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, 2011
with comparative totals for the year ended June 30, 2010
THE PORT OF PORTLAND

(a municipal corporation)

____________________
THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2011

<table>
<thead>
<tr>
<th>Name</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judith Johansen, President</td>
<td>September 14, 2013</td>
</tr>
<tr>
<td>17600 Pacific Highway</td>
<td></td>
</tr>
<tr>
<td>Marylhurst, Oregon 97036-0261</td>
<td></td>
</tr>
<tr>
<td>Steven H. Corey, Vice President</td>
<td>March 31, 2013</td>
</tr>
<tr>
<td>222 SE Dorion Avenue</td>
<td></td>
</tr>
<tr>
<td>Pendleton, Oregon 97801</td>
<td></td>
</tr>
<tr>
<td>Diana A. Daggett, Secretary</td>
<td>September 30, 2011</td>
</tr>
<tr>
<td>5200 NE Elam Young Parkway</td>
<td></td>
</tr>
<tr>
<td>Hillsboro, Oregon 97124</td>
<td></td>
</tr>
<tr>
<td>Paul A. Rosenbaum, Treasurer</td>
<td>June 30, 2011*</td>
</tr>
<tr>
<td>7700 NE Ambassador Place</td>
<td></td>
</tr>
<tr>
<td>Portland, Oregon 97220</td>
<td></td>
</tr>
<tr>
<td>Ken Allen</td>
<td>September 30, 2012</td>
</tr>
<tr>
<td>6025 E Burnside Street</td>
<td></td>
</tr>
<tr>
<td>Portland, Oregon 97215</td>
<td></td>
</tr>
<tr>
<td>Peter J. Bragdon</td>
<td>September 30, 2011</td>
</tr>
<tr>
<td>14375 NW Science Park Drive</td>
<td></td>
</tr>
<tr>
<td>Portland, Oregon 97229</td>
<td></td>
</tr>
<tr>
<td>Jim Carter</td>
<td>November 30, 2013</td>
</tr>
<tr>
<td>7200 NE Airport Way</td>
<td></td>
</tr>
<tr>
<td>Portland, Oregon 97218</td>
<td></td>
</tr>
<tr>
<td>Tom Chamberlain</td>
<td>May 9, 2015</td>
</tr>
<tr>
<td>2110 State Street</td>
<td></td>
</tr>
<tr>
<td>Salem, Oregon 97303</td>
<td></td>
</tr>
<tr>
<td>Bruce A. Holte</td>
<td>July 31, 2011</td>
</tr>
<tr>
<td>2435 NW Front Avenue</td>
<td></td>
</tr>
<tr>
<td>Portland, Oregon 97209</td>
<td></td>
</tr>
</tbody>
</table>

Bill Wyatt, Executive Director

REGISTERED AGENT AND OFFICE
Carla Kelley
7200 NE Airport Way
Portland, Oregon 97218
Telephone: 503-415-6000

* Serves until reappointed or a successor is appointed and confirmed.
THE PORT OF PORTLAND

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REPORT OF INDEPENDENT AUDITORS
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, 2011, 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 an opinion 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.

The Management’s Discussion and Analysis and other Required 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.

By:

______________________________
Michael MacBryde, Partner

Portland, Oregon
October 26, 2011
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, 2011. 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 four parts – management’s discussion and analysis (this section), the basic financial statements (including notes), required supplementary information, 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 6 to the financial statements.

Financial Results:
The Port’s total net assets increased $55.4 million from the 2010 amount, or 5.3 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 – increased by $34.4 million, or 40.6 percent, during that same time. In comparison, last year total net assets increased by $76.8 million, or 7.9 percent. The analysis in Table 1 (below) focuses on the net assets of the Airport and of the Port’s Marine & Other activities separately.

<p>| Table 1 |</p>
<table>
<thead>
<tr>
<th>Net Assets (in millions)</th>
<th>Total Port</th>
<th>Total Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$315.7</td>
<td>$262.0</td>
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<tr>
<td>Capital assets</td>
<td>1,212.4</td>
<td>1,157.5</td>
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<tr>
<td>Total assets</td>
<td>1,528.1</td>
<td>1,419.5</td>
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<tr>
<td>Long-term debt outstanding</td>
<td>663.1</td>
<td>617.4</td>
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<tr>
<td>Other liabilities</td>
<td>163.2</td>
<td>149.1</td>
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<tr>
<td>Total liabilities</td>
<td>826.3</td>
<td>766.5</td>
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<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>549.2</td>
<td>541.1</td>
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<tr>
<td>Restricted</td>
<td>108.8</td>
<td>88.8</td>
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<tr>
<td>Unrestricted</td>
<td>43.8</td>
<td>23.1</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$701.8</td>
<td>$653.0</td>
</tr>
</tbody>
</table>

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

Total net assets of the Airport increased by $48.8 million, or 7.5 percent, as a result of net income and capital grants. Net assets invested in capital assets, net of related debt, increased $8.1 million, or 1.5 percent, as a result of increases in capital additions and construction spending. Restricted net assets
increased by $20.0 million, or 22.5 percent, primarily due to construction spending. Unrestricted net assets increased by $20.7 million, or 89.6 percent, primarily as a result of net income.

Total net assets of Marine & Other increased from the 2010 balance by $6.6 million, or 1.7 percent, primarily the result of capital grants. Net assets invested in capital assets, net of related debt, decreased $7.2 million, or 2.2 percent, as a result of increased debt funding of capital assets and normal depreciation. Unrestricted net assets increased $13.7 million or 22.2 percent, primarily due to unrestricted capital grants in Marine & Other.

Several factors caused changes in net assets (Table 2, below) to decrease $21.4 million from the prior year.

Airport changes in net assets decreased $30.7 million, primarily as a result of decreased capital grants and increased operating expenses versus the prior year. Marine & Other changes in net assets increased $9.3 million primarily due to decreased non operating expense.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Changes in Net Assets</th>
<th>($ millions)</th>
<th>2010-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Airport</td>
<td>Marine &amp; Other</td>
<td>Total Port</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 173.3</td>
<td>$ 166.3</td>
<td>$ 61.7</td>
</tr>
<tr>
<td>Land sales</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Other</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Nonoperating revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property tax revenue</td>
<td>9.3</td>
<td>9.0</td>
<td>9.3</td>
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<tr>
<td>Interest revenue</td>
<td>1.7</td>
<td>2.3</td>
<td>2.9</td>
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<tr>
<td>PFC revenue</td>
<td>27.0</td>
<td>25.7</td>
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<tr>
<td>Other nonoperating revenue</td>
<td>3.8</td>
<td></td>
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<tr>
<td>Total nonoperating revenue</td>
<td>202.0</td>
<td>194.3</td>
<td>78.8</td>
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<tr>
<td>Expenses:</td>
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<tr>
<td>Operating expenses</td>
<td>153.9</td>
<td>140.6</td>
<td>80.1</td>
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<tr>
<td>Nonoperating expenses</td>
<td>35.3</td>
<td>26.7</td>
<td>5.5</td>
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<tr>
<td>Total expenses</td>
<td>189.2</td>
<td>167.3</td>
<td>85.6</td>
</tr>
<tr>
<td>Income (loss) before contributions and transfers</td>
<td>12.8</td>
<td>27.0</td>
<td>(6.8)</td>
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<tr>
<td>Capital contributions</td>
<td>36.1</td>
<td>56.5</td>
<td>13.3</td>
</tr>
<tr>
<td>Transfers (out) in</td>
<td>(0.1)</td>
<td>(4.0)</td>
<td>0.1</td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$ 48.8</td>
<td>$ 79.5</td>
<td>$ 6.6</td>
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</table>

Total revenues for the Port increased by approximately $7.4 million from the prior year. Total expenses increased approximately $6.0 million from the prior year amount.

At the Airport, operating revenues increased about $7.0 million from the prior year due primarily to increases in airline, concessions, and parking revenues. The increase of about $13.3 million in operating expenses was primarily attributable to higher depreciation, salary, and support services expense. The increase of $8.6 million in nonoperating expense was mainly due to decreased capitalized interest resulting from decreased capital construction at the Airport. Capital contributions decreased $20.4 million as a result of incurring fewer grant-eligible costs in 2011.

For Marine & Other, operating revenues decreased $2.7 million from the prior year, largely the result of lower dredging revenues. During the same time, operating expenses decreased $4.6 million versus 2010 primarily due to decreased longshore labor expense. Nonoperating expenses decreased $10.3 million versus the prior year, primarily due to the nonoperating loss on the sale of the Mulino Airport in fiscal 2010 and a $3.5 million service retention payment to Delta Airlines also in 2010.
Budgetary Highlights:
The Port’s budget for fiscal 2011 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2010. Appropriations in the budget were adjusted upward during the year to reflect higher costs related to environmental expenditures in the Portland Harbor Superfund site and increased legal costs for general aviation in support of the Hillsboro airport third runway project. 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 $108.0 million, 16.7 percent below the $129.7 million budget as the largest capital expansion program ever undertaken at the Airport begins to wind down. Operating expenditures tracked well against the budget, coming in just below the $73.8 million budget amount. Airport operating revenues were $173.0 million, 0.5 percent below the $174.0 million budget, primarily as a result of reduced airline and rental car revenues. Capital grants during the year were $35.7 million, well above the budget of $19.0 million.

Fiscal 2011 budgetary capital expenditures for Marine & Other were $14.9 million, 52.6 percent below the budget of $31.4 million, as a result of deferrals of nonessential projects; capital grants for the year were $13.3 million, significantly below the budget of $26.4 million. Budgetary operating revenues were $1.9 million under budget in marine and industrial development, largely due to a budgeted land sale that did not occur as well as lower container revenues resulting from the lease of the container operation at Terminal 6, offset in part by receipt of a prepaid lease payment for an industrial property. Budgetary operating revenues for navigation were $3.6 million below budget as a result of lower than anticipated dredging activity during the year. Budgetary operating expenditures were below budget by approximately $1.6 million for administration, primarily as a result of vacant positions and outside service cost reductions. Budgetary operating expenditures for marine and industrial development were below budget approximately $8.1 million due to no cost of land sold as a result of the delayed land sale, as well as lower longshore labor expense as a result of the T6 lease. Navigation budgetary operating expenditures were $2.4 million below budget, again, as a result of lower than anticipated dredging activity during the year. Budgetary operating expenditures for other environmental were under budget by approximately $1.9 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 $3.9 million which was not budgeted, as well as the receipt of $8.0 million for sale of rolling stock in conjunction with long term lease of the container operation at Terminal 6.

Capital Assets:
At the end of fiscal 2011, the Port had over $1.5 billion invested in a broad range of capital assets. This amount represents a net increase (essentially additions offset by depreciation expense) of over $48 million versus last year, as outlined in Table 3 (below).
Table 3
Capital Assets
($ millions)

<table>
<thead>
<tr>
<th></th>
<th>Airport 2011</th>
<th>Marine &amp; Other 2011</th>
<th>Total Port 2011</th>
<th>2010-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$ 68.0</td>
<td>$ 75.5</td>
<td>$ 143.5</td>
<td>$ 135.2</td>
</tr>
<tr>
<td>Land</td>
<td>2011</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>309.0</td>
<td>221.3</td>
<td>374.7</td>
<td>291.2</td>
</tr>
<tr>
<td>Total capital assets not being depreciated</td>
<td>377.0</td>
<td>289.3</td>
<td>518.2</td>
<td>426.4</td>
</tr>
<tr>
<td>Land improvements</td>
<td>569.3</td>
<td>559.6</td>
<td>805.8</td>
<td>792.8</td>
</tr>
<tr>
<td>Buildings and equipment</td>
<td>1,106.8</td>
<td>1,086.2</td>
<td>1,331.1</td>
<td>1,325.9</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>1,676.1</td>
<td>1,646.2</td>
<td>2,136.9</td>
<td>2,118.7</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(840.7)</td>
<td>(778.0)</td>
<td>(1,145.8)</td>
<td>(1,084.0)</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>835.4</td>
<td>868.2</td>
<td>1,034.7</td>
<td>1,034.7</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$ 1,212.4</td>
<td>$ 1,157.5</td>
<td>$ 1,509.3</td>
<td>$ 1,461.1</td>
</tr>
</tbody>
</table>

This year’s major capital asset spending included:

Airport:
- Deicing system improvements - $34.8 million
- In-line baggage screening improvements - $25.2 million
- South runway improvements - $22.3 million
- North runway expansion - $16.6 million
- Parking structure and headquarters building - $3.9 million
- Pavement management program - $4.9 million

Marine & Other:
- South Rivergate rail expansion - $4.2 million
- Hillsboro airport runway improvements - $2.1 million
- Terminal 6 wharf modernization - $2.0 million
- Ramsey rail improvement - $1.7 million
- Terminal 4 pipeline infrastructure - $1.6 million
- Terminal 6 crane rehabilitation - $1.4 million

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

The Port’s 2012 capital budget estimates spending another $104 million on capital projects at the Airport and $65 million in Marine & Other. Spending at the Airport is primarily slated for rehabilitation of the south runway, pavement rehabilitation projects, and baggage screening 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 industrial land acquisition and improvements, repowering the dredge Oregon, general aviation runway and taxiway improvements, and rail and infrastructure improvements at marine terminal and South Rivergate facilities. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.
Long-Term Debt:
At the end of 2011, the Port had approximately $749 million in bonds, contracts and loans payable outstanding. This is an increase from the prior year, as seen in Table 4 (below).

<table>
<thead>
<tr>
<th>Total Port</th>
<th>$ millions</th>
<th>Percentage Change</th>
</tr>
</thead>
</table>

<table>
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<tr>
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<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Pension bonds</td>
<td>$76.7</td>
<td>$77.4</td>
<td>$76.7</td>
<td>$77.4</td>
</tr>
<tr>
<td>Revenue bonds</td>
<td>$504.4</td>
<td>$504.4</td>
<td>$504.4</td>
<td>$504.4</td>
</tr>
<tr>
<td>PFC revenue bonds</td>
<td>104.6</td>
<td>109.5</td>
<td>104.6</td>
<td>109.5</td>
</tr>
<tr>
<td>Contracts and loans payable</td>
<td>41.7</td>
<td>21.7</td>
<td>18.5</td>
<td>63.4</td>
</tr>
</tbody>
</table>

The outstanding amount of Airport revenue bonds remained flat as decreases due to scheduled bond payments were offset by construction bonds issued during fiscal 2011. As of the end of fiscal 2011, 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 $4.9 million as a result of regularly scheduled bond payments. Airport contracts and loans payable increased by $41.7 million as the result of draws on a new $100 million non-revolving credit facility.

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 the Port’s 2012 adopted budget, total Port operating revenue is budgeted to increase about 0.3% to approximately $236.8 million as a result of slow recovery from the global economic recession on our
business lines. Total operating expenses are budgeted to increase by about 0.5% to approximately $152.3 million, reflecting the stabilization of costs in fiscal 2012.

Operating revenues for the Airport are budgeted to increase to $181.4 million in the fiscal 2012 budget, due to higher airline revenues and a slight increase in passenger volumes. Airport operating expenses (excluding depreciation) are budgeted to increase about 7.6 percent to $97.6 million as a result of expenses attributable to the new baggage screening and deicing systems coming on-line.

In Marine & Other, operating revenues are budgeted to decrease by 11.8 percent to $55.4 million, primarily due to the transfer of container terminal operations to ICTSI as a part of the operating lease. Operating expenses (excluding depreciation) are budgeted to decrease by 10.2 percent to $54.7 million due to the elimination of costs related to the transfer of container activity to ICTSI. Property taxes are budgeted to comprise approximately 1 percent of Port 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, 2011  
with comparative totals as of June 30, 2010

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Airport</td>
<td>Marine &amp; Other</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 3)</td>
<td>$63,440</td>
<td>$43,936,018</td>
<td>$43,999,458</td>
<td>$38,789,976</td>
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<tr>
<td>Equity in pooled investments (Note 3)</td>
<td>57,404,760</td>
<td>164,293,372</td>
<td>221,698,132</td>
<td>168,653,904</td>
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<tr>
<td>Receivables, net of allowance for doubtful accounts of $23,068 in 2010 and $159,724 in 2011 for Airport and $75,168 in 2010 and $159,724 in 2011 for Marine &amp; Other (Note 4)</td>
<td>8,055,352</td>
<td>11,922,736</td>
<td>19,978,088</td>
<td>20,298,557</td>
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<tr>
<td>Prepaid insurance and other assets</td>
<td>2,970,349</td>
<td>1,752,238</td>
<td>4,722,587</td>
<td>4,211,776</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>68,493,901</td>
<td>221,904,364</td>
<td>290,398,265</td>
<td>231,954,213</td>
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<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Restricted assets (Note 1):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and equity in pooled investments (Note 3)</td>
<td>148,612,667</td>
<td>8,292,044</td>
<td>156,904,711</td>
<td>134,533,139</td>
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<tr>
<td>Receivables (Note 4)</td>
<td>13,048,139</td>
<td>13,048,139</td>
<td>12,406,508</td>
<td>12,406,508</td>
</tr>
<tr>
<td><strong>Total restricted assets</strong></td>
<td>161,660,806</td>
<td>8,292,044</td>
<td>169,952,850</td>
<td>146,939,647</td>
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<tr>
<td>Land held for sale (Note 1)</td>
<td>16,163,732</td>
<td>16,163,732</td>
<td>16,634,231</td>
<td>16,634,231</td>
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<tr>
<td>Depreciable properties, net of accumulated depreciation (Note 5)</td>
<td>835,409,305</td>
<td>155,706,149</td>
<td>991,115,454</td>
<td>1,034,713,113</td>
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<tr>
<td>Nondepreciable properties (Note 5)</td>
<td>376,987,292</td>
<td>141,174,593</td>
<td>518,161,885</td>
<td>462,348,867</td>
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<tr>
<td>Unamortized bond issue costs</td>
<td>38,189,057</td>
<td>37,356,963</td>
<td>75,546,020</td>
<td>75,337,342</td>
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<tr>
<td>Due from Airport (Note 8)</td>
<td>34,449,893</td>
<td>34,449,893</td>
<td>34,449,893</td>
<td>34,449,893</td>
</tr>
<tr>
<td>Deferred outflows and other noncurrent assets (Note 6)</td>
<td>25,845,000</td>
<td>25,845,000</td>
<td>25,845,000</td>
<td>25,845,000</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>1,459,560,723</td>
<td>394,691,111</td>
<td>1,819,801,941</td>
<td>1,752,021,814</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,528,054,624</td>
<td>$616,595,475</td>
<td>$2,110,200,206</td>
<td>$1,983,976,027</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
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<td></td>
</tr>
<tr>
<td>Current liabilities (payable from current assets):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>5,995,954</td>
<td>7,671,216</td>
<td>13,667,170</td>
<td>13,667,170</td>
</tr>
<tr>
<td>Workers' compensation and other accrued liabilities (Notes 10 and 11)</td>
<td>3,620,011</td>
<td>8,408,090</td>
<td>12,028,101</td>
<td>12,028,101</td>
</tr>
<tr>
<td><strong>Total current liabilities (payable from current assets)</strong></td>
<td>26,200,988</td>
<td>37,271,911</td>
<td>63,472,899</td>
<td>63,472,899</td>
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<tr>
<td>Restricted liabilities (payable from restricted assets) (Note 1):</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Current portion of long-term debt and other (Note 6)</td>
<td>27,972,960</td>
<td>27,972,960</td>
<td>27,972,960</td>
<td>27,972,960</td>
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<tr>
<td>Accrued interest payable</td>
<td>10,501,186</td>
<td>7,671,216</td>
<td>18,172,402</td>
<td>18,172,402</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>22,064,109</td>
<td>50,000</td>
<td>22,114,109</td>
<td>22,114,109</td>
</tr>
<tr>
<td>Contract retainage payable</td>
<td>154,575</td>
<td>154,575</td>
<td>154,575</td>
<td>154,575</td>
</tr>
<tr>
<td><strong>Total restricted current liabilities (payable from restricted assets)</strong></td>
<td>60,692,830</td>
<td>50,000</td>
<td>60,742,830</td>
<td>60,742,830</td>
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<tr>
<td><strong>Noncurrent liabilities:</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Long-term environmental and other accruals (Notes 6, 9 and 11)</td>
<td>28,054,000</td>
<td>52,555,441</td>
<td>80,609,441</td>
<td>88,360,441</td>
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<tr>
<td>Long-term debt (Note 6)</td>
<td>635,171,142</td>
<td>96,277,593</td>
<td>731,448,735</td>
<td>679,983,003</td>
</tr>
<tr>
<td>Deferred revenue and other (Notes 1 and 6)</td>
<td>41,637,396</td>
<td>33,420,565</td>
<td>75,057,961</td>
<td>73,376,946</td>
</tr>
<tr>
<td>Due to Marine &amp; Other (Note 8)</td>
<td>34,449,893</td>
<td>34,449,893</td>
<td>34,449,893</td>
<td>34,449,893</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>800,005,261</td>
<td>182,303,599</td>
<td>982,308,860</td>
<td>982,308,860</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>826,206,249</td>
<td>219,575,510</td>
<td>1,045,781,759</td>
<td>1,045,781,759</td>
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<tr>
<td><strong>Commitments and contingencies (Note 11)</strong></td>
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<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>549,210,543</td>
<td>313,533,916</td>
<td>862,744,459</td>
<td>861,819,242</td>
</tr>
<tr>
<td>Restricted for capital and debt service</td>
<td>108,814,755</td>
<td>8,242,044</td>
<td>117,056,799</td>
<td>96,992,511</td>
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<tr>
<td>Unrestricted</td>
<td>43,823,077</td>
<td>75,244,005</td>
<td>119,067,082</td>
<td>84,688,850</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>701,848,375</td>
<td>397,019,965</td>
<td>1,108,868,340</td>
<td>1,043,500,603</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$1,528,054,624</td>
<td>$616,595,475</td>
<td>$2,110,200,206</td>
<td>$1,983,976,027</td>
</tr>
</tbody>
</table>

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

The accompanying notes are an integral part of these financial statements.
# Statement of Revenues, Expenses, and Changes in Net Assets

## For the Year Ended June 30, 2011

### with Comparative Totals for the Year Ended June 30, 2010

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Charges for services</td>
<td>$173,343,355</td>
<td>$61,668,671</td>
<td>$235,012,026</td>
<td>$231,714,748</td>
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<tr>
<td>Land sales</td>
<td>973,835</td>
<td>973,835</td>
<td>1</td>
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<td></td>
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<td></td>
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<tr>
<td>Other</td>
<td>4,035</td>
<td>139,238</td>
<td>143,273</td>
<td>124,644</td>
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<td></td>
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</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>$173,347,390</td>
<td>$62,781,744</td>
<td>$236,129,134</td>
<td>$231,839,393</td>
<td></td>
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</tr>
</tbody>
</table>

| **Marine & Other** |          |          |       |         |       |         |       |         |
| Charges for services|          |          |       |         |       |         |       |         |
| Land sales          |          |          |       |         |       |         |       |         |
| Other               |          |          |       |         |       |         |       |         |
| **Total operating revenues** |          |          |       |         |       |         |       |         |

| **Total**           |          |          |       |         |       |         |       |         |
| Charges for services|          |          |       |         |       |         |       |         |
| Land sales          |          |          |       |         |       |         |       |         |
| Other               |          |          |       |         |       |         |       |         |
| **Total operating revenues** |          |          |       |         |       |         |       |         |

### Operating expenses:

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and fringe benefits</td>
<td>36,329,583</td>
<td>44,229,907</td>
<td>80,559,490</td>
<td>74,267,162</td>
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<tr>
<td>Longshore labor and fringe benefits</td>
<td>18,130,178</td>
<td>18,130,178</td>
<td>36,951,679</td>
<td>37,723,426</td>
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<td></td>
</tr>
<tr>
<td>Contract, professional and consulting services</td>
<td>24,178,159</td>
<td>12,773,520</td>
<td>36,951,679</td>
<td>37,723,426</td>
<td></td>
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<tr>
<td>Materials and supplies</td>
<td>3,505,423</td>
<td>2,623,961</td>
<td>6,129,384</td>
<td>6,412,137</td>
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<tr>
<td>Utilities</td>
<td>6,396,810</td>
<td>2,682,633</td>
<td>9,079,443</td>
<td>9,213,432</td>
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<tr>
<td>Equipment rents, repair and fuel</td>
<td>972,800</td>
<td>2,557,799</td>
<td>3,530,599</td>
<td>4,093,637</td>
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<tr>
<td>Insurance</td>
<td>2,040,175</td>
<td>1,875,544</td>
<td>3,915,719</td>
<td>3,820,143</td>
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<tr>
<td>Rent</td>
<td>8,270</td>
<td>179,040</td>
<td>187,310</td>
<td>2,158,712</td>
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<tr>
<td>Travel and management expense</td>
<td>1,005,874</td>
<td>1,782,429</td>
<td>2,788,303</td>
<td>2,204,072</td>
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<tr>
<td>Intra-Port charges and expense allocations</td>
<td>15,674,397</td>
<td>(15,674,397)</td>
<td>15,674,397</td>
<td>(15,674,397)</td>
<td></td>
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<tr>
<td>Cost of land sold</td>
<td>470,498</td>
<td>470,498</td>
<td>470,498</td>
<td>470,498</td>
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<td></td>
<td></td>
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<tr>
<td>Other</td>
<td>2,088,007</td>
<td>2,004,588</td>
<td>4,092,595</td>
<td>2,068,271</td>
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<tr>
<td>Less expenses for capital projects</td>
<td>(1,455,996)</td>
<td>(12,777,615)</td>
<td>(1,455,996)</td>
<td>(12,777,615)</td>
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</tr>
<tr>
<td>Total operating expenses, excluding depreciation</td>
<td>90,743,502</td>
<td>60,858,085</td>
<td>151,601,587</td>
<td>150,969,775</td>
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<tr>
<td>Operating income before depreciation</td>
<td>82,603,888</td>
<td>1,923,659</td>
<td>84,527,547</td>
<td>80,869,618</td>
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<tr>
<td>Depreciation expense</td>
<td>63,152,017</td>
<td>19,277,615</td>
<td>82,430,393</td>
<td>75,343,916</td>
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<tr>
<td>Total operating expenses, including depreciation</td>
<td>153,895,519</td>
<td>80,136,461</td>
<td>234,031,980</td>
<td>226,313,691</td>
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</tr>
<tr>
<td>Operating income (loss)</td>
<td>19,451,871</td>
<td>(17,354,717)</td>
<td>2,097,154</td>
<td>5,525,702</td>
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</tr>
</tbody>
</table>

### Nonoperating revenues (expenses):

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</thead>
<tbody>
<tr>
<td>Property tax revenue</td>
<td>9,272,062</td>
<td>9,272,062</td>
<td>9,036,318</td>
<td></td>
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<tr>
<td>Interest expense, net of capitalized construction period interest of $2,350,564 in 2011 and $10,982,905 in 2010 for Airport and $418,400 in 2011 and $176,973 in 2010 for Marine &amp; Other</td>
<td>(28,852,519)</td>
<td>(5,474,393)</td>
<td>(34,326,912)</td>
<td>(26,965,338)</td>
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<tr>
<td>Interest revenue</td>
<td>1,712,662</td>
<td>2,895,375</td>
<td>4,608,037</td>
<td>6,835,242</td>
<td></td>
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<tr>
<td>Other (expense) income, including loss on disposal of properties</td>
<td>(6,429,572)</td>
<td>3,753,138</td>
<td>(2,676,434)</td>
<td>(15,534,264)</td>
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<tr>
<td>Nonoperating expenses before passenger facility charges</td>
<td>(33,569,429)</td>
<td>10,446,182</td>
<td>(23,123,247)</td>
<td>(26,628,042)</td>
<td></td>
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<tr>
<td>Loss before passenger facility charges</td>
<td>(14,117,558)</td>
<td>(6,908,535)</td>
<td>(21,026,093)</td>
<td>(21,102,340)</td>
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</tr>
<tr>
<td>Passenger facility charge revenue</td>
<td>26,987,640</td>
<td>26,987,640</td>
<td>25,696,717</td>
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<td></td>
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</tr>
<tr>
<td>Income (loss) before contributions and transfers</td>
<td>12,870,082</td>
<td>(6,908,535)</td>
<td>5,961,547</td>
<td>4,594,377</td>
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<tr>
<td>Capital contributions</td>
<td>36,068,826</td>
<td>13,337,364</td>
<td>49,406,190</td>
<td>72,241,692</td>
<td></td>
<td></td>
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<tr>
<td>Transfers (out) in</td>
<td>(132,371)</td>
<td>132,371</td>
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</tr>
<tr>
<td>Change in net assets</td>
<td>48,806,537</td>
<td>6,561,200</td>
<td>55,367,737</td>
<td>76,836,069</td>
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<tr>
<td>Total net assets - beginning of year</td>
<td>653,041,838</td>
<td>390,458,765</td>
<td>1,043,500,603</td>
<td>966,664,534</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total net assets - end of year</td>
<td>$701,848,375</td>
<td>$397,019,965</td>
<td>$1,098,868,340</td>
<td>$1,043,500,603</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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, 2011

with comparative totals for the year ended June 30, 2010

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Airport</td>
<td>Marine &amp; Other</td>
<td>Total</td>
<td>Total</td>
</tr>
</tbody>
</table>

### Cash flows from operating activities:

- **Cash received from customers**: $172,627,239 $64,155,632 $236,782,871 $247,863,540
- **Cash payments to employees**: (35,173,691) (43,344,460) (78,518,151) (73,697,085)
- **Cash payments to suppliers and vendors**: (23,678,998) (32,602,654) (56,281,652) (79,757,755)
- **Cash payments (to) from other funds**: (19,390,723) 19,390,723

Net cash provided by operating activities: $94,383,827 7,599,241 101,983,068 94,408,700

### Cash flows from noncapital financing activities:

- **Property taxes**: 9,302,354 9,302,354
- **Book cash overdraft**: (709,226)

Net cash provided by noncapital financing activities: 9,302,354 9,302,354 8,304,862

### Cash flows from capital and related financing activities:

- **Capital expenditures**: (110,517,967) (17,216,166) (127,734,133) (236,905,494)
- **Sale of properties**: 7,841,930 7,841,930 (1,214,198)
- **Net proceeds from issuance of long-term debt**: 264,969,981 (1,437,711) (220,102,711) (26,633,817)
- **Principal payments and redemptions on long-term debt**: 35,319,628 26,200,486 (85,439,555)
- **Cash transfers (to) from other Port divisions, net**: (132,371) 132,371
- **Other, primarily nonoperating expense**: (4,260,754) (4,314,349) (8,201,940)

Net cash (used in) provided by capital and related financing activities: (40,684,520) 5,947,295 (34,737,225) (187,805,886)

### Cash flows from investing activities:

- **Interest received**: 1,729,048 2,348,037 4,077,085 8,545,731
- **Investment activity**:
  - Purchases: (173,237,036) (123,891,177) (297,128,213) (720,630,161)
  - Proceeds from sales or maturities: 117,808,681 103,903,732 221,712,413 809,146,457

Net cash (used in) provided by investing activities: (53,699,307) (17,639,408) (71,338,715) 97,062,027

### Cash and cash equivalents:

- **Cash and cash equivalents - beginning of year**: $63,440 $43,936,018 $43,999,458 $38,789,976
- **Cash and cash equivalents - end of year**: $63,440 $43,936,018 $43,999,458 $38,789,976

Reconciliation of operating income to net cash provided by operating activities:

- **Operating income (loss)**: $19,451,871 (17,354,717) 2,097,154 $5,525,702
- **Adjustments to reconcile operating income to net cash provided by operating activities**:
  - Depreciation and amortization: 63,152,017 19,278,376 82,430,393 75,343,916
  - Cost of land sales: 470,498 470,498
  - Amortization of deferred revenue: (554,647) (2,004,059) (2,558,706) (20,035,745)
  - Change in assets and liabilities:
    - Receivables and other current assets: (98,086) (105,250) (203,336) (420,380)
    - Accounts payable and accruals: 13,494,136 21,187,637 (4,497,027)
    - Long-term environmental and other accruals: (460,105) (3,682,099) (4,142,204) 1,551,855
  - Additions to deferred revenue: 4,905,249 4,905,249

Net cash provided by operating activities: $94,383,827 7,599,241 101,983,068 94,408,700

Noncash investing, capital, and related financing activities:

- **Deferred bond interest**: $1,071,771 $1,071,771 $1,070,437

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 is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port 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 751 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.


Effective July 1, 2009, the Port adopted GASB Statement No.53 (GASB 53), “Accounting and Financial Reporting for Derivative Instruments,” as discussed in Note 6. 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, insurance premiums, 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.

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

**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. When both restricted and unrestricted resources are available for use, it is the Port's policy to generally consider restricted assets to be used first over unrestricted assets. At June 30, 2011, all restricted assets are available to pay restricted liabilities due within one year except for approximately $77,800,000 and approximately $73,700,000 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. 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, 2011 and 2010. 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. Description of the Port and Summary of Significant Accounting Policies, 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 no supplemental budget for the year ended June 30, 2011 and one supplemental budget for the year ended June 30, 2010.

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.

Transfers Between Activities

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.

Internal Receivables and Payables

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

Prior Year Comparative Information

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, 2010, from which the summarized information was derived.

New Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” effective for the Port’s fiscal year beginning July 1, 2009. The statement establishes accounting and financial reporting requirements for intangible assets. 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. 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 adoption of this statement did not have a material effect on the Port’s financial statements.
1. Description of the Port and Summary of Significant Accounting Policies, continued:

In November 2010, the GASB issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” effective for the Port’s fiscal year beginning July 1, 2012. The statement establishes guidance for accounting and financial reporting for service concession arrangements. The Port is currently evaluating the effects this statement will have on its financial statements.

In November 2010, the GASB issued Statement No. 61, “The Financial Reporting Entity: Omnibus,” effective for the Port’s fiscal year beginning July 1, 2012. The statement addresses reporting entity issues that have arisen since the issuance of Statement No. 14 and Statement No. 34. The Port is currently evaluating the effects this statement will have on its financial statements.

In December 2010, the GASB issued Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” effective for the Port’s fiscal year beginning July 1, 2012. The statement incorporates into the GASB’s authoritative literature certain accounting and financial guidance issued on or before November 30, 1989. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2011, the GASB issued Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” effective for the Port’s fiscal year beginning July 1, 2012. The statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2011, the GASB issued Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions,” effective for the Port’s fiscal year beginning July 1, 2011. The statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. The statement also sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. 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.
2. **Identifiable Activity Information**, continued:

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, 2011 was as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Marine Terminals</th>
<th>Marine Services</th>
<th>Marine Development</th>
<th>Environmental</th>
<th>Marine Navigation</th>
<th>Marine Aviation</th>
<th>Marine &amp; Admin</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$45,429</td>
<td>$4,108</td>
<td>$9,834</td>
<td>$3,183</td>
<td>$228</td>
<td></td>
<td></td>
<td>$62,782</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$42,422</td>
<td>$5,112</td>
<td>$5,602</td>
<td>$8,644</td>
<td>$3,212</td>
<td>$8,644</td>
<td>$3,212</td>
<td>$60,859</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>$11,028</td>
<td>$123</td>
<td>$17</td>
<td>$1,009</td>
<td>$2,740</td>
<td>$4,361</td>
<td></td>
<td>$19,278</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>($8,021)</td>
<td>($1,127)</td>
<td>($5,619)</td>
<td>$181</td>
<td>($2,769)</td>
<td></td>
<td></td>
<td>($17,355)</td>
</tr>
<tr>
<td>Capital contributions</td>
<td>$8,007</td>
<td>$2,127</td>
<td>$106</td>
<td>$3,092</td>
<td>$5</td>
<td></td>
<td></td>
<td>$13,337</td>
</tr>
<tr>
<td>Land held for sale and properties:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>$14,171</td>
<td>$317</td>
<td>$1,006</td>
<td>$2,622</td>
<td>$249</td>
<td></td>
<td></td>
<td>$18,365</td>
</tr>
<tr>
<td>Deletions</td>
<td>($5,832)</td>
<td>($471)</td>
<td>($141)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>($6,444)</td>
</tr>
</tbody>
</table>

3. **Cash and Investments**:

At June 30, 2011, the Port had the following cash and investments and maturities for the Airport:

<table>
<thead>
<tr>
<th>Investment Maturities (in years)</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1</td>
<td>$139,851,218</td>
</tr>
<tr>
<td>1 - 2</td>
<td>4,161,031</td>
</tr>
<tr>
<td>2 - 3</td>
<td>4,161,031</td>
</tr>
<tr>
<td>3 - 5</td>
<td>4,161,031</td>
</tr>
<tr>
<td>U.S. Agencies</td>
<td>$110,646,085</td>
</tr>
<tr>
<td>Corporate indebtedness</td>
<td>45,814,044</td>
</tr>
<tr>
<td>Total</td>
<td>185,665,262</td>
</tr>
</tbody>
</table>

Cash and deposits with financial institutions

<table>
<thead>
<tr>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$206,080,867</td>
</tr>
</tbody>
</table>

Following are the cash and investments and maturities for Marine & Other at June 30, 2011:

<table>
<thead>
<tr>
<th>Investment Maturities (in years)</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1</td>
<td>$4,149,355</td>
</tr>
<tr>
<td>1 - 2</td>
<td>$4,149,355</td>
</tr>
<tr>
<td>2 - 3</td>
<td>$4,149,355</td>
</tr>
<tr>
<td>3 - 5</td>
<td>$4,149,355</td>
</tr>
<tr>
<td>U.S. Treasuries</td>
<td>110,646,085</td>
</tr>
<tr>
<td>U.S. Agencies</td>
<td>57,736,538</td>
</tr>
<tr>
<td>Corporate indebtedness</td>
<td>72,531,978</td>
</tr>
<tr>
<td>Total</td>
<td>$216,521,434</td>
</tr>
</tbody>
</table>

State of Oregon local government investment pool

Cash and deposits with financial institutions

<table>
<thead>
<tr>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>39,792,200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,197,256</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$216,521,434</td>
</tr>
</tbody>
</table>
3. Cash and Investments, continued:

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:

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Maximum Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two years and under</td>
<td>55% of par value</td>
</tr>
<tr>
<td>Three years and under</td>
<td>75% of par value</td>
</tr>
<tr>
<td>Five years and under</td>
<td>100% of par value</td>
</tr>
</tbody>
</table>

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, 2011, 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 for Standard and Poor’s.

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $7,436,591. Of these deposits, $250,000 was covered by federal depository insurance and $7,186,591 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:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted cash and cash equivalents</td>
<td>$63,440</td>
<td>$43,936,018</td>
</tr>
<tr>
<td>Unrestricted equity in pooled investments</td>
<td>57,404,760</td>
<td>164,293,372</td>
</tr>
<tr>
<td>Restricted cash and equity in pooled investments</td>
<td>148,612,667</td>
<td>8,292,044</td>
</tr>
<tr>
<td></td>
<td>206,080,867</td>
<td>216,521,434</td>
</tr>
<tr>
<td></td>
<td>$422,602,301</td>
<td>$441,977,019</td>
</tr>
</tbody>
</table>

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $4,150,000 at June 30, 2011 and 2010, 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, 2011 and 2010, approximately $130,345,000 and $75,793,000, 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, an international marine container terminal management company, and international steamship lines/agents. 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
4. Receivables, continued:

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 $11,500,000 at June 30, 2011 and $9,100,000 at June 30, 2010. Total trade receivables for the marine shipping industry were approximately $5,000,000 at June 30, 2011 and $2,900,000 at June 30, 2010. Total grants receivable for the aviation industry were approximately $9,900,000 at June 30, 2011 and $10,000,000 at June 30, 2010. Total grant receivables for marine and other were approximately $1,500,000 at June 30, 2011 and $3,600,000 at June 30, 2010. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2011 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Airport</th>
<th>Marine &amp; Other</th>
<th>Total Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>$233,191,306</td>
<td>$1,504,073</td>
<td>$234,695,379</td>
</tr>
<tr>
<td>Buildings and equipment</td>
<td>$239,278,554</td>
<td>$20,347,226</td>
<td>$259,625,780</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>$472,469,860</td>
<td>$21,851,300</td>
<td>$494,321,160</td>
</tr>
<tr>
<td>Less accumulated depreciation:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements</td>
<td>$137,012,551</td>
<td>$9,578,232</td>
<td>$146,590,783</td>
</tr>
<tr>
<td>Buildings and equipment</td>
<td>$168,953,302</td>
<td>$7,681,237</td>
<td>$176,634,539</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>$305,965,853</td>
<td>$17,259,469</td>
<td>$323,225,322</td>
</tr>
<tr>
<td>Total capital assets being depreciated, net</td>
<td>$166,504,007</td>
<td>$14,591,831</td>
<td>$181,095,838</td>
</tr>
</tbody>
</table>

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, 2011 included above are:

<table>
<thead>
<tr>
<th></th>
<th>Airport</th>
<th>Marine &amp; Other</th>
<th>Total Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements $560,368,097</td>
<td>$22,067,836</td>
<td>$22,067,836</td>
<td></td>
</tr>
<tr>
<td>Building &amp; equipment $560,368,097</td>
<td>$40,101,829</td>
<td>$600,469,926</td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation (313,356,180)</td>
<td>(22,569,859)</td>
<td>(14,392,608)</td>
<td>$141,174,593</td>
</tr>
<tr>
<td>Total Port $247,011,917</td>
<td>$36,877,572</td>
<td>$283,889,489</td>
<td></td>
</tr>
</tbody>
</table>
5. **Properties**, continued:

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

<table>
<thead>
<tr>
<th></th>
<th>Airport</th>
<th>Marine &amp; Other</th>
<th>Total Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$35,065,000</td>
<td>$18,240,000</td>
<td>$53,305,000</td>
</tr>
<tr>
<td>2013</td>
<td>36,058,000</td>
<td>17,313,000</td>
<td>53,371,000</td>
</tr>
<tr>
<td>2014</td>
<td>34,984,000</td>
<td>16,068,000</td>
<td>51,052,000</td>
</tr>
<tr>
<td>2015</td>
<td>34,068,000</td>
<td>15,479,000</td>
<td>49,547,000</td>
</tr>
<tr>
<td>2016</td>
<td>32,533,000</td>
<td>14,248,000</td>
<td>46,781,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>84,115,000</td>
<td>179,397,000</td>
<td>263,512,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$256,823,000</strong></td>
<td><strong>$260,745,000</strong></td>
<td><strong>$517,568,000</strong></td>
</tr>
</tbody>
</table>

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>Airport</th>
<th>Marine &amp; Other</th>
<th>Total Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$62,200,000</td>
<td>$3,600,000</td>
<td>$65,800,000</td>
</tr>
<tr>
<td>2010</td>
<td>$62,400,000</td>
<td>$2,700,000</td>
<td>$65,100,000</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$151,592</td>
<td>$943,240</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(81,643)</td>
<td>(443,249)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$69,949</strong></td>
<td><strong>$499,991</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$477,098</td>
<td>465,848</td>
<td>451,930</td>
<td>451,930</td>
<td>451,930</td>
<td>1,431,110</td>
<td>3,720,846</td>
<td>(850,830)</td>
<td>2,879,016</td>
</tr>
</tbody>
</table>

The present value of net minimum lease payments is reflected on the balance sheet as current and noncurrent obligations of $294,830 and $2,584,186, respectively.
6. **Long-Term Debt:**

<table>
<thead>
<tr>
<th></th>
<th>Pension</th>
<th>Revenue</th>
<th>Passenger Facility Charge Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited Tax Pension bonds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002 Series (issued in fiscal 2002, original issue $54,952,959):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.88% to 7.41%, due serially through fiscal 2020</td>
<td>$7,585,721</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.85%, due serially from fiscal 2020 through fiscal 2028</td>
<td>37,320,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.6%, due fiscal 2025</td>
<td>6,205,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005 Series (issued in fiscal 2006, original issue $20,230,000):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.613% to 5.500%, due serially through fiscal 2014</td>
<td>1,305,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.859%, due fiscal 2020</td>
<td>5,005,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.004%, due fiscal 2028</td>
<td>12,995,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Portland International Airport revenue bonds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Fifteen (issued in fiscal 2001, original issue $173,410,000):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.00% to 5.375%, due serially through fiscal 2012</td>
<td>$4,040,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0%, due fiscal 2024</td>
<td>27,995,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>currently 0.08%, due fiscal 2027</td>
<td>64,040,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>currently 0.08%, due fiscal 2027</td>
<td>64,040,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Nineteen (issued in fiscal 2009, original issue $131,965,000):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0% to 5.0%, due serially through fiscal 2018</td>
<td>17,690,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0%, due fiscal 2020</td>
<td>6,340,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0%, due fiscal 2022</td>
<td>6,990,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.25%, due fiscal 2027</td>
<td>20,870,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0%, due fiscal 2030</td>
<td>15,310,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.5%, due fiscal 2039</td>
<td>63,285,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Twenty (issued in fiscal 2011, original issue $157,050,000):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0% to 5.0%, due serially through fiscal 2029</td>
<td>99,665,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0% to 5.0%, due serially through fiscal 2031</td>
<td>40,745,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.25%, due fiscal 2041</td>
<td>16,640,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Twenty-One (issued in fiscal 2011, original issue $56,770,000):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.0% to 5.0%, due serially through fiscal 2016</td>
<td>5,490,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0% to 5.0%, due serially through fiscal 2019</td>
<td>51,280,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Passenger Facility Charge revenue bonds:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 1999 (issued in fiscal 2000, original issue $132,110,000):</td>
<td></td>
<td>$34,990,000</td>
<td></td>
</tr>
<tr>
<td>5.375% to 5.75%, due serially through fiscal 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.5%, due fiscal 2019</td>
<td>11,755,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2009A (issued in fiscal 2009, original issue $57,985,000, variable interest rate):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>currently 0.11%, due fiscal 2025</td>
<td>28,955,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>currently 0.06%, due fiscal 2025</td>
<td>28,945,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals, including $1,111,148, $21,430,000, and $5,145,000, respectively, due within one year</strong></td>
<td>$70,415,721</td>
<td>$504,420,000</td>
<td>$104,645,000</td>
</tr>
</tbody>
</table>
6. **Long-Term Debt**, continued:

Portland Int’l Airport Wells Fargo Bank Line of Credit (issued in fiscal 2011, original amount available $100,000,000), .53% to .62%, principal and interest payable on November 24, 2012 $ 41,720,614

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 $36,879 due on July 1, 2011 to $55,887 due on April 1, 2023, including $455,516 due within one year 7,221,557

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, 2012 through March 31, 2021, including $200,000 due within one year 2,000,000

State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available $1,106,604), 0.0%, payable in annual installments of $110,660 due November 1, 2012 through November 1, 2021 1,106,604

State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 2.00% to 4.00%, payable in annual installments ranging from $325,732 due December 1, 2011 to $573,262 due December 1, 2030, including $325,732 due within one year 8,460,588

State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2009, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through January 1, 2012, followed by semi-annual installments ranging from $21,935 due July 1, 2012 to $116,326 due July 1, 2031 1,500,000

State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2010, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through July 1, 2012, followed by semi-annual installments ranging from $20,574 due January 1, 2013 to $109,108 due January 1, 2032 1,406,923

Total, including $981,248 due within one year $ 63,416,286

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

<table>
<thead>
<tr>
<th></th>
<th>Airport</th>
<th>Passenger Facility</th>
<th>Marine &amp; Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue Bonds &amp; Line of Credit</td>
<td>Charge Revenue Bonds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Principal</td>
</tr>
<tr>
<td>Principal</td>
<td>$21,430,000</td>
<td>$66,105,614</td>
<td>$25,910,000</td>
</tr>
<tr>
<td>Interest</td>
<td>$17,326,801</td>
<td>$17,632,669</td>
<td>$16,532,518</td>
</tr>
<tr>
<td>Total</td>
<td>$546,140,614</td>
<td>$227,260,754</td>
<td>$104,645,000</td>
</tr>
<tr>
<td>Loans Payable</td>
<td>$41,720,614</td>
<td>$7,221,557</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>at June 30, 2011</td>
<td>$41,720,614</td>
<td>$7,221,557</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>
6. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2011 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balances</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airport:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$613,910,000</td>
<td>$255,540,614</td>
<td>$(218,665,000)</td>
<td>$650,785,614</td>
</tr>
<tr>
<td>outstanding</td>
<td>(28,190,000)</td>
<td>(26,575,000)</td>
<td>28,190,000</td>
<td>(26,575,000)</td>
</tr>
<tr>
<td>less: current portion</td>
<td>$585,720,000</td>
<td>$228,965,614</td>
<td>$(190,475,000)</td>
<td>$624,210,614</td>
</tr>
<tr>
<td><strong>Marine &amp; Other:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$89,862,402</td>
<td>$3,686,702</td>
<td>$(1,437,711)</td>
<td>$92,111,393</td>
</tr>
<tr>
<td>outstanding</td>
<td>(1,637,711)</td>
<td>(2,092,396)</td>
<td>1,637,711</td>
<td>(2,092,396)</td>
</tr>
<tr>
<td>less: current portion</td>
<td>$88,224,691</td>
<td>$1,594,306</td>
<td>200,000</td>
<td>$90,018,997</td>
</tr>
</tbody>
</table>

In addition, at June 30, 2011 and 2010, the Port has accrued $6,258,596 and $6,038,312, 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 in Marine & Other 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 8). 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, 2015, 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 8). 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.

In fiscal 2011, the Port entered into a non-revolving credit facility (facility) for up to $100,000,000 in order to provide short term funding for in-line baggage screening improvements and for deicing system improvements, as well as to capitalize a portion of interest on the facility. Interest on the facility is variable, based on 67.13 percent of LIBOR, plus 0.366 percent. Obligations under the facility are secured by Airport net revenues, but are subordinate to Airport revenue bonds. The term of the facility is two years, and may be terminated and prepaid by the Port at any date prior to maturity. At maturity, the Port may pay off any outstanding balance, negotiate an extension, or exercise a five year term loan option.

**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
6. **Long-Term Debt**, continued:

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:

- 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, 2011 and 2010.

On July 1, 2010, 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, 2015 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain 1) reductions, contingent on the Port managing operating expenses to a defined target level, and 2) increases, contingent on Airport coverage ratio thresholds. The discount was not adjusted for fiscal 2011, and reduced by $310,517 for fiscal 2010.

In prior years, the Port defeased $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, 2011, $24,580,000 of Series Seven defeased debt was still outstanding.

In fiscal 2011, the Port issued Series Twenty-One bonds, the proceeds of which were used to refund $59,145,000 of Series Fifteen bonds, to cash fund $775,000 in debt service reserve, and to pay costs of issuing the Series Twenty-One bonds. The bonds have coupon rates ranging from 2.0 percent to 5.0 percent with maturities ranging from 2012 to 2018. The Series Twenty-One bonds are not subject to redemption prior to maturity.

In fiscal 2011, the Port issued Series Twenty bonds to pay, or to reimburse the Port for the payment of, costs of the construction, acquisition, equipment and installation of certain improvements at the Airport, including the in-line baggage screening project, completion of the north runway extension project and various other terminal and airfield improvements, to refund all of the outstanding Series twelve bonds, to capitalize a portion of the interest on the Series Twenty bonds, to cash fund $3,511,823 in debt service reserve, and to pay costs of issuing the Series Twenty bonds. The bonds have coupon rates ranging from 2.0 percent to 5.0 percent with maturities ranging from 2011 to 2040. Series Twenty bonds maturing on or before July 1, 2020 are not subject to redemption prior to maturity. Series Twenty bonds maturing on or after July 1, 2021 are redeemable at the option of the Port on or after July 1, 2020 at 100 percent of the principal amount plus accrued interest.
6. Long-Term Debt, continued:

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.

Series Eighteen variable rate bonds bear an interest rate that is generally reset weekly by remarketing agents, and cannot exceed 12 percent. 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 plus 1 percent, the federal funds rate plus 2 percent, or 7.5 percent.

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...
6. **Long-Term Debt**, continued:

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.

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, 2011, the Airport had the following hedging derivative instruments outstanding:

<table>
<thead>
<tr>
<th>Item</th>
<th>Type</th>
<th>Objective</th>
<th>Notional Amount</th>
<th>Effective Date</th>
<th>Maturity Date</th>
<th>Terms</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the 2008 Series 18 bonds</td>
<td>$ 5,940,000</td>
<td>7/1/2005</td>
<td>7/1/2025</td>
<td>Pay 5.1292%, receive 68% 1 month LIBOR</td>
<td>$(780,000)</td>
</tr>
<tr>
<td>B</td>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the 2008 Series 18 bonds</td>
<td>$ 5,940,000</td>
<td>7/1/2005</td>
<td>7/1/2025</td>
<td>Pay 5.1339%, receive 68% 1 month LIBOR</td>
<td>$(785,000)</td>
</tr>
<tr>
<td>C</td>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the 2008 Series 18 bonds</td>
<td>$56,245,000</td>
<td>7/1/2006</td>
<td>7/1/2026</td>
<td>Pay 4.9356%, receive 68% 1 month LIBOR</td>
<td>$(8,050,000)</td>
</tr>
<tr>
<td>D</td>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the 2008 Series 18 bonds</td>
<td>$56,245,000</td>
<td>7/1/2006</td>
<td>7/1/2026</td>
<td>Pay 4.9403%, receive 68% 1 month LIBOR</td>
<td>$(8,124,000)</td>
</tr>
<tr>
<td>E</td>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds</td>
<td>$34,740,000</td>
<td>7/1/2009</td>
<td>7/1/2024</td>
<td>Pay 4.975%, receive 68% 1 month LIBOR</td>
<td>$(4,908,000)</td>
</tr>
<tr>
<td>F</td>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds</td>
<td>$23,160,000</td>
<td>7/1/2009</td>
<td>7/1/2024</td>
<td>Pay 4.955%, receive 68% 1 month LIBOR</td>
<td>$(3,198,000)</td>
</tr>
</tbody>
</table>

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 up-front payment. The fair value of the derivatives was $(25,845,000) at June 30, 2011 and is recorded on the Airport’s balance sheet as a noncurrent liability and the unamortized balance of the borrowing is recorded on the Airport’s balance sheet as a noncurrent liability of $11,460,424 at June 30, 2011. Hedge
6. Long-Term Debt, continued:

accounting is applied to the derivatives, and accordingly, the cumulative change in fair value of the derivatives (at-market interest rate swaps) were recorded as deferred outflows of $(25,845,000).

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 June 30, 2011 credit rating for each of the counterparties is as follows:

<table>
<thead>
<tr>
<th>Derivative Instrument</th>
<th>Counterparty Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative A, C, and E</td>
<td>AA- / Aa1</td>
</tr>
<tr>
<td>Derivative B and D</td>
<td>AAA / Aa1</td>
</tr>
<tr>
<td>Derivative F</td>
<td>A / A2</td>
</tr>
</tbody>
</table>

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, 2011, 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; this is offset substantially by decreases in the Airport’s interest payments on the bonds.

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 0.0816 percent, while 68 percent of 1 month LIBOR is approximately 0.1262 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, 2011; 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, 2011, 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 F has a negative fair value at June 30, 2011; therefore, the Airport has posted $6,210,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport’s balance sheet).
6. 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, 2011:

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate</th>
<th>Swaps, net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 5,800,000</td>
<td>$ 97,824</td>
<td>$ 5,615,341</td>
<td>$ 11,513,165</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$ 5,820,000</td>
<td>$ 93,168</td>
<td>$ 5,349,638</td>
<td>$ 11,262,806</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$ 6,085,000</td>
<td>$ 88,300</td>
<td>$ 5,030,618</td>
<td>$ 11,203,918</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$ 7,970,000</td>
<td>$ 81,924</td>
<td>$ 4,622,338</td>
<td>$ 12,674,262</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$ 9,710,000</td>
<td>$ 74,156</td>
<td>$ 4,159,534</td>
<td>$ 13,943,690</td>
<td></td>
</tr>
<tr>
<td>2017-2021</td>
<td>$ 47,330,000</td>
<td>$ 257,144</td>
<td>$ 14,211,829</td>
<td>$ 61,798,973</td>
<td></td>
</tr>
<tr>
<td>2022-2026</td>
<td>$ 38,580,000</td>
<td>$ 84,976</td>
<td>$ 4,456,050</td>
<td>$ 43,121,026</td>
<td></td>
</tr>
<tr>
<td>2027-2031</td>
<td>$ 6,785,000</td>
<td>$ 6,785,000</td>
<td></td>
<td>$ 6,785,000</td>
<td></td>
</tr>
</tbody>
</table>

Total | $ 128,080,000 | $ 777,492 | $ 43,445,348 | $ 172,302,840 |

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate</th>
<th>Swaps, net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 85,000</td>
<td>$ 49,144</td>
<td>$ 2,796,545</td>
<td>$ 2,930,689</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$ 90,000</td>
<td>$ 49,068</td>
<td>$ 2,792,067</td>
<td>$ 2,931,135</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$ 95,000</td>
<td>$ 48,988</td>
<td>$ 2,787,348</td>
<td>$ 2,931,336</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$ 100,000</td>
<td>$ 48,903</td>
<td>$ 2,782,386</td>
<td>$ 2,931,289</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$ 105,000</td>
<td>$ 48,815</td>
<td>$ 2,777,182</td>
<td>$ 2,930,997</td>
<td></td>
</tr>
<tr>
<td>2017-2021</td>
<td>$ 19,345,000</td>
<td>$ 215,446</td>
<td>$ 11,590,148</td>
<td>$ 31,150,594</td>
<td></td>
</tr>
<tr>
<td>2022-2026</td>
<td>$ 38,080,000</td>
<td>$ 49,760</td>
<td>$ 2,422,228</td>
<td>$ 40,551,988</td>
<td></td>
</tr>
</tbody>
</table>

Total | $ 57,900,000 | $ 510,124 | $ 27,947,904 | $ 86,358,028 |

7. 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:

<table>
<thead>
<tr>
<th>Bonds issued for:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport industrial facilities</td>
<td>$ 17,300,000</td>
<td>$ 25,338,000</td>
</tr>
<tr>
<td>Marine &amp; Other facilities</td>
<td>109,100,000</td>
<td>109,100,000</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>$ 126,400,000</td>
<td>$ 134,438,000</td>
</tr>
</tbody>
</table>
8. 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 years 2011 and 2010, and 6.05 percent of annual covered payroll for fiscal year 2009. 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 $208,678, $415,581, and $597,431, for fiscal years 2011, 2010, and 2009, respectively, of which $148,339, $201,487, and $282,578, 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 $1,005,744, $894,182, and $780,399, in fiscal 2011, 2010, and 2009, respectively, of which $502,105, $444,022, and $385,337, were applicable to the Airport.

For fiscal years 2011, 2010, and 2009 the Port’s annual PERS contributions were $3,669,874, $3,633,617, and $5,431,144, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $1,751,452, $1,713,699, and $2,504,858, for fiscal years 2011, 2010, and 2009, 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 years 2011 and 2010, and 7.31 percent of annual covered payroll for general service members and 10.58 percent for police and fire members for fiscal year 2009. The Port’s fiscal 2011, 2010, and 2009 OPSRP contributions were $1,661,868, $1,510,905, and $1,537,527, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $650,439, $560,845, and $586,698, for fiscal years 2011, 2010, and 2009, respectively, were applicable to the Airport.
8. 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.

9. 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Airport</th>
<th>Marine &amp;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution</td>
<td>$374,000</td>
<td>$322,000</td>
</tr>
<tr>
<td>Interest on net OPEB obligation</td>
<td>39,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>(57,000)</td>
<td>(13,000)</td>
</tr>
<tr>
<td>Annual OPEB cost (expense)</td>
<td>356,000</td>
<td>318,000</td>
</tr>
<tr>
<td>Contributions made</td>
<td>(314,000)</td>
<td>(441,000)</td>
</tr>
<tr>
<td>Increase (decrease) in net OPEB obligation</td>
<td>42,000</td>
<td>(123,000)</td>
</tr>
<tr>
<td>Net OPEB obligation - beginning of year</td>
<td>992,000</td>
<td>219,000</td>
</tr>
<tr>
<td>Net OPEB obligation - end of year</td>
<td>$1,034,000</td>
<td>$96,000</td>
</tr>
</tbody>
</table>
The Port’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$356,000</td>
<td>88.2%</td>
<td>$1,034,000</td>
</tr>
<tr>
<td>2010</td>
<td>307,000</td>
<td>91.5%</td>
<td>992,000</td>
</tr>
<tr>
<td>2009</td>
<td>1,028,000</td>
<td>60.1%</td>
<td>966,000</td>
</tr>
<tr>
<td>Marine &amp; Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$318,000</td>
<td>138.7%</td>
<td>$96,000</td>
</tr>
<tr>
<td>2010</td>
<td>303,000</td>
<td>134.7%</td>
<td>219,000</td>
</tr>
<tr>
<td>2009</td>
<td>840,000</td>
<td>82.0%</td>
<td>324,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Actuarial Valuation</th>
<th>Actuarial Value of Assets</th>
<th>Entry Age Normal Liability (UAL)</th>
<th>Unfunded AAL (UAAL)</th>
<th>Funded ratio</th>
<th>Covered Payroll</th>
<th>UAAL as a percentage of covered payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>(a)</td>
<td>(b)</td>
<td>(b - a)</td>
<td>(a/b)</td>
<td>(c)</td>
<td>((b - a)/c)</td>
</tr>
<tr>
<td>Airport: 7/1/2009</td>
<td>$0</td>
<td>$3,182,000</td>
<td>$3,182,000</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Marine &amp; Other: 7/1/2009</td>
<td>0</td>
<td>3,394,000</td>
<td>3,394,000</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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, 2009 actuarial valuation, 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 5.0 percent after eleven years. The Port’s unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

10. 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.

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 the statutory limit per loss (unlimited) 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.
10. Risk Management, continued:

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:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Beginning liability</td>
<td>$ 1,570,702</td>
</tr>
<tr>
<td>Current year claims and</td>
<td>930,362</td>
</tr>
<tr>
<td>changes in estimates</td>
<td></td>
</tr>
<tr>
<td>Claim payments</td>
<td>(717,593)</td>
</tr>
<tr>
<td>Ending liability</td>
<td>$ 1,783,471</td>
</tr>
</tbody>
</table>

Approximately $1,154,700 and $644,900 of the liability was applicable to the Airport at June 30, 2011 and 2010, respectively.

11. Commitments and Contingencies:

At June 30, 2011, land acquisition and construction contract commitments aggregated approximately $44,500,000 for the Airport, $18,700,000 for Marine & Other, and $63,200,000 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 $7,600,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2011. 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 $20,600,000 in estimated remaining costs for this cleanup at June 30, 2011. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2011. Both these sites are accounted for within the Marine & Other activity.

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
11. Commitments and Contingencies, continued:

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:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th></th>
<th>2010</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Airport</td>
<td>Marine &amp; Other</td>
<td>Total</td>
<td>Airport</td>
</tr>
<tr>
<td>Beginning liability</td>
<td>$ 1,175,000</td>
<td>$ 53,405,000</td>
<td>$ 54,580,000</td>
<td>$ 1,175,000</td>
</tr>
<tr>
<td>Accruals</td>
<td></td>
<td>(612,874)</td>
<td>(612,874)</td>
<td>(1,135,900)</td>
</tr>
<tr>
<td>Reclassifications (to) from current</td>
<td>(3,153,500)</td>
<td>(3,153,500)</td>
<td></td>
<td>(1,135,900)</td>
</tr>
<tr>
<td>Ending liability</td>
<td>$ 1,175,000</td>
<td>$ 49,638,626</td>
<td>$ 50,813,626</td>
<td>$ 1,175,000</td>
</tr>
</tbody>
</table>

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 $152,000 and $2,727,000 for Marine & Other in 2011 and 2010, respectively, and $302,000 and $41,000 for the Airport in 2011 and 2010, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Airport</th>
<th>Marine &amp; Other</th>
<th>Total Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 306,972</td>
<td>$ 178,166</td>
<td>$ 485,138</td>
</tr>
<tr>
<td>2013</td>
<td>302,312</td>
<td>168,446</td>
<td>470,758</td>
</tr>
<tr>
<td>2014</td>
<td>302,312</td>
<td>168,446</td>
<td>470,758</td>
</tr>
<tr>
<td>2015</td>
<td>261,392</td>
<td>165,160</td>
<td>426,552</td>
</tr>
<tr>
<td>2016</td>
<td>11,235</td>
<td>31,341</td>
<td>42,576</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,184,223</td>
<td>$ 711,559</td>
<td>$ 1,895,782</td>
</tr>
</tbody>
</table>

12. Net Assets Deficit and Budget Overexpenditures:

The Port has a net assets deficit of $87,443,931 in the Airport PFC Fund as of June 30, 2011. 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 PFC fund, the Port overexpended one budget appropriation for Other expenditures by $(151,096) for the year ended June 30, 2011 as a result of higher than anticipated variable rate bond costs.

13. Subsequent Event:

Subsequent to June 30, 2011, the Airport priced and closed Series Twenty-One C Airport revenue bonds. The Series Twenty-One C bonds were issued in the face amount of $27,685,000 to refund the Airport’s outstanding Series Fifteen D Airport revenue bonds, to make a cash deposit in the debt service reserve, and to pay costs off issuing the Series Twenty-One C bonds. Also subsequent to June 30, 2011, the Airport priced Series 2011A Passenger Facility Charge revenue bonds, with the intent to close the transaction in early November, 2011. The Series 2011A bonds are anticipated to pay approximately $76.5 million of PFC eligible construction costs at the Airport, and to fund issuance costs and a debt service reserve.
REQUIRED SUPPLEMENTARY INFORMATION
### Schedule of Funding Progress for Defined-Benefit Healthcare Plan

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Entry Age Normal - Actuarial Accrued Liability (UAL) (b)</th>
<th>Unfunded AAL (UAAL) (b - a)</th>
<th>Funded Ratio (a / b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll ((b - a) / c)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7/1/2007</td>
<td>$0</td>
<td>$9,363,000</td>
<td>$9,363,000</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>7/1/2009</td>
<td>$0</td>
<td>$3,182,000</td>
<td>$3,182,000</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Marine &amp; Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7/1/2007</td>
<td>$0</td>
<td>$8,977,000</td>
<td>$8,977,000</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>7/1/2009</td>
<td>$0</td>
<td>$3,394,000</td>
<td>$3,394,000</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
SUPPLEMENTARY INFORMATION
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, 2011

<table>
<thead>
<tr>
<th>Port Funds:</th>
<th>Budgetary (Accrual) Basis</th>
<th>Excess Revenues (Expenditures)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues</td>
<td>Expenditures</td>
</tr>
<tr>
<td>General Fund</td>
<td>$89,167,569</td>
<td>$103,297,500</td>
</tr>
<tr>
<td>Bond Construction Fund</td>
<td>13,517,082</td>
<td>14,879,067</td>
</tr>
<tr>
<td>Airport Revenue Fund</td>
<td>173,882,629</td>
<td>73,473,970</td>
</tr>
<tr>
<td>Airport Revenue Bond Fund</td>
<td>4,326,413</td>
<td>54,712,078</td>
</tr>
<tr>
<td>Airport Construction Fund</td>
<td>114,236,036</td>
<td>107,989,159</td>
</tr>
<tr>
<td>PFC Fund</td>
<td>27,038,023</td>
<td>1,051,096</td>
</tr>
<tr>
<td>PFC Bond Fund</td>
<td>60,856</td>
<td>10,666,158</td>
</tr>
</tbody>
</table>

**Totals - budgetary reporting basis**

|                                      | $422,228,608 | $366,069,028 | 56,159,580 |

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: 122,868,226
- Internal costs on capital projects: 13,593,191
- Interest expense capitalized: 2,768,964
- Depreciation and amortization expense: (82,430,393)
- Expenses that will be expended in future years: 3,847,374
- Contributions from governmental agencies: (49,032,971)
- Bond sale and loan proceeds: (86,229,500)
- Bond and contract payable principal expenditures: 35,476,677
- Difference between property sale proceeds and loss on sales: (5,435,212)
- Difference between income and proceeds from sales of land: (470,498)
- Change in deferred revenues and certain rents, notes, and contracts receivable: (2,847,255)
- Amortization of bond issuance costs: (1,692,456)
- Expensed capital outlay expenditures: (2,858,466)
- Other: 2,244,286

**Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets**

$5,961,547

*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, 2011

<table>
<thead>
<tr>
<th>Funds:</th>
<th>Budgetary (Accrual) Basis *</th>
<th>Excess Revenues (Expenditures)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Revenue Fund</td>
<td>$173,882,629</td>
<td>$73,473,970 $100,408,659</td>
</tr>
<tr>
<td>Airport Revenue Bond Fund</td>
<td>4,326,413</td>
<td>54,712,078 (50,385,665)</td>
</tr>
<tr>
<td>Airport Construction Fund</td>
<td>114,236,036</td>
<td>107,989,159 6,246,877</td>
</tr>
<tr>
<td>PFC Fund</td>
<td>27,038,023</td>
<td>1,051,096 25,986,927</td>
</tr>
<tr>
<td>PFC Bond Fund</td>
<td>60,856</td>
<td>10,666,158 (10,605,302)</td>
</tr>
<tr>
<td><strong>Totals - budgetary reporting basis</strong></td>
<td>$319,543,957</td>
<td>$247,892,461 71,651,496</td>
</tr>
</tbody>
</table>

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: 107,989,159
- Internal costs on capital projects: 1,455,996
- Interest expense capitalized: 2,350,564
- Depreciation and amortization expense: (63,152,017)
- Contributions from governmental agencies: (35,700,776)
- Bond sale proceeds: (82,347,798)
- Bond principal expenditures: 35,809,324
- Change in deferred revenues and certain rents, notes, and contracts receivable: 430,630
- Amortization of bond issuance costs: (1,634,931)
- Expensed capital outlay expenditures: (2,019,757)
- Intra-Port services received, provided, and overhead: (19,402,997)
- Other: (2,558,811)

Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets: $12,870,082

* 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, 2011

### REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>$165,000</td>
<td>$227,836</td>
<td>$62,836</td>
</tr>
<tr>
<td>Marine and Industrial Development</td>
<td>54,703,162</td>
<td>52,795,885</td>
<td>(1,907,277)</td>
</tr>
<tr>
<td>Navigation</td>
<td>13,148,816</td>
<td>9,590,353</td>
<td>(3,558,463)</td>
</tr>
<tr>
<td>General Aviation</td>
<td>3,166,077</td>
<td>3,284,817</td>
<td>118,740</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>71,183,055</td>
<td>65,898,891</td>
<td>(5,284,164)</td>
</tr>
</tbody>
</table>

| **Tax and tax items:**|        |        |              |
| Current property tax levy - net | 9,024,690 | 9,272,062 | 247,372 |
| Interest on taxes        | 33,072 | 33,072 |           |
| **Total**                | 9,024,690 | 9,305,134 | 280,444 |

| Interest                | 2,100,000 | 2,679,039 | 579,039 |
| State loan proceeds     | 3,881,702 | 3,881,702 | |
| Fixed asset sales and other | 7,402,803 | 7,402,803 | |
| **Total revenues**      | 82,307,745 | 89,167,569 | 6,859,824 |

### TRANSFERS FROM OTHER FUNDS:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Construction Fund</td>
<td>5,549,908</td>
<td>3,893,904</td>
<td>(1,656,004)</td>
</tr>
<tr>
<td>Airport Construction Fund</td>
<td>7,717,231</td>
<td>8,301,560</td>
<td>584,329</td>
</tr>
<tr>
<td>Airport Revenue Fund</td>
<td>22,709,181</td>
<td>22,967,647</td>
<td>258,466</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>35,976,320</td>
<td>35,163,111</td>
<td>(813,209)</td>
</tr>
</tbody>
</table>

| **Total revenues and transfers** | 118,284,065 | 124,330,680 | 6,046,615 |

### BEGINNING WORKING CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$131,914,744</td>
<td>149,945,858</td>
<td>18,031,114</td>
</tr>
<tr>
<td><strong>Total resources</strong></td>
<td>$250,198,809</td>
<td>$274,276,538</td>
<td>$24,077,729</td>
</tr>
</tbody>
</table>
### Appropriations

<table>
<thead>
<tr>
<th></th>
<th>Expenditures:</th>
<th>Transfers:</th>
<th>(Over)</th>
<th>Under</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>In (Out)</td>
<td>Revised</td>
<td>Actual</td>
</tr>
<tr>
<td>Administration</td>
<td>$39,987,063</td>
<td>$39,987,063</td>
<td>$38,400,181</td>
<td>$1,586,882</td>
</tr>
<tr>
<td>Marine and Industrial Development</td>
<td>$47,984,098</td>
<td>$1,500,000</td>
<td>$49,484,098</td>
<td>$41,385,290</td>
</tr>
<tr>
<td>Navigation</td>
<td>$10,275,132</td>
<td>$10,275,132</td>
<td>$7,907,883</td>
<td>$2,367,249</td>
</tr>
<tr>
<td>General Aviation</td>
<td>$2,035,862</td>
<td>$150,000</td>
<td>$2,185,862</td>
<td>$2,132,508</td>
</tr>
<tr>
<td>Long-term debt payments</td>
<td>$7,511,010</td>
<td>$7,511,010</td>
<td>$7,295,415</td>
<td>$215,595</td>
</tr>
<tr>
<td>System development charges/other</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Other environmental</td>
<td>$5,074,000</td>
<td>$3,000,000</td>
<td>$8,074,000</td>
<td>$6,176,223</td>
</tr>
<tr>
<td>Contingencies</td>
<td>$134,947,347</td>
<td>$4,650,000</td>
<td>$130,297,347</td>
<td>$130,297,347</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$247,819,512</td>
<td>$247,819,512</td>
<td>$103,297,500</td>
<td>$144,522,012</td>
</tr>
</tbody>
</table>

### Transfers to Other Funds

<table>
<thead>
<tr>
<th></th>
<th>Bond Construction Fund</th>
<th>Airport Revenue Fund</th>
<th>Total transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,130,318</td>
<td>$1,248,979</td>
<td>$2,379,297</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>$2,379,297</td>
<td>$2,379,297</td>
<td>$2,379,297</td>
</tr>
</tbody>
</table>

| **Total expenditures and transfers** | $250,198,809 | $250,198,809 | $103,588,630 | $146,610,179 |

### Ending Working Capital

<table>
<thead>
<tr>
<th></th>
<th>$170,687,908</th>
</tr>
</thead>
</table>

Reclass of cash from current to restricted

| (8,800) |

### Ending Working Capital per Balance Sheet

| $170,679,108 |

---

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### THE PORT OF PORTLAND

**SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS**

**BOND CONSTRUCTION FUND**

(BUDGETARY BASIS)

for the year ended June 30, 2011

#### REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest</strong></td>
<td>$159,996</td>
<td>$183,264</td>
<td>$23,268</td>
</tr>
<tr>
<td><strong>Grants and other</strong></td>
<td>26,413,056</td>
<td>13,333,818</td>
<td>(13,079,238)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>26,573,052</td>
<td>13,517,082</td>
<td>(13,055,970)</td>
</tr>
</tbody>
</table>

#### TRANSFERS FROM OTHER FUNDS:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td>1,130,318</td>
<td></td>
<td>(1,130,318)</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td></td>
<td>1,130,318</td>
<td></td>
</tr>
</tbody>
</table>

#### BEGINNING WORKING CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total resources</strong></td>
<td>$47,022,308</td>
<td>32,817,444</td>
<td>(14,204,864)</td>
</tr>
</tbody>
</table>

#### EXPENDITURES:

<table>
<thead>
<tr>
<th></th>
<th>Appropriations</th>
<th>Actual</th>
<th>Under (Over) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital outlay</strong></td>
<td>$31,415,201</td>
<td>14,879,067</td>
<td>$16,536,134</td>
</tr>
<tr>
<td><strong>Contingencies</strong></td>
<td>10,000,000</td>
<td></td>
<td>10,000,000</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>41,415,201</td>
<td>14,879,067</td>
<td>26,536,134</td>
</tr>
</tbody>
</table>

#### TRANSFERS TO OTHER FUNDS:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Under (Over) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td>5,549,908</td>
<td>3,893,904</td>
<td>1,656,004</td>
</tr>
<tr>
<td><strong>Airport Revenue Fund</strong></td>
<td>57,199</td>
<td>91,128</td>
<td>(33,929)</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>5,607,107</td>
<td>3,985,032</td>
<td>1,622,075</td>
</tr>
</tbody>
</table>

| **Total expenditures and transfers** | 47,022,308 | 18,864,099 | 28,158,209          |

#### ENDING WORKING CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$13,953,345</strong></td>
<td></td>
</tr>
</tbody>
</table>
### THE PORT OF PORTLAND

**SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS**

**AIRPORT REVENUE FUND**  
(BUDGETARY BASIS)

*for the year ended June 30, 2011*

### REVENUES:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue - Portland International Airport</td>
<td>$173,953,411</td>
<td>$173,011,493</td>
<td>$(941,918)</td>
</tr>
<tr>
<td>Interest and other</td>
<td>972,996</td>
<td>871,136</td>
<td>(101,860)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>174,926,407</strong></td>
<td><strong>173,882,629</strong></td>
<td>(1,043,778)</td>
</tr>
</tbody>
</table>

### TRANSFERS FROM OTHER FUNDS:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>1,248,978</td>
<td>291,130</td>
<td>(957,848)</td>
</tr>
<tr>
<td>Bond Construction Fund</td>
<td>57,200</td>
<td>91,128</td>
<td>33,928</td>
</tr>
<tr>
<td>Airport Construction Fund</td>
<td>1,399,550</td>
<td>1,443,722</td>
<td>44,172</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td><strong>2,705,728</strong></td>
<td><strong>1,825,980</strong></td>
<td><strong>(879,748)</strong></td>
</tr>
</tbody>
</table>

**Total revenues and transfers**  
$2,705,728   $1,825,980   $(879,748)

### BEGINNING WORKING CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,000,000</td>
<td>22,170,730</td>
<td>2,170,730</td>
</tr>
</tbody>
</table>

**Total resources**  
$197,632,135  $197,879,339  $247,204

### EXPENDITURES:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenditures</td>
<td>$73,835,916</td>
<td>73,473,970</td>
<td>361,946</td>
</tr>
<tr>
<td>System development charges/other</td>
<td>5,000</td>
<td>5,000</td>
<td>0</td>
</tr>
<tr>
<td>Contingencies</td>
<td>20,000,000</td>
<td>20,000,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>93,840,916</strong></td>
<td><strong>73,473,970</strong></td>
<td><strong>20,366,946</strong></td>
</tr>
</tbody>
</table>

### TRANSFERS TO OTHER FUNDS:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>22,709,182</td>
<td>22,967,647</td>
<td>(258,465)</td>
</tr>
<tr>
<td>Airport Construction Fund</td>
<td>31,081,617</td>
<td>54,107,988</td>
<td>(23,026,371)</td>
</tr>
<tr>
<td>Airport Revenue Bond Fund</td>
<td>50,000,420</td>
<td>82,112,456</td>
<td>(32,112,036)</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td><strong>103,791,219</strong></td>
<td><strong>82,112,456</strong></td>
<td><strong>(21,678,763)</strong></td>
</tr>
</tbody>
</table>

**Total expenditures and transfers**  
$103,791,219  $82,112,456  $(21,678,763)

### ENDING WORKING CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$42,292,913</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The data includes adjustments for budget overages and underages.
### THE PORT OF PORTLAND
### SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
#### AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other</td>
<td>$150,000</td>
<td>$39,590</td>
<td>$(110,410)</td>
</tr>
<tr>
<td>Bond sale proceeds</td>
<td>19,000,000</td>
<td>4,286,823</td>
<td>(14,713,177)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>19,150,000</td>
<td>4,326,413</td>
<td>(14,823,587)</td>
</tr>
<tr>
<td><strong>TRANSFERS FROM OTHER FUNDS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport Revenue Fund</td>
<td>50,000,421</td>
<td>54,107,988</td>
<td>4,107,567</td>
</tr>
<tr>
<td>Airport Construction Fund</td>
<td>12,000,000</td>
<td>(12,000,000)</td>
<td></td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>62,000,421</td>
<td>54,107,988</td>
<td>(7,892,433)</td>
</tr>
<tr>
<td><strong>Total revenues and transfers</strong></td>
<td>81,150,421</td>
<td>58,434,401</td>
<td>(22,716,020)</td>
</tr>
</tbody>
</table>

**BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE**

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total resources</td>
<td>$98,017,911</td>
<td>74,734,744</td>
<td>$(23,283,167)</td>
</tr>
</tbody>
</table>

**EXPENDITURES:**

<table>
<thead>
<tr>
<th></th>
<th>Appropriations</th>
<th>Actual</th>
<th>Under Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt payments</td>
<td>$62,150,421</td>
<td>54,712,078</td>
<td>$7,438,343</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>62,150,421</td>
<td>54,712,078</td>
<td>$7,438,343</td>
</tr>
</tbody>
</table>

**UNAPPROPRIATED BALANCE**

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,867,490</td>
<td>$98,017,911</td>
</tr>
</tbody>
</table>

**ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE**

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,022,666</td>
<td>$</td>
</tr>
</tbody>
</table>
## THE PORT OF PORTLAND

**SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS**

**AIRPORT CONSTRUCTION FUND**

(BUDGETARY BASIS)

for the year ended June 30, 2011

---

### REVENUES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>$19,035,883</td>
<td>$35,700,776</td>
<td>$16,664,893</td>
</tr>
<tr>
<td>Interest and other</td>
<td>2,990,004</td>
<td>717,721</td>
<td>(2,272,283)</td>
</tr>
<tr>
<td>Bond sale and other debt proceeds</td>
<td>170,785,000</td>
<td>77,817,539</td>
<td>(92,967,461)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>192,810,887</td>
<td>114,236,036</td>
<td>(78,574,851)</td>
</tr>
</tbody>
</table>

### TRANSFERS FROM OTHER FUNDS:

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Revenue Fund</td>
<td>31,081,616</td>
<td>5,036,821</td>
<td>(26,044,795)</td>
</tr>
<tr>
<td>PPC Fund</td>
<td>13,521,618</td>
<td>10,000,000</td>
<td>(3,521,618)</td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>44,603,234</td>
<td>15,036,821</td>
<td>(29,566,413)</td>
</tr>
</tbody>
</table>

### BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,994,197</td>
<td>35,551,755</td>
<td>27,557,558</td>
</tr>
</tbody>
</table>

**Total resources** $245,408,318 $164,824,612 $(80,583,706)

---

### EXPENDITURES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay</td>
<td>$129,707,749</td>
<td>107,989,159</td>
<td>$21,718,590</td>
</tr>
<tr>
<td>Contingencies</td>
<td>94,583,789</td>
<td>94,583,789</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>224,291,538</td>
<td>202,572,948</td>
<td>21,718,590</td>
</tr>
</tbody>
</table>

---

### TRANSFERS TO OTHER FUNDS:

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>7,717,231</td>
<td>8,301,560</td>
<td>(584,329)</td>
</tr>
<tr>
<td>Airport Revenue Fund</td>
<td>1,399,549</td>
<td>1,443,722</td>
<td>(44,173)</td>
</tr>
<tr>
<td>Airport Revenue Bond Fund</td>
<td>12,000,000</td>
<td>12,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total transfers</strong></td>
<td>21,116,780</td>
<td>9,745,282</td>
<td>11,371,498</td>
</tr>
</tbody>
</table>

**Total expenditures and transfers** $245,408,318 $173,714,224 $127,673,877

---

### ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$47,090,171</td>
</tr>
</tbody>
</table>

---

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THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>(Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other</td>
<td>$200,004</td>
<td>$50,383</td>
<td>$(149,621)</td>
</tr>
<tr>
<td>Passenger facility charges</td>
<td>25,474,716</td>
<td>26,987,640</td>
<td>1,512,924</td>
</tr>
<tr>
<td>Total revenues</td>
<td>25,674,720</td>
<td>27,038,023</td>
<td>1,363,303</td>
</tr>
<tr>
<td><strong>BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,557,512</td>
<td>8,074,218</td>
<td>$(483,294)</td>
</tr>
<tr>
<td>Total resources</td>
<td>$34,232,232</td>
<td>35,112,241</td>
<td>$880,009</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Appropriations</th>
<th>Actual</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$900,000</td>
<td>1,051,096</td>
<td>$(151,096)</td>
</tr>
<tr>
<td>Contingencies</td>
<td>8,948,753</td>
<td>8,948,753</td>
<td></td>
</tr>
<tr>
<td>Total expenditures</td>
<td>9,848,753</td>
<td>1,051,096</td>
<td>8,948,753</td>
</tr>
</tbody>
</table>

|                          |                |        |        |
| **TRANSFERS TO OTHER FUNDS:** |            |        |        |
| PFC Bond Fund            | 10,861,860     | 10,633,777 | 228,083 |
| Airport Construction Fund | 13,521,619    | 10,000,000 | 3,521,619 |
| Total transfers          | 24,383,479     | 20,633,777 | 3,749,702 |

|                          |                |        |        |
| Total expenditures and transfers | $34,232,232 | 21,684,873 | $12,698,455 |

|                          |                |        |        |
| **ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION** |        |        |        |

21,684,873 $12,698,455 $13,427,368
### THE PORT OF PORTLAND
### SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
#### PFC BOND FUND
#### (BUDGETARY BASIS)
#### for the year ended June 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Over (Under) Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$324,996</td>
<td>$60,856</td>
<td>$(264,140)</td>
</tr>
<tr>
<td></td>
<td>$324,996</td>
<td>$60,856</td>
<td>$(264,140)</td>
</tr>
<tr>
<td>Total revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRANSFERS FROM OTHER FUNDS:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFC Fund</td>
<td>10,861,860</td>
<td>10,633,777</td>
<td>$(228,083)</td>
</tr>
<tr>
<td>BEGINNING RESTRICTED NET ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVAILABLE FOR FUTURE DEBT SERVICE</td>
<td>10,770,975</td>
<td>10,774,038</td>
<td>3,063</td>
</tr>
<tr>
<td>Total resources</td>
<td>$21,957,831</td>
<td>$21,468,671</td>
<td>$(489,160)</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt payments</td>
<td>$11,186,856</td>
<td>10,666,158</td>
<td>$520,698</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$11,186,856</td>
<td>10,666,158</td>
<td>$520,698</td>
</tr>
<tr>
<td><strong>UNAPPROPRIATED BALANCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,770,975</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$21,957,831</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ENDING RESTRICTED NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AVAILABLE FOR FUTURE DEBT SERVICE</td>
<td></td>
<td></td>
<td>$10,802,513</td>
</tr>
</tbody>
</table>
### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Combined All Funds</th>
<th>Marine &amp; Other</th>
<th>Bond Fund</th>
<th>Total Revenue</th>
<th>Revenue Construction PFC</th>
<th>PFC Bond Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$43,999,458</td>
<td>$43,936,018</td>
<td>$43,936,018</td>
<td>$63,440</td>
<td>$63,440</td>
<td></td>
</tr>
<tr>
<td>Equity in pooled investments</td>
<td>$221,698,132</td>
<td>$164,293,372</td>
<td>$148,123,881</td>
<td>$16,169,491</td>
<td>$57,404,760</td>
<td>$57,404,760</td>
</tr>
<tr>
<td>Receivables, net of allowance for doubtful accounts</td>
<td>$19,978,088</td>
<td>$11,922,736</td>
<td>$10,388,738</td>
<td>$1,533,998</td>
<td>$8,055,352</td>
<td>$8,055,352</td>
</tr>
<tr>
<td>Prepaid insurance and other assets</td>
<td>$4,722,587</td>
<td>$1,752,238</td>
<td>$1,752,238</td>
<td>$2,970,349</td>
<td>$2,970,349</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>$290,398,265</td>
<td>$221,904,364</td>
<td>$204,200,875</td>
<td>$17,703,489</td>
<td>$68,493,901</td>
<td>$68,493,901</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and equity in pooled investments</td>
<td>$156,904,711</td>
<td>$8,292,044</td>
<td>$8,292,044</td>
<td>$148,612,667</td>
<td>$9,625,258</td>
<td>$51,249,335</td>
</tr>
<tr>
<td>Receivables</td>
<td>$27,972,960</td>
<td>$19,100,209</td>
<td>$15,350,065</td>
<td>$3,750,144</td>
<td>$16,585,023</td>
<td>$16,585,023</td>
</tr>
<tr>
<td>Total restricted assets</td>
<td>$184,877,671</td>
<td>$27,392,243</td>
<td>$23,642,109</td>
<td>$20,500,288</td>
<td>$26,200,988</td>
<td>$26,200,988</td>
</tr>
<tr>
<td>Land held for sale</td>
<td>$16,163,732</td>
<td>$16,163,732</td>
<td>$16,163,732</td>
<td>$835,409,305</td>
<td>$835,409,305</td>
<td></td>
</tr>
<tr>
<td>Nondepreciable properties, net of accumulated depreciation</td>
<td>$518,161,885</td>
<td>$141,174,593</td>
<td>$75,501,194</td>
<td>$65,733,399</td>
<td>$376,982,292</td>
<td>$604,167,126</td>
</tr>
<tr>
<td>Prepaid insurance and other assets</td>
<td>$22,251,251</td>
<td>$781,988</td>
<td>$781,988</td>
<td>$21,469,263</td>
<td>$17,955,084</td>
<td>$3,514,179</td>
</tr>
<tr>
<td>Pension assets</td>
<td>$75,546,020</td>
<td>$37,356,963</td>
<td>$37,356,963</td>
<td>$38,189,057</td>
<td>$38,189,057</td>
<td></td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>$1,819,801,941</td>
<td>$394,691,111</td>
<td>$329,017,712</td>
<td>$1,459,560,723</td>
<td>$969,220,871</td>
<td>$68,994,821</td>
</tr>
<tr>
<td>Total assets</td>
<td>$2,110,200,206</td>
<td>$616,595,475</td>
<td>$533,218,587</td>
<td>$83,376,888</td>
<td>$1,528,054,624</td>
<td>$1,037,714,772</td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Combined All Funds</th>
<th>Marine &amp; Other</th>
<th>Bond Fund</th>
<th>Total Revenue</th>
<th>Revenue Construction PFC</th>
<th>PFC Bond Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>$2,092,396</td>
<td>$2,092,396</td>
<td>$2,092,396</td>
<td>$148,612,667</td>
<td>$9,625,258</td>
<td>$51,249,335</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$35,055,232</td>
<td>$19,100,209</td>
<td>$15,350,065</td>
<td>$3,750,144</td>
<td>$16,585,023</td>
<td>$16,585,023</td>
</tr>
<tr>
<td>Accrued wages, vacation and sick leave pay</td>
<td>$13,667,170</td>
<td>$7,671,216</td>
<td>$7,671,216</td>
<td>$5,995,954</td>
<td>$5,995,954</td>
<td></td>
</tr>
<tr>
<td>Total current liabilities (payable from current assets)</td>
<td>$63,472,899</td>
<td>$37,271,911</td>
<td>$33,521,767</td>
<td>$26,200,988</td>
<td>$26,200,988</td>
<td></td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term environmental and other accruals</td>
<td>$80,609,441</td>
<td>$52,555,441</td>
<td>$52,555,441</td>
<td>$28,050,000</td>
<td>$2,209,000</td>
<td>$17,739,000</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$731,448,735</td>
<td>$96,277,593</td>
<td>$96,277,593</td>
<td>$635,171,142</td>
<td>$5,761,142</td>
<td>$17,077,142</td>
</tr>
<tr>
<td>Deferred revenue and other</td>
<td>$75,057,961</td>
<td>$33,420,565</td>
<td>$33,420,565</td>
<td>$41,637,396</td>
<td>$31,574,932</td>
<td>$5,176,986</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$1,011,331,866</td>
<td>$319,571,570</td>
<td>$319,571,570</td>
<td>$301,971,570</td>
<td>$301,971,570</td>
<td>$8,050,000</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$2,110,200,206</td>
<td>$616,595,475</td>
<td>$533,218,587</td>
<td>$83,376,888</td>
<td>$1,528,054,624</td>
<td>$1,037,714,772</td>
</tr>
</tbody>
</table>

### NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Combined All Funds</th>
<th>Marine &amp; Other</th>
<th>Bond Fund</th>
<th>Total Revenue</th>
<th>Revenue Construction PFC</th>
<th>PFC Bond Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$862,744,459</td>
<td>$313,533,916</td>
<td>$247,860,517</td>
<td>$65,673,399</td>
<td>$549,210,543</td>
<td>$362,826,239</td>
</tr>
<tr>
<td>Restricted for capital and debt service</td>
<td>$117,051,866</td>
<td>$8,242,044</td>
<td>$8,242,044</td>
<td>$108,814,755</td>
<td>$95,501</td>
<td>$36,275,680</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$119,067,082</td>
<td>$75,244,005</td>
<td>$61,290,660</td>
<td>$34,823,077</td>
<td>$34,823,077</td>
<td>$34,823,077</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$1,098,888,340</td>
<td>$397,019,985</td>
<td>$317,393,221</td>
<td>$79,626,744</td>
<td>$701,848,375</td>
<td>$407,008,817</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$2,110,200,206</td>
<td>$616,595,475</td>
<td>$533,218,587</td>
<td>$83,376,888</td>
<td>$1,528,054,624</td>
<td>$1,037,714,772</td>
</tr>
</tbody>
</table>

* Amount eliminated in the Combined All Funds column.
Operating revenues:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline revenues</td>
<td>$87,114,833</td>
</tr>
<tr>
<td>Concessions and other rentals</td>
<td>84,575,218</td>
</tr>
<tr>
<td>Other</td>
<td>1,752,072</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>173,442,123</strong></td>
</tr>
</tbody>
</table>

Interest income - revenue fund and revenue bond fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income - revenue fund</td>
<td>883,054</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td><strong>883,054</strong></td>
</tr>
</tbody>
</table>

Costs of operation and maintenance, excluding depreciation:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and fringe benefits</td>
<td>36,427,669</td>
</tr>
<tr>
<td>Contract, professional and consulting services</td>
<td>24,178,159</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>3,505,423</td>
</tr>
<tr>
<td>Utilities</td>
<td>6,396,810</td>
</tr>
<tr>
<td>Equipment rents, repair and fuel</td>
<td>972,800</td>
</tr>
<tr>
<td>Insurance</td>
<td>2,040,175</td>
</tr>
<tr>
<td>Rent</td>
<td>8,270</td>
</tr>
<tr>
<td>Travel and management expense</td>
<td>1,005,874</td>
</tr>
<tr>
<td>Allocation of general and administration expense of the Port of Portland</td>
<td>15,674,397</td>
</tr>
<tr>
<td>Other</td>
<td>3,456,821</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>93,666,398</strong></td>
</tr>
</tbody>
</table>

Net revenues, as defined by Section 2(r) of Ordinance No. 155

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues, as defined by Section 2(r) of Ordinance No. 155</td>
<td>$80,658,779</td>
</tr>
</tbody>
</table>

* 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.
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:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues, per accompanying schedule of net revenues</td>
<td>$ 80,658,779</td>
</tr>
<tr>
<td>Debt service requirement:</td>
<td></td>
</tr>
<tr>
<td>Interest and principal amount</td>
<td>$ 48,086,771</td>
</tr>
<tr>
<td>x 130%</td>
<td>62,512,802</td>
</tr>
<tr>
<td>Total net revenues required</td>
<td>62,512,802</td>
</tr>
</tbody>
</table>
| Excess of net revenues over 130% of debt service requirement | $ 18,145,977
THE PORT OF PORTLAND  
PORTLAND INTERNATIONAL AIRPORT  
SCHEDULE OF REVENUE BOND  
CONSTRUCTION ACCOUNT ACTIVITY  
for the year ended June 30, 2011  

<table>
<thead>
<tr>
<th></th>
<th>Bond Proceeds</th>
<th>Capitalized Interest Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction account, June 30, 2010</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bond sale proceeds</td>
<td>35,329,946</td>
<td>889,927</td>
</tr>
<tr>
<td>Interest income</td>
<td>58,754</td>
<td>2,287</td>
</tr>
<tr>
<td></td>
<td>35,388,700</td>
<td>892,214</td>
</tr>
<tr>
<td>Construction expenditures</td>
<td>18,337,733</td>
<td></td>
</tr>
<tr>
<td>Transfers to revenue bond fund</td>
<td></td>
<td>125,617</td>
</tr>
<tr>
<td>Construction account, June 30, 2011</td>
<td>$ 17,050,967</td>
<td>$ 766,597</td>
</tr>
</tbody>
</table>

NOTE: This schedule is provided in compliance with Section 8d. of Ordinance No. 323.
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues, per accompanying schedule of net revenues</td>
<td>$80,658,779</td>
</tr>
<tr>
<td>Less revenue bond fund interest income</td>
<td>(51,246)</td>
</tr>
<tr>
<td>Applied to General Account, available to be applied to debt service of bonds</td>
<td>$ 80,607,533 (1)</td>
</tr>
<tr>
<td>Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323</td>
<td>$48,086,771 (2)</td>
</tr>
<tr>
<td>Ratio (1)/(2)</td>
<td>1.68</td>
</tr>
<tr>
<td>Required ratio</td>
<td>1.30</td>
</tr>
</tbody>
</table>

NOTE: This schedule is provided in compliance with Section 5f of Ordinance No. 323.
# SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY

For the year ended June 30, 2011

<table>
<thead>
<tr>
<th>First Lien Bond Account</th>
<th>First Lien Reserve Account</th>
<th>Capital Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances at June 30, 2010</td>
<td>$ 3,063</td>
<td>$ 10,770,975</td>
</tr>
<tr>
<td>PFC revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFC bond account</td>
<td>10,633,777</td>
<td></td>
</tr>
<tr>
<td>Capital account</td>
<td></td>
<td>16,353,863</td>
</tr>
<tr>
<td>Interest earnings</td>
<td>60,856</td>
<td>49,001</td>
</tr>
<tr>
<td>Transfer from reserve account to bond account</td>
<td>60,856</td>
<td>(60,856)</td>
</tr>
<tr>
<td>Bond payments to trustee</td>
<td>(10,666,158)</td>
<td></td>
</tr>
<tr>
<td>Variable rate bond and interest rate swap costs</td>
<td></td>
<td>(1,038,168)</td>
</tr>
<tr>
<td>Costs of approved PFC projects</td>
<td></td>
<td>(10,000,000)</td>
</tr>
<tr>
<td>Other, net</td>
<td></td>
<td>(11,546)</td>
</tr>
<tr>
<td>Balances at June 30, 2011</td>
<td>$ 31,538</td>
<td>$ 10,770,975</td>
</tr>
</tbody>
</table>

**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, 2011

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current Levy as of</th>
<th>Deduct Cash Discounts</th>
<th>Deduct Adjustments</th>
<th>Cancellations and Adjustments</th>
<th>Interest</th>
<th>Fiscal Year</th>
<th>Current Levy as of</th>
<th>Deduct Cash Discounts</th>
<th>Deduct Adjustments</th>
<th>Cancellations and Adjustments</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Property Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Property Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Receivable</td>
<td>Extended</td>
<td>by Cash</td>
<td></td>
<td></td>
<td></td>
<td>Receivable</td>
<td>Extended</td>
<td>by Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>$ 9,595,717</td>
<td>$ (9,032,486)</td>
<td>$ (239,237)</td>
<td>$ (60,270)</td>
<td>$ 263,724</td>
<td>$ 3,797</td>
<td>$ 9,595,717</td>
<td>$ (9,032,486)</td>
<td>$ (239,237)</td>
<td>$ (60,270)</td>
<td>$ 263,724</td>
</tr>
<tr>
<td>2009-10</td>
<td>300,069</td>
<td>(168,650)</td>
<td>(14,668)</td>
<td>116,751</td>
<td>$ 9,443</td>
<td>$ 8,825</td>
<td>300,069</td>
<td>(168,650)</td>
<td>(14,668)</td>
<td>116,751</td>
<td>$ 9,443</td>
</tr>
<tr>
<td>2008-09</td>
<td>125,154</td>
<td>(58,149)</td>
<td>(5,239)</td>
<td>61,766</td>
<td>8,825</td>
<td>7,274</td>
<td>125,154</td>
<td>(58,149)</td>
<td>(5,239)</td>
<td>61,766</td>
<td>8,825</td>
</tr>
<tr>
<td>2007-08</td>
<td>49,867</td>
<td>(29,880)</td>
<td>(1,355)</td>
<td>18,632</td>
<td>7,274</td>
<td>3,343</td>
<td>49,867</td>
<td>(29,880)</td>
<td>(1,355)</td>
<td>18,632</td>
<td>7,274</td>
</tr>
<tr>
<td>2006-07</td>
<td>16,575</td>
<td>(11,741)</td>
<td>(731)</td>
<td>4,103</td>
<td>3,343</td>
<td>$</td>
<td>16,575</td>
<td>(11,741)</td>
<td>(731)</td>
<td>4,103</td>
<td>$</td>
</tr>
<tr>
<td>and prior</td>
<td>14,642</td>
<td>(1,448)</td>
<td>(2,155)</td>
<td>11,039</td>
<td>(105)</td>
<td>$</td>
<td>14,642</td>
<td>(1,448)</td>
<td>(2,155)</td>
<td>11,039</td>
<td>(105)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 506,307</td>
<td>$ 9,595,717</td>
<td>$ (9,302,354)</td>
<td>$ (84,418)</td>
<td>$ 476,015</td>
<td>$ 32,577</td>
<td>$ 506,307</td>
<td>$ 9,595,717</td>
<td>$ (9,302,354)</td>
<td>$ (84,418)</td>
<td>$ 476,015</td>
</tr>
</tbody>
</table>

Reconciliation to income from property taxes:

Current levy: $ 9,595,717
Deduct discounts allowed: (239,237)
Cancellations and adjustments: (84,418)

Total: $ 9,272,062
### Limited Tax Pension Bonds:

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity</th>
<th>Outstanding at June 30, 2010</th>
<th>Issued</th>
<th>Matured</th>
<th>Redeemed</th>
<th>Total Due Within</th>
<th>One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2002A</td>
<td>06/01/20</td>
<td>$8,291,465</td>
<td>$705,744</td>
<td>$705,744</td>
<td>$7,585,721</td>
<td>$751,148</td>
<td></td>
</tr>
<tr>
<td>Series 2002B</td>
<td>06/01/28</td>
<td>43,525,000</td>
<td></td>
<td></td>
<td></td>
<td>43,525,000</td>
<td></td>
</tr>
<tr>
<td>Series 2005</td>
<td>06/01/28</td>
<td>19,605,000</td>
<td>300,000</td>
<td>300,000</td>
<td></td>
<td>19,305,000</td>
<td>360,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>71,421,465</strong></td>
<td><strong>1,005,744</strong></td>
<td><strong>1,005,744</strong></td>
<td><strong>70,415,721</strong></td>
<td><strong>1,111,148</strong></td>
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</table>

### Portland International Airport Revenue Bonds:

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity</th>
<th>Outstanding at June 30, 2010</th>
<th>Issued</th>
<th>Matured</th>
<th>Redeemed</th>
<th>Total Due Within</th>
<th>One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 12A</td>
<td>07/01/28</td>
<td>17,875,000</td>
<td>1,990,000</td>
<td>17,875,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 12B</td>
<td>07/01/18</td>
<td>8,960,000</td>
<td>1,555,000</td>
<td>8,960,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 12C</td>
<td>07/01/28</td>
<td>107,645,000</td>
<td>4,375,000</td>
<td>107,645,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 15A</td>
<td>07/01/15</td>
<td>8,970,000</td>
<td>1,565,000</td>
<td>7,340,000</td>
<td>1,630,000</td>
<td>1,630,000</td>
<td></td>
</tr>
<tr>
<td>Series 15B</td>
<td>07/01/18</td>
<td>32,100,000</td>
<td>3,645,000</td>
<td>30,525,000</td>
<td>1,575,000</td>
<td>1,575,000</td>
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</tr>
<tr>
<td>Series 15D</td>
<td>07/01/28</td>
<td>63,230,000</td>
<td>3,140,000</td>
<td>34,400,000</td>
<td>28,830,000</td>
<td>835,000</td>
<td></td>
</tr>
<tr>
<td>Series 18A</td>
<td>07/01/26</td>
<td>66,825,000</td>
<td>2,785,000</td>
<td>2,785,000</td>
<td>64,040,000</td>
<td>2,900,000</td>
<td></td>
</tr>
<tr>
<td>Series 18B</td>
<td>07/01/26</td>
<td>66,825,000</td>
<td>2,785,000</td>
<td>2,785,000</td>
<td>64,040,000</td>
<td>2,900,000</td>
<td></td>
</tr>
<tr>
<td>Series 19</td>
<td>07/01/38</td>
<td>131,965,000</td>
<td></td>
<td>14,800,000</td>
<td>130,485,000</td>
<td>1,840,000</td>
<td></td>
</tr>
<tr>
<td>Series 20A</td>
<td>07/01/28</td>
<td>$35,765,000</td>
<td>$35,765,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 20B</td>
<td>07/01/40</td>
<td>21,620,000</td>
<td>21,620,000</td>
<td>30,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 20C</td>
<td>07/01/28</td>
<td>99,665,000</td>
<td>99,665,000</td>
<td>5,635,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 21A</td>
<td>07/01/15</td>
<td>5,490,000</td>
<td>5,490,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 21B</td>
<td>07/01/18</td>
<td>51,280,000</td>
<td></td>
<td>51,280,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>504,395,000</strong></td>
<td><strong>213,820,000</strong></td>
<td><strong>213,795,000</strong></td>
<td><strong>504,420,000</strong></td>
<td><strong>21,430,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Portland International Airport Passenger Facility Charge Revenue Bonds:

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity</th>
<th>Outstanding at June 30, 2010</th>
<th>Issued</th>
<th>Matured</th>
<th>Total Due Within</th>
<th>One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1999B</td>
<td>07/01/18</td>
<td>51,530,000</td>
<td>4,785,000</td>
<td>4,785,000</td>
<td>46,745,000</td>
<td>5,060,000</td>
</tr>
<tr>
<td>Series 2009A1</td>
<td>07/01/24</td>
<td>29,000,000</td>
<td>45,000</td>
<td>45,000</td>
<td>28,955,000</td>
<td>45,000</td>
</tr>
<tr>
<td>Series 2009A2</td>
<td>07/01/24</td>
<td>28,965,000</td>
<td>40,000</td>
<td>40,000</td>
<td>28,945,000</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Total Portland Int'l Airport Revenue Bonds</strong></td>
<td></td>
<td><strong>109,515,000</strong></td>
<td><strong>4,870,000</strong></td>
<td><strong>4,870,000</strong></td>
<td><strong>104,645,000</strong></td>
<td><strong>5,145,000</strong></td>
</tr>
</tbody>
</table>

### Contracts & Loans Payable:

<table>
<thead>
<tr>
<th>Credit</th>
<th>Due</th>
<th>Outstanding at June 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland Int'l Airport Wells Fargo Bank Line of Credit</td>
<td>11/2/10</td>
<td>$41,720,614</td>
</tr>
<tr>
<td>Series 2003, 5.32%</td>
<td>04/01/23</td>
<td>$7,653,524 $431,967 $431,967</td>
</tr>
<tr>
<td>Oregon Department of Transportation, MMTF-0001, 0%</td>
<td>03/31/21</td>
<td>574,820 $1,425,180</td>
</tr>
<tr>
<td>Oregon Department of Transportation, MMTF-0003, 0%</td>
<td>11/01/22</td>
<td>1,106,604</td>
</tr>
<tr>
<td>Oregon Business Development Dept., B08005, 2.00% to 4.00%</td>
<td>12/01/30</td>
<td>8,116,653 $343,935</td>
</tr>
<tr>
<td>Oregon Business Development Dept., 040-188, 5.13%</td>
<td>07/01/30</td>
<td>1,477,874 $22,126</td>
</tr>
<tr>
<td>Oregon Business Development Dept., 040-189, 5.13%</td>
<td>01/01/32</td>
<td>618,066 $788,857</td>
</tr>
<tr>
<td><strong>Total Contracts &amp; Loans Payable</strong></td>
<td></td>
<td><strong>18,440,937</strong></td>
</tr>
</tbody>
</table>

**Note:** Interest rates relate to original issue. Certain coupons are no longer outstanding.
# Schedule of Bond and Other Long-Term Debt Interest Transactions – By Series

## For the Year Ended June 30, 2011

### Limited Tax Pension Bonds:

<table>
<thead>
<tr>
<th>Series</th>
<th>Interest Rate</th>
<th>Outstanding at June 30, 2010</th>
<th>Interest Matured and Paid</th>
<th>Fluctuations and Redemptions</th>
<th>Outstanding at June 30, 2011</th>
<th>Maturing Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002A</td>
<td>2.00% to 7.41%</td>
<td>$14,323,536</td>
<td>$594,256</td>
<td>$13,729,280</td>
<td>$743,852</td>
<td></td>
</tr>
<tr>
<td>2002B</td>
<td>6.60% to 6.85%</td>
<td>43,846,378</td>
<td>2,965,950</td>
<td>40,880,428</td>
<td>2,965,950</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>4.00% to 5.50%</td>
<td>31,683,720</td>
<td>970,669</td>
<td>10,713,051</td>
<td>952,121</td>
<td></td>
</tr>
</tbody>
</table>

Total Limited Tax Pension Bonds: $69,853,634

### Portland International Airport Revenue Bonds:

<table>
<thead>
<tr>
<th>Series</th>
<th>Interest Rate</th>
<th>Outstanding at June 30, 2010</th>
<th>Interest Matured and Paid</th>
<th>Fluctuations and Redemptions</th>
<th>Outstanding at June 30, 2011</th>
<th>Maturing Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>12A</td>
<td>4.00% to 5.25%</td>
<td>5,436,706</td>
<td>374,630</td>
<td>4,702,076</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12B</td>
<td>4.00% to 5.25%</td>
<td>1,313,137</td>
<td>363,314</td>
<td>949,823</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12C</td>
<td>4.00% to 5.25%</td>
<td>55,089,150</td>
<td>4,452,514</td>
<td>50,636,636</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15A</td>
<td>4.00% to 5.00%</td>
<td>1,211,131</td>
<td>478,902</td>
<td>691,270</td>
<td>40,750</td>
<td>40,750</td>
</tr>
<tr>
<td>15B</td>
<td>4.50% to 5.375%</td>
<td>7,163,642</td>
<td>1,926,795</td>
<td>5,194,847</td>
<td>42,328</td>
<td>42,328</td>
</tr>
<tr>
<td>15D</td>
<td>4.50% to 5.50%</td>
<td>25,394,636</td>
<td>3,641,132</td>
<td>7,098,460</td>
<td>14,855,044</td>
<td>1,421,669</td>
</tr>
<tr>
<td>18A</td>
<td>0.08% *</td>
<td>1,209,890</td>
<td>160,723</td>
<td>660,439</td>
<td>388,728</td>
<td>48,912</td>
</tr>
<tr>
<td>18B</td>
<td>0.08% *</td>
<td>1,154,994</td>
<td>162,128</td>
<td>604,102</td>
<td>388,764</td>
<td>48,912</td>
</tr>
<tr>
<td>19</td>
<td>4.00% to 5.50%</td>
<td>127,417,844</td>
<td>6,883,788</td>
<td>120,534,056</td>
<td>6,800,788</td>
<td></td>
</tr>
<tr>
<td>20A</td>
<td>3.125% to 5.00%</td>
<td>$14,750,816</td>
<td>254,488</td>
<td>14,496,328</td>
<td>1,471,106</td>
<td></td>
</tr>
<tr>
<td>20B</td>
<td>2.00% to 4.50%</td>
<td>16,184,123</td>
<td>141,760</td>
<td>16,042,363</td>
<td>864,675</td>
<td></td>
</tr>
<tr>
<td>20C</td>
<td>4.00% to 5.00%</td>
<td>49,508,451</td>
<td>788,576</td>
<td>48,719,875</td>
<td>4,698,950</td>
<td></td>
</tr>
<tr>
<td>21A</td>
<td>3.00% to 5.00%</td>
<td>482,967</td>
<td>482,967</td>
<td>140,167</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21B</td>
<td>2.00% to 5.00%</td>
<td>9,954,769</td>
<td>9,954,769</td>
<td>17,484,544</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Portland Int'l Airport Revenue Bonds: $225,591,130

### Portland International Airport Passenger Facility Charge Revenue Bonds:

<table>
<thead>
<tr>
<th>Series</th>
<th>Interest Rate</th>
<th>Outstanding at June 30, 2010</th>
<th>Interest Matured and Paid</th>
<th>Fluctuations and Redemptions</th>
<th>Outstanding at June 30, 2011</th>
<th>Maturing Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999B</td>
<td>5.00% to 5.75%</td>
<td>13,336,488</td>
<td>2,741,981</td>
<td>10,594,507</td>
<td>2,458,938</td>
<td></td>
</tr>
<tr>
<td>2009A1</td>
<td>0.11% *</td>
<td>998,993</td>
<td>75,079</td>
<td>583,765</td>
<td>331,149</td>
<td>31,801</td>
</tr>
<tr>
<td>2009A2</td>
<td>0.06% *</td>
<td>889,077</td>
<td>74,203</td>
<td>635,899</td>
<td>178,975</td>
<td>17,343</td>
</tr>
</tbody>
</table>

Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds: $15,215,558

### Total Portland Bonds

$310,660,322

### Contracts & Loans Payable:

<table>
<thead>
<tr>
<th>Description</th>
<th>Outstanding Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Portland LID, Series 2003, 5.32%</td>
<td>$2,899,595</td>
<td>$396,736</td>
</tr>
<tr>
<td>Oregon Business Development Dept., B08005, 2.00% to 4.00%</td>
<td>$409,493</td>
<td>$3,574,001</td>
</tr>
<tr>
<td>Oregon Business Development Dept., 040-188, 5.13%</td>
<td>$1,011,212</td>
<td>$42,943</td>
</tr>
<tr>
<td>Oregon Business Development Dept., 040-189, 5.13%</td>
<td>$458,243</td>
<td>$557,832</td>
</tr>
<tr>
<td>Total Contracts &amp; Loans Payable</td>
<td>$4,778,543</td>
<td>$4,174,776</td>
</tr>
</tbody>
</table>

### Total Portland Long-Term Debt

$315,438,865

---

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

* Interest rate at June 30, 2011. Rate is variable, depending on weekly remarketings.
<table>
<thead>
<tr>
<th>Date of Issue</th>
<th>Total Fiscal Years</th>
<th>Remaining Fiscal Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIMITED TAX PENSION BONDS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2002A</td>
<td>Principal 03/28/02</td>
<td>$7,585,721</td>
</tr>
<tr>
<td>Series 2002B</td>
<td>Interest 03/28/02</td>
<td>$43,525,000</td>
</tr>
<tr>
<td>Series 2006</td>
<td>Interest 09/23/05</td>
<td>$19,305,000</td>
</tr>
<tr>
<td>Series 2007</td>
<td>Interest</td>
<td>$10,713,051</td>
</tr>
<tr>
<td><strong>PORTLAND INTERNATIONAL AIRPORT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 15A</td>
<td>Interest 04/03/01</td>
<td>$1,630,000</td>
</tr>
<tr>
<td>Series 15B</td>
<td>Interest 04/03/01</td>
<td>$40,750</td>
</tr>
<tr>
<td>Series 15D</td>
<td>Interest 04/03/01</td>
<td>$85,322,759</td>
</tr>
<tr>
<td>Series 16A</td>
<td>Interest 06/11/08</td>
<td>$64,040,000</td>
</tr>
<tr>
<td>Series 19</td>
<td>Interest 11/13/08</td>
<td>$130,485,000</td>
</tr>
<tr>
<td>Series 20A</td>
<td>Interest 11/02/10</td>
<td>$35,765,000</td>
</tr>
<tr>
<td>Series 20B</td>
<td>Interest 11/02/10</td>
<td>$35,765,000</td>
</tr>
<tr>
<td><strong>PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 1999B</td>
<td>Interest 09/01/99</td>
<td>$46,745,000</td>
</tr>
</tbody>
</table>
### The Port of Portland

#### Schedule of Future Requirements for Retirement of Bonded and Other Long-Term Debt – By Series

**As of June 30, 2011**

<table>
<thead>
<tr>
<th>Date of Issue</th>
<th>Total Requirements</th>
<th>Fiscal Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracts Payable:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portland Int’l Airport, Wells Fargo Bank Line of Credit</td>
<td>Principal</td>
<td>11/12/10</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>314,782</td>
</tr>
<tr>
<td>City of Portland LID</td>
<td>Principal</td>
<td>04/01/03</td>
</tr>
<tr>
<td>Oregon Dept. of Transportation MMTF-0001, 0%</td>
<td>Principal</td>
<td>05/10/09</td>
</tr>
<tr>
<td>Oregon Dept. of Transportation MMTF-0003, 0%</td>
<td>Principal</td>
<td>07/06/10</td>
</tr>
<tr>
<td>Oregon Business Development Dept. B08005</td>
<td>Principal</td>
<td>09/31/10</td>
</tr>
<tr>
<td>Oregon Business Development Dept. 040-188</td>
<td>Principal</td>
<td>03/19/09</td>
</tr>
<tr>
<td>Oregon Business Development Dept. 040-189</td>
<td>Principal</td>
<td>09/10/09</td>
</tr>
<tr>
<td>Total</td>
<td>Principal</td>
<td>$63,416,286</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>8,270,560</td>
</tr>
<tr>
<td><strong>Total Long-Term Debt</strong></td>
<td>Principal</td>
<td>$71,686,846</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>9,141,120</td>
</tr>
<tr>
<td><strong>Industrial Development Revenue Bonds:</strong></td>
<td>Principal</td>
<td>$81,827,966</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>10,282,240</td>
</tr>
<tr>
<td><strong>Total Industrial Revenue Bonds</strong></td>
<td>Principal</td>
<td>$92,110,206</td>
</tr>
<tr>
<td></td>
<td>Interest</td>
<td>11,264,524</td>
</tr>
</tbody>
</table>

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

**Industrial Development Revenue Bonds:**

- **Public Grain Elevator Revenue Bonds:**
  - Principal | 12/19/84 | $38,100,000 | $38,100,000 | $38,100,000 |
  - Interest |          | $266,700 | $76,200 | $76,200 | $76,200 | 130,293 |
- **Other Industrial Development Revenue Bonds:**
  - Horizon Air Project | Principal | 08/07/97 | $17,300,000 | $17,300,000 | $17,300,000 |
  - Portland Bulk Terminals, L.L.C. | Principal | 06/12/06 | $71,000,000 | $71,000,000 | $71,000,000 |
  - 2006 Series, 0.12% | Principal | 08/07/97 | $2,063,512 | $83,543 | $83,543 | $83,543 | $83,543 | $83,543 | $83,543 | $83,543 | $1,228,082 |
  - Total Other | Principal | $2,201,191 | $92,193 | $92,193 | $92,193 | $92,193 | $92,193 | $92,193 | $92,193 | $92,193 | $1,279,261 |
  - Total Industrial Revenue Bonds | Principal | $4,064,601 | $168,393 | $168,393 | $168,393 | $168,393 | $168,393 | $168,393 | $168,393 | $168,393 | $1,279,261 |

*Interest rate at June 30, 2011. Rate is variable, depending on weekly remarketings.*
### THE PORT OF PORTLAND

#### Schedule of Expenditures of Federal Awards

For the year ended June 30, 2011

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/ Award</th>
<th>Program Title</th>
<th>Period</th>
<th>CFDA</th>
<th>Current Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Transportation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Aviation Administration:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport Improvement Program:</td>
<td>AIP-3-41-0025-21</td>
<td>06/08/09 - 06/30/11</td>
<td>20.106</td>
<td>$ 82,896</td>
</tr>
<tr>
<td></td>
<td>AIP-3-41-0025-22</td>
<td>06/20/10 - 06/30/11</td>
<td>20.106</td>
<td>2,725,234</td>
</tr>
<tr>
<td></td>
<td>AIP-3-41-0048-53</td>
<td>07/10/06 - 06/30/11</td>
<td>20.106</td>
<td>402,124</td>
</tr>
<tr>
<td></td>
<td>AIP-3-41-0048-60</td>
<td>08/03/09 - 06/30/11</td>
<td>20.106</td>
<td>1,089,145</td>
</tr>
<tr>
<td></td>
<td>AIP-3-41-0048-61</td>
<td>09/02/09 - 06/30/11</td>
<td>20.106</td>
<td>3,071,511</td>
</tr>
<tr>
<td></td>
<td>AIP-3-41-0048-62</td>
<td>03/12/10 - 06/30/11</td>
<td>20.106</td>
<td>6,689,101</td>
</tr>
<tr>
<td></td>
<td>AIP-3-41-0048-63</td>
<td>08/20/10 - 06/30/11</td>
<td>20.106</td>
<td>8,279,848</td>
</tr>
<tr>
<td></td>
<td>AIP-3-41-0048-64</td>
<td>03/15/11 - 06/30/11</td>
<td>20.106</td>
<td>2,000,045</td>
</tr>
<tr>
<td></td>
<td>Maritime Administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>American Recovery and Reinvestment Act of 2009 (M)</td>
<td>06/17/09 - 06/30/11</td>
<td>20.205</td>
<td>3,124,636</td>
</tr>
<tr>
<td></td>
<td>Federal Rail Administration</td>
<td>Railroad Development</td>
<td>08/05/07 - 06/30/11</td>
<td>20.314</td>
</tr>
<tr>
<td>U.S. Department of Homeland Security:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Domestic Preparedness</td>
<td>Urban Area Security Initiative FY07</td>
<td>07/01/07 - 06/30/11</td>
<td>97.067</td>
<td>178,841</td>
</tr>
<tr>
<td></td>
<td>Urban Area Security Initiative FY08</td>
<td>07/01/08 - 06/30/11</td>
<td>97.067</td>
<td>36,460</td>
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<tr>
<td></td>
<td>Urban Area Security Initiative FY09</td>
<td>07/01/09 - 06/30/11</td>
<td>97.067</td>
<td>201,494</td>
</tr>
<tr>
<td>Transportation Security Administration</td>
<td>National Explosives Detection Canine Team Program</td>
<td>10/01/04 - 06/30/11</td>
<td>97.072</td>
<td>21,396</td>
</tr>
<tr>
<td></td>
<td>Law Enforcement Officer Reimbursement Program</td>
<td>10/01/07 - 06/30/11</td>
<td>97.090</td>
<td>160,469</td>
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<tr>
<td></td>
<td>Airport Checked Baggage Screening Program (M)</td>
<td>10/07/07 - 06/30/11</td>
<td>97.100</td>
<td>9,883,701</td>
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<tr>
<td>U.S. General Services Administration:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon Department of Administrative Services</td>
<td>Federal Surplus Property</td>
<td>07/01/10-06/30/11</td>
<td>39.003</td>
<td>510</td>
</tr>
<tr>
<td>U.S. Army Corps of Engineers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td>ARRA - Contract Dredging</td>
<td>07/01/10 - 06/30/11</td>
<td>W9127N-05-C-0018</td>
<td>325,501</td>
</tr>
<tr>
<td></td>
<td>Contract Dredging</td>
<td>07/01/10 - 06/30/11</td>
<td>W9127N-05-C-0018</td>
<td>9,139,724</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9,465,225</td>
</tr>
</tbody>
</table>

Total Expenditures of Federal Awards $ 48,165,240

(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.

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, 2011, which collectively comprise the Port's basic financial statements and have issued our report thereon dated October XX, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the basic financial statements are free of material misstatement.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance
As part of obtaining reasonable assurance about whether the Port's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative
Rules OAR 162-010-000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of various depositories to secure the deposit of public funds
- The requirements relating to debt
- The requirements relating to the preparation, adoption and execution of the annual budgets
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies
- The statutory requirements pertaining to the investment of public funds
- The requirements pertaining to the awarding of public contracts and the construction of public improvements

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, as prescribed by the Secretary of State.

* * * * * *

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.

By:

Michael MacBryde, Partner

Portland, Oregon
October 26, 2011