aggregate principal amount of the Subordinated Obligations, Series 2018 A (AMT), (the "2018 Subordinated Obligations"). The 2018 Subordinated Obligations are issued as a "draw-down loan" to provide financing for capital projects at the Authority's Port properties. The principal of the 2018 Subordinated Obligations is expected to be paid from funds provided pursuant to a Memorandum of Understanding (the "MOU") between the Authority and the Commonwealth to provide grant funds in the amount of $107.5 million, which equals 50% of the expected construction costs of the new Berth 10 and the purchase of three new ship to shore cranes at Conley Terminal. The 2018 Subordinated Obligations will bear interest at variable rates with a final maturity on July 1, 2028. The 2018 Subordinated Obligations are subject to mandatory tender on July 1, 2023 (the "Tender Date"). If not repaid in full on the Tender Date, the remaining outstanding principal amount of the 2018 Subordinated Obligations must be repaid over a three-year term in equal semi-annual principal installments, plus interest. Although the Authority expects to repay the principal of the 2018 Subordinated Obligations in full on or before July 1, 2022 from the Commonwealth's payments under the MOU, the 2018 Subordinated Obligations are secured by the moneys on deposit in the Improvement and Extension Fund available for such purpose and by a pledge of the Authority's Revenues, subordinate to the pledge securing bonds issued under the 1978 Trust Agreement. As of June 30, 2020 and 2019, the outstanding principal balance of the 2018 Subordinated Obligations was $72.5 million and $40.0 million, respectively.

Direct Placement Long-term debt at June 30, 2020 consisted of the following and represents maturities on the Authority's fiscal year basis (in thousands):

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
Revenue Bonds Direct Placement:					
Senior Debt-1978 Trust Agreement:					
2020, Series A, 1.57%, issued April 3, 2020 due 2023 to 2032	$ —	$ 95,620	$ —	$ 95,620	$ —
2020, Series B, 2.08%, issued April 3, 2020 due 2024 to 2033	—	162,380	—	162,380	—
Subtotal Senior Debt	—	258,000	—	258,000	—

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
Subordinated debt- 1978 Trust Agreement:					
2018, Series A, variable rate, issued November 20, 2018 due 2024	40,000	67,500	35,000	72,500	—
Subtotal Subordinate Debt	40,000	67,500	35,000	72,500	—
Total Direct Placement Bonds Payable	$ 40,000	$ 325,500	$ 35,000	$ 330,500	$ —

The following summarizes the Authority's direct placement bond activity at June 30 (in thousands):

	June 30, 2019	Additions	Reductions	June 30, 2020	Due within one year
Revenue Bonds Direct Placement:					
Senior Debt-1978 Trust Agreement:	$ —	$ 258,000	$ —	$ 258,000	$ —
Subordinated debt- 1978 Trust Agreement:	40,000	67,500	35,000	72,500	—
Total Direct Placement Bonds Payable	$ 40,000	$ 325,500	$ 35,000	$ 330,500	$ —

	June 30, 2018	Additions	Reductions	June 30, 2019	Due within one year
Senior Debt-1978 Trust Agreement:	$ —	$ —	$ —	$ —	$ —
Subordinated debt- 1978 Trust Agreement:	—	40,000	—	40,000	—
Total Direct Placement Bonds Payable	$ —	$ 40,000	$ —	$ 40,000	$ —

Debt service requirements on direct placement bonds outstanding at June 30, 2020 are as follows (in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ —	$ 1,307	$ 1,307
2022	—	7,378	7,378
2023	6,425	6,186	12,611
2024	22,465	6,085	28,550
2025	19,450	5,689	25,139
2026 - 2030	184,445	17,849	202,294
2031 - 2033	97,715	4,016	101,731
Total	$ 330,500	$ 48,510	$ 379,010

f) Special Facility Bonds

To provide for the construction and improvement of various facilities at Logan Airport, the Authority has one outstanding series of special facilities revenue bonds as of June 30, 2020 and 2019. The Authority's special facilities revenue bonds are 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.

On September 26, 2019, the Authority issued $143.7 million of Massachusetts Port Authority Special Facilities Revenue Bonds (BOSFUEL Project) in two series. The tax-exempt Series 2019A BOSFUEL Bonds were issued in the principal amount of $135.9 million with a net original issue premium of approximately $24.1 million and interest rates ranging from 4.0% to 5.0%. The taxable Series 2019B BOSFUEL Bonds were issued in the principal amount of $7.9 million at par with interest rates ranging from 2.7% to 3.7%. A portion of the proceeds of the Series 2019A BOSFUEL Bonds was used to refund the entire $81.1 million principal amount outstanding of the Series 2007 BOSFUEL Bonds and the remaining proceeds, along with the proceeds of the Series 2019B BOSFUEL Bonds, will be used to enhance the Fuel Facilities at Logan Airport to ensure the ability to meet current and future demands. Due to the “private activity” nature of a portion of the construction projects, the Series 2019A BOSFUEL Bonds were sold as AMT bonds.

As of June 30, 2020 and 2019, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding were related to BOSFUEL Projects and were approximately $143.7 million and $83.8 million, respectively. The Authority has no obligation for the $143.7 million of Special Facility Bonds related to BOSFUEL Corporation, a Delaware non-stock membership corporation (BOSFUEL), the members of which are certain air carriers serving the Airport. The Authority leases to BOSFUEL all of the on Airport jet fuel storage and distribution system owned by the Authority that provides jet fuel to the terminals and jet fuel uses at the Airport.

g) Commercial Notes Payable

The Authority's commercial notes payable as of June 30, 2020 and 2019 were as follows (in thousands):

	2020	2019
Commercial paper notes	$ 104,000	$ 142,000
Commercial paper notes issued	—	—
Principal paid on commercial paper notes	(82,000)	(38,000)
Commercial paper notes	$ 22,000	$ 104,000

Commercial notes payable have been issued under the terms of the 1978 Trust Agreement and are backed by the proceeds of the Improvement and Extension Fund or anticipated bond funds. The allowable maximum principal amount outstanding at any time, in the aggregate principal amount, cannot exceed the lesser of 10% of the Authority's outstanding long-term debt or $150.0 million, and is backed by a Letter of Credit Agreement with the TD Bank N.A. expiring in June 2022.

The $22.0 million and $104.0 million of the commercial notes payable as of June 30, 2020 and 2019, respectively, have been used to fund PFC eligible projects; therefore, the Authority anticipates that PFC revenues will be the source to pay such redemptions. The blended interest rate on the Series 2012 A Notes was 1.659% and 2.170% during fiscal years 2020 and 2019, respectively. The blended interest rate on the Series 2012 B Notes was 1.846% and 2.179% during fiscal years 2020 and 2019, respectively. The Authority's commercial notes payable mature in July, August and September of the respective years.

During fiscal year 2020 and fiscal year 2019, the Authority did not have any interest rate swaps or other interest rate hedging arrangements.

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 no estimated liability as of June 30, 2020 and 2019, respectively.

6. Pension Plan

a) Plan Description

The Massachusetts Port Authority Employees' Retirement System (the Plan) is a single employer plan established on July 18, 1978, effective January 1, 1979, by enactment of Chapter 487 (an amendment to Chapter 32) of the General Laws of The Commonwealth of Massachusetts to provide retirement benefits for substantially all employees of the Authority, and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. Prior to this enactment, Authority employees were members of the Commonwealth of Massachusetts Contributory Retirement System and the funding of the pension liability was on a "pay-as-you-go" method. Pursuant to this enactment, the employees' then present rights and benefits were transferred to the new retirement system. The Plan is a contributory defined benefit plan to which the Authority and its employees contribute such amounts as are necessary to provide assets sufficient to meet benefits to be paid to plan participants. The Plan is administered by the Massachusetts Port Authority Employees' Retirement System Board (the Board).

Detailed information about the Plan's fiduciary net position is available in a separately issued report. 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 or please see the Authority's website, www.massport.com.

b) *Benefits provided*

Benefits are paid by the Plan from plan assets available for plan benefits. Plan participants are entitled at normal retirement age to benefit payments based upon length of service and earnings levels. Vesting occurs after 10 years of service.

Benefits to participants who retired prior to January 1, 1979 are paid by the Massachusetts State Board of Retirement. The Massachusetts State Board of Retirement is reimbursed for all such benefits paid after December 31, 1978 as these benefits represent obligations of the Plan.

Under Chapter 32, Section 3(8) (c), of the General Laws of The Commonwealth of Massachusetts (Chapter 32), the Plan is reimbursed for benefits paid to participants entitled to receive benefits for previous participation in other Massachusetts Chapter 32 plans. The Plan is also obligated to pay a proportionate share of benefits to participants entitled to receive benefits for subsequent participation in other Massachusetts Chapter 32 plans.

Also under Chapter 32, for members leaving the Authority's employment to work for other Massachusetts governmental units, the Plan transfers their accumulated account balances and creditable service to the retirement system of the new employer. Other such retirement systems are in turn required to make comparable transfers to the Plan for employees coming to work for the Authority.

Optional payment methods may be elected, including the contingent annuitant method, which provides for reduced payments during the life of the plan participant and continued payments to the participant's beneficiary after the death of the participant.

At January 1, 2019 and 2018, the Plan's membership consisted of:

	2019	**2018**
Retirees and beneficiaries receiving benefits	858	826
Terminated employees entitled to benefits but not yet receiving them	68	66
Current members:		
Active	1,304	1,288
Inactive	146	142
Total membership	2,376	2,322

c) *Contributions required and contributions made*

Contributions are made by the Authority based on amounts required to be funded as determined by annual actuarial valuations and are designed to fund the Plan on a level cost basis, as a percentage of pay, over the average remaining working lifetime of the active participants and to fund operating costs of the Plan. For the years ended June 30, 2020 and 2019, the Authority was required and did contribute to the Plan $12.0 million and $13.0 million, respectively. The Authority's annual contribution is made in July of each fiscal year; therefore, eliminating any deferred outflows related to the timing of contributions. The Authority bears the risk that plan assets might decline due to fluctuations in the fair value of the Plan's investments and contributions by the Authority will increase as part of its annual assessment.

Employees who became members prior to January 1, 1975 contribute 5% of their regular compensation through payroll deductions. Employees whose membership commenced on or after January 1, 1975 but prior to January 1, 1984 contribute 7%. Those employees whose membership began on or after January 1, 1984 but prior to July 1, 1996 contribute 8%. Employees hired after July 1, 1996 contribute 9% of their regular compensation. Employees who are hired after December 31, 1978 contribute an additional 2% of regular compensation over $30,000. These contributions accumulate and, subject to certain restrictions set forth in Chapter 32, are refundable to employees upon termination of employment by the Authority or payable to another retirement system should the employee transfer to another government unit covered by Chapter 32 of the General Laws of The Commonwealth of Massachusetts.

Contributions totaling $24.6 million ($12.0 million employer and $12.6 million employee) and $24.6 million ($13.0 million employer and $11.6 million employee) were recognized by the Plan for plan years 2019 and 2018, respectively.

d) Net Pension Liability

The Authority's net pension liability at June 30, 2020 and 2019 was measured as of December 31, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 and 2018 and update procedures were used to roll forward the total pension liability to December 31, 2019 and 2018, respectively.

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balance at December 31, 2017	$ 683,483	$ 648,556	$ 34,927
Service cost	16,774	—	16,774
Interest	49,569	—	49,569
Changes between expected and actual experience	749	—	749
Changes in benefit terms	(4,891)	—	(4,891)
Contributions – employer	—	13,043	(13,043)
Contributions – employees	—	11,559	(11,559)
Net investment (loss)	—	(31,212)	31,212
Benefits payments	(33,087)	(33,087)	—
Administrative expenses	—	(1,182)	1,182
Balance at December 31, 2018	$ 712,597	$ 607,677	$ 104,920
Service cost	17,529	—	17,529
Interest	51,734	—	51,734
Changes between expected and actual experience	15	—	15
Changes in assumptions	(13,789)	—	(13,789)
Contributions – employer	—	12,029	(12,029)
Contributions – employees	—	12,576	(12,576)
Net investment income	—	118,235	(118,235)
Benefits payments	(33,101)	(33,101)	—
Administrative expenses	—	(1,216)	1,216
Balance at December 31, 2019	$ 734,985	$ 716,200	$ 18,785

e) Actuarial Assumptions

The total pension liability in the January 1, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

- *Inflation – 3.0%*
- *Salary increases – 4.5%*
- *Investment rate of return – 7.25%, net of plan investment expense*
- *Cost–of–living increases – 3.0% on a maximum base of $14,000*
- *Mortality*:

  2019:

  – Healthy – RP 2014 at Table Healthy Employees (sex-distinct) projected with MP 2018 Generational Mortality. Post-retirement the RP 2014 healthy annuitant Table (sex-distinct) projected with MP 2018 Generational Mortality.

  – Disabled-RP 2014 at 2006 healthy annuitant Table (sex-distinct) projected with MP 2018 Generational Mortality set-forward 2 years. Mortality for accidental disability is assumed to be 50% from the same cause as the disability.

  2018:

  – Healthy – RP 2000 Table (sex-distinct) projected with Scale BB and Generational Mortality. Post-retirement the RP 2000 healthy annuitant Table (sex-distinct) projected with Scale BB Generational Mortality.

  – Disabled-RP 2000 healthy annuitant Table (sex-distinct) projected with Scale BB, a base year of 2000 and Generational Mortality set-forward 2 years. Mortality for accidental disability is assumed to be 50% from the same cause as the disability.

- Long-term Expected Rate of Return:

  The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of geometric long-term expected real rates of return for each major asset class are summarized in the following table:

Asset class	Long-term expected real rate of return 2019*	2018*
Domestic equity	4.92 %	5.35 %
International equity	5.30	5.72
Fixed income	2.18	2.53
Real estate	5.17	5.20
Private equity	7.49	8.20

* amounts are net of inflation assumption of 2.36% and 2.23% in fiscal years 2019 and 2018, respectively

f) *Investment Policy*

The provisions of Massachusetts General Laws (M.G.L.) Chapter 32, Section 23(2) and the Board approved investment policy govern the Plan's investment practice.

Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. Chapter 32, Section 23(3), and the "Prudent Person" rule.

The Plan has retained an investment consultant to work with the Board in a fiduciary capacity to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The Plan is currently invested in stocks (domestic and international), fixed income securities (domestic and international), real estate and private equity.

The target allocation for each major asset class is summarized in the following table:

Asset class	Target Allocation
Domestic equity	27.50%
International equity	27.50%
Fixed income	30.00%
Real estate	7.50%
Private equity	7.50%
Total	100.00%

g) *Changes in Benefit Terms*

In 2019, there were three changes to plan provisions resulting in a $13.8 million reduction of the net pension liability.

The assumed rate of retirement, withdrawal, and disability was revised based on the results of an experience study, the mortality tables being used were updated as noted in the actuarial assumptions and an additional $500,000 was added to the vacation buyback liability representing interest.

In 2018, there were two changes to plan provisions resulting in a $4.9 million reduction of the net pension liability.

In 2018, due to a decision by the Contributory Retirement Appeal Board, vacation buybacks are currently not included in pensionable earnings when estimating the projected benefits payments, resulting in a reduction of the net pension liability totaling $7.9 million.

h) *Discount Rate*

The discount rate used to measure the total pension liability was 7.25% as of both December 31, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected further benefit payments of current plan members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

i) *Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability of the Plan as of December 31, 2019 and 2018, calculated using the discount rate of 7.25% as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate (in thousands):

Fiscal Year End	1% decrease (6.250%)	Current discount rate (7.250%)	1% increase (8.250%)
2020	$ 102,414	$ 18,785	$ (51,964)

Fiscal Year End	1% decrease (6.250%)	Current discount rate (7.250%)	1% increase (8.250%)
2019	$ 188,970	$ 104,920	$ 35,765

j) Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of $13.5 million and $22.2 million, respectively.

At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,120	$ 1,263	$ 2,843	$ 1,672
Differences arising from the recognition of changes in assumptions	7,592	12,208	10,894	879
Net difference between projected and actual earnings on pension Plan investments	—	34,464	38,158	—
Total	$ 9,712	$ 47,935	$ 51,895	$ 2,551

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ended June 30:	
2021	$ (9,400)
2022	(8,649)
2023	(611)
2024	(17,167)
2025	(2,170)
Thereafter	(226)

7. Other Postemployment Benefits (OPEB)

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 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 benefit levels, employer contributions and future employee contributions are governed by the Authority and can be amended by the Authority.

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.

In May 2016, the Board made changes to the plan benefits to be paid by the Authority for certain future retirees. Persons who commenced employment with the Authority during the period from October 1, 2009 through May 25, 2016, and who, as of the date such employment commenced, had accrued ten (10) years or more of creditable service pursuant to M.G.L.c. 32, would upon retirement, be eligible to receive 80% of the premium cost for those benefits with the balance paid for by the retiree; provided, however, that employees who retire with at least thirty (30) years of creditable service would be eligible to receive 85% of the premium cost of such benefits with the balance paid for by the retiree. For purposes of calculating the percentage of the subsidy (80% or 85%), years of creditable service shall be calculated at separation from employment with the Authority. The spouse and dependents of eligible retirees will qualify for the same premium subsidy and retiree health benefits as the retiree. Eligible retirees, but not their spouse or dependents, will also qualify for a 100% subsidy from the Authority for retiree basic life insurance.

During fiscal year 2020, the Board voted to change the fiscal year end of the Trust from June 30 to December 31.

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. Pranckevicius, CPA, Director of Administration and Finance and Secretary-Treasurer, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909. Those statements are prepared with an "economic resources" measurement focus on the accrual basis of accounting in accordance with U.S generally accepted accounting principles. 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 on fair value and alternative investments are valued based on net asset or unit value at year-end. The Trust did not own any individual securities and no long-term contracts for contributions to the Trust existed at December 31, 2019 or June 30, 2019.

b) Benefits provided

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.

At December 31, 2019 and June 30, 2019, the Trust's membership consisted of:

	December 31, 2019	**June 30, 2019**
Active Employees		
Pre-Medicare (hired prior to 3/31/1986)	42	47
Post-Medicare (hired after 3/31/1986)	1,306	1,283
Total	1,348	1,330
Inactive Participants (Vested)	74	65
Retired, Disabled, Survivors and Beneficiaries	868	966
Total Membership	2,290	2,361

c) Contributions required and contributions made

The Trust has adopted a funding policy that allows for the contributions to attempt to minimize the volatility from year to year and is the sum of the employees normal cost and expenses plus a payment to amortize the unfunded accrued liability as of the date of the valuation. The annual employer contribution rate goal shall be 100% of the Actuarial determined contribution. For the years ended June 30, 2020 and 2019, the Authority contributed to the Trust $13.3 million and $18.4 million, respectively, and $4.4 million and $18.4 million are recorded in the Statement of Net Position as a deferred outflow of resources as of June 30, 2020 and July 1, 2019, respectively. The Authority's annual contribution is made monthly throughout the fiscal year. The Authority bears the risk that trust assets might decline due to fluctuations in the fair value of the Trust's investments and contributions by the Authority will increase as part of its annual assessment.

d) Net OPEB liability

The Authority's net OPEB liability at June 30, 2020 and 2019 was measured as of December 31, 2019 and June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined using an actuarial valuation as of January 1, 2019 and 2018 and update procedures were used to roll forward the total OPEB liability to December 31, 2019 and June 30, 2018, respectively

	Total OPEB Liability (a)	Trust Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	$ 329,274	$ 185,416	$ 143,858
Service cost	6,692	—	6,692
Interest	23,870	—	23,870
Difference between expected and actual experience	(17,359)	—	(17,359)
Change in assumption	8,575	—	8,575
Contributions – employer	—	17,237	(17,237)
Contributions – employees	—	279	(279)
Net investment income	—	13,755	(13,755)
Benefits payments	(13,428)	(13,428)	—
Administrative expenses	—	(184)	184
Balance at June 30, 2019	$ 337,624	$ 203,075	$ 134,549
Service cost	9,022	—	9,022
Interest	37,032	—	37,032
Difference between expected and actual experience	(7,968)	—	(7,968)
Change in assumption	(3,552)	—	(3,552)
Contributions – employer	—	29,669	(29,669)
Contributions – employees	—	469	(469)
Net investment income	—	31,460	(31,460)
Benefits payments	(20,432)	(20,901)	469
Administrative expenses	—	(333)	333
Balance at December 31, 2019	$ 351,726	$ 243,439	$ 108,287

e) Actuarial Assumptions

The following actuarial assumptions were applied to the periods included in the measurement for as of December 31, 2019 and June 30, 2018:

- *Inflation – 3.0%*
- *Salary increases – 4.5%*
- *Investment rate of return – 7.00%, net of Trust investment expenses, as of December 31, 2019, and 7.25%, net of Trust investment expenses, as of July 1, 2019.*
- *Health care trend rates-Initial annual health care cost trend rates range from 2.7% to 9.0% which decreases to a long-term trend rate between 5.0% and 6.0% for all health care benefits after six years. The initial annual dental cost trend rates range from 5.0% to 7.0% which decrease to a long-term trend rate of 5.0% for all dental benefits after two years.*
- *Mortality*:
    - Actives – RP-2014 Table adjusted to 2006, (sex-distinct) for employees projected using Generational Mortality and scale MP-2018.
    - Retirees – RP 2014 Table adjusted to 2006, (sex-distinct), for Healthy Annuitants projected using Generational Mortality and scale MP-2018.
    - Disabled - RP 2014 Table adjusted to 2006, (sex-distinct), for Healthy Annuitants projected using Generational Mortality and scale MP-2018. Set forward 2 years.
- Other Information
    - As of January 1, 2019, the effect of eliminating the “Cadillac Tax” on liabilities was recognized.
    - As of January 1, 2018, the scales used to convert the premiums to age weighted claim costs were updated and the effect of the “Cadillac Tax” on liabilities was recognized.
    - As of January 1, 2016, employees hired after September 30, 2009 are not eligible for post –retirement medical insurance until age 60, and retirement age begins at age 60 with 10 years of service.
- Long-term Expected Rate of Return:

  The long-term expected rate of return on Trust investments was using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Trust investment expense and inflation) are developed for each major asset class and fund. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The best estimates of arithmetic long-term expected real rates of return for each major asset class are summarized in the following table:

	Long-term expected real rate of return	
Asset class	**December 31, 2019***	**June 30, 2018***
Domestic equity		
Vanguard Total Stock Market Index	6.18 %	6.48 %
Fixed income		
Baird Core Plus	2.53	—
VOYA Intermediate Bond	2.53	—
Vanguard Total Bond Market Fund	2.53	3.13
Vanguard Short Term Bond Index Fund	2.53	3.13
Vanguard Intermediate Term Investment Grade	3.55	4.00
Alliance Bernstein High Income	4.31	4.75
PL Floating Rate Income Fund	2.98	2.89
TCW Emerging Markets Income	4.50	5.25
International equity		
WCM Focused International Growth Fund	6.25	—
Acadian All Country World ex-US Fund	6.25	—
Vanguard Total International Stock Index	6.25	6.65
Vanguard Developed Market Stock Index	6.25	6.65
Aberdeen Emerging Markets Fund	6.90	7.20
Cash and cash equivalents	0.81	0.76
Alternatives		
REIT index fund	—	4.72
Real estate private equity	6.13	6.43

* amounts are net of inflation assumption of 2.5 %

f) Discount Rate

The discount rate used to measure the total OPEB liability as of December 31, 2019 was 7.00% and as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that Trust member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Trust’s fiduciary net position was projected to be available to make all projected further benefit payments of current Trust members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

g) *Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability of the Authority as of June 30, 2020 and 2019, calculated using the discount rate of 7.00% for 2020 and 7.25% for 2019, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage point lower (6.00% in 2020 and 6.25% for 2019) or one-percentage point higher (8.00% in 2020 and 8.25% for 2019) than the current rate (in thousands):

Fiscal Year End	1% decrease (6.00%)	Current discount rate (7.00%)	1% increase (8.00%)
2020	$ 155,806	$ 108,287	$ 69,385

Fiscal Year End	1% decrease (6.25%)	Current discount rate (7.25%)	1% increase (8.25%)
2019	$ 180,667	$ 134,549	$ 96,719

h) *Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Rates*

The following presents the net OPEB liability of the Authority as of June 30, 2020 and 2019, calculated using healthcare cost trend rates of 9.0% decreasing to 5.0% as well as what the net OPEB liability (asset) would be if it were calculated using a health care cost trend rate that is one-percentage point lower or one-percentage point higher than the current rate:

Fiscal Year End	1% decrease (8.0% decreasing to 4.0%)	Healthcare Cost Trend rate (9.0% decreasing to 5.0%)	1% increase (10.0% decreasing to 6.0%)
2020	$ 63,266	$ 108,287	$ 163,650

Fiscal Year End	1% decrease (8.0% decreasing to 4.0%)	Healthcare Cost Trend rate (9.0% decreasing to 5.0%)	1% increase (10.0% decreasing to 6.0%)
2019	$ 93,499	$ 134,549	$ 186,885

i) OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the years ended June 30, 2020 and 2019, the Authority recognized OPEB expense of $22.6 million and $18.6 million, respectively.

At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,354	$ 16,764	$ 10,517	$ 14,761
Changes in assumptions	6,453	4,587	7,291	—
Net difference between projected and actual earnings on OPEB investments	—	8,811	—	1,220
OPEB contribution subsequent to measurement date	4,447	—	18,398	—
Total	$ 17,254	$ 30,162	$ 36,206	$ 15,981

In accordance with GASB Statement No. 75, the Authority reported $4.4 million and $18.4 million as deferred outflows of resources related to the Authority’s OPEB contribution subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the years ended June 30, 2020 and 2019, respectively.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ended June 30:	
2021	$ (2,928)
2022	(3,054)
2023	(4,213)
2024	(4,911)
2025	(2,090)
Thereafter	(159)

j) OPEB Trust deposits and investments

i) OPEB Trust Investment Policy

The Trust's investments are made in accordance with the provisions of the Trust Investment Policy (the "Investment Policy") which was adopted on May 8, 2009 and amended on December 8, 2014 by the Retiree Benefits Trust Committee (the "Committee"). The goals of the Investment Policy are to invest for the sole purpose of funding the OPEB Plan obligation of the Authority in a prudent manner, and to conserve and enhance the value of the Trust assets through appreciation and income generation, while maintaining a moderate investment risk. In addition, the investment policy was developed to achieve a long-term return commensurate with contemporary economic conditions and equal to or exceed the investment objectives set forth in the investment policy, currently set at 7.00%, reduced from 7.25% effective December 31, 2019.

The Trust has retained an investment consultant to work in a fiduciary capacity to ensure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The Trust is currently invested in commingled funds which hold stocks (domestic and international) and fixed income securities and three private equity real estate funds.

The exposure limits per the Trust Investment Policy are as follows:

			Asset Weightings (as of December 8, 2014)		
Asset Class	December 31, 2019 Exposure	June 30, 2018 Exposure	Minimum Exposure	Maximum Exposure	Target Allocation
Domestic equity	40.5%	41.6%	28%	48%	38.0%
Fixed income	29.3%	27.6%	17%	47%	32.0%
International equity	19.7%	19.5%	10%	30%	20.0%
Cash and cash equivalents	2.0%	1.1%	0%	20%	0.0%
Alternatives:			0%	15%	10.0%
REIT index fund	0.0%	2.6%			
Real estate private equity	8.5%	7.6%			
Total Alternatives	8.5%	10.2%			

The current investment philosophy represents a long-term perspective. When asset weightings fall outside the Investment Policy Range, the investment advisor shall advise the Committee on potential investment courses of action and the Committee may elect to rebalance the Trust asset mix.

The following summarizes the Trust's cash, cash equivalents and investments by type held at December 31, 2019 and June 30, 2018 (in thousands):

	Credit Rating		December 31, 2019 Fair Value	Credit Rating		June 30, 2018 Fair Value
Cash and Cash Equivalents						
MMDT	Unrated	$	4,906	Unrated	$	1,967
First American Government Fund	Unrated		112	Unrated		252
Total Cash and Cash Equivalents		$	5,018		$	2,219
Investments						
Vanguard Index Funds	Unrated	$	117,735	Unrated	$	121,606
Acadian All Country World ex US Fund	Unrated		13,289	n/a		—
WCM Focused International Growth Fund	Unrated		10,850	n/a		—
Vanguard Intermediate Term Investment Grade Fund	A		9,191	A		8,176
Aberdeen Emerging Markets Fund	Unrated		5,937	Unrated		8,203
Alliance Bernstein High Income	BB		7,171	BBB		6,476
TCW Emerging Markets Income	BB		5,824	BB		4,331
PL Floating Rate Income Fund	B		8,214	B		5,704
Baird Core Plus Fund	A		20,867	A		15,769
Voya Intermediate Bond Fund	A		20,878	A		15,750
Real Estate Private Equity Funds	Unrated		20,775	Unrated		15,550
Total Investments		$	240,731		$	201,565

The following discusses the Trust's exposure to common deposit and investment risks related to custodial credit, credit, concentration of credit, interest rate and foreign currency risks as of December 31, 2019 and June 30, 2018.

ii) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Trust's deposits may not be returned. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Trust and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Trust's name.

The Trust manages custodial credit risk by limiting its investments to highly rated institutions and or requiring high quality collateral be held by the Trustee in the name of the Trust. All investments are held by a third party in the Trust's name. These investments are recorded at fair value.

Additionally, the Trust 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 Trust can purchase and sell its investments in this fund at any time without penalty.

iii) Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations.

For the six months ended December 31, 2019 and the year ended June 30, 2018, the Trust's fixed income investments totaled $72.1 million and $56.2 million, respectively. At December 31, 2019 and June 30, 2018, these investments were split between six commingled mutual funds. The investment policy limits fixed income securities of any one issuer to below 5% of the total bond portfolio at the time of purchase and this limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The diversification restrictions for individual stocks and fixed income securities purchased and held in the total portfolio shall not apply to similar investment instruments held in a commingled fund or an SEC registered mutual fund specifically approved by the Committee. The Trust invests primarily commingled funds and SEC registered mutual funds. The overall rating of the fixed income assets, as calculated by the Advisor, shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization. In cases where the yield spread adequately compensates for additional risk, investments classified at below investment grade can be purchased or held to maturity up to a maximum of 30% of the total market value of the fixed income securities of the Fund. The total percentage of the fixed income investments subject to this provision at December 31, 2019 and June 30, 2018 was 28.45% and 26.14%, respectively.

iv) Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Trust's investment in a single issuer. Investments of Trust assets are diversified in accordance with the Investment Policy that defines rules for the funds, including having no stock holding or fixed income holding with a 5% or greater portfolio weighting (except U.S. Treasury or securities backed by the federal government), holding no more than 2% of the outstanding shares of an individual stock, and holding no more than 25% of the portfolio in any one industry. Trust assets were in compliance with the Investment Policy at December 31, 2019 and June 30, 2018, respectively.

v) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is confined to the fixed income and cash portions of the portfolio and is managed within the portfolio using the effective duration methodology. This methodology is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The weighted duration of the fixed income portfolio at December 31, 2019 and June 30, 2018 was 5.06 and 5.11 years, respectively.

The individual fund durations are as follows at December 31, 2019 and June 30, 2018, respectively:

		December 31, 2019 Fair Value	Effective Duration		June 30, 2018 Fair Value	Effective Duration
Fixed Income Investments						
Vanguard Intermediate Term Investment Grade Fund	$	9,191	5.40	$	8,176	5.50
Alliance Bernstein High Income		7,171	3.68		6,476	4.77
TCW Emerging Markets Income		5,824	7.60		4,331	6.01
PL Floating Rate Income Fund		8,214	0.28		5,704	0.30
Baird Core Plus		20,867	5.68		15,769	5.79
Voya Intermediate Bond		20,878	5.94		15,750	5.85
Total Fixed Income Investments	$	72,145		$	56,206	

vi) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Trust invests in funds that hold stocks in either emerging or developed markets outside of the United States that may have an impact on the fair value of the investments and thus contribute currency risk due to their international equity holdings.

vii) Rate of Return

As required per GASB Statement 74, the annual money weighted rate of return on trust investments, net of trust expenses was 14.12% and 7.32% for the six months December 31, 2019 and the year ended June 30, 2018, respectively. The money weighted rate of return expresses investment performance net of investment expenses adjusted for the changing amounts actually invested. The Trust's annual rate of return, measured for financial performance purposes, gross of fees, was 6.9% for the six months ended December 31, 2019 and 7.8% for fiscal year ended June 30, 2018, respectively.

viii) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Trust has the following fair value measurements for investments at December 31, 2019 and June 30, 2018:

Investments Measured by Fair Value Level ($ 000)

As of December 31, 2019	Fair Value	Level 1	Level 2	Level 3
Investments				
Vanguard Index Funds	$ 117,735	$ 117,735	$ -	$ -
Baird Core Plus	20,867	20,867	-	-
Vanguard Intermediate Term Investment Grade Fund	9,191	9,191	-	-
Voya Internediate Bond	20,878	20,878	-	-
Aberdeen Emerging Markets Fund	5,937	5,937	-	-
AllianceBernstein High Income	7,171	7,171	-	-
TCW Emerging Markets Income	5,824	5,824	-	-
PL Floating Rate Income Fund	8,214	8,214	-	-
WCM Total International Stock Index	10,850	10,850	-	-
Acadian All Country World ex-USFund	13,289	13,289	-	-
Total investments measured by fair value level	219,956	219,956	-	-
Investments measured at the net asset value (NAV)				
Real Estate Private Equity Funds:				
Boyd Watterson GSA Fund	7,356			
Equus Fund X	7,661			
PRISA LP	5,758			
Total investments measured at the NAV	20,775			
Total Investments	$ 240,731	$ 219,956	$ -	$ -

Investments Measured by Fair Value Level ($ 000)

As of June 30, 2018		Fair Value		Level 1		Level 2		Level 3
Investments								
Vanguard Index Funds	$	121,606	$	121,606	$	-	$	-
Baird Core Plus		15,769		15,769		-		-
Vanguard Intermediate Term Investment Grade Fund		8,176		8,176		-		-
Voya Internediate Bond		15,750		15,750		-		-
Aberdeen Emerging Markets Fund		8,203		8,203		-		-
AllianceBernstein High Income		6,476		6,476		-		-
TCW Emerging Markets Income		4,331		4,331		-		-
PL Floating Rate Income Fund		5,704		5,704		-		-
Total investments measured by fair value level		186,015		186,015		-		-
Investments measured at the net asset value (NAV)								
Real Estate Private Equity Funds:								
Boyd Watterson GSA Fund		6,062						
Equus Fund X		9,488						
Total investments measured at the NAV		15,550						
Total Investments	$	201,565	$	186,015	$	-	$	-

Commingled Mutual Funds

As of December 31, 2019 and June 30, 2018, the Authority held positions in several commingled mutual funds as noted above and the fair values were $220.0 million and $186.0 million, respectively. The fair values of the commingled mutual funds were valued using quoted market prices (Level 1).

The valuation method for investments measured at the net asset value (NAV) per share or its equivalent is presented in the following table:

	Investments Measured at NAV ($000)				
	December 31, 2019	**June 30, 2018**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Real Estate Private Equity Funds					
Boyd Watterson GSA Fund (1)	$ 7,356	$ 6,062	—	Quarterly	60 days
Equus Fund X (2)	7,661	9,488	—	—	—
PRISA LP (3)	5,758	—	—	Quarterly	90 days
Total investments measured at the NAV	$ 20,775	$ 15,550			

1 This fund invests primarily in real estate leased to the U.S. federal government. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. The Trust can withdraw from the fund with 60 days notice prior to a calendar quarter end and the minimum withdrawal of $250,000.

2 This fund invests in U.S. commercial real estate. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the Fund's ownership interest in partners' capital. The Partnership agreement stipulates a partnership dissolution on a date five years after the end of the Investment Period; provided, however, that the General Partner may, at its sole discretion, extend the term of the for up to two additional one year periods.

3 This fund invests primarily in commerial real estate. The fair value of the investment has been determined using the NAV per share (or its equivalent) of the Fund's ownership in partners' capital. The Trust can withdraw from the fund quarterly with one full quarter notice.

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, 2020 (in thousands):

Years		Amount	Years		Amount
2021	$	8,472	2041 – 2045	$	5,129
2022		8,358	2046 – 2050		5,129
2023		8,331	2051 – 2055		4,923
2024		3,036	2056 – 2060		4,880
2025		2,500	2061 – 2065		4,880
2026 – 2030		7,158	2066 – 2070		4,880
2031 – 2035		5,076	2071 – 2075		651
2036 – 2040		5,088			
			Total	$	78,491

Rent expense and other operating lease related payments were $10.1 million and $7.9 million for fiscal years 2020 and 2019, 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, 2020 (in thousands):

Years		Amount	Years		Amount
2021	$	95,284	2056 – 2060	$	64,075
2022		86,877	2061 – 2065		68,016
2023		76,073	2066 – 2070		69,735
2024		51,948	2071 – 2075		74,459
2025		42,458	2076 – 2080		76,545
2026 – 2030		154,595	2081 – 2085		78,509
2031 – 2035		108,648	2086 – 2090		68,842
2036 – 2040		102,763	2091 – 2095		74,916
2041 – 2045		89,669	2096 – 2100		42,326
2046 – 2050		71,099	2101 – 2105		2,619
2051 – 2055		62,768	2106 – 2108		771
			Total	$	1,562,997

Rental income and concession income, including contingent payments received under these provisions, were approximately $443.1 million and $441.7 million for the fiscal years 2020 and 2019, 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 $9.3 million and $8.9 million as of June 30, 2020 and 2019, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30, 2020 and 2019.

Changes in the accrued liability accounts, related to self-insurance, in fiscal year 2020, 2019 and 2018 were as follows (in thousands):

	2020	2019	2018
Liability balance, beginning of year	$ 8,890	$ 8,075	$ 8,053
Provision to record estimated losses	3,594	3,972	3,538
Payments	(3,216)	(3,157)	(3,516)
Liability balance, end of year	$ 9,268	$ 8,890	$ 8,075

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: $1.0 million for worker's compensation per job related accident for Massport employees and International Longshoreman's Association Members; $5,000 per occurrence for automobile liability; aviation general liability and airport terrorism insurance; $0.25 million for airside incidents and for non-airside auto losses; $25 thousand 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 years. Further, insurance maintained in fiscal years 2020 and 2019 has not changed significantly from prior periods.

10. Payments in Lieu of Taxes

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

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 payment–in-lieu-of-taxes agreement between the Authority and the City of Boston (the "Boston PILOT Agreement"), the Boston PILOT Agreement terminates on June 30, 2022; provided, however, that absent an annual election by either party to terminate the Boston PILOT Agreement, the term is subject to automatic one-year extensions of the term on each July 1. In November 2016, the City of Boston notified the Authority of its election to terminate the Boston PILOT Agreement on June 30, 2022, and the parties expect to commence negotiations on a successor agreement or an amendment to the existing agreement. The Boston PILOT Agreement provides for the Authority to pay an annual base amount (the "Base Amount") of $14.0 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 a community portion (the "Community Portion").

Pursuant to the terms of the amended and restated payment-in-lieu-of-taxes agreement between the Authority and the Town of Winthrop (the "Winthrop PILOT Agreement"), the Winthrop PILOT Agreement expires June 30, 2025. The Winthrop PILOT Agreement was amended in November 2018, and pursuant thereto the Authority expects to make adjusted annual payments for the remainder of the term, commencing with a payment of $1.4 million in fiscal year 2019 and increasing annually to $2.0 million by fiscal year 2025, as well as an additional community portion.

PILOT expenses to the City of Boston for fiscal years 2020 and 2019 were $19.7 million and $20.0 million, respectively. PILOT expenses to the Town of Winthrop for fiscal years 2020 and 2019 were $1.4 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 $330.7 million and $600.9 million as of June 30, 2020 and 2019, 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.

c) Boston Harbor Dredging Project

During fiscal year 2018, the Authority entered into an agreement with the Department of the Army and The Commonwealth of Massachusetts, Department of Transportation related to the Boston Harbor Deep Draft Improvement Project and the construction of the Dredged or excavated Material Facility at Boston Harbor, Massachusetts. This project includes the deepening and widening of the Broad Sound North Channel to 51 feet, the deepening and widening of the Main Ship Channel (MSC) and Reserve Channel Turning Basin to 47 feet. The non-federal share is split between the Authority and the Commonwealth. The project is expected to be completed in fiscal year 2022.

12. Litigation

The Authority 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. Federal Grants

The Authority participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the Authority's management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

In fiscal year 2020, the Authority was awarded $143.7 million of federal CARES Act funding to help offset the financial impact of the COVID-19 pandemic. The Authority recognized $57.1 million at June 30, 2020 and it is reported as a component of other non-operating revenue.

14. Pollution Remediation Obligation

The Authority is currently involved in six separate pollution remediation obligations that meet the requirements for accounting treatment under GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations ("GASB No. 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 No. 49 dictates that for each obligating event, an estimate of the expected pollution remediation outlays is required to be accrued as a liability and expensed in the current period. Re-measurement of the liability is required when new information indicates increases or decreases in estimated outlays.

The estimated liability as of June 30, 2020 and 2019 is $1.3 million and $3.2 million, respectively, which represents the approximate amounts the Authority expects to pay for future remediation activities. The Authority paid approximately $1.4 million and $1.9 million in fiscal years 2020 and 2019, 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 onetime 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.

15. 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 2020 and 2019, the Authority recognized income of approximately $0.2 million and $0.4 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. The Authority is responsible for paying the FAA approved rate of 76.06% of the costs to operate and maintain the Silver Line buses and 76.06% of the costs of the future rebuild of the Silver Line buses. During fiscal years 2020 and 2019, the estimated costs to operate and maintain the Silver Line buses was $2.82 million and $2.88 million, respectively. This agreement is scheduled to expire in August 2020.

16. Subsequent Events

An outbreak of COVID-19, a new coronavirus first detected in China in December 2019, spread internationally in the first quarter of 2020 causing widespread disruption of the global economy and a rise in market volatility. Health officials have declared this to be a pandemic. The course of the pandemic and its ultimate effect on the United States, the global economy and markets are not fully known at this time. Management’s evaluation is ongoing and it is not possible to predict the extent of the effect that the pandemic may have on the Authority’s financial position as the financial environment continues to change.

MASSACHUSETTS PORT AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Pension Contributions

June 30, 2020

(In thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 12,029	$ 13,043	$ 13,362	$ 13,552	$ 10,845	$ 11,146	$ 11,960	$ 9,594	$ 5,710	$ 4,924
Actual contribution in relation to the actuarially determined contribution	12,029	13,043	13,362	13,552	10,845	11,146	11,960	9,594	5,710	4,924
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 119,262	$ 114,541	$ 110,173	106,444	$ 99,190	$ 94,340	$ 90,042	$ 87,476	$ 85,941	$ 89,950
Contributions as a percentage of covered payroll	10.1%	11.4%	12.1%	12.7%	10.9%	11.8%	13.3%	11.0%	6.6%	5.5%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated annually as of January 1, 18 months prior to the end of the fiscal year in which the contributions are reported. Contributions are made on July 1, of each year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen entry age
Amortization method	20 Level dollar, closed
Remaining amortization period	Multiple bases with remaining periods from 4 to 20 years
Asset valuation method	Beginning in 2008, fair value of assets using a five year smoothing period. Prior to 2008, used four year asset smoothing period
Inflation rate	3.0%
Salary increases	2013 valuation: 4.5%; 2009 valuation: 4.75; prior to 2009: 5.00%
Investment rate of return	2016 valuation 7.25%; 2015 valuation: 7.5%; 2012 valuation: 7.625%; 2010 valuation: 7.75%; 2009 valuation: 8.0%; prior to 2009: 7.75%
Retirement age	In the 2013 valuation, additional retirement assumptions were added for employees hired after April 1, 2012 and subject to pension reform and the assumption was changed due to an experience study. In the 2008 valuation the retirement assumption was extended to age 70 for Group 1 employees.
Disability and withdrawal	Changed in the 2019 valuation to;
Mortality	Healthy – RP 2014 at Table Healthy Employees (sex distinct) projected with MP 2018 Generational Mortality Post-retirement the RP 2014 healthy annuitant Table (sex distinct) projected with MP 2018 Generational Mortality Disabled-RP 2014 at 2006 healthy annuitant Table (sex-distinct) projected with MP 2018 Generational Mortality set forward 2 years. Mortality for accidental disability is assumed to be 50% from the same cause as the disability. Changed in the 2018 valuation to; Healthy – RP 2000 Table (sex-distinct) projected with Scale BB and Generational Mortality. Post retirement the RP 2000 healthy annuitant Table (sex distinct) projected with Scale BB Generational Mortality. Disabled-RP 2000 healthy annuitant Table (sex-distinct) projected with Scale BB, a base year of 2000 and Generational Mortality for accidental disability is assumed to be 50% from the same cause as the disability.
Other information	Changed in the 2013 valuation due to an experience study. In the 2013 valuation, mortality was changed to RP2000 projected generationally with scale BB. In the 2012 valuation, mortality was changed to RP2000 projected 22 years using scale AA. In the 2009, 2010 and 2011 valuations mortality was changed to RP2000 projected nine, ten and eleven years, respectively, using scale AA. As of January 1, 2016, employees hired after September 30, 2009 are not eligible for post-retirement medical insurance until age 60, retirement age begins at age 60 with 10 years of service. As of January 1, 2013, the mortality assumption was changed to the RP2000 Generational Table and the retirement, disability and withdrawal assumptions were changed based on an experience study. As of January 1, 2012, the mortality assumption was changed to the RP2000 Table projected forward 22 years with Scale AA, interest rate changed to 7.625% (from 7.75%) and salary rate to 4.50% (from 4.75%). Vacation buyback factor was increased from 1.00% to 1.25%. As of January 1, 2011, the mortality assumption was changed to the RP2000 Table projected forward 11 years with Scale AA.

MASSACHUSETTS PORT AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios

June 30, 2020

(In thousands)

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	$ 17,529	$ 16,774	$ 16,419	$ 15,920	$ 14,875	$ 13,056	$ 12,516
Interest	51,734	49,569	47,341	44,962	41,160	40,956	38,660
Change in benefit terms	-	(4,891)	-	-	-	-	-
Differences between expected and actual experience	15	749	(1,474)	2,592	(1,395)	1,929	-
Change of assumptions	(13,789)	-	-	(1,479)	24,098	-	-
Benefit payments , including refunds of employee contributions	(33,101)	(33,087)	(30,731)	(28,604)	(26,106)	(24,357)	(22,708)
Net change in total pension liability	22,388	29,114	31,555	33,391	52,632	31,584	28,468
Total pension liability - beginning	712,597	683,483	651,928	618,537	565,905	534,321	505,853
Total pension liability - ending	$ 734,985	$ 712,597	$ 683,483	$ 651,928	$ 618,537	$ 565,905	$ 534,321
PLAN FIDUCIARY NET POSITION							
Contributions - employer	$ 12,029	$ 13,043	$ 13,362	$ 13,552	$ 10,845	$ 11,146	$ 11,960
Contributions - employee	12,576	11,559	11,242	10,660	9,948	9,628	9,112
Net Investment Income	118,235	(31,212)	92,226	42,565	(4,572)	32,062	65,818
Benefit payments , including refunds of employee contributions	(33,101)	(33,087)	(30,731)	(28,604)	(26,106)	(24,357)	(22,707)
Administrative expense	(1,216)	(1,182)	(1,149)	(1,189)	(1,189)	(1,417)	(957)
Net change in plan fiduciary net position	108,523	(40,879)	84,950	36,984	(11,074)	27,062	63,226
Plan fiduciary net position - beginning	607,677	648,556	563,606	526,622	537,696	510,634	447,408
Plan fiduciary net position - end	$ 716,200	$ 607,677	$ 648,556	$ 563,606	$ 526,622	$ 537,696	$ 510,634
Massport net pension liability - ending	$ 18,785	$ 104,920	$ 34,927	$ 88,322	$ 91,915	$ 28,209	$ 23,687
Plan fiduciary net position as a percentage of the total pension liability	97.4%	85.3%	94.9%	86.5%	85.1%	95.0%	95.6%
Covered payroll	119,262	114,541	114,385	112,167	99,190	99,113	90,042
Massport's net pension liability as a percentage of covered payroll	15.8%	91.6%	30.5%	78.7%	92.7%	28.5%	26.3%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

Note to Schedule
This schedule is presented based on a measurement date that is 6 months in arrears.

Benefit changes: None

Changes in assumptions: Mortality Tables

Changed in the 2019 valuation to;
Healthy – RP 2014 at Table Healthy Employees (sex distinct) projected with MP 2018 Generati
Post-retirement the RP 2014 healthy annuitant Table (sex distinct) projected with MP 2018 Gen
Disabled-RP 2014 at 2006 healthy annuitant Table (sex-distinct) projected with MP 2018 Gener
set forward 2 years. Mortality for accidental disability is assumed to be 50% from the same cau

Changed in the 2018 valuation to;
Healthy – RP 2000 Table (sex-distinct) projected with Scale BB and Generational Mortality. Pos
the RP 2000 healthy annuitant Table (sex distinct) projected with Scale BB Generational Mortal
Disabled-RP 2000 healthy annuitant Table (sex-distinct) projected with Scale BB, a base year o
and Generational Mortality for accidental disability is assumed to be 50% from the same cause

Mortality table changes from Scale AA to BB in fiscal year 2017.

MASSACHUSETTS PORT AUTHORITY
Required Supplementary Information (Unaudited)
Schedule of OPEB Contributions

	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 9,741	15,725	$ 15,177	$ 18,084	$ 14,390
Authority contribution	8,894	18,398	15,682	14,300	12,000
Contribution deficiency (excess)	$ 847	(2,673)	$ (505)	$ 3,784	$ 2,390
Covered - employee payroll	$ 125,822	140,995	$ 135,585	$ 131,477	$ 119,153
Contributions as a % of covered employee payroll	7.1%	13.0%	11.6%	10.9%	10.1%

	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 13,187	14,738	$ 14,006	$ 18,444	$ 17,229
Authority contribution	12,000	14,000	20,851	13,807	17,100
Contribution deficiency (excess)	$ 1,187	738	$ (6,845)	$ 4,637	$ 129
Covered - employee payroll	$ 117,277	110,167	$ 102,487	$ 98,201	$ 99,457
Contributions as a % of covered employee payroll	10.2%	12.7%	20.3%	14.1%	17.2%

Methods and assumptions used to determine contribution rates:

Valuation date:
During FY 2020 the Trust changed its fiscal year end to December 31.
Actuarially determined contribution rates are calculated as of January 1, six months prior to the beginning of the fiscal year in which contributions are reported. The January 1, 2017 valuation established the rate for the fiscal year 2018 contribution and the January 1, 2018 valuation established the fiscal year 2019 contribution. The following assumptions were used for the periods included in the funding for 2020 and 2019:

Actuarial cost method: Contribution: Projected Unit Credit
Net OPEB Liability: Entry Age Normal

Amortization method: 30 year level, closed, 18 years remaining

Asset valuation method: Fair value

Inflation: 3.0%

Salary increases: 4.5%, including inflation 2013 forward
4.75%, including inflation 2009 to 2012

Investment rate of return: 7.00% annually, net of plan investment expenses for funded program 2016 forward
7.25% annually, net of plan investment expenses for funded program 2016 forward
7.50% annually, net of plan investment expenses for funded program 2015
7.75% annually, net of plan investment expenses for funded program pre 2013
4.00% annually, net of plan investment expenses for unfunded program 2013 on
4.25% annually, net of plan investment expenses for unfunded program pre 2013

Health care trend rates Initial annual health care cost trend rate range of 2.7% to 9.0% which decreases to a long-term trend rate between 5.0% and 6.0% for all health care benefits after ten years. The initial annual dental cost trend rates range from 5.0% to 7.0% which decrease to a long term trend rate of 5.0% for all dental benefits after ten years.

Mortality: Actives - RP 2014 Table adjusted to 2006, (sex distinct), for Employees projected using Generational Mortality and scale MP - 2018.
Retirees - RP 2014 Table adjusted to 2006, (sex distinct), for Healthy Annuitants projected using Generational Mortality and scale MP - 2018.
Disabled - RP 2014 Table adjusted to 2006, (sex distinct), for Healthy Annuitants projected using Generational Mortality and scale MP - 2018. Set forward 2 years.

Notes to Schedule

Benefit changes: None

Changes in assumptions: Mortality table changes from RP2000 with Scale BB to RP 2014.
Prior valuation mortality was as follows:
Actives - RP 2000 Mortality Tables, (sex distinct), for Employees projected using generational mortality and scale BB using a base year of 2000 .
Retirees - RP 2000 Mortality Tables, (sex distinct), for Healthy Annuitants projected using generational mortality and scale BB using a base year of 2000 .
Disabled - RP 2000 Tables (sex distinct), for Healthy Annuitants projected using generational mortality and scale BB. Set forward 2 years.

Other information: As of January 1, 2019, the effects of the "Cadillac Tax" on liabilities was eliminated.

As of January 1, 2018, the scales used to convert the premiums to age weighted claim costs were updated and the effect of the “Cadillac Tax” on liabilities was recognized.

As of January 1, 2017, the mortality assumption was changed to the RP 2000 Table with Scale AA to Scale BB.

As of January 1, 2016, employees hired after September 30, 2009 are not eligible for post-retirement medical insurance until age 60, retirement age begins at age 60 with 10 years of service.

As of January 1, 2013, the mortality assumption was changed to the RP 2000 Generational Table and the retirement, disability and withdrawal assumptions were changed based on an experience study.

As of January 1, 2012, the mortality assumption was changed to the RP 2000 Table projected forward 22 years with Scale AA.

As of January 1, 2011, the mortality assumption was changed to the RP 2000 Table projected forward 11 years with Scale AA.

MASSACHUSETTS PORT AUTHORITY
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020
(in thousands)

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	$ 9,022	$ 6,692	$ 6,405	$ 5,891
Interest	37,032	23,870	22,693	20,285
Differences between expected and actual experience	(7,968)	(17,359)	—	18,841
Change of assumptions	(3,552)	8,575	—	—
Benefits payments	(20,432)	(13,428)	(12,643)	(11,987)
Net change in total OPEB liability	14,102	8,350	16,455	33,030
Total OPEB liability – beginning	337,624	329,274	312,819	279,789
Total OPEB liability – ending (a)	$ 351,726	$ 337,624	$ 329,274	$ 312,819
Trust fiduciary net position:				
Contributions – employer	29,668	17,237	15,787	13,340
Contributions – employees	468	279	248	209
Net investment income	31,460	13,755	19,829	2,348
Benefits payments	(20,900)	(13,428)	(12,643)	(11,987)
Administrative expenses	(332)	(184)	(173)	(172)
Net change in fiduciary net position	40,364	17,659	23,048	3,738
Trust fiduciary net position – beginning	203,075	185,416	162,368	158,630
Trust fiduciary net position – ending (b)	$ 243,439	$ 203,075	$ 185,416	$ 162,368
Authority's net OPEB liability – end of year (a-b)	$ 108,287	$ 134,549	$ 143,858	$ 150,451
Trust fiduciary net position as a percentage of the total OPEB liability	69.2%	60.1%	56.3%	51.9%
Covered payroll	$ 125,822	$ 140,995	$ 135,585	$ 131,477
Net OPEB liability as a percentage of covered payroll	86.1%	95.4%	106.1%	114.4%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

Notes to Schedule

During FY 2020 the Trust changed its fiscal year end to December 31.
The measurement date for 2020 is 6 months in arrears and previous periods are 1 year in arrears.

Benefit changes - none

Changes in assumptions :

As of January 1, 2019, the mortality assumptions for Actives and Retirees were changed to the RP-2014 Table adjusted to 2006, sex distinct, using generational mortality and scale MP-2018 and the disability assumptions were changed as above, set forward 2 years.

As of January 1, 2019, the effect of the "Cadillac Tax" on liabilities was eliminated.

As of January 1, 2018, the scales used to convert the premiums to age weighted claim costs were updated and the effect of the “Cadillac Tax” on liabilities was recognized.

MASSACHUSETTS PORT AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	14.12 %	7.64 %	7.32 %	11.88 %	1.53 %

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

Schedule I

MASSACHUSETTS PORT AUTHORITY

Combining Schedule of Net Position

June 30, 2020

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Current assets:				
Cash and cash equivalents	$ 82,623	$ —	$ —	$ 82,623
Investments	142,427	—	—	142,427
Restricted cash and cash equivalents	368,560	37,648	11,974	418,182
Restricted investments	411,386	12,928	51,263	475,577
Accounts receivable				
Trade, net	72,426	1,401	577	74,404
Grants	39,229	—	—	39,229
Total receivables, net	111,655	1,401	577	113,633
Prepaid expenses and other assets	10,306	—	43	10,349
Total current assets	1,126,957	51,977	63,857	1,242,791
Noncurrent assets:				
Investments	254,683	—	—	254,683
Restricted investments	325,531	—	—	325,531
Prepaid expenses and other assets, long-term	5,802	—	620	6,422
Investment in joint venture	3,147	—	—	3,147
Capital assets-not being depreciated	730,375	—	94	730,469
Capital assets-being depreciated-net	2,592,589	416,629	223,423	3,232,641
Total noncurrent assets	3,912,127	416,629	224,137	4,552,893
Total assets	5,039,084	468,606	287,994	5,795,684
Deferred outflows of resources				
Deferred loss on refunding of bonds	13,304	—	—	13,304
Deferred outflows of resources related to pensions	9,712	—	—	9,712
Deferred outflows of resources related to OPEB	17,254	—	—	17,254
Total deferred outflows of resources	40,270	—	—	40,270
Current liabilities:				
Accounts payable and accrued expenses	231,403	400	49	231,852
Compensated absences	1,462	—	—	1,462
Contract retainage	11,007	—	—	11,007
Current portion of long-term debt	74,013	—	4,165	78,178
Commercial notes payable	22,000	—	—	22,000
Accrued interest payable	48,437	—	5,476	53,913
Unearned revenues	5,462	—	—	5,462
Total current liabilities	393,784	400	9,690	403,874
Noncurrent liabilities				
Accrued expenses	9,669	—	356	10,025
Compensated absences	18,698	—	—	18,698
Net pension liability	18,785	—	—	18,785
Net OPEB liability	108,287	—	—	108,287
Contract retainage	10,233	—	—	10,233
Long-term notes payable,	330,500	—	—	330,500
Long-term debt, net	2,159,275	—	120,255	2,279,530
Unearned revenues	27,730	—	—	27,730
Total noncurrent liabilities	2,683,177	—	120,611	2,803,788
Total liabilities	3,076,961	400	130,301	3,207,662
Deferred inflows of resources				
Deferred gain on refunding of bonds	9,847	—	—	9,847
Deferred inflows of resources related to pensions	47,935	—	—	47,935
Deferred inflows of resources related to OPEB	30,162	—	—	30,162
Total deferred inflows of resources	87,944	—	—	87,944
Net investment in capital assets	1,014,177	416,629	117,824	1,548,630
Restricted for other purposes				
Bond funds	259,893	—	—	259,893
Project funds	328,897	—	—	328,897
Passenger facility charges	—	51,577	—	51,577
Customer facility charges	—	—	39,869	39,869
Other purposes	34,416	—	—	34,416
Total restricted	623,206	51,577	39,869	714,652
Unrestricted	277,066	—	—	277,066
Total net position	$ 1,914,449	$ 468,206	$ 157,693	$ 2,540,348

See accompanying independent auditors' report.

MASSACHUSETTS PORT AUTHORITY

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

Year ended June 30, 2020

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Operating revenues:				
Aviation rentals	$ 275,271	$ —	$ —	$ 275,271
Aviation parking	136,951	—	—	136,951
Aviation shuttle bus	17,013	—	—	17,013
Aviation fees	139,239	—	—	139,239
Aviation concessions	111,130	—	—	111,130
Aviation operating grants and other	2,762	—	—	2,762
Maritime fees, rentals and other	92,952	—	—	92,952
Real estate fees, rents and other	49,196	—	—	49,196
Total operating revenues	824,514	—	—	824,514
Operating expenses:				
Aviation operations and maintenance	295,748	—	—	295,748
Maritime operations and maintenance	61,089	—	—	61,089
Real estate operations and maintenance	14,971	—	—	14,971
General and administrative	68,083	—	—	68,083
Payments in lieu of taxes	21,030	—	—	21,030
Pension and other post-employment benefits	36,058	—	—	36,058
Other	9,684	—	—	9,684
Total operating expenses before depreciation and amortization	506,663	—	—	506,663
Depreciation and amortization	233,992	51,013	14,329	299,334
Total operating expenses	740,655	51,013	14,329	805,997
Operating income (loss)	83,859	(51,013)	(14,329)	18,517
Nonoperating revenues and (expenses):				
Passenger facility charges	—	59,875	—	59,875
Customer facility charges	—	—	25,884	25,884
Investment income	32,375	1,101	2,455	35,931
Net increase in the fair value of investments	8,076	14	117	8,207
Other revenues	65,203	—	49	65,252
Settlement of claims	(22)	—	—	(22)
Terminal A debt service contribution	11,572	(11,572)	—	—
Other expenses	—	—	(187)	(187)
Gain on sale of equipment	264	—	—	264
Interest expense	(92,361)	(1,451)	(15,629)	(109,441)
Total nonoperating revenue, net	25,107	47,967	12,689	85,763
Increase in net position before capital contributions	108,966	(3,046)	(1,640)	104,280
Capital contributions	59,899	—	—	59,899
Increase in net position	168,865	(3,046)	(1,640)	164,179
Net position, beginning of year	1,745,584	471,252	159,333	2,376,169
Net position, end of year	$ 1,914,449	$ 468,206	$ 157,693	$ 2,540,348

See accompanying independent auditors' report.

Schedule III

MASSACHUSETTS PORT AUTHORITY

Combining Schedule of Net Position

June 30, 2019

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Current assets:				
Cash and cash equivalents	$ 74,191	$ —	$ —	$ 74,191
Investments	195,967	—	—	195,967
Restricted cash and cash equivalents	164,149	20,482	31,522	216,153
Restricted investments	262,304	12,716	35,956	310,976
Accounts receivable				
Trade, net	70,460	13,358	3,497	87,315
Grants	7,123	—	—	7,123
Total receivables, net	77,583	13,358	3,497	94,438
Prepaid expenses and other assets	10,354	—	57	10,411
Total current assets	784,548	46,556	71,032	902,136
Noncurrent assets:				
Investments	142,665	—	—	142,665
Restricted investments	292,560	14,668	45,456	352,684
Prepaid expenses and other assets, long-term	6,619	—	972	7,591
Investment in joint venture	3,495	—	—	3,495
Capital assets-not being depreciated	491,488	—	—	491,488
Capital assets-being depreciated-net	2,585,781	410,253	237,752	3,233,786
Total noncurrent assets	3,522,608	424,921	284,180	4,231,709
Total assets	4,307,156	471,477	355,212	5,133,845
Deferred outflows of resources				
Deferred loss on refunding of bonds	14,674	—	—	14,674
Deferred outflows of resources related to pensions	51,895	—	—	51,895
Deferred outflows of resources related to OPEB	36,206	—	—	36,206
Total deferred outflows of resources	102,775	—	—	102,775
Current liabilities:				
Accounts payable and accrued expenses	196,041	225	220	196,486
Compensated absences	1,299	—	—	1,299
Contract retainage	10,021	—	—	10,021
Current portion of long-term debt	62,892	—	3,909	66,801
Commercial notes payable	104,000	—	—	104,000
Accrued interest payable	39,945	—	5,572	45,517
Unearned revenues	9,597	—	—	9,597
Total current liabilities	423,795	225	9,701	433,721
Noncurrent liabilities				
Accrued expenses	9,533	—	405	9,938
Compensated absences	16,618	—	—	16,618
Net pension liability	104,920	—	—	104,920
Net OPEB liability	134,549	—	—	134,549
Contract retainage	7,494	—	—	7,494
Long-term notes payable,	40,000	—	—	40,000
Long-term debt, net	1,883,626	—	185,773	2,069,399
Unearned revenues	20,037	—	—	20,037
Total noncurrent liabilities	2,216,777	—	186,178	2,402,955
Total liabilities	2,640,572	225	195,879	2,836,676
Deferred inflows of resources				
Deferred gain on refunding of bonds	5,243	—	—	5,243
Deferred inflows of resources related to pensions	2,551	—	—	2,551
Deferred inflows of resources related to OPEB	15,981	—	—	15,981
Total deferred inflows of resources	23,775	—	—	23,775
Net investment in capital assets	1,007,430	410,253	72,126	1,489,809
Restricted for other purposes				
Bond funds	242,702	—	—	242,702
Project funds	267,656	—	—	267,656
Passenger facility charges	—	60,999	—	60,999
Customer facility charges		—	87,207	87,207
Other purposes	31,401	—	—	31,401
Total restricted	541,759	60,999	87,207	689,965
Unrestricted	196,395	—	—	196,395
Total net position	$ 1,745,584	$ 471,252	$ 159,333	$ 2,376,169

See accompanying independent auditors' report.

Schedule IV

MASSACHUSETTS PORT AUTHORITY

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

Year ended June 30, 2019

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Operating revenues:				
Aviation rentals	$ 267,055	$ —	$ —	$ 267,055
Aviation parking	182,135	—	—	182,135
Aviation shuttle bus	21,196	—	—	21,196
Aviation fees	153,194	—	—	153,194
Aviation concessions	130,801	—	—	130,801
Aviation operating grants and other	2,034	—	—	2,034
Maritime fees, rentals and other	102,774	—	—	102,774
Real estate fees, rents and other	46,334	—	—	46,334
Total operating revenues	905,523	—	—	905,523
Operating expenses:				
Aviation operations and maintenance	305,596	—	—	305,596
Maritime operations and maintenance	64,412	—	—	64,412
Real estate operations and maintenance	16,898	—	—	16,898
General and administrative	67,273	—	—	67,273
Payments in lieu of taxes	21,331	—	—	21,331
Pension and other post-employment benefits	40,740	—	—	40,740
Other	8,631	—	—	8,631
Total operating expenses before depreciation and amortization	524,881	—	—	524,881
Depreciation and amortization	225,056	48,959	14,329	288,344
Total operating expenses	749,937	48,959	14,329	813,225
Operating income (loss)	155,586	(48,959)	(14,329)	92,298
Nonoperating revenues and (expenses):				
Passenger facility charges	—	84,824	—	84,824
Customer facility charges	—	—	33,517	33,517
Investment income	26,235	1,246	2,304	29,785
Net increase in the fair value of investments	5,977	196	816	6,989
Other revenues	21,003	—	49	21,052
Settlement of claims	1,469	—	—	1,469
Terminal A debt service contribution	3,358	(10,852)	—	(7,494)
Other expenses	(2,749)	—	(191)	(2,940)
Gain on sale of equipment	203	—	—	203
Interest expense	(62,263)	(2,496)	(11,251)	(76,010)
Total nonoperating (expense) revenue, net	(6,767)	72,918	25,244	91,395
Increase in net position before capital contributions	148,819	23,959	10,915	183,693
Capital contributions	28,143	—	—	28,143
Increase in net position	176,962	23,959	10,915	211,836
Net position, beginning of year	1,568,622	447,293	148,418	2,164,333
Net position, end of year	$ 1,745,584	$ 471,252	$ 159,333	$ 2,376,169

See accompanying independent auditors' report.