THE PORT OF PORTLAND

(A Municipal Corporation)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2010

with comparative totals for the year ended June 30, 2009

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2010

Name	Term Expires
Judith Johansen, President 17600 Pacific Highway Marylhurst, Oregon 97036-0261	September 14, 2013
Mary F. Olson, Vice President 7105 SE 19th Avenue Portland, Oregon 97202	March 19, 2011
Paul A. Rosenbaum, Treasurer 7700 NE Ambassador Place Portland, Oregon 97220	June 30, 2011
Steven H. Corey, Secretary 222 SE Dorion Avenue Pendleton, Oregon 97801	March 31, 2013
Ken Allen 6025 E Burnside Street Portland, Oregon 97215	September 30, 2012
Peter J. Bragdon 14375 NW Science Park Drive Portland, Oregon 97229	September 30, 2011
Jim Carter 7200 NE Airport Way Portland, Oregon 97218	November 30, 2013
Diana A. Daggett 5200 NE Elam Young Parkway Hillsboro, Oregon 97124	September 30, 2011
Bruce A. Holte 2435 NW Front Avenue Portland, Oregon 97209	July 31, 2011

Bill Wyatt, Executive Director

REGISTERED AGENT AND OFFICE
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THE PORT OF PORTLAND
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REPORT OF INDEPENDENT AUDITORS

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Report of Independent Auditors

To the Board of Commissioners of the
Port of Portland

In our opinion, the financial statements of the Airport and Marine & Other Activities, which collectively comprise the financial statements of the Port of Portland (the "Port") as listed in the table of contents, present fairly, in all material respects, the financial position at June 30, 2010, the changes in financial position and cash flows of the Airport and Marine & Other Activities, respectively, for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Port's management. Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the financial statements the Port adopted Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009.

The Management's Discussion and Analysis and Supplementary Information, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

By:______________________________

Michael MacBryde, Partner

Portland, Oregon
October 28, 2010

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Port of Portland
Management's Discussion and Analysis

This discussion and analysis of the Port of Portland's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Port's financial statements, which follow this section.

Overview of the Financial Statements:
This audit report consists of three parts – management's discussion and analysis (this section), the basic financial statements (including notes), and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB), and also by the Oregon Secretary of State (OSS). The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a balance sheet, which includes the Port's assets, liabilities, and net assets (assets minus liabilities) at year end; statement of revenues, expenses, and changes in net assets, which includes all revenues, expenses, and grants expended for construction for the year; and statement of cash flows, which presents the sources and uses of cash for the year. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, nearly all of which is required by the GASB, the OSS, or bond ordinances. The Port's two activities are Airport (Portland International Airport) and Marine & Other (marine terminals, property and development services, environmental, navigation, general aviation, engineering, and administration). These activities are described in Notes 1 and 2 to the financial statements. Of special significance to readers of the financial statements is that, with certain limited exceptions, Airport monies are restricted by bond ordinances and Federal Aviation Administration regulations for use at the Airport only. Airport net revenues (essentially operating revenues less operating expenses other than depreciation) are largely determined by bond ordinances and contracts with airlines, as more fully explained in Note 7 to the financial statements.

Financial Results:
The Port's total net assets increased $76.8 million from the 2009 amount, or 7.9 percent. Unrestricted net assets – the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – decreased by $4.9 million, or 5.5 percent, during that same time. In comparison, last year total net assets increased by $65.5 million, or 7.3 percent. The analysis in Table 1 (below) focuses on the net assets of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	$ 262.0	$ 347.5	$ 279.3	$ 294.6	$ 506.3 *	$ 606.7	(16.5)%
Capital assets	1,157.5	1,015.9	320.2	297.5	1,477.7	1,313.4	12.5%
Total assets	1,419.5	1,363.4	599.5	592.1	1,984.0 *	1,920.1	3.3%
Long-term debt outstanding	617.4	639.2	95.9	85.8	713.3	725.0	(1.6)%
Other liabilities	149.1	150.7	113.1	113.1	227.2 *	228.4	(0.5)%
Total liabilities	766.5	789.9	209.0	198.9	940.5 *	953.4	(1.4)%
Net assets:							
Invested in capital assets, net of related debt	541.1	376.2	320.7	314.5	861.8	690.7	24.8%
Restricted	88.8	176.7	8.2	9.7	97.0	186.4	(48.0)%
Unrestricted	23.1	20.6	61.6	69.0	84.7	89.6	(5.5)%
Total net assets	$ 653.0	$ 573.5	$ 390.5	$ 393.2	$ 1,043.5	$ 966.7	7.9%

* Receivables and payables between activities are eliminated in the Total Port column.

Total net assets of the Airport increased by $79.5 million, or 13.9 percent, as a result of net income and capital grants. Net assets invested in capital assets, net of related debt, increased $164.9 million, or 43.8 percent, as a result of increases in capital additions and construction spending. Restricted net assets decreased by $87.9 million, or 49.7 percent, primarily due to construction spending. Unrestricted net assets increased by $2.5 million, or 12.1 percent, primarily as a result of net income.

Total net assets of Marine & Other decreased from the 2009 balance by $2.7 million, or 0.7 percent, primarily the result of a net loss. Net assets invested in capital assets, net of related debt, increased $6.2 million, or 2.0 percent, as a result of increases in capital additions and construction spending. Restricted net assets decreased $1.5 million, or 15.5 percent, as a result of spending state grant funds restricted for channel deepening use. Unrestricted net assets decreased $7.4 million or 10.7 percent, primarily due to the net loss for the year in Marine & Other and capital spending.

Several factors caused changes in net assets (Table 2, below) to increase $11.3 million from the prior year.

Airport changes in net assets increased $28.8 million, primarily as a result of increased capital grants versus the prior year. Marine & Other changes in net assets decreased $17.5 million due to decreased operating income and transfers from the Airport to pay for general aviation capital spending offset by increased capital grants.

Table 2
Changes in Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Operating revenues							
Charges for services	$ 166.3	$ 169.7	$ 65.4	$ 72.9	$ 231.7	$ 242.6	(4.5)%
Land sales			-	17.7	-	17.7	(100.0)%
Other			0.1	0.1	0.1	0.1	100.0%
Nonoperating revenues							
Property tax revenue			9.0	8.7	9.0	8.7	3.4%
Interest revenue	2.3	10.8	4.6	6.3	6.9	17.1	(59.6)%
PFC revenue	25.7	25.5			25.7	25.5	0.8%
Other nonoperating revenue			-	2.0	-	2.0	(100.0)%
Total revenues	194.3	206.0	79.1	107.7	273.4	313.7	(12.8)%
Expenses:							
Operating expenses	140.6	145.2	85.7	116.0	226.3	261.2	(13.4)%
Nonoperating expenses	26.7	24.8	15.8	5.5	42.5	30.3	40.3%
Total expenses	167.3	170.0	101.5	121.5	268.8	291.5	(7.8)%
Income (loss) before extraordinary item, contributions and transfers	27.0	36.0	(22.4)	(13.8)	4.6	22.2	(79.3)%
Extraordinary item			-	7.0	-	7.0	100.0%
Income (loss) before contributions and transfers	27.0	36.0	(22.4)	(6.8)	4.6	29.2	(84.2)%
Capital contributions	56.5	29.8	15.7	6.5	72.2	36.3	98.9%
Transfers (out) in	(4.0)	(15.1)	4.0	15.1			
Increase (decrease) in net assets	$ 79.5	$ 50.7	$ (2.7)	$ 14.8	$ 76.8	$ 65.5	17.3%

Total revenues and extraordinary items for the Port decreased by approximately $47.3 million from the prior year. Total expenses decreased approximately $22.7 million from the prior year amount.

At the Airport, operating revenues decreased about $3.4 million from the prior year due primarily to a decrease in airline revenues and revenues from rental cars. The decrease of about $4.6 million in operating expenses was primarily attributable to lower salary, outside services, and material and supply expenses as a result of cost-cutting measures undertaken in response to the economic recession. The increase of $1.9 million in nonoperating expense was due to decreased capitalized interest resulting from decreased capital construction at the Airport and decreased spending on nonoperating projects. Nonoperating revenues at the

Airport decreased $8.3 million from the prior year primarily as the result of lower cash balances and lower interest earnings. Capital contributions increased $26.7 million as a result of incurring more grant-eligible costs in 2010.

For Marine & Other, operating revenues decreased $25.2 million over the prior year, largely the result of no land sales in 2010 versus 2009, as well as lower container revenues. During the same time, operating expenses decreased $30.3 million versus 2009 due to no cost of land sold expense in 2010, as well as decreased environmental expense accruals in 2010 when compared to 2009. Nonoperating expenses increased $10.3 million over the prior year, primarily due to the nonoperating loss on the sale of the Mulino Airport and a $3.5 million service retention payment to Delta Airlines. Nonoperating revenues, decreased $3.4 million largely as a result of decreased interest revenue resulting from lower interest rates.

Budgetary Highlights:
The Port's budget for fiscal 2010 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2009. The adopted budget was revised during the year to provide resources to cover an airline retention agreement and letter of credit fees for the Passenger Facility Charge variable rate bonds. Appropriations in the budget were adjusted upward during the year to reflect higher Navigation operating expenditures resulting from additional dredging activity; costs related to environmental expenditures in the Portland Harbor Superfund site; increased Engineering costs related to the Port's large capital program, and increased costs related to the transfer of ownership of the Mulino airport. While legally a local government subject to governmental budgeting requirements, the Port operates much like a business, with expenditure levels driven by business needs. Revisions to reflect expenditure patterns are, therefore, common for an entity like the Port. As explained in Note 1 to the financial statements, Oregon budget laws differ, in certain situations, from accounting principles generally accepted in the United States of America.

On a budgetary basis, Airport capital expenditures were $179.0 million, 8.9 percent below the $196.5 million budget as the largest capital expansion program ever undertaken at the Airport continued. Operating expenditures tracked well against the budget, coming in 2.2% below the $72.3 million budget amount. Airport operating revenues were $167.6 million, 2.8 percent below the $172.4 million budget, primarily as a result of reduced airline and rental car revenues. Capital grants during the year were $56.4 million, slightly below the budget of $58.2 million.

Fiscal 2010 budgetary capital expenditures for Marine & Other were $28.3 million, 33.5 percent below the budget of $42.6 million, as a result of deferrals of nonessential projects; capital grants for the year were $15.7 million, significantly below the budget of $32.0 million. Budgetary operating revenues were $3.2 million under budget in marine and industrial development, primarily due to a budgeted land sale that was delayed. Budgetary operating revenues for navigation were $1.4 million below budget as a result of lower than anticipated dredging activity during the year. Budgetary operating expenditures were below budget by approximately $3.5 million for administration, primarily as a result of salary and outside service cost reductions undertaken in response to the economic downturn. Budgetary operating expenditures for marine and industrial development were below budget approximately $5.8 million due to no cost of land sold as a result of the delayed land sale, as well as lower salary and outside services expenditures as a result of cost cutting measures. Budgetary operating expenditures for other environmental were under budget by approximately $2.1 million as a result of delays in expected costs associated with environmental liabilities. Other significant budgetary revenue variances include the receipt of proceeds from loans for $10.8 million which was not budgeted.

Capital Assets:
At the end of fiscal 2010, the Port had over $1.4 billion invested in a broad range of capital assets. This amount represents a net increase (essentially additions offset by depreciation expense) of nearly $148 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport 2010	Airport 2009	Marine & Other 2010	Marine & Other 2009	Total Port 2010	Total Port 2009	Total Percentage Change 2009-2010
Land	$ 68.0	$ 68.0	$ 67.2	$ 72.4	$ 135.2	$ 140.4	
Construction in progress	221.3	306.4	69.9	55.7	291.2	362.1	
Total capital assets not being depreciated	289.3	374.4	137.1	128.1	426.4	502.5	(15.1)%
Land improvements	559.6	528.8	233.2	223.9	792.8	752.7	
Buildings and equipment	1,086.6	836.7	239.3	237.3	1,325.9	1,074.0	
Total capital assets being depreciated	1,646.2	1,365.5	472.5	461.2	2,118.7	1,826.7	16.0%
Less: accumulated depreciation	(778.0)	(724.0)	(306.0)	(291.8)	(1,084.0)	(1,015.8)	6.7%
Total capital assets being depreciated, net	868.2	641.5	166.5	169.4	1,034.7	810.9	27.6%
Total capital assets, net	$ 1,157.5	$ 1,015.9	$ 303.6	$ 297.5	$ 1,461.1	$ 1,313.4	11.2%

This year's major capital asset spending included:

Airport:

- Parking structure and headquarters building - $81.5 million
- In-line baggage screening improvements - $40.2 million
- North runway extension - $24.3 million
- Deicing system improvements - $22.8 million
- Pavement management program - $8.9 million
- Flight information paging system - $2.3 million

Marine & Other:

- Ramsey rail improvement - $9.0 million
- Hillsboro airport runway improvements - $4.7 million
- Terminal 4 pipeline infrastructure - $2.9 million
- Troutdale airport taxiway B improvements - $1.6 million
- Navigation ramp barge - $1.5 million
- HQ network infrastructure - $1.2 million

Please see Note 5 to the financial statements for more detailed information of capital asset activity.

The Port's 2011 capital budget estimates spending another $139 million on capital projects at the Airport and $37 million in Marine & Other. Spending at the Airport is primarily slated for baggage screening system improvements, deicing enhancements, extension of the north runway and taxiway, rehabilitation of the south runway and taxiway, and other improvements. These projects are budgeted to be funded by Airport operating revenues, federal grants, bond proceeds, and PFC revenues. Capital spending for Marine & Other is budgeted principally for rail and infrastructure improvements at marine terminal and South Rivergate industrial park facilities and general aviation runway and taxiway improvements. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:
At the end of 2010, the Port had approximately $710 million in bonds, contracts and loans payable outstanding. This is an increase from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Pension bonds			$ 77.4	$ 77.7	$ 77.4	$ 77.7	(0.4)%
Revenue bonds	$ 504.4	$ 525.2			504.4	525.2	(4.0)%
PFC revenue bonds	109.5	114.0			109.5	114.0	(3.9)%
Contracts and loans payable			18.5	8.1	18.5	8.1	128.4%
	$ 613.9	$ 639.2	$ 95.9	$ 85.8	$ 709.8	$ 725.0	(2.1)%

The outstanding amount of Airport revenue bonds decreased by $20.8 million due to scheduled bond payments. As of the end of fiscal 2010, the Airport revenue bonds were rated AA- by Standard & Poors, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds decreased by $4.5 million as a result of regularly scheduled bond payments.

In fiscal 2007 the Port entered into pay-fixed, receive variable interest rate swaps as a synthetic fixed-rate refunding of the Port's PFC Series 1999A bonds. The Port received an up-front payment of $5,453,000, which represented the risk-adjusted, present value savings of a refunding as of July 1, 2009 without issuing refunding bonds in fiscal 2007. The up-front payment was based on a notional amount of $57,985,000 of PFC Series 2009 refunding bonds and was recorded as a swap borrowing on the Port's balance sheet in accordance with GASB Statement 53. The PFC Series 2009A bonds were issued in fiscal 2009 and used to defease the outstanding PFC Series 1999A bonds. The swaps commenced on July 1, 2009 – the first date the PFC Series 1999A bonds were subject to optional redemption at the option of the Port. Under the swaps, the Port pays counterparties fixed payments of 4.955 percent and 4.975 percent and receives a variable payment computed as 68 percent of the 1 month London Interbank Offered Rate (LIBOR). The actual savings ultimately realized by the swap will be affected by the relationship between the interest rate terms of the PFC Series 2009A refunding bonds versus the variable payment on the swaps.

In Marine & Other, the amount of outstanding long-term debt increased primarily due to issuance of $10.7 million in loans payable offset by scheduled payments made on other pension bonds and contracts payable and by Series 2002A pension bonds deferred interest accrued but not paid until maturity.

Please see Note 7 to the financial statements for more detailed information of long-term debt activity and the Port's implementation of GASB Statement 53.

Economic Factors and Next Year's Budgets and Rates:
As part of the Port's strategic planning and business planning process, regional, national, and global economic trends and forecasts are reviewed and assumptions regarding passenger, cargo, and population growth are coupled with these trends and forecasts to produce the annual budget. The global economic recovery is slow with business lines expected to show gradual improvement in fiscal 2011. Airline passenger volumes are budgeted to stabilize in fiscal 2011. Container volumes are also budgeted to stabilize in fiscal 2011.

In the Port's 2011 adopted budget, total Port operating revenue is budgeted to increase about 6% to approximately $245 million as a result of a slow recovery from the global economic recession to our business lines. Total operating expenses are budgeted to increase by about 11% to approximately $167 million, reflecting the stabilization of costs and the elimination of the furlough program in fiscal 2011.

Operating revenues for the Airport are budgeted to increase to $174 million in the fiscal 2011 budget, due to higher airline revenues and a slight increase in passenger volumes. Airport operating expenses (excluding depreciation) are budgeted about 8.2 percent to $92.3 million as a result of elimination of salary cuts and furloughs, as well as increased airline services.

In Marine & Other, operating revenues are budgeted to increase by 8.7 percent to $71.2 million, primarily due to increased land sales. Operating expenses (excluding depreciation) are budgeted to increase by 14.2 percent, due to the elimination of salary cuts and furloughs as well as an increase in cost of property sold. Property taxes are budgeted to comprise approximately 1 percent of resources on a legal budget basis.

Contacting the Port's Financial Management:
This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional financial information, contact the Port of Portland's Controller's Office, PO Box 3529, Portland, OR 97208.

BASIC FINANCIAL STATEMENTS

THE PORT OF PORTLAND

BALANCE SHEET

as of June 30, 2010

with comparative totals as of June 30, 2009

	2010			2009
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 63,440	$ 38,726,536	$ 38,789,976	$ 26,820,273
Equity in pooled investments (Note 3)	24,341,171	144,312,733	168,653,904	164,260,027
Receivables, net of allowance for doubtful accounts of $40,495 in 2009 and $23,068 in 2010 for Airport and $445,489 in 2009 and $159,724 in 2010 for Marine & Other (Note 4)	7,938,476	12,360,081	20,298,557	38,276,524
Prepaid insurance and other assets	2,534,494	1,677,282	4,211,776	5,092,263
Total current assets	34,877,581	197,076,632	231,954,213	234,449,087
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	126,247,901	8,285,238	134,533,139	227,443,312
Receivables (Note 4)	12,406,508		12,406,508	28,234,521
Contract retainage deposits				
Total restricted assets	138,654,409	8,285,238	146,939,647	255,677,833
Land held for sale (Note 1)		16,634,231	16,634,231	16,634,231
Depreciable properties, net of accumulated depreciation (Note 5)	868,209,106	166,504,007	1,034,713,113	810,857,155
Nondepreciable properties (Note 5)	289,260,668	137,088,199	426,348,867	502,572,586
Unamortized bond issue costs	20,972,144	839,512	21,811,656	24,199,274
Pension assets (Note 9)	38,040,719	37,296,623	75,337,342	74,921,762
Due from Airport (Note 9)		34,951,998	*	*
Deferred outflows and other noncurrent assets (Notes 6 and 7)	29,454,000	782,958	30,236,958	820,151
Total noncurrent assets	1,384,591,046	402,382,766	1,752,021,814	1,685,682,992
Total assets	$ 1,419,468,627	$ 599,459,398	$ 1,983,976,027	$ 1,920,132,079
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 7)		$ 1,637,711	$ 1,637,711	$ 1,303,818
Accounts payable	$ 7,164,312	9,706,385	16,870,697	22,172,727
Book cash overdraft (Note 1)				709,226
Accrued wages, vacation and sick leave pay (Note 1)	4,741,976	6,680,519	11,422,495	10,432,038
Workers' compensation and other accrued liabilities (Notes 11 and 12)	800,563	9,805,797	10,606,360	11,983,222
Total current liabilities (payable from current assets)	12,706,851	27,830,412	40,537,263	46,601,031
Restricted liabilities (payable from restricted assets) (Note 1):				
Long-term debt and other (Note 7)	29,603,041		29,603,041	25,330,000
Accrued interest payable	11,775,221		11,775,221	12,457,409
Accounts payable	16,642,583	50,000	16,692,583	33,738,315
Contract retainage payable	146,723		146,723	755,530
Total restricted current liabilities (payable from restricted assets)	58,167,568	50,000	58,217,568	72,281,254
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 7, 10 and 12)	31,620,999	56,739,645	88,360,644	57,354,789
Long-term debt (Note 7)	585,720,000	94,263,003	679,983,003	698,439,484
Deferred revenue and other (Notes 1 and 7)	43,259,373	30,117,573	73,376,946	78,790,987
Due to Marine & Other (Note 9)	34,951,998		*	*
Total noncurrent liabilities	753,719,938	181,170,221	899,938,161	906,866,514
Total liabilities	766,426,789	209,000,633	940,475,424	953,467,545
Commitments and contingencies (Note 12)				
NET ASSETS				
Invested in capital assets, net of related debt	541,192,113	320,627,129	861,819,242	690,667,718
Restricted for capital and debt service	88,757,273	8,235,238	96,992,511	186,353,350
Unrestricted	23,092,452	61,596,398	84,688,850	89,643,466
Total net assets	653,041,838	390,458,765	1,043,500,603	966,664,534
Total liabilities and net assets	$ 1,419,468,627	$ 599,459,398	$ 1,983,976,027	$ 1,920,132,079

* Receivables and payables between activities are eliminated in the Total columns.

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

THE PORT OF PORTLAND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the year ended June 30, 2010
with comparative totals for the year ended June 30, 2009

	2010			2009
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 166,279,253	$ 65,435,495	$ 231,714,748	$ 242,547,176
Land sales		1	1	17,692,775
Other	29,644	95,000	124,644	145,000
Total operating revenues	166,308,897	65,530,496	231,839,393	260,384,951
Operating expenses:				
Salaries, wages and fringe benefits	32,835,056	41,432,106	74,267,162	80,254,249
Longshore labor and fringe benefits		22,489,806	22,489,806	25,439,257
Contract, professional and consulting services	25,193,273	12,530,153	37,723,426	51,113,194
Materials and supplies	3,013,713	3,398,424	6,412,137	7,405,176
Utilities	5,980,700	3,232,732	9,213,432	9,494,913
Equipment rents, repair and fuel	967,508	3,126,129	4,093,637	4,862,305
Insurance	1,346,533	2,473,610	3,820,143	3,784,886
Rent	(676,610)	2,835,322	2,158,712	2,314,319
Travel and management expense	728,269	1,475,803	2,204,072	2,450,547
Intra-Port charges and expense allocations	16,968,529	(16,968,529)		
Cost of land sold				15,950,013
Other	416,672	1,651,599	2,068,271	1,650,640
Less expenses for capital projects	(1,518,733)	(11,962,290)	(13,481,023)	(14,549,329)
Total operating expenses, excluding depreciation	85,254,910	65,714,865	150,969,775	190,170,170
Operating income (loss) before depreciation	81,053,987	(184,369)	80,869,618	70,214,781
Depreciation expense	55,334,095	20,009,821	75,343,916	70,980,896
Operating income (loss)	25,719,892	(20,194,190)	5,525,702	(766,115)
Nonoperating revenues (expenses):				
Property tax revenue		9,036,318	9,036,318	8,726,894
Interest expense, net of capitalized construction period interest of $10,982,905 in 2010 and $11,313,642 in 2009 for Airport and $176,973 in 2010 and $0 in 2009 for Marine & Other	(21,283,069)	(5,682,269)	(26,965,338)	(26,215,081)
Interest revenue	2,267,670	4,567,572	6,835,242	17,150,984
Other expense, including loss on disposal of properties	(5,403,693)	(10,130,571)	(15,534,264)	(2,155,804)
Nonoperating expenses before passenger facility charges	(24,419,092)	(2,208,950)	(26,628,042)	(2,493,007)
Income (loss) before passenger facility charges and extraordinary item	1,300,800	(22,403,140)	(21,102,340)	(3,259,122)
Passenger facility charge revenue	25,696,717		25,696,717	25,466,614
Income (loss) before extraordinary item, contributions and transfers	26,997,517	(22,403,140)	4,594,377	22,207,492
Extraordinary item - insurance buyout agreements (Note 12)				7,000,000
Income (loss) before contributions and transfers	26,997,517	(22,403,140)	4,594,377	29,207,492
Capital contributions	56,514,431	15,727,261	72,241,692	36,226,121
Transfers (out) in	(3,983,627)	3,983,627		
Change in net assets	79,528,321	(2,692,252)	76,836,069	65,433,613
Total net assets - beginning of year	573,513,517	393,151,017	966,664,534	901,230,921
Total net assets - end of year	$ 653,041,838	$ 390,458,765	$ 1,043,500,603	$ 966,664,534

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

THE PORT OF PORTLAND
STATEMENT OF CASH FLOWS
for the year ended June 30, 2010
with comparative totals for the year ended June 30, 2009

	2010			2009
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 172,763,191	$ 75,100,349	$ 247,863,540	$ 244,428,612
Cash payments to employees	(32,924,674)	(40,772,411)	(73,697,085)	(81,525,745)
Cash payments to suppliers and vendors	(43,328,625)	(36,429,130)	(79,757,755)	(93,304,244)
Cash payments (to) from other funds	(16,968,529)	16,968,529		
Net cash provided by operating activities	79,541,363	14,867,337	94,408,700	69,598,623
Cash flows from noncapital financing activities:				
Property taxes		9,014,088	9,014,088	8,612,660
Book cash overdraft		(709,226)	(709,226)	709,226
Net cash provided by noncapital financing activities		8,304,862	8,304,862	9,321,886
Cash flows from capital and related financing activities:				
Capital expenditures	(203,621,683)	(33,283,811)	(236,905,494)	(239,836,175)
Sale of properties		(1,214,198)	(1,214,198)	333,020
Net proceeds from issuance of long-term debt		10,787,414	10,787,414	183,769,659
Interest paid	(31,486,556)	(5,052,168)	(36,538,724)	(33,740,967)
Proceeds from insurance buyout agreements				7,000,000
Proceeds from passenger facility charges	25,461,318		25,461,318	25,433,702
Principal payments and redemptions on long-term debt	(25,330,000)	(1,303,817)	(26,633,817)	(79,273,856)
Contributions from governmental agencies	72,580,942	12,858,613	85,439,555	16,952,293
Cash transfers (to) from other Port divisions, net	(3,983,627)	3,983,627		
Other, primarily nonoperating expense	(5,322,807)	(2,879,133)	(8,201,940)	2,148,967
Net cash used in capital and related financing activities	(171,702,413)	(16,103,473)	(187,805,886)	(117,213,357)
Cash flows from investing activities:				
Interest received	2,263,945	6,281,786	8,545,731	18,326,871
Collections of mortgage receivable				
Investment activity:				
Purchases	(351,467,734)	(369,162,427)	(720,630,161)	(420,911,619)
Proceeds from sales or maturities	440,379,278	368,767,179	809,146,457	431,194,471
Net cash provided by investing activities	91,175,489	5,886,538	97,062,027	28,609,723
Net (decrease) increase in cash and cash equivalents	(985,561)	12,955,264	11,969,703	(9,683,125)
Cash and cash equivalents - beginning of year	1,049,001	25,771,272	26,820,273	36,503,398
Cash and cash equivalents - end of year	$ 63,440	$ 38,726,536	$ 38,789,976	$ 26,820,273
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 25,719,892	$ (20,194,190)	$ 5,525,702	$ (766,115)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	55,334,095	20,009,821	75,343,916	70,980,896
Cost of land sales				15,950,013
Amortization of deferred revenue	(601,360)	(3,233,763)	(3,835,123)	(11,078,480)
Change in assets and liabilities:				
Receivables and other current assets	7,052,581	12,983,164	20,035,745	(6,349,617)
Amortization of pension assets	(201,487)	(218,893)	(420,380)	(597,833)
Accounts payable and accruals	(7,344,336)	2,847,309	(4,497,027)	(7,992,958)
Long-term environmental and other accruals	(418,022)	1,969,877	1,551,855	8,561,935
Additions to deferred revenue		704,012	704,012	890,782
Net cash provided by operating activities	$ 79,541,363	$ 14,867,337	$ 94,408,700	$ 69,598,623
Noncash investing, capital, and related financing activities:				
Deferred bond interest		$ 1,070,437	$ 1,070,437	$ 1,056,129

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

1. Description of the Port and Summary of Significant Accounting Policies:

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, seven industrial and business parks, and develops land principally to support, enhance, and expand its core transportation operations. Principal funding sources are charges to users, revenue bonds, grants, interest earnings, passenger facility charges, and, to a lesser extent, property tax levies. Its activities are carried out by a staff of approximately 745 full-time equivalent persons.

Basis of Accounting

The accounting and reporting policies of the Port conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to proprietary funds of local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Accordingly, the Port utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Under the provisions of GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,” the Port has elected not to apply Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

Effective July 1, 2010, the Port has adopted GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” The adoption of this statement did not have a material effect on the Port’s financial statements.

Effective July 1, 2009, the Port adopted GASB Statement No. 53 (GASB 53), “Accounting and Financial Reporting for Derivative Instruments,” as discussed in Note 7. This statement requires the Port to record its derivative instruments at fair value, and to report changes in fair value for effective hedging derivatives as deferrals on the balance sheet. As the impact on net assets was not material, the cumulative effect of applying this Statement was recorded in the current period and neither comparative totals for the year ended June 30, 2009 nor the fiscal 2010 beginning net asset balance have been restated. The effect on the Airport’s financial statements for the year ended June 30, 2010 from the adoption of GASB 53 was to increase noncurrent liabilities by $29.495 million, increase noncurrent assets by $29.454 million, and decrease interest expense and net assets by $0.041 million.

Intra-Port Charges and Expense Allocations

Labor and associated costs for services performed by one functional area of the Port to another area, most commonly by administrative departments, are charged in the accounting records as an expense to the receiver of services and as a credit to expense to the provider of services. The amount charged includes labor, fringe benefits, and an allocated portion of other costs, including materials and supplies, utilities, contract services, insurance, rent and depreciation. All other administrative department costs not charged in this manner are allocated as overhead based on a formula involving full time equivalent positions, information technology users, purchase order lines, acreage, operating revenues, and operating expenses.

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 expenses during the reporting period. Actual results could differ from those estimates.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Operating Revenues and Expenses

Revenues and expenses that are earned or incurred during the course of normal business operations are classified as operating. Revenues and expenses that are earned or incurred outside of the course of normal operations, including interest income and expense, property tax revenue, and passenger facility charges, are classified as nonoperating.

Restricted Assets and Related Liabilities

Assets and related liabilities restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the balance sheet. These assets and liabilities are primarily restricted for construction and debt service purposes. At June 30, 2010, all restricted assets are available to pay restricted liabilities due within one year except for approximately $64,300,000 and approximately $56,300,000 equity in pooled investments for the Port and Airport activity, respectively.

Land Held for Sale

Land held for sale includes costs of land acquisition and development on property held for eventual sale. Land held for sale is stated at the lower of average cost or net realizable value. Costs that are capitalized consist of acquisition and development costs incurred to bring the land to salable condition, including interest. At closing, sales and related cost of land are recorded as operating revenues and expenses.

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation, including capitalized interest. Interest income earned on investments from tax-exempt debt is offset against capitalized interest expense. Properties with an individual purchase cost exceeding $5,000 with a useful life exceeding one year are capitalized, and properties subject to depreciation are depreciated over their estimated useful lives on the straight-line basis. The useful lives generally range from 15 to 40 years for land improvements, 20 to 30 years for buildings and terminals, and 3 to 15 years for equipment. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure, and replacements are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense.

Amortization of Bond Issue Costs

Deferred bond issue costs are amortized using the interest method over the life of the related debt. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization is included in interest expense.

Accrued Vacation and Sick Leave Pay

Vacation and sick leave pay are accrued as earned for most employees, based on length of past service, up to a maximum number of hours per employee. Vacation and sick leave liabilities are reduced when leave is taken, and unused portions are paid off upon termination to the extent allowed for in Port policy.

Deferred Revenue

Deferred revenue typically represents prepaid lease financing related to real property development projects and transactions and is generally amortized over the life of the related lease. Lease terms generally range from 55 to 99 years.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as net assets when earned. Operating grants are recorded as revenue when earned. Lease improvements acquired upon termination of leases are included in properties and credited to net assets at estimated fair value at date of acquisition.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Property Taxes

Property taxes are used for capital purposes. Property taxes are recorded as nonoperating revenue in the year levied. Property taxes are levied and attached as an enforceable lien on property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15.

Cash and Cash Equivalents

Highly liquid investments (excluding restricted investments) with a maturity of three months or less when purchased are considered cash equivalents.

Environmental Remediation Liabilities

The Port records future pollution remediation costs that meet measurement criteria outlined in GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Those criteria require accrual of pollution remediation obligation amounts when a) one of certain obligating events occurs, and b) the amount can be reasonably estimated. Obligating events include imminent endangerment to public health or welfare or the environment; violation of a pollution prevention-related permit or license; evidence that the Port will be named as a responsible party, or potentially responsible party, for sharing costs; evidence that the Port will be named in a lawsuit to compel participation in remediation; and the Port commencing or legally obligating itself to commence pollution remediation. Costs for pollution remediation obligations are expensed unless expenditures meet specific criteria which allow them to be capitalized. Capitalization criteria include preparation of an asset for sale; preparation of property for use when the property was acquired with known or suspected pollution that was expected to be remediated; performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; and acquisition of property, plant and equipment that have a future alternative use.

Passenger Facility Charges

Passenger facility charges (PFCs) are imposed on enplaned passengers at the Airport. PFC revenue is recorded as nonoperating revenue and is required to be used to fund Federal Aviation Administration approved expenditures for capital projects or debt repayments eligible under federal legislation permitting the imposition of PFCs.

Cash and Investments

The Port pools the majority of its cash and investments and uses a controlled disbursement system in order to maximize earnings on available funds. As a result, book cash overdrafts (essentially comprising outstanding checks) may occur. Such overdrafts are presented as current liabilities. Investments with a remaining life of one year or less at the time of purchase are stated at amortized cost. Investments with longer maturities are stated at fair value based upon quoted market prices. For investments stated at amortized cost, there is no material difference from fair value at June 30, 2010 and 2009. Oregon Revised Statutes, Chapter 294 or Port ordinances, if more restrictive, authorize the Port to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, and certain corporate indebtedness. In addition, the Marine & Other activity is authorized to invest in a State of Oregon local government investment pool and various interest bearing bonds of Oregon municipalities.

Budgets

The Port budgets all funds in accordance with the requirements of State of Oregon (State) law. The Port Commission authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. Total expenditures by department in the General Fund, operating expenditures in the Airport Revenue Fund, and capital outlay and debt service in the other funds are the levels of control for each fund. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

1. <u>Description of the Port and Summary of Significant Accounting Policies</u>, continued:

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets as to compliance with State law. After TSCC certification, such budgets are presented to the Port Commission for adoption. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Port Commission. The Port adopted one supplemental budget for each of the years ended June 30, 2010 and 2009, respectively.

The Port budgets all funds on the accrual basis of accounting. For budgetary reporting purposes, State law requires that charges for services provided and certain expense allocations, from one fund to another fund, be reported as transfers to other funds, rather than as operating or capital expenditures.

<u>Transfers Between Activities</u>

The Port's policy is to fund certain general aviation (Marine & Other activity) capital requirements from the Airport activity. Amounts funded in this manner are reported as transfers on the statement of revenues, expenses, and changes in net assets.

<u>Internal Receivables and Payables</u>

Intra-Port receivables and payables between activities are eliminated in the total column of the balance sheet.

<u>Prior Year Comparative Information</u>

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's report on audit of financial statements for the year ended June 30, 2009, from which the summarized information was derived.

<u>New Accounting Pronouncements</u>

In March 2009, the GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective immediately upon its issuance. The statement incorporates the hierarchy of generally accepted accounting principles for state and local governments into the GASB's authoritative literature. The adoption of this statement did not have a material effect on the Port's financial statements.

In March 2009, the GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards," effective immediately upon its issuance. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus," effective for the Port's fiscal year beginning July 1, 2010. The statement modifies financial reporting and disclosure requirements of certain financial instruments and external investment pools. The Port is currently evaluating the effects this statement will have on its financial statements.

2. Identifiable Activity Information:

The Airport is an identifiable activity in and of itself, providing commercial airline passenger service, air cargo services, and general aviation services. The activities comprising Marine & Other are the Port's marine terminals, which load, unload, and transfer commodities to and from trucks, railcars, barges, and ships; property and development services, which is responsible for real estate development and related services; environmental, which includes costs and recoveries associated with environmental cleanup not directly attributable to specific Port facilities, or which pertain to facilities for which operations have been discontinued; navigation, which performs maintenance dredging for the Columbia River channel and maintains a river level reporting system; general aviation, which provides general aviation relief services; engineering, which provides drafting, environmental planning, permit coordination, and engineering support for the Port; and administrative departments (admin), which provide support and services to the Port's operating departments.

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2010 was as follows (in thousands):

	Marine Terminals	Property & Development Services	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 45,110	$ 3,695		$ 13,312	$ 3,162	$ 251	$ 65,530
Operating expenses	47,773	3,117	$ 4,557	11,239	3,390	(4,362)	65,714
Depreciation expense	11,745	132	26	1,047	2,447	4,613	20,010
Operating (loss) income	(14,408)	446	(4,583)	1,026	(2,675)		(20,194)
Capital contributions	10,244	1,231			4,252		15,727
Land held for sale and properties:							
Additions	14,748	4,603		514	6,643	2,365	28,873
Deletions				(9)	(5,986)		(5,995)

3. Cash and Investments:

At June 30, 2010, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Agencies	$ 74,541,224	$ 25,487,723	$ 14,120,048	$ 1,694,346	$ 115,843,341
Corporate indebtedness	4,840,709	7,400,937	8,490,188	-	20,731,834
	$ 79,381,933	$ 32,888,660	$ 22,610,236	$ 1,694,346	136,575,175
Cash and deposits with financial institutions					14,077,337
					$ 150,652,512

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2010:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 4,158,154				$ 4,158,154
U.S. Agencies	31,151,566	$ 48,167,953	$ 26,684,760	$ 3,202,059	109,206,338
Corporate indebtedness	9,148,211	13,986,656	16,045,174	-	39,180,041
	$ 44,457,931	$ 62,154,609	$ 42,729,934	$ 3,202,059	152,544,533
State of Oregon local government investment pool					38,345,810
Cash and deposits with financial institutions					434,164
					$ 191,324,507

To address interest rate risk and limit its exposure to fair value losses arising from rising interest rates, the Port's investment policy places restrictions on the maturities of the Port's investment portfolio. Investment maturities are limited as follows:

Maturity	Maximum Investment
Two years and under	55% of par value
Three years and under	75% of par value
Five years and under	100% of par value

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2010, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

A portion of the Port's investments are invested in an external investment pool, the Oregon Short-Term Fund (Fund). Numerous local governments in Oregon, as well as State agencies, participate in the Fund. The fair value of the Port's position in the pool is the same as the value of the pool shares. The Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the Fund are further governed by portfolio guidelines issued by the Fund Board. While the Fund itself is not rated, the Fund's policies provide that the weighted average credit quality ratings for the Fund's holdings are a minimum of AA and Aa2 for Standard and Poor's and Moody's, respectively.

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $1,437,974. Of these deposits, $250,000 was covered by federal depository insurance and $1,187,974 was covered by collateral pledged by the Port's qualified depositories. In accordance with ORS 295, the collateral pledged is held by the agent of the qualified depositories; is designated as subject to the Pledge Agreement between the agent, the qualified depositories, and the Oregon Office of the State Treasurer (OST); and is held for the benefit of the OST on behalf of the Port.

Balance sheet classification:	2010			2009
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 63,440	$ 38,726,536	$ 38,789,976	$ 26,820,273
Unrestricted equity in pooled investments	24,341,171	144,312,733	168,653,904	164,260,027
Restricted cash and equity in pooled investments	126,247,901	8,285,238	134,533,139	227,443,312
	$ 150,652,512	$ 191,324,507	$ 341,977,019	$ 418,523,612

3. Cash and Investments, continued:

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $4,150,000 at June 30, 2010 and 2009, as collateral for certain accrued liabilities for workers' compensation (Note 10). Federal law requires these investments to be in only certain prescribed negotiable securities.

Certain investment earnings are paid to the Airport from the Port General Fund pooled investments when earned. At June 30, 2010 and 2009, approximately $75,793,000 and $87,085,000, respectively, of the Airport's investments represent a percentage allocation of the Port's total investments.

4. Receivables:

Port operations are concentrated within the aviation industry for the Airport and the marine shipping industry for Marine & Other. Principal customers in these industries are national airlines and international steamship lines/agents, respectively. Each of these principal customers is affected by changes in industry market and other economic conditions. The Port evaluates the financial capacity of prospective and current customers to determine their ability to pay amounts due on a timely basis. Various forms of collateral, including irrevocable standby letters of credit and pledges from other related industry customers under a joint agreement, are obtained from certain customers, mainly for the Airport, where these pledges encompass substantially all trade receivables. Accounts receivable are monitored on an ongoing basis, and allowances for doubtful accounts are established and maintained. Total trade receivables for the aviation industry were approximately $9,100,000 at June 30, 2010 and $6,300,000 at June 30, 2009. Total trade receivables for the marine shipping industry were approximately $2,900,000 at June 30, 2010 and $3,700,000 at June 30, 2009. Total grants receivable for the aviation industry were approximately $5,200,000 at June 30, 2010 and $26,200,000 at June 30, 2009. Total grant receivables for marine and other were approximately $3,400,000 at June 30, 2010 and $500,000 at June 30, 2009. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2010 was as follows:

Airport:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital assets being depreciated:					
Land improvements	$ 528,778,956		$ (101,519)	$ 30,899,361	$ 559,576,798
Buildings and equipment	836,690,369		(1,332,937)	251,250,674	1,086,608,106
Total capital assets being depreciated	1,365,469,325		(1,434,456)	282,150,035	1,646,184,904
Less accumulated depreciation:					
Land improvements	295,144,890	$ 22,312,700	(101,519)		317,356,071
Buildings and equipment	428,865,307	33,021,395	(1,266,975)		460,619,727
Total accumulated depreciation	724,010,197	55,334,095	(1,368,494)		777,975,798
Total capital assets being depreciated, net	641,459,128	(55,334,095)	(65,962)	282,150,035	868,209,106
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	306,433,412	196,935,124	-	(282,150,035)	221,218,501
Total capital assets not being depreciated	374,475,579	196,935,124	-	(282,150,035)	289,260,668
Airport capital assets, net	$ 1,015,934,707	$ 141,601,029	$ (65,962)	$	$ 1,157,469,774

Marine & Other:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital assets being depreciated:					
Land improvements	$ 223,901,335		$ (4,420,926)	$ 13,710,897	$ 233,191,306
Buildings and equipment	237,280,982		(2,156,195)	4,153,767	239,278,554
Total capital assets being depreciated	461,182,317		(6,577,121)	17,864,664	472,469,860
Less accumulated depreciation:					
Land improvements	132,633,761	$ 8,227,195	(3,848,405)		137,012,551
Buildings and equipment	159,150,529	11,782,626	(1,979,853)		168,953,302
Total accumulated depreciation	291,784,290	20,009,821	(5,828,258)		305,965,853
Total capital assets being depreciated, net	169,398,027	(20,009,821)	(748,863)	17,864,664	166,504,007
Capital assets not being depreciated:					
Land	72,438,757		(5,228,881)	-	67,209,876
Construction in progress	55,658,250	28,872,665	3,212,072	(17,864,664)	69,878,323
Total capital assets not being depreciated	128,097,007	28,872,665	(2,016,809)	(17,864,664)	137,088,199
Marine & Other capital assets, net	$ 297,495,034	$ 8,862,844	$ (2,765,672)	$	$ 303,592,206

5. Properties, continued:

The ordinances authorizing the issuance of Airport revenue and PFC revenue bonds do not convey title to or mortgage the Airport or any part thereof; however, the Port covenants not to encumber or dispose of Airport properties other than as specifically permitted in the ordinances and in certain grant agreements.

The Port leases to others certain land, buildings, and equipment at various locations for terms ranging from 2 to 99 years. All leases are accounted for as operating leases. Costs of properties leased at June 30, 2010 included above are:

	Airport	Marine & Other	Total Port
Land and improvements		$ 20,705,194	$ 20,705,194
Building & equipment	$ 560,319,688	39,124,830	599,444,518
	560,319,688	59,830,024	620,149,712
Accumulated depreciation	(292,857,466)	(23,615,581)	(316,473,047)
	$ 267,462,222	$ 36,214,443	$ 303,676,665

Minimum future rentals receivable on noncancelable operating leases for the five succeeding fiscal years and thereafter are:

	Airport	Marine & Other	Total Port
2011	$ 29,104,000	$ 14,521,000	$ 43,625,000
2012	11,677,000	13,735,000	25,412,000
2013	9,805,000	12,939,000	22,744,000
2014	8,428,000	11,960,000	20,388,000
2015	7,707,000	11,398,000	19,105,000
Thereafter	68,082,000	97,349,000	165,431,000
Total	$ 134,803,000	$ 161,902,000	$ 296,705,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2010 and 2009:

	Airport	Marine & Other	Total Port
2010	$ 62,400,000	$ 2,700,000	$ 65,100,000
2009	$ 59,400,000	$ 3,500,000	$ 62,900,000

Marine & Other leases certain equipment under capital leases; there are no capital leases at the Airport. The following is a summary of Marine & Other assets leased under capital leases at June 30:

	2010	2009
Equipment	$ 943,240	$ 928,656
Less: accumulated depreciation	(443,249)	(311,293)
	$ 499,991	$ 617,363

5. Properties, continued:

Future minimum capital lease payments, together with the present value of the net minimum lease payments are as follows:

2011	$	532,998
2012		477,098
2013		465,848
2014		451,930
2015		451,930
2016-2020		1,883,040
Total minimum lease payments		4,262,844
Less: amount representing interest		(1,054,986)
Present value of net minimum lease payments	$	3,207,858

The present value of net minimum lease payments is reflected on the balance sheet as current and noncurrent obligations of $328,842 and $2,879,016, respectively.

6. Other Noncurrent Assets:

Other noncurrent belongings consist of the following:

	Airport	Marine & Other	Total
2010:			
Other	$	$ 782,958	$ 782,958
2009:			
Other	$	$ 820,151	$ 820,151

There are no Other Noncurrent Assets for the Airport for fiscal years 2009 and 2010.

7. Long-Term Debt:

	Bonds Payable at June 30, 2010		
Limited Tax Pension bonds:	Pension	Revenue	Passenger Facility Charge Revenue
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
6.77% to 7.41%, due serially through fiscal 2020	$ 8,291,465		
6.85%, due serially from fiscal 2020 through fiscal 2028	37,320,000		
6.6%, due fiscal 2025	6,205,000		
2005 Series (issued in fiscal 2006, original issue $20,230,000):			
4.516% to 5.500%, due serially through fiscal 2014	1,605,000		
4.859%, due fiscal 2020	5,005,000		
5.004%, due fiscal 2028	12,995,000		
Portland International Airport revenue bonds:			
Series Twelve (issued in fiscal 1999, original issue $214,275,000):			
4.75% to 5.25%, due serially through fiscal 2019		$ 62,070,000	
5.0%, due fiscal 2019		7,815,000	
5.0%, due fiscal 2029		64,595,000	
Series Fifteen (issued in fiscal 2001, original issue $173,410,000):			
4.25% to 5.5%, due serially through fiscal 2019		76,305,000	
5.0%, due fiscal 2024		27,995,000	
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):			
currently 0.22%, due fiscal 2027		66,825,000	
currently 0.21%, due fiscal 2027		66,825,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		19,170,000	
5.0%, due fiscal 2020		6,340,000	
5.0%, due fiscal 2022		6,990,000	
5.25%, due fiscal 2027		20,870,000	
5.0%, due fiscal 2030		15,310,000	
5.5%, due fiscal 2039		63,285,000	
Passenger Facility Charge revenue bonds:			
Series 1999 (issued in fiscal 2000, original issue $132,110,000):			
5.375% to 5.75%, due serially through fiscal 2017			$ 39,775,000
5.5%, due fiscal 2019			11,755,000
Series 2009A (issued in fiscal 2009, original issue $57,985,000, variable interest rate):			
currently 0.30%, due fiscal 2025			29,000,000
currently 0.27%, due fiscal 2025			28,985,000
Totals, including $1,005,744, $23,320,000, and $4,870,000, respectively, due within one year	$ 71,421,465	$ 504,395,000	$ 109,515,000

7. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2010
City of Portland, local improvement district installment payment contract (issued in fiscal 2003, original amount $10,189,218), 5.32%, payable in monthly installments ranging from $34,973 due on July 1, 2010 to $55,887 due on April 1, 2023, including $431,967 due within one year	$ 7,653,524
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2009, original amount available $2,000,000), 0.0%, payable in annual installments of $200,000 due March 31, 2011 through March 31, 2013, including $200,000 due within one year	574,820
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 1.67%, payable in annual interest-only payments with principal due in full September 23, 2012	8,116,653
State of Oregon Business Development Department, port revolving fund loan (issued fiscal 2009, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through March 19, 2011, followed by semi-annual installments from December 15, 2011 through July 15, 2031	1,477,874
State of Oregon Business Development Department, port revolving fund loan (issued fiscal 2010, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through September 10, 2011 followed by semi-annual installments from December 15, 2012 through July 15, 2032	618,066
Total, including $631,967 due within one year	$ 18,440,937

Future debt service requirements on bonds, contracts and loans payable for the five succeeding fiscal years and in five year increments thereafter are:

	Airport					
	Revenue		Passenger Facility Charge Revenue		Marine & Other	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 23,320,000	$ 18,941,518	$ 4,870,000	$ 2,906,998	$ 1,637,711	$ 5,022,614
2012	24,765,000	17,997,012	5,145,000	2,623,712	1,770,789	5,128,045
2013	26,135,000	16,975,351	5,440,000	2,324,167	10,044,642	5,681,537
2014	27,440,000	15,881,363	5,750,000	2,014,572	1,912,048	5,396,182
2015	27,490,000	14,816,481	6,070,000	1,694,599	2,040,596	5,543,843
2016-2020	131,190,000	60,315,662	35,790,000	3,372,420	12,598,673	29,927,146
2021-2025	112,460,000	40,107,307	46,450,000	279,090	34,718,117	14,870,897
2026-2030	68,310,000	23,656,725			24,851,080	3,043,060
2031-2035	31,375,000	13,272,737			288,746	18,853
2036-2040	31,910,000	3,626,974				
	$ 504,395,000	$ 225,591,130	$ 109,515,000	$ 15,215,558	$ 89,862,402	$ 74,632,177

7. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2010 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 639,240,000		$ (25,330,000)	$ 613,910,000
less: current portion	(25,330,000)	$ (28,190,000)	25,330,000	(28,190,000)
Long-term portion outstanding	$ 613,910,000	$ (28,190,000)	$	$ 585,720,000
Marine & Other:				
Long-term debt outstanding	$ 80,378,806	$ 10,787,414	$ (1,303,818)	$ 89,862,402
less: current portion	(1,303,818)	(1,637,711)	1,303,818	(1,637,711)
Long-term portion outstanding	$ 79,074,988	$ 9,149,703	$	$ 88,224,691

In addition, at June 30, 2010 and 2009, the Port has accrued $6,038,312 and $5,454,496, respectively, within the Marine & Other activity, for interest payable in future years, which is included in long-term debt on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

Contracts and loans are payable from revenues of the Port, including existing property tax levies.

Limited Tax Pension Bonds were issued to fund the Port's estimated unfunded actuarial accrued liability as of April 1, 2002 (Note 9). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. Bonds maturing on June 1, 2025 are redeemable at the option of the Port on or after June 1, 2007 at par, in whole or in part, by lot, on any date up to June 1, 2025. Bonds maturing on June 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning June 1, 2020, and on each June 1 thereafter. Interest for certain of the 2002 Limited Tax Pension Bonds is payable only at maturity.

Limited Tax Pension Bonds were also issued to fund the Port's estimated unfunded actuarial accrued liability as of October 1, 2005 (Note 9). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. These bonds are subject to optional redemption by the Port, in whole or in part, on any date, at a price equal to the greater of par or a discounted value, as defined. Bonds maturing on June 1, 2020 are subject to mandatory redemption, at par, prior to maturity, in part, beginning June 1, 2015, and on each June 1 thereafter. Bonds maturing on June 1, 2028 are subject to like mandatory redemption, beginning June 1, 2021, and on each June 1 thereafter.

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

Port Ordinance No. 155, enacted November 10, 1971, and Ordinance No. 323, enacted October 9, 1985, both subsequently amended (Ordinances), authorize the issuance of Portland International Airport Revenue Bonds (Airport revenue bonds) to pay the costs of acquiring and constructing Airport and other Port improvements. Port Ordinance No. 323 further restricts sales of Airport revenue bonds except for the purpose of paying the costs of construction of additions, expansion, and improvements at the Airport and the costs of acquisition and construction of general aviation airports. Both Ordinances also allow for the issuance of refunding bonds. The revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any revenues or property of the Port not specifically pledged thereto. The proceeds of all such revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, Airport purposes only.

These Ordinances require that Airport revenues and costs of operation and maintenance be accounted for in an Airport revenue fund. Any excess of revenues over costs other than depreciation is to be credited in the following order for uses specified in Ordinance No. 155:

7. <u>Long-Term Debt</u>, continued:

- General account for payment to an Airport revenue bond fund to provide for the punctual payment of bond interest and principal.

- General account for all other permitted uses.

Proceeds from sales of bonds not expended for allowable acquisitions or construction shall be used for repayment of bonds.

These Ordinances established debt service reserve accounts in an Airport revenue bond fund to accumulate the maximum debt service requirements, as defined in the Ordinances, for any future fiscal year for all outstanding bonds. Debt service reserve insurance may be substituted for any portion of the bond reserve requirement. For all outstanding Airport revenue bonds, the bond reserve requirement has been met.

Section 16(ii) of Ordinance No. 155 and Section 5e of Ordinance No. 323 further stipulate that defined net revenues in each fiscal year must equal at least 130 percent of defined debt service requirements. The Airport has complied with this provision of the Ordinances for the years ended June 30, 2010 and 2009.

On July 1, 2005, contracts with major airline customers became effective in which the airlines have provided financial guarantees sufficient to meet the net revenues requirement for airline supported activities, primarily airfield and terminal operations. Net revenues of other activities, primarily parking, air cargo, and a portion of rental car operations are neither guaranteed nor limited to specified levels by these contracts. The contracts also contain an annual revenue sharing provision through June 30, 2010 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain reductions, contingent on the Port managing operating expenses to a defined target level. The fiscal 2010 and 2009 discount reductions were $310,517 and $439,159, respectively. New contracts providing financial guarantees sufficient to meet the net revenues requirement for airline supported activities become effective on July 1, 2010; the financial provisions of these new contracts are similar to those of the prior contracts.

In prior years, the Port defeased or advance refunded various bonds, including $102,735,000 of Series Seven bonds, by placing the proceeds in an irrevocable trust with an escrow agent to provide for all future debt service on the bonds. As a result, the trust account assets and the liability for the defeased or advance refunded bonds are not included in the financial statements. At June 30, 2010, $24,580,000 of Series Seven defeased debt was still outstanding.

In fiscal 2008, the Port issued Series Eighteen variable rate bonds, the proceeds of which were used to refund $134,295,000 of Series Seventeen bonds, representing all of the outstanding portions maturing after July 1, 2008, and to cash fund $3,972,960 in debt service reserve. The interest rate on the Series Eighteen bonds is generally reset weekly by remarketing agents, and cannot exceed 12%. Payments of principal and interest on the Series Eighteen bonds and the purchase price of Series Eighteen bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. Series Eighteen bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day. In the event that Series Eighteen bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of five years at a variable interest rate based on the greater of the bank’s prime rate or the federal funds rate plus 1 percent.

In fiscal 2009, the Port issued Series Nineteen bonds to pay, or to reimburse the Port for the payment of, costs of the construction, acquisition, equipment and installation of Port headquarters facilities and other improvements at the Portland International Airport, to capitalize a portion of the interest on the Series Nineteen bonds, and to pay costs of issuing the Series Nineteen bonds. The bonds have coupon rates ranging from 4.25 percent to 5.50 percent with maturities ranging from July 1, 2010 to July 1, 2038. Series Nineteen bonds maturing on or after July 1, 2019 are redeemable at the option of the Port on or after July 1, 2018 at 100 percent of the principal amount plus accrued interest. Series Nineteen bonds maturing on or after July 1, 2019 are also subject to mandatory redemption at par, prior to maturity, in part, by lot, beginning July 1, 2018, and on each July 1 thereafter.

7. <u>Long-Term Debt</u>, continued:

Series Twelve bonds maturing on or after July 1, 2010 are redeemable at the option of the Port at par. Series Twelve bonds maturing July 1, 2018 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2014, and on each July 1 thereafter. Series Twelve bonds maturing July 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2019, and on each July 1 thereafter.

Series Fifteen bonds maturing on or after July 1, 2012 are redeemable at the option of the Port on or after July 1, 2011 at 101 percent of the principal amount at such date and at decreasing rates thereafter. Series Fifteen bonds maturing July 1, 2023 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2019, and on each July 1 thereafter.

All Airport revenue bonds, both principal and interest, are payable solely from revenues derived from the operation and related services of the Airport.

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

Port Ordinance No. 395-B, enacted June 10, 1999, authorized the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC revenue bonds) to pay the costs of construction of certain Federal Aviation Administration approved PFC projects. The PFC revenue bonds are backed by a pledge and assignment of PFC revenues. The PFC revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any other revenues or property of the Port not specifically pledged thereto. The proceeds of all PFC revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, prescribed purposes only.

Ordinance No. 395-B established a debt service reserve account in an amount equal to the maximum annual debt service. The reserve account was fully funded from PFC bond proceeds. Ordinance No. 395-B requires that PFC revenues be accounted for in a PFC fund and used for, in order of priority, payments into a PFC bond fund to provide for payment of

PFC bond interest and principal, payments into the reserve account, any required payments into an obligations account, any required payments into an obligations reserve account, and then to a PFC capital account. The capital account may be used to pay costs of construction, additions, improvements, repairs to, or extensions of approved PFC projects or be used for any other lawful Port purpose to the extent permitted by PFC regulations. Until so applied, amounts in the capital account are pledged to payment of and subject to a lien and charge in favor of registered owners of the PFC revenue bonds.

In connection with the PFC revenue bonds, the Port has also covenanted to comply with PFC laws and regulations, noise regulations, and to manage the PFC program so that remaining PFC authority (as defined in Ordinance No. 395-B) less contractual commitments, shall exceed 105 percent of defined unpaid debt service.

In fiscal 2009, the Port issued Series 2009A Passenger Facility Charge Variable Rate Refunding Bonds (PFC refunding bonds), the proceeds of which were deposited in an irrevocable trust with an escrow agent to refund $56,445,000 of PFC Series 1999A bonds, representing all of the outstanding portions maturing after July 1, 2009. As a result, those bonds were considered defeased and the trust account assets and the liability for those bonds are not included in the financial statements. The defeased bonds were redeemed on July 1, 2009 at 101 percent of the principal amount. The PFC refunding bonds are a direct result of pay-fixed, receive variable interest rate swaps which commenced on July 1, 2009. The interest rate on the PFC refunding bonds is generally reset weekly by remarketing agents and cannot exceed 12 percent. Payments of principal and interest on the PFC refunding bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. In the event that PFC refunding bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of three years at a variable interest rate based on the greater of the bank's prime rate plus 2 percent, the federal funds rate plus 3 percent, or 10 percent.

7. Long-Term Debt, continued:

PFC Series 1999 bonds maturing on or after July 1, 2010 are redeemable at the option of the Port on or after July 1, 2009 at 101 percent of the principal amount at such date and at decreasing rates thereafter. PFC Series 1999 bonds maturing July 1, 2018 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, on July 1, 2017, and July 1, 2018.

PFC Series 2009A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day.

The Port has reserved the right to use at any time any legally available funds to purchase for retirement any of the outstanding PFC Series 1999 bonds offered to the Port at any price deemed reasonable.

PFC revenue bonds, both principal and interest, are payable solely from PFC revenues.

DERIVATIVE INSTRUMENTS

At June 30, 2010, the Airport had the following hedging derivative instruments outstanding:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 6,195,000	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (861,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 6,195,000	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (861,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$58,537,500	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (9,167,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$58,537,500	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (9,167,000)
E	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$34,791,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (5,687,000)
F	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$23,194,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (3,711,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling $9,293,538, and for derivative instruments E and F, the Airport received an up-front payment totaling $5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. Accordingly, the fair value of the hedging derivatives was $(29,454,000) at June 30, 2010 and is recorded on the Airport Balance Sheet as a non-current liability. The cumulative change in fair value of the at-market interest rate swap was recorded as a deferred outflow of $(29,454,000), and the unamortized balance of the borrowing is recorded on the Balance Sheet as a noncurrent liability of $12,496,122 at June 30, 2010.

7. Long-Term Debt, continued:

The fair values of the interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The Airport has three separate counterparties for its interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A, C, and E	AA- / Aa1
Derivative B and D	AAA / Aa1
Derivative F	A / A2

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2010, none of the Airports interest rate swaps were exposed to credit risk.

Interest rate risk. The Airport is exposed to interest rate risk on its pay-fixed, receive 68% of 1 month LIBOR interest rate swaps. As 1 month LIBOR decreases, the Airport's net payment on the swaps increases.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps are variable-rate demand obligation (VRDO) bonds that are remarketed weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedging the VRDO bonds, because the variable-rate payments received by the Airport on these derivative instruments are based on a rate or index other than the interest rates the Airport pays on the VRDO bonds. At June 30, the weighted-average interest rate on the Airport's VRDO bonds is 0.2362 percent, while 68 percent of 1 month LIBOR is approximately 0.2369 percent.

Termination risk. The Airport or its counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. In addition, the swap may be terminated if the Airport or a swap counterparty's rating drops below BBB- / Baa3. At termination, the Airport may owe a termination payment if there is a realized loss based on the fair value of the terminated interest rate swap.

Derivative instruments A, B, C and D require the Airport to post collateral in the event that its Standard & Poors credit rating drops below A-. The collateral posted is to be in the form of cash or U.S. Treasury securities in the amount of the negative fair value of the interest rate swap. The Airport's credit rating is AA- at June 30, 2010; therefore, no collateral has been posted for these derivative instruments. Derivative instrument E requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below A- or if the negative fair value of that derivative instrument exceeds $15 million. The Airport's credit rating is AA- at June 30, 2010, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for these derivative instruments. Derivative instrument F requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below BBB- or if there is a negative fair value of that derivative instrument. Derivative instrument E has a negative fair value at June 30, 2010; therefore, the Airport has posted $6,200,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport’s balance sheet).

7. Long-Term Debt, continued:

As rates vary, variable rate bond interest payments and net swap payments will vary. Although not a prediction by the Port of future interest cost of the variable rate bonds or of the impact of interest rate swaps, following are debt service requirements of the Airport's hedged variable rate debt and related net swap payments, using rates as of June 30, 2010:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2011	$ 5,570,000	$ 275,372	$ 5,740,934	$ 11,586,306
2012	5,800,000	262,902	5,488,120	11,551,022
2013	5,820,000	250,389	5,228,434	11,298,823
2014	6,085,000	237,306	4,916,642	11,238,948
2015	7,970,000	220,171	4,517,620	12,707,791
2016-2020	47,175,000	792,835	16,070,902	64,038,737
2021-2025	40,880,000	311,321	5,921,143	47,112,464
2026-2030	14,350,000	14,588	318,364	14,682,952
	$ 133,650,000	$ 2,364,884	$ 48,202,159	$ 184,217,043

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2011	$ 85,000	$ 165,017	$ 2,737,187	$ 2,987,204
2012	85,000	164,774	2,733,047	2,982,821
2013	90,000	164,517	2,728,671	2,983,188
2014	95,000	164,247	2,724,058	2,983,305
2015	100,000	163,962	2,719,209	2,983,171
2016-2020	11,080,000	777,463	12,447,854	24,305,317
2021-2025	46,450,000	279,090	3,960,482	50,689,572
	$ 57,985,000	$ 1,879,070	$ 30,050,509	$ 89,914,579

8. Industrial Revenue Bonds:

The Port facilitates the issuance of industrial revenue bonds by others to finance construction of industrial facilities within the Port district which it leases or sells on installment contracts to the industrial users. Such facilities and the related receipts from lease rentals and contract payments are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. Accordingly, the bond liability and related receivables are not reflected in the Port's financial statements.

Following is a summary of industrial revenue bonds outstanding at June 30:

	2010	2009
Bonds issued for:		
Airport industrial facilities	$ 25,338,000	$ 25,338,000
Marine & Other facilities	109,100,000	111,950,000
Total bonds payable	$ 134,438,000	$ 137,288,000

9. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a defined benefit pension plan which has both agent multiple-employer and cost-sharing multiple-employer segments, administered by PERS, to which employees and employers both contribute. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are generally based on salary and length of service or retiree account balance, are calculated using a formula, and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes. PERS issues a publicly available financial report, which may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon 97281-3700.

The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rate was 6.65 percent of annual covered payroll for fiscal year 2010, and 6.05 percent of annual covered payroll for fiscal years 2009 and 2008. The Port also pays the required employee contribution. The Port, by electing to join the State and Local Government Rate Pool, effective January 1, 2002, is part of the cost-sharing multiple-employer segment of the pension plan. Limited tax pension bonds were issued to fund the Port's estimated unfunded actuarial accrued liability of $54,068,039 as of April 1, 2002, and $20,012,029 as of October 1, 2005. These amounts were recorded as pension assets on the Port balance sheet. Of these amounts, $25,550,920 and $11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as both assets and liabilities (due to Marine & Other). The assets are being amortized using methods and assumptions used in actuarial valuations. The actuarial amortization increased the balance of Port pension assets by $415,581, $597,431, and $737,440, for fiscal years 2010, 2009, and 2008, respectively, of which $201,487, $282,578, and $342,707, were applicable to the Airport. The Airport liability is reduced proportionately as the Marine & Other activity makes principal payments on the pension bonds. Principal payments on the pension bonds were made in the amounts of $894,182, $780,399, and $658,765, in fiscal 2010, 2009, and 2008, respectively, of which $444,022, $385,337, and $323,388, were applicable to the Airport.

For fiscal years 2010, 2009, and 2008 the Port's annual PERS contributions were $3,633,617, $5,431,144, and $5,255,495, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $1,713,699, $2,504,858, and $2,401,813, for fiscal years 2010, 2009, and 2008, respectively, were applicable to the Airport.

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components, the Pension Program (a defined benefit program) and the Individual Account Program (IAP) (a defined contribution program), and is administered by PERS, the agency. The Pension Program is funded by employer contributions. For general service members, normal retirement age is 65 or age 58 with 30 years of service, and for police and fire members, normal retirement age is 60 or age 53 with 25 years of service. Retirement benefits under the Pension Program are calculated using a formula based on final average salary, as defined, and years of service. The IAP is funded by a 6 percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation.

The Port's employer contribution rate to OPSRP, determined by an actuary using past PERS data, was 5.81 percent of annual covered payroll for general service members and 8.52 percent for police and fire members for fiscal year 2010, and 7.31 percent of annual covered payroll for general service members and 10.58 percent for police and fire members for fiscal years 2009 and 2008. The Port's fiscal 2010, 2009, and 2008 OPSRP contributions were $1,510,905, $1,537,527, and $1,381,623, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $560,845, $586,698, and $528,486, for fiscal years 2010, 2009, and 2008, respectively, were applicable to the Airport.

9. Pension Plans and Deferred Compensation Plan, continued:

The Port offers all its employees with six full months of service a deferred compensation plan created in accordance with IRC Section 457. The plan permits eligible employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of an employee trust, held for the exclusive benefit of participants and their beneficiaries, and are not subject to the claims of the Port's general creditors. The Port has little administrative involvement with the plan and does not perform the investing function. Therefore, the plan assets are not included on the balance sheet.

10. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out, and will not be offered to any employees not meeting eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. Contributions to the plan are made on a pay-as-you-go basis.

Under Oregon State law, employees retiring under PERS or OPSRP may continue their health insurance coverage through the Port until eligible for Medicare (usually age 65). Coverage may be elected for the retiring employee, their spouse, and for qualifying dependents. Premiums are paid by the retiree at the Port's pooled rate, which is the same rate paid for active employees. Retirees, on average, are expected to have higher health care costs than active employees, primarily due to the older average age of retirees. Since the same premium applies to both groups, the premiums paid for active employees by the Port are subsidizing the premiums for retirees. As a result, there is an 'implicit subsidy' paid by the Port; the implicit subsidy associated with retiree health care costs paid during the last year is also considered to be a contribution from the Port.

The Port's other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Port's net OPEB obligation:

	Airport	Marine & Other
Annual required contribution	$ 324,000	$ 309,000
Interest on net OPEB obligation	39,000	13,000
Adjustment to annual required contribution	(56,000)	(19,000)
Annual OPEB cost (expense)	307,000	303,000
Contributions made	(281,000)	(408,000)
Increase (decrease) in net OPEB obligation	26,000	(105,000)
Net OPEB obligation - beginning of year	966,000	324,000
Net OPEB obligation - end of year	$ 992,000	$ 219,000

10. Postemployment Healthcare Benefits, continued:

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Airport:			
2010	$ 307,000	91.5%	$ 992,000
2009	$ 1,028,000	60.1%	$ 966,000
2008	$ 1,032,000	46.1%	$ 556,000
Marine & Other:			
2010	$ 303,000	134.7%	$ 219,000
2009	$ 840,000	82.0%	$ 324,000
2008	$ 860,000	79.9%	$ 173,000

A schedule of the funding progress of the plan appears below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport						
7/1/2007	$0	$9,363,000	$9,363,000	0%	N/A	N/A
7/1/2009	$0	$3,182,000	$3,182,000	0%	N/A	N/A
Marine & Other						
7/1/2007	$0	$8,977,000	$8,977,000	0%	N/A	N/A
7/1/2009	$0	$3,394,000	$3,394,000	0%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2007 and 2009 actuarial valuations, the entry age normal actuarial cost method was used.

The July 1, 2009 actuarial assumptions included a 4.0 percent investment rate of return, projected inflation at 4.0 percent, and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after eleven years. The July 1, 2007 actuarial assumptions included a 5.0 percent investment rate of return, projected inflation at 4.0 percent, and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after fourteen years. The Port's unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

11. Risk Management:

The Port has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions.

11. Risk Management, continued

The Airport is a full participant in the Port's risk management program. The Airport's expenses related to this program are recorded when incurred, with cash being paid to the Port's General Fund for ease of administration.

The Port self-insures for certain workers' compensation losses for amounts up to $1,000,000 per accident. For amounts in excess of self-insured limits, insurance in the amount of $10,000,000 per loss is maintained. Claim expenses and liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an estimate for claims that have been incurred but not reported. Claims liabilities are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends through a case-by-case review of all claims. Effective May 8, 1993, certain workers' compensation losses incurred after such date are the responsibility of an independent marine terminal management company.

Changes in the reported liability for workers' compensation resulted from the following:

	Fiscal Year Ended June 30,	
	2010	2009
Beginning liability	$ 1,225,183	$ 1,157,554
Current year claims and changes in estimates	1,094,236	724,612
Claim payments	(748,717)	(656,983)
Ending liability	$ 1,570,702	$ 1,225,183

Approximately $644,900 and $518,900 of the liability was applicable to the Airport at June 30, 2010 and 2009, respectively.

12. Commitments and Contingencies:

At June 30, 2010, land acquisition and construction contract commitments aggregated approximately $87,000,000 for the Airport, $16,000,000 for Marine & Other, and $103,000,000 in total.

The Port, in the regular course of business, is named as a defendant in lawsuits. Management of the Port does not believe that the ultimate resolution of these lawsuits and other contingencies which, for the most part, are normal to the Port's business, will have any material effect upon its financial statements.

The Port is subject to federal, state, and local environmental laws and regulations. Pursuant to these laws and regulations, the Port has identified a number of contaminated sites on Port properties that will require remedial investigation and action. Some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments, or groundwater. In some cases, the Port has been designated by Federal or State government as a potentially responsible party (PRP) for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination.

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other (PRPs) as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Order on Consent (AOC) to perform remedial investigation and evaluation activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately $8,600,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2010. Cleanup costs for the Portland Harbor are not yet estimable under GAAP, and the Port's ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately $22,700,000 in estimated remaining costs for this cleanup at June 30, 2010. At another site, the

12. Commitments and Contingencies, continued:

Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2010. Both these sites are accounted for within the Marine & Other activity.

The Port is pursuing recovery of a substantial portion of these environmental costs from a variety of third parties, including insurance companies. As part of its recovery strategy, beginning in fiscal 2003, the Port entered into insurance buyout agreements with various insurance companies. Proceeds from these buyouts totaled $0 and $7,000,000 in fiscal 2010 and 2009, respectively. These amounts are shown as extraordinary items on the statement of revenues, expenses, and changes in net assets.

Operating expense and the corresponding liability measured at current value using the expected cash flow method have been recognized for certain pollution remediation obligations that may not have been previously required to be recognized. Certain other environmental contingencies may have limited measurable transactions and events at initial recognition, but estimates will increase over time as more components become reasonably estimable. Liabilities will also be remeasured when new information indicates increases or decreases in estimated outlays.

Changes in estimated long-term environmental liabilities were as follows:

	2010			2009		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 1,175,000	$ 54,540,900	$ 55,715,900	$ 100,000	$ 47,478,900	$ 47,578,900
Accruals		(1,135,900)	(1,135,900)	1,075,000	7,062,000	8,137,000
Reclassifications (to) from current						
Ending liability	$ 1,175,000	$ 53,405,000	$ 54,580,000	$ 1,175,000	$ 54,540,900	$ 55,715,900

The Port leases from others, under operating leases, certain computer software, warehouse and office space, copiers, and submerged lands. These leases expire at varying times through fiscal 2016. Total rental expense (all minimum rentals) for operating leases approximated $2,727,000 and $2,816,000 for Marine & Other in 2010 and 2009, respectively, and $41,000 and $0 for the Airport in 2010 and 2009, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

	Airport	Marine & Other	Total Port
2011	$ 234,000	$ 358,000	$ 592,000
2012	233,000	131,000	364,000
2013	233,000	131,000	364,000
2014	233,000	131,000	364,000
2015	193,000	131,000	324,000
2016-2020		36,000	36,000
Total	$ 1,126,000	$ 918,000	$ 2,044,000

13. Net Assets Deficit and Budget Overexpenditures:

The Port has a net assets deficit of $98,089,189 in the Airport PFC Fund as of June 30, 2010. The deficit exists because bond proceeds are recorded in or reimbursed to construction funds and related long-term debt is recorded in this fund. In the Airport PFC Fund, the Port overexpended one budget appropriation for Other expenditures as a result of the implementation of GASB 53. This overexpenditure of ($310,936) is the result of a balance sheet reclassification and does not represent a cash overexpenditure.

14. Subsequent Event:

Subsequent to June 30, 2010, the Airport priced Series Twenty Airport revenue bonds, with the intent to close the transaction in early November, 2010. The Series Twenty bonds are anticipated to fund approximately $30 million in new construction at the Airport, to refund all of the outstanding Series Twelve Airport revenue bonds, and to fund issuance costs and a debt service reserve.

SUPPLEMENTARY INFORMATION

THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS

The Port of Portland is a municipal corporation created in its present form by the 1971 merger of The Port of Portland and the Commission of Public Docks. A nine-member commission establishes and maintains Port policy for a staff under the guidance of an executive director.

The original Port of Portland was created in 1891 by the Oregon Legislative Assembly with the objective of dredging and maintaining a channel between Portland and the Pacific Ocean. As its operations and responsibilities increased, the Port acquired its aviation and land development interests.

The City of Portland in 1910 created the Commission of Public Docks to promote and develop maritime commerce through Portland Harbor and, in 1970, the voters approved a merger of these two organizations. In 1973, the Port district was expanded to include all of Multnomah, Clackamas, and Washington Counties.

For financial reporting and operating purposes, management considers the activities of the Port to be that of a unitary enterprise operation. For budgetary and bond ordinance requirement purposes only, the primary divisions of the accounts of the Port consist of the following funds (accounts):

General Fund

Used to finance the general operations of the Port and, subject to restrictions of the local budget law, its assets may be transferred to another fund for any authorized purpose. Principal revenue sources are marine facilities operations, land sales and leases, and a property tax levy for Port improvements.

Bond Construction Fund

This fund finances the acquisition, construction, expansion, and improvement of new and existing structures and facilities. Resources are from transfers from the General Fund, grants, and interest on investments.

Airport Revenue Fund

This fund is to be held and administered by the Port as long as any Portland International Airport Revenue Bonds are outstanding. The monies deposited in this fund are not commingled with any other monies of the Port and are used and applied only in the manner as specified by Section 13, Ordinance No. 155 and Section 6, Ordinance No. 323. Airport operations are accounted for in this fund. Principal revenue sources are flight fees, rentals, parking, and concession income.

Airport Revenue Bond Fund

This fund is administered by a trustee appointed under Section 11, Ordinance No. 323. The monies in this fund are used solely for the payment of principal and interest due on Portland International Airport Revenue Bonds. Principal resources are revenue bond proceeds, interest, and transfers from the Airport Revenue Fund and the Airport Construction Fund.

Airport Construction Fund

The monies credited to this fund are used and applied solely to the payment of costs of additions, expansions, and improvements to the Airport in accordance with Section 12, Ordinance No. 155 and Section 8, Ordinance No. 323. Principal resources are interest, grants, and revenue bond proceeds.

PFC Fund

This fund is used to account for PFC revenue. Amounts credited to this fund are used to provide for debt service on Portland International Airport Passenger Facility Charge Revenue Bonds and to construct certain assets in accordance with Section 2, Ordinance No. 395-B. Principal resources are PFC revenue, bond proceeds, and interest.

PFC Bond Fund

This fund, created in accordance with Section 8, Ordinance No. 395-B, is administered by a trustee, for the payment of principal and interest on Portland International Airport Passenger Facility Charge Revenue Bonds. Principal resources are transfers from the PFC Fund, bond proceeds, and interest.

THE PORT OF PORTLAND

RECONCILIATION OF BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

for the year ended June 30, 2010

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Port Funds:			
General Fund	$ 87,890,702	$ 105,966,889	$ (18,076,187)
Bond Construction Fund	16,254,010	28,344,479	(12,090,469)
Airport Revenue Fund	167,579,789	70,670,328	96,909,461
Airport Revenue Bond Fund	59,795	49,832,875	(49,773,080)
Airport Construction Fund	57,381,377	179,041,894	(121,660,517)
PFC Fund	26,128,647	1,260,936	24,867,711
PFC Bond Fund	33,499	10,668,955	(10,635,456)
Totals - budgetary reporting basis	$ 355,327,819	$ 445,786,356	(90,458,537)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			207,386,373
Internal costs on capital projects			12,596,565
Interest expense capitalized			11,159,878
Depreciation and amortization expense			(75,343,916)
Expenses that will be expended in future years			1,214,900
Contributions from governmental agencies			(72,171,724)
State loan proceeds			(10,787,413)
Bond and contract payable principal expenditures			31,752,851
Difference between property sale proceeds and loss on sales			(7,398,045)
Change in deferred revenues and certain rents, notes, and contracts receivable			1,562,081
Amortization of bond issuance costs			(1,748,609)
Expensed capital outlay expenditures			(4,138,585)
Other			968,558
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 4,594,377

* The Port budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND

RECONCILIATION OF AIRPORT BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

for the year ended June 30, 2010

	Budgetary (Accrual) Basis *		Excess
	Revenues	Expenditures	Revenues (Expenditures)
Funds:			
Airport Revenue Fund	$ 167,579,789	$ 70,670,328	$ 96,909,461
Airport Revenue Bond Fund	59,795	49,832,875	(49,773,080)
Airport Construction Fund	57,381,377	179,041,894	(121,660,517)
PFC Fund	26,128,647	1,260,936	24,867,711
PFC Bond Fund	33,499	10,668,955	(10,635,456)
Totals - budgetary reporting basis	$ 251,183,107	$ 311,474,988	(60,291,881)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			179,041,894
Internal costs on capital projects			1,518,149
Interest expense capitalized			10,982,905
Depreciation and amortization expense			(55,334,095)
Expenses that will be expended in future years			(26,000)
Contributions from governmental agencies			(56,444,463)
Bond principal expenditures			29,603,041
Difference between property sale proceeds and loss on sales			(80,886)
Change in deferred revenues and certain rents, notes, and contracts receivable			430,629
Amortization of bond issuance costs			(1,692,490)
Expensed capital outlay expenditures			(2,508,215)
Intra-Port services received, provided, and overhead			(16,968,529)
Other			(1,232,542)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 26,997,517

* The Airport budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenues:			
Administration	$ 287,000	$ 251,610	$ (35,390)
Marine and Industrial Development	51,289,727	48,095,137	(3,194,590)
Navigation	14,192,728	12,826,917	(1,365,811)
General Aviation	3,172,982	3,125,184	(47,798)
	68,942,437	64,298,848	(4,643,589)
Tax and tax items:			
Current property tax levy - net	8,881,844	9,036,318	154,474
Interest on taxes		35,068	35,068
	8,881,844	9,071,386	189,542
Interest	2,672,000	3,583,058	911,058
State loan proceeds		10,787,413	10,787,413
Fixed asset sales and other		149,997	149,997
Total revenues	80,496,281	87,890,702	7,394,421
TRANSFERS FROM OTHER FUNDS:			
Bond Construction Fund	5,798,628	3,194,575	(2,604,053)
Airport Construction Fund	7,419,889	7,883,841	463,952
Airport Revenue Fund	19,790,707	20,739,929	949,222
Total transfers	33,009,224	31,818,345	(1,190,879)
Total revenues and transfers	113,505,505	119,709,047	6,203,542
BEGINNING WORKING CAPITAL	138,520,795	136,677,167	(1,843,628)
Total resources	$ 252,026,300	$ 256,386,214	$ 4,359,914

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), continued
for the year ended June 30, 2010

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Administration	$ 36,883,580	$ 300,000	$ 37,183,580	$ 33,703,721	$ 3,479,859
Marine and Industrial Development	51,444,326		51,444,326	45,622,350	5,821,976
Navigation	11,359,654	500,000	11,859,654	10,288,503	1,571,151
General Aviation	1,860,662	600,000	2,460,662	2,454,416	6,246
Long-term debt payments	7,224,980		7,224,980	6,857,017	367,963
System development charges/other	5,000	3,500,000	3,505,000	3,500,000	5,000
Other environmental	1,511,054	4,100,000	5,611,054	3,540,882	2,070,172
Contingencies	130,168,436	(9,000,000)	121,168,436		121,168,436
Total expenditures	240,457,692		240,457,692	105,966,889	134,490,803
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	10,985,000		10,985,000		10,985,000
Airport Revenue Fund	583,608		583,608	468,863	114,745
Total transfers	11,568,608		11,568,608	468,863	11,099,745
Total expenditures and transfers	$ 252,026,300	$	$ 252,026,300	106,435,752	$ 145,590,548
ENDING WORKING CAPITAL				149,950,462	
Reclass of cash from restricted to current				(4,604)	
ENDING WORKING CAPITAL PER BALANCE SHEET				$ 149,945,858	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 201,000	$ 526,749	$ 325,749
Grants and other	32,025,745	15,727,261	(16,298,484)
Total revenues	32,226,745	16,254,010	(15,972,735)
TRANSFERS FROM OTHER FUNDS:			
General Fund	10,985,000		(10,985,000)
Airport Revenue Fund	5,324,200	3,740,027	(1,584,173)
Total transfers	16,309,200	3,740,027	(12,569,173)
BEGINNING WORKING CAPITAL	10,000,000	30,883,874	20,883,874
Total resources	$ 58,535,945	50,877,911	$ (7,658,034)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 42,640,117	28,344,479	$ 14,295,638
Contingencies	10,000,000		10,000,000
Total expenditures	52,640,117	28,344,479	24,295,638
TRANSFERS TO OTHER FUNDS:			
General Fund	5,798,628	3,194,575	2,604,053
Airport Revenue Fund	97,200	38,495	58,705
Total transfers	5,895,828	3,233,070	2,662,758
Total expenditures and transfers	$ 58,535,945	31,577,549	$ 26,958,396
ENDING WORKING CAPITAL		$ 19,300,362	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenue - Portland International Airport	$ 170,759,369	$ 165,860,870	$ (4,898,499)
Interest	1,183,000	1,227,024	44,024
Fixed asset sales and other	465,000	491,895	26,895
Total revenues	172,407,369	167,579,789	(4,827,580)
TRANSFERS FROM OTHER FUNDS:			
General Fund	583,608	468,863	(114,745)
Bond Construction Fund	97,200	38,495	(58,705)
Airport Construction Fund	1,350,550	1,479,653	129,103
Total transfers	2,031,358	1,987,011	(44,347)
Total revenues and transfers	174,438,727	169,566,800	(4,871,927)
BEGINNING WORKING CAPITAL	20,000,000	20,287,015	287,015
Total resources	$ 194,438,727	189,853,815	$ (4,584,912)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Operating expenditures	$ 72,280,572	70,670,328	$ 1,610,244
System development charges/other	5,000		5,000
Contingencies	20,000,000		20,000,000
Total expenditures	92,285,572	70,670,328	21,615,244
TRANSFERS TO OTHER FUNDS:			
General Fund	19,790,709	20,739,929	(949,220)
Bond Construction Fund	5,324,200	3,740,027	1,584,173
Airport Construction Fund	29,134,668	24,124,806	5,009,862
Airport Revenue Bond Fund	47,903,578	48,407,995	(504,417)
Total transfers	102,153,155	97,012,757	5,140,398
Total expenditures and transfers	$ 194,438,727	167,683,085	$ 26,755,642
ENDING WORKING CAPITAL		$ 22,170,730	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 190,000	$ 59,795	$ (130,205)
Bond sale proceeds			
Total revenues	190,000	59,795	(130,205)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	47,903,578	48,407,995	504,417
Airport Construction Fund	2,078,000		(2,078,000)
Total transfers	49,981,578	48,407,995	(1,573,583)
Total revenues and transfers	50,171,578	48,467,790	(1,703,788)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	16,867,490	17,665,428	797,938
Total resources	$ 67,039,068	66,133,218	$ (905,850)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 50,171,578	49,832,875	$ 338,703
Total expenditures	50,171,578	49,832,875	$ 338,703
UNAPPROPRIATED BALANCE	16,867,490		
	$ 67,039,068		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 16,300,343	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS

AIRPORT CONSTRUCTION FUND

(BUDGETARY BASIS)

for the year ended June 30, 2010

	Resources				Over
		Transfers			(Under)
	Original	In (Out)	Budget	Actual	Budget
REVENUES:					
Grants	$ 58,172,145		$ 58,172,145	$ 56,444,463	$ (1,727,682)
Interest and other	3,851,000		3,851,000	936,914	(2,914,086)
Total revenues	62,023,145		62,023,145	57,381,377	(4,641,768)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	29,134,669		29,134,669	24,124,806	(5,009,863)
PFC Fund	44,735,643		44,735,643	42,552,792	(2,182,851)
Total transfers	73,870,312		73,870,312	66,677,598	(7,192,714)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	73,536,896		73,536,896	101,464,895	27,927,999
Total resources	$ 209,430,353		$ 209,430,353	225,523,870	$ 16,093,517

	Appropriations				(Over)
		Transfers			Under
	Original	In (Out)	Budget	Actual	Budget
EXPENDITURES:					
Capital outlay	$ 181,465,706	$ 15,000,000	$ 196,465,706	179,041,894	$ 17,423,812
Contingencies	17,116,208	(15,000,000)	2,116,208		2,116,208
Total expenditures	198,581,914		198,581,914	179,041,894	19,540,020
TRANSFERS TO OTHER FUNDS:					
General Fund	7,419,889		7,419,889	7,883,841	(463,952)
Airport Revenue Fund	1,350,550		1,350,550	1,479,653	(129,103)
Airport Revenue Bond Fund	2,078,000		2,078,000		
PFC Fund				1,566,727	(1,566,727)
Total transfers	10,848,439		10,848,439	10,930,221	(2,159,782)
Total expenditures and transfers	$ 209,430,353	$	$ 209,430,353	189,972,115	$ 17,380,238
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 35,551,755	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Resources Original	Resources Transfers In (Out)	Resources Budget	Actual	Over (Under) Budget
REVENUES:					
Interest and other	$ 260,000		$ 260,000	$ 431,930	$ 171,930
Passenger facility charges	26,299,000		26,299,000	25,696,717	(602,283)
Total revenues	26,559,000		26,559,000	26,128,647	(430,353)
TRANSFERS FROM OTHER FUNDS:					
Airport Construction Fund				1,566,727	1,566,727
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	32,006,505		32,006,505	34,687,803	2,681,298
Total resources	$ 58,565,505		$ 58,565,505	62,383,177	$ 3,817,672

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Budget	Actual	(Over) Under Budget
EXPENDITURES:					
Other		$ 950,000	$ 950,000	1,260,936	$ (310,936)
Contingencies	$ 3,476,287	(950,000)	2,526,287		2,526,287
Total expenditures	3,476,287		3,476,287	1,260,936	2,526,287
TRANSFERS TO OTHER FUNDS:					
PFC Bond Fund	10,353,575		10,353,575	10,495,231	(141,656)
Airport Construction Fund	44,735,643		44,735,643	42,552,792	2,182,851
Total transfers	55,089,218		55,089,218	53,048,023	2,041,195
Total expenditures and transfers	$ 58,565,505	$	$ 58,565,505	54,308,959	$ 4,567,482
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 8,074,218	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2010

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 416,000	$ 33,499	$ (382,501)
Total revenues	416,000	33,499	(382,501)
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	10,353,575	10,495,231	141,656
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	10,770,975	10,914,263	143,288
Total resources	$ 21,540,550	21,442,993	$ (97,557)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 10,769,575	10,668,955	$ 100,620
Total expenditures	10,769,575	10,668,955	$ 100,620
UNAPPROPRIATED BALANCE	10,770,975		
	$ 21,540,550		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 10,774,038	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2010

		Marine & Other			Airport					
ASSETS	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund
Current assets:										
Cash and cash equivalents	$ 38,789,976	$ 38,726,536	$ 38,726,536		$ 63,440	$ 63,440				
Equity in pooled investments	168,653,904	144,312,733	125,921,461	$ 18,391,272	24,341,171	24,341,171				
Receivables, net of allowance for doubtful accounts	20,298,557	12,360,081	8,792,548	3,567,533	7,938,476	7,938,476				
Prepaid insurance and other assets	4,211,776	1,677,282	1,491,004	186,278	2,534,494	2,534,494				
Total current assets	231,954,213	197,076,632	174,931,549	22,145,083	34,877,581	34,877,581				
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	134,533,139	8,285,238	8,285,238		126,247,901	9,786,487	$ 50,565,318	$ 43,330,715	$ 5,246,179	$ 17,319,202
Receivables	12,406,508				12,406,508		17,561	9,010,346	3,372,624	5,977
Total restricted assets	146,939,647	8,285,238	8,285,238		138,654,409	9,786,487	50,582,879	52,341,061	8,618,803	17,325,179
Land held for sale	16,634,231	16,634,231	16,634,231							
Depreciable properties, net of accumulated depreciation	1,034,713,113	166,504,007	166,504,007		868,209,106	868,209,106				
Nondepreciable properties	426,348,867	137,088,199	67,209,876	69,878,323	289,260,668	68,107,135		221,153,533		
Unamortized bond issue costs	21,811,656	839,512	839,512		20,972,144	17,205,318			3,766,826	
Pension assets	75,337,342	37,296,623	37,296,623		38,040,719	38,040,719				
Due from other funds		34,951,998 *	34,951,998 *							
Deferred outflow and other noncurrent assets	30,236,958	782,958	782,958		29,454,000		20,056,000		9,398,000	
Total noncurrent assets	1,752,021,814	402,382,766	332,504,443	69,878,323	1,384,591,046	1,001,348,765	70,638,879	273,494,594	21,783,629	17,325,179
Total assets	$ 1,983,976,027	$ 599,459,398	$ 507,435,992	$ 92,023,406	$ 1,419,468,627	$ 1,036,226,346	$ 70,638,879	$ 273,494,594	$ 21,783,629	$ 17,325,179
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	$ 1,637,711	$ 1,637,711	$ 1,637,711							
Accounts payable	16,870,697	9,706,385	6,861,664	$ 2,844,721	$ 7,164,312	$ 7,164,312				
Book cash overdraft										
Accrued wages, vacation and sick leave pay	11,422,495	6,680,519	6,680,519		4,741,976	4,741,976				
Workers' compensation and other accrued liabilities	10,606,360	9,805,797	9,805,797		800,563	800,563				
Total current liabilities (payable from current assets)	40,537,263	27,830,412	24,985,691	2,844,721	12,706,851	12,706,851				
Restricted liabilities (payable from restricted assets):										
Long-term debt and other	29,603,041				29,603,041		$ 24,188,456		$ 544,585	$ 4,870,000
Accrued interest payable	11,775,221				11,775,221		10,094,080			1,681,141
Accounts payable	16,692,583	50,000	50,000		16,642,583			$ 16,642,583		
Contract retainage payable	146,723				146,723			146,723		
Total restricted current liabilities (payable from restricted assets)	58,217,568	50,000	50,000		58,167,568		34,282,536	16,789,306	544,585	6,551,141
Noncurrent liabilities:										
Long-term environmental and other accruals	88,360,644	56,739,645	56,739,645		31,620,999	2,166,999	20,056,000		9,398,000	
Long-term debt	679,983,003	94,263,003	94,263,003		585,720,000	481,075,000			104,645,000	
Deferred revenue and other	73,376,946	30,117,573	30,117,573		43,259,373	32,176,292	5,797,848		5,285,233	
Due to other funds					34,951,998 *	34,951,998 *				
Total noncurrent liabilities	899,938,161	181,170,221	181,170,221		753,719,938	550,370,289	60,136,384	16,789,306	119,872,818	6,551,141
Total liabilities	940,475,424	209,000,633	206,155,912	2,844,721	766,426,789	563,077,140	60,136,384	16,789,306	119,872,818	6,551,141
NET ASSETS										
Invested in capital assets, net of related debt	861,819,242	320,627,129	250,748,806	69,878,323	541,192,113	449,106,754	(23,320,000)	221,153,533	(100,878,174)	(4,870,000)
Restricted for capital and debt service	96,992,511	8,235,238	8,235,238		88,757,273	950,000	33,822,495	35,551,755	2,788,985	15,644,038
Unrestricted	84,688,850	61,596,398	42,296,036	19,300,362	23,092,452	23,092,452				
Total net assets	1,043,500,603	390,458,765	301,280,080	89,178,685	653,041,838	473,149,206	10,502,495	256,705,288	(98,089,189)	10,774,038
Total liabilities and net assets	$ 1,983,976,027	$ 599,459,398	$ 507,435,992	$ 92,023,406	$ 1,419,468,627	$ 1,036,226,346	$ 70,638,879	$ 273,494,594	$ 21,783,629	$ 17,325,179

* Amount eliminated in the Combined All Funds column.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF NET REVENUES
for the year ended June 30, 2010

Operating revenues:		
Airline revenues	$	84,997,225
Concessions and other rentals		79,674,270
Other		1,620,005
		166,291,500
Interest income - revenue fund and revenue bond fund		882,957
		167,174,457
Costs of operation and maintenance, excluding depreciation:		
Salaries, wages and fringe benefits		33,036,543
Contract, professional and consulting services		25,193,273
Materials and supplies		3,013,713
Utilities		5,980,700
Equipment rents, repair and fuel		967,508
Insurance		1,346,533
Rent		(676,610)
Travel and management expense		728,269
Allocation of general and administration expense of the Port of Portland		16,968,529
Other		1,495,457
		88,053,915
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$	79,120,542

* Presented in accordance with provisions of Ordinance Nos. 155 and 323 (ordinances authorizing issuance of Airport revenue bonds), which are different from generally accepted accounting principles.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF COMPLIANCE WITH ORDINANCE NOS. 155 AND 323
DEBT SERVICE COVERAGE REQUIREMENTS
for the year ended June 30, 2010

Section 16(ii) of Ordinance No. 155 and Section 5e of Ordinance No. 323 authorizing the issuance of Portland International Airport revenue bonds require that net revenues, as defined by Ordinance No. 155, in each fiscal year must equal at least 130 percent of the debt service requirement, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds.

The Airport has complied with this provision computed in accordance with ordinance definitions as follows:

Net revenues, per accompanying schedule of net revenues		$ 79,120,542
Debt service requirement:		
Interest and principal amount	$ 46,886,419	
	x 130%	
Total net revenues required		60,952,345
Excess of net revenues over 130% of debt service requirement		$ 18,168,197

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2010

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2009	$ 41,610,552	$ 2,068,454
Interest income	181,711	16,418
	41,792,263	2,084,872
Construction expenditures	41,792,263	
Transfers to revenue bond fund		2,084,872
Construction account, June 30, 2010	$	$

NOTE: This schedule is provided in compliance with Section 8d. of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF GENERAL ACCOUNT AMOUNT AVAILABLE FOR
PAYMENT TO AIRPORT REVENUE BOND FUND AND RATIO TO
REVENUE BOND DEBT SERVICE REQUIREMENT
for the year ended June 30, 2010

Net revenues, per accompanying schedule of net revenues	$	79,120,542	
Less revenue bond fund interest income		(59,795)	
Applied to General Account, available to be applied to debt service of bonds	$	79,060,747	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	46,886,419	(2)
Ratio (1)/(2)		1.69	
Required ratio		1.30	

NOTE: This schedule is provided in compliance with Section 5f of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY
For the year ended June 30, 2010

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2009	$ 143,288	$ 10,770,975	$ 34,687,803
PFC revenues:			
PFC bond account	10,495,231		
Capital account			15,201,486
Interest earnings		33,499	430,353
Transfer from reserve account to bond account	33,499	(33,499)	
Bond payments to trustee	(10,668,955)		
Variable rate bond and interest rate swap costs			(1,228,462)
Costs of approved PFC projects			(40,986,065)
Other, net			(30,897)
Balances at June 30, 2010	$ 3,063	$ 10,770,975	$ 8,074,218

NOTE: This schedule is provided in compliance with Section 9(d) of Ordinance No. 395-B.

THE PORT OF PORTLAND
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
for the year ended June 30, 2010

Fiscal Year	Property Taxes Receivable June 30, 2009	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2010	Interest Collected
2009-10		$ 9,312,811	$ (8,757,768)	$ (228,688)	$ (26,286)	$ 300,069	$ 3,843
2008-09	$ 322,613		(184,643)		(12,816)	125,154	9,428
2007-08	97,052		(42,678)		(4,507)	49,867	5,839
2006-07	37,465		(18,584)		(2,306)	16,575	4,152
2005-06	12,593		(8,687)		(817)	3,089	2,152
2004-05 and prior	14,354		(1,728)		(1,073)	11,553	(111)
	$ 484,077	$ 9,312,811	$ (9,014,088)	$ (228,688)	$ (47,805)	$ 506,307	$ 25,303

Reconciliation to income from property taxes:

Current levy	$ 9,312,811
Deduct discounts allowed	(228,688)
Cancellations and adjustments	(47,805)
	$ 9,036,318

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2010

			2009-2010 Transactions			Outstanding June 30, 2010	
	Maturity Date	Outstanding at June 30, 2009	Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 8,945,647		$ 654,182	$ 654,182	$ 8,291,465	$ 705,744
Series 2002B, 6.60% to 6.85%	06/01/28	43,525,000				43,525,000	
Series 2005, 4.00% to 5.50%	06/01/28	19,845,000		240,000	240,000	19,605,000	300,000
		72,315,647		894,182	894,182	71,421,465	1,005,744
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 12A, 4.00% to 5.25%	07/01/28	19,785,000		1,910,000	1,910,000	17,875,000	1,990,000
Series 12B, 4.00% to 5.25%	07/01/18	10,450,000		1,490,000	1,490,000	8,960,000	1,555,000
Series 12C, 4.00% to 5.25%	07/01/28	111,835,000		4,190,000	4,190,000	107,645,000	4,375,000
Series 15A, 4.00% to 5.00%	07/01/15	10,475,000		1,505,000	1,505,000	8,970,000	1,565,000
Series 15B, 4.50% to 5.375%	07/01/18	35,565,000		3,465,000	3,465,000	32,100,000	3,645,000
Series 15D, 4.50% to 5.50%	07/01/23	66,225,000		2,995,000	2,995,000	63,230,000	3,140,000
Series 18A, 0.22% *	07/01/26	69,445,000		2,620,000	2,620,000	66,825,000	2,785,000
Series 18B, 0.21% *	07/01/26	69,445,000		2,620,000	2,620,000	66,825,000	2,785,000
Series 19, 4.00% to 5.50%	07/01/38	131,965,000				131,965,000	1,480,000
Total Portland Int'l Airport Revenue Bonds		525,190,000		20,795,000	20,795,000	504,395,000	23,320,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 1999B, 5.00% to 5.75%	07/01/18	56,065,000		4,535,000	4,535,000	51,530,000	4,785,000
Series 2009A1, 0.30% *	07/01/24	29,000,000				29,000,000	45,000
Series 2009A2, 0.27% *	07/01/24	28,985,000				28,985,000	40,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		114,050,000		4,535,000	4,535,000	109,515,000	4,870,000
Total Port Bonds		$ 711,555,647		$ 26,224,182	$ 26,224,182	$ 685,331,465	$ 29,195,744
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 8,063,159		$ 409,635	$ 409,635	$ 7,653,524	$ 431,967
Oregon Department of Transportation, MMTF-0001, 0%	03/31/13		$ 574,820			574,820	200,000
Oregon Business Development Dept., B08005, 1.67%	09/23/12		8,116,653			8,116,653	
Oregon Business Development Dept., 040-188, 5.13%	07/15/30		1,477,874			1,477,874	
Oregon Business Development Dept., 040-189, 5.13%	07/15/32		618,066			618,066	
Total Contracts & Loans Payable		$ 8,063,159	$ 10,787,413	$ 409,635	$ 409,635	$ 18,440,937	$ 631,967
TOTAL PORT LONG-TERM DEBT		$ 719,618,806	$ 10,787,413	$ 26,633,817	$ 26,633,817	$ 703,772,402	$ 29,827,711

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES

FOR THE YEAR ENDED JUNE 30, 2010

	Outstanding at June 30, 2009	2009 - 10 Transactions: Issued	2009 - 10 Transactions: Interest Matured and Paid	2009 - 10 Transactions: Interest Fluctuations and Redemptions	Outstanding at June 30, 2010	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 14,784,354		$ 460,818		$ 14,323,536	$ 594,256
Series 2002B, 6.60% to 6.85%	46,812,328		2,965,950		43,846,378	2,965,950
Series 2005, 4.00% to 5.50%	12,665,038		981,318		11,683,720	970,669
	74,261,720		4,408,086		69,853,634	4,530,875
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 12A, 4.00% to 5.25%	6,393,009		956,303		5,436,706	863,000
Series 12B, 4.00% to 5.25%	1,809,972		496,835		1,313,137	423,981
Series 12C, 4.00% to 5.25%	60,557,900		5,468,750		55,089,150	5,270,568
Series 15A, 4.00% to 5.00%	1,678,934		467,803		1,211,131	403,506
Series 15B, 4.50% to 5.375%	8,945,651		1,782,009		7,163,642	1,590,928
Series 15D, 4.50% to 5.50%	28,986,055		3,391,419		25,594,636	3,230,375
Series 18A, 0.22% *	2,158,716		179,376	$ 769,450	1,209,890	140,888
Series 18B, 0.21% *	1,850,460		178,849	516,617	1,154,994	134,484
Series 19, 4.00% to 5.50%	135,261,403		7,843,559		127,417,844	6,883,788
Total Portland Int'l Airport Revenue Bonds	247,642,100		20,764,903	1,286,067	225,591,130	18,941,518
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 1999B, 5.00% to 5.75%	16,340,750		3,004,262		13,336,488	2,741,981
Series 2009A1, 0.30% *	1,319,828		70,061	259,774	989,993	86,865
Series 2009A2, 0.27% *	1,319,315		65,609	364,628	889,077	78,152
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	18,979,893		3,139,932	624,402	15,215,558	2,906,998
Total Port Bonds	$ 340,883,713		$ 28,312,922	$ 1,910,469	$ 310,660,322	$ 26,379,391
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 3,318,663		$ 419,068		$ 2,899,595	$ 396,736
Oregon Business Development Dept. B08005, 1.67%		$ 409,493			409,493	
Oregon Business Development Dept. 040-188, 5.13%		1,045,877	34,665		1,011,212	74,922
Oregon Business Development Dept. 040-189, 5.13%		458,243			458,243	20,081
Total Contracts & Loans Payable	$ 3,318,663	$ 1,913,613	$ 453,733		$ 4,778,543	$ 491,739
TOTAL PORT LONG-TERM DEBT	$ 344,202,376	$ 1,913,613	$ 28,766,655	$ 1,910,469	$ 315,438,865	$ 26,871,130

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

* Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES

AS OF JUNE 30, 2010

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
LIMITED TAX PENSION BONDS:														
Series 2002A	-Principal	03/28/02	$ 8,291,465	$ 705,744	$ 751,148	$ 792,268	$ 828,640	$ 846,100	$ 861,806	$ 877,546	$ 893,815	$ 901,618	832,780	
2.00% to 7.41%	-Interest		14,323,536	594,256	743,852	907,732	1,086,360	1,288,900	1,503,194	1,727,454	1,961,185	2,218,383	2,292,220	
Series 2002B	-Principal	03/28/02	43,525,000										265,000	$ 43,260,000
6.60% to 6.85%	-Interest		43,846,378	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	14,186,878
Series 2005	-Principal	09/23/05	19,605,000	300,000	360,000	435,000	510,000	590,000	680,000	775,000	875,000	985,000	1,100,000	12,995,000
4.00% to 5.50%	-Interest		11,683,720	970,669	957,121	937,321	917,254	893,463	864,795	831,753	794,096	751,580	703,719	3,061,949
Total	-Principal		$ 71,421,465	$ 1,005,744	$ 1,111,148	$ 1,227,268	$ 1,338,640	$ 1,436,100	$ 1,541,806	$ 1,652,546	$ 1,768,815	$ 1,886,618	$ 2,197,780	$ 56,255,000
Total	-Interest		$ 69,853,634	$ 4,530,875	$ 4,666,923	$ 4,811,003	$ 4,969,564	$ 5,148,313	$ 5,333,939	$ 5,525,157	$ 5,721,231	$ 5,935,913	$ 5,961,889	$ 17,248,827
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:														
Series 12A	-Principal	12/01/98	$ 17,875,000	$ 1,990,000	$ 2,090,000	$ 2,200,000	$ 2,315,000	$ 1,010,000	$ 1,060,000	$ 1,115,000	$ 1,165,000	$ 1,225,000	$ 295,000	$ 3,410,000
4.00% to 5.25%	-Interest		5,436,706	863,000	755,900	643,287	524,769	438,750	387,000	332,625	275,625	215,875	177,875	822,000
Series 12B	-Principal	12/01/98	8,960,000	1,555,000	1,640,000	1,720,000	1,805,000	1,480,000	330,000	135,000	145,000	150,000		
4.00% to 5.25%	-Interest		1,313,137	423,981	340,113	251,912	159,381	75,000	29,750	18,125	11,125	3,750		
Series 12C	-Principal	12/01/98	107,645,000	4,375,000	4,585,000	4,800,000	5,035,000	5,055,000	5,310,000	5,580,000	5,850,000	6,165,000	4,845,000	56,045,000
4.00% to 5.25%	-Interest		55,089,150	5,270,568	5,057,769	4,828,875	4,583,000	4,330,750	4,071,625	3,799,375	3,506,313	3,198,625	2,923,375	13,518,875
Series 15A	-Principal	04/03/01	8,970,000	1,565,000	1,630,000	1,720,000	1,800,000	1,890,000	365,000					
4.00% to 5.00%	-Interest		1,211,131	403,506	329,500	245,750	157,750	65,500	9,125					
Series 15B	-Principal	04/03/01	32,100,000	3,645,000	3,845,000	4,050,000	4,270,000	3,635,000	2,925,000	3,090,000	3,240,000	3,400,000		
4.50% to 5.375%	-Interest		7,163,642	1,590,928	1,389,634	1,177,456	953,856	741,409	565,109	409,250	251,000	85,000		
Series 15D	-Principal	04/03/01	63,230,000	3,140,000	3,335,000	3,475,000	3,665,000	3,865,000	4,110,000	4,305,000	4,550,000	4,790,000	5,080,000	22,915,000
4.50% to 5.50%	-Interest		25,594,636	3,230,375	3,060,406	2,881,644	2,689,638	2,482,563	2,263,249	2,031,837	1,788,325	1,531,475	1,272,750	2,362,374
Series 18A	-Principal	06/11/08	66,825,000	2,785,000	2,900,000	2,910,000	3,045,000	3,985,000	4,855,000	5,080,000	4,435,000	4,510,000	4,705,000	27,615,000
0.22% **	-Interest		1,209,890	140,888	134,508	128,106	121,407	112,640	101,959	90,783	81,026	71,104	60,753	166,716
Series 18B	-Principal	06/11/08	66,825,000	2,785,000	2,900,000	2,910,000	3,040,000	3,985,000	4,855,000	5,085,000	4,430,000	4,515,000	4,705,000	27,615,000
0.21% **	-Interest		1,154,994	134,484	128,394	122,283	115,899	107,531	97,335	86,657	77,354	67,872	57,992	159,193
Series 19	-Principal	11/13/08	131,965,000	1,480,000	1,840,000	2,350,000	2,465,000	2,585,000	2,695,000	2,810,000	2,945,000	3,095,000	3,245,000	106,455,000
4.00% to 5.50%	-Interest		127,417,844	6,883,788	6,800,788	6,696,038	6,575,663	6,462,338	6,353,369	6,225,850	6,081,975	5,930,975	5,772,475	63,634,585
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 504,395,000	$ 23,320,000	$ 24,765,000	$ 26,135,000	$ 27,440,000	$ 27,490,000	$ 26,505,000	$ 27,200,000	$ 26,760,000	$ 27,850,000	$ 22,875,000	$ 244,055,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 225,591,130	$ 18,941,518	$ 17,997,012	$ 16,975,351	$ 15,881,363	$ 14,816,481	$ 13,878,521	$ 12,994,502	$ 12,072,743	$ 11,104,676	$ 10,265,220	$ 80,663,743
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:														
Series 1999B	-Principal	09/01/99	$ 51,530,000	$ 4,785,000	$ 5,060,000	$ 5,350,000	$ 5,655,000	$ 5,970,000	$ 6,295,000	$ 6,660,000	$ 7,015,000	$ 4,740,000		
5.00% to 5.75%	-Interest		13,336,488	2,741,981	2,458,938	2,159,650	1,850,325	1,530,637	1,185,481	825,513	453,613	130,350		
Series 2009A1	-Principal	06/24/09	29,000,000	45,000	45,000	45,000	45,000	50,000	50,000	55,000	60,000	1,395,000	$ 3,980,000	$ 23,230,000
0.30% **	-Interest		989,993	86,865	86,730	86,595	86,460	86,310	86,160	85,995	85,815	81,630	69,690	147,743
Series 2009A2	-Principal	06/24/09	28,985,000	40,000	40,000	45,000	50,000	50,000	55,000	55,000	60,000	1,395,000	3,975,000	23,220,000
0.27% **	-Interest		889,077	78,152	78,044	77,922	77,787	77,652	77,504	77,355	77,193	73,427	62,694	131,347
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 109,515,000	$ 4,870,000	$ 5,145,000	$ 5,440,000	$ 5,750,000	$ 6,070,000	$ 6,400,000	$ 6,770,000	$ 7,135,000	$ 7,530,000	$ 7,955,000	$ 46,450,000
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 15,215,558	$ 2,906,998	$ 2,623,712	$ 2,324,167	$ 2,014,572	$ 1,694,599	$ 1,349,145	$ 988,863	$ 616,621	$ 285,407	$ 132,384	$ 279,090
Total Port Bonds	-Principal		$ 685,331,465	$ 29,195,744	$ 31,021,148	$ 32,802,268	$ 34,528,640	$ 34,996,100	$ 34,446,806	$ 35,622,546	$ 35,663,815	$ 37,266,618	$ 33,027,780	$ 346,760,000
Total Port Bonds	-Interest		$ 310,660,322	$ 26,379,391	$ 25,287,647	$ 24,110,521	$ 22,865,499	$ 21,659,393	$ 20,561,605	$ 19,508,522	$ 18,410,595	$ 17,325,996	$ 16,359,493	$ 98,191,660

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES

AS OF JUNE 30, 2010

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
CONTRACTS PAYABLE:														
City of Portland LID	-Principal	04/01/03	$ 7,653,524	$ 431,967	$ 455,516	$ 480,349	$ 506,536	$ 534,151	$ 563,271	$ 593,978	$ 626,360	$ 660,507	$ 696,515	$ 2,104,374
5.32%	-Interest		2,899,595	396,736	373,186	348,353	322,166	294,552	265,432	234,724	202,342	168,195	132,187	161,722
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	574,820	200,000	200,000	174,820								
Oregon Business Development Dept. B08005	-Principal	03/23/09	8,116,653			8,116,653								
1.67%	-Interest		409,493			409,493								
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,477,874		4,125	45,452	47,813	50,296	52,909	55,656	58,548	61,589	64,787	1,036,699
5.13%	-Interest		1,011,212	74,922	56,229	75,256	72,895	70,412	67,800	65,051	62,161	59,120	55,921	351,445
Oregon Business Development Dept. 040-189	-Principal	09/10/09	618,066			100	19,059	20,049	21,090	22,185	23,338	24,550	25,825	461,870
5.13%	-Interest		458,243	20,081	31,707	37,432	31,557	30,566	29,524	28,429	27,277	26,065	24,789	170,816
Total	-Principal		$ 18,440,937	$ 631,967	$ 659,641	$ 8,817,374	$ 573,408	$ 604,496	$ 637,270	$ 671,819	$ 708,246	$ 746,646	$ 787,127	$ 3,602,943
Total	-Interest		$ 4,778,543	$ 491,739	$ 461,122	$ 870,534	$ 426,618	$ 395,530	$ 362,756	$ 328,204	$ 291,780	$ 253,380	$ 212,897	$ 683,983
TOTAL PORT LONG-TERM DEBT	-Principal		$ 703,772,402	$ 29,827,711	$ 31,680,789	$ 41,619,642	$ 35,102,048	$ 35,600,596	$ 35,084,076	$ 36,294,365	$ 36,372,061	$ 38,013,264	$ 33,814,907	$ 350,362,943
TOTAL PORT LONG-TERM DEBT	-Interest		$ 315,438,865	$ 26,871,130	$ 25,748,769	$ 24,981,055	$ 23,292,117	$ 22,054,923	$ 20,924,361	$ 19,836,726	$ 18,702,375	$ 17,579,376	$ 16,572,390	$ 98,875,643

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
** Interest rate at June 30, 2010. Rate is variable, depending on weekly remarketings.

		Date of Issue	Total Requirements	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Remaining Fiscal Years
INDUSTRIAL DEVELOPMENT REVENUE BONDS:														
Public Grain Elevator Revenue Bonds:														
Columbia Grain, Inc. Project:	-Principal	12/19/84	$ 38,100,000					$ 38,100,000						
1984 Series, 0.57% *	-Interest		$ 977,265	$ 217,170	$ 217,170	$ 217,170	$ 217,170	$ 108,585						
Other Industrial Development Revenue Bonds:														
Delta Airlines Project:	-Principal	08/01/92	$ 8,038,000											$ 8,038,000
1992 Series, 6.20%	-Interest		6,229,450	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	$ 498,356	1,245,890
Horizon Air Project:	-Principal	08/07/97	17,300,000											17,300,000
1997 Series, 0.30% *	-Interest		877,975	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	51,900	358,975
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000											71,000,000
2006 Series, 0.31% *	-Interest		5,717,325	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	222,460	3,492,725
Total Other	-Principal		$ 96,338,000											$ 96,338,000
Total Other	-Interest		$ 12,824,750	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 5,097,590
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 134,438,000					$ 38,100,000						$ 96,338,000
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 13,802,015	$ 989,886	$ 989,886	$ 989,886	$ 989,886	$ 881,301	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 772,716	$ 5,097,590

* Interest rate at June 30, 2010. Rate is variable, depending on prime.
Note: Interest rates relate to original issue. Certain coupons are no longer outstanding. This schedule is provided for information purposes only. Industrial development revenue bonds are not a liability or contingent liability of the Port.

THE PORT OF PORTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Award Period	Federal CFDA Number/Contract #	Current Expenditures
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program (M):			
AIP-3-41-0025-20	07/14/08 - 06/30/10	20.106	$ 2,202
AIP-3-41-0025-21	06/08/09 - 06/30/10	20.106	2,227,236
AIP 3-41-0061-14	09/16/08 - 06/30/10	20.106	2,022,438
AIP-3-41-0048-53	07/10/06 - 06/30/10	20.106	122,174
AIP-3-41-0048-55	09/07/06 - 06/30/10	20.106	500
AIP-3-41-0048-57	05/06/08 - 06/30/10	20.106	130,310
AIP-3-41-0048-58	08/06/08 - 06/30/10	20.106	841,908
AIP-3-41-0048-59	02/12/09 - 06/30/10	20.106	1,237,217
ARRA - AIP-3-41-0048-60	03/01/09 - 06/30/10	20.106	5,603,883
AIP-3-41-0048-61	09/02/09 - 06/30/10	20.106	19,916,681
Maritime Administration			
American Recovery and Reinvestment Act of 2009 (M)	06/17/09 - 06/30/10	20.205	1,102,244
Federal Rail Administration			
Railroad Development	08/05/07 - 06/30/10	20.314	3,459,684
			36,666,477
U.S. Department of Homeland Security:			
Federal Emergency Management Agency			
Oregon Emergency Management Disaster Assistance	12/13/08 - 06/30/10	97.036	42,877
Office of Grants & Training			
FY2007 IPP - Port Security Grant Program	08/09/07 - 06/30/10	97.056	86,605
Office of Domestic Preparedness			
Urban Area Security Initiative FY07	07/01/07 - 06/30/10	97.067	78,475
Urban Area Security Initiative FY08	07/01/08 - 06/30/10	97.067	24,240
Transportation Security Administration			
National Explosives Detection Canine Team Program	10/01/04 - 06/30/10	97.072	220,531
Law Enforcement Officer Reimbursement Program	10/01/07 - 06/30/10	97.090	196,913
Airport Checked Baggage Screening Program	10/07/07 - 06/30/10	97.100	25,800,793
Advanced Surveillance Program	09/13/06 - 06/30/10	97.118	256,511
			26,706,945
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/09-06/30/10	39.003	26,710
U.S. Army Corps of Engineers:			
Direct:			
ARRA - Contract Dredging (M)	07/01/09 - 06/30/10	W9127N-05-C-0018	2,039,011
Contract Dredging (M)	07/01/09 - 06/30/10	W9127N-05-C-0018	10,783,915
			12,822,926
Total Expenditures of Federal Awards			$ 76,223,058

(M) Major federal programs as defined by OMB Circular A-133

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

October 28, 2010

To the Board of Commissioners of the
Port of Portland

We have audited the financial statements of the Airport and Marine & Other activities of the Port of Portland (the "Port"), as of and for the year ended June 30, 2010, which collectively comprise the Port's basic financial statements and have issued our report thereon dated October 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Port's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be control deficiencies, significant deficiencies or material weaknesses. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over financial reporting and its operation that we consider to be control deficiencies, significant deficiencies or material weaknesses.

Accounting Records

We found the Port's accounting records to be adequate for audit purposes.

Adequacy of Collateral Securing Depository Balances

Oregon Revised Statutes ("ORS") Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 10%, 25%, or 110%, depending on the depository, of the greater of (a) all public funds held by the depository or (b) the average of the balances of public funds held by the depository, as shown on the last four immediately preceding treasurer reports. During the year ended June 30, 2010, we noted no instances where certificates maintained by depositories were not sufficient to secure the Port's bank deposits to the maximum extent possible under statute.

Investments

Our review of deposit and investment balances indicated that, during the year ended June 30, 2010, the Port was in compliance with ORS Chapter 294 as it pertains to investment of public funds.

Legal Requirements Relating to Debt

The general obligation bonded debt of the Port is in compliance with the limitation imposed by ORS Chapter 778. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of this bonded debt.

Budget Compliance
A description of the budgeting process is included in the notes to the basic financial statements.

The Port appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2010 and the preparation and adoption of its budget for the year ended June 30, 2010. In the Airport PFC Fund, the Port overexpended one budget appropriation for the year ended June 30, 2010. This overexpenditure of $(310,936) is the result of a balance sheet reclassification and does not represent a cash overexpenditure.

Insurance Policies and Fidelity Bonds
We have reviewed the Port's insurance and fidelity bond coverage at June 30, 2010. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering the Port-owned property at June 30, 2010.

Public Contracts
The Port's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

Programs Funded from Outside Sources
Our reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, and compliance with requirements applicable to each major program and internal control over compliance and other matters in accordance with OMB A-133 are contained in a separate report dated October 28, 2010.

Financial Reporting Requirements
We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

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This report is intended solely for the information of the Board of Commissioners, management, and the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

By: ______________________________
Michael MacBryde, Partner

Portland, Oregon
October 28, 2010