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, 2012

with comparative totals for the year ended June 30, 2011

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2012

Name	Term Expires
Judith Johansen, President 17600 Pacific Highway Marylhurst, Oregon 97036-0261	September 14, 2013
Steven H. Corey, Vice President 222 SE Dorion Avenue Pendleton, Oregon 97801	March 31, 2013
Diana A. Daggett, Secretary 5200 NE Elam Young Parkway Hillsboro, Oregon 97124	September 30, 2015
Paul A. Rosenbaum, Treasurer 7200 NE Airport Way Portland, Oregon 97218	June 30, 2015
Peter J. Bragdon 14375 NW Science Park Drive Portland, Oregon 97229	September 30, 2015
Jim Carter 7200 NE Airport Way Portland, Oregon 97218	November 30, 2013
Tom Chamberlain 2110 State Street Salem, Oregon 97303	May 9, 2015
Bruce A. Holte 2435 NW Front Avenue Portland, Oregon 97209	July 31, 2015

Bill Wyatt, Executive Director

REGISTERED AGENT AND OFFICE
Carla Kelley
7200 NE Airport Way
Portland, Oregon 97218

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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 accompanying financial statements of the Airport and Marine & Other activities, which collectively comprise the basic financial statements of the Port of Portland (the "Port") as listed in the table of contents, present fairly, in all material respects at June 30, 2012, the respective balance sheet and statements of revenues, expenses and changes in net assets and cash flows of the Airport and Marine & Other activities 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. The prior year summarized comparative information has been derived from the Port's 2011 financial statements, and in our report dated October 26, 2011, we expressed an unqualified opinion on those financial statements. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The accompanying management's discussion and analysis and the other required supplementary information, schedule of funding progress for defined benefit healthcare plan, as listed in the table of contents, are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the 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 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting

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and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.
PricewaterhouseCoopers LLP

By: ________________________________

Michael MacBryde

Portland, Oregon
October 26, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Port of Portland
Management's Discussion and Analysis

This discussion and analysis of the Port of Portland's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2012. 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 $43.6 million from the 2011 amount, or 4.0 percent. Unrestricted net assets – the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – decreased by $12.8 million, or 10.7 percent, during that same time. In comparison, last year total net assets increased by $55.4 million, or 5.3 percent. The analysis in Table 1 (below) focuses on the net assets of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	$ 367.5	$ 315.7	$ 268.6	$ 303.6	$ 602.2 *	$ 584.8	3.0%
Capital assets	1,200.8	1,212.4	345.0	313.0	1,545.8	1,525.4	1.3%
Total assets	1,568.3	1,528.1	613.6	616.6	2,148.0 *	2,110.2	1.8%
Long-term debt outstanding	669.6	663.1	83.9	98.4	753.5	761.5	(1.1)%
Other liabilities	158.3	163.2	127.6	121.1	252.0 *	249.8	0.9%
Total liabilities	827.9	826.3	211.5	219.5	1,005.5 *	1,011.3	(0.6)%
Net assets:							
Invested in capital assets, net of related debt	530.7	549.2	345.5	313.5	876.2	862.7	1.6%
Restricted	154.8	108.8	5.2	8.3	160.0	117.1	36.6%
Unrestricted	54.9	43.8	51.4	75.3	106.3	119.1	(10.7)%
Total net assets	$ 740.4	$ 701.8	$ 402.1	$ 397.1	$ 1,142.5	$ 1,098.9	4.0%

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

Total net assets of the Airport increased by $38.6 million, or 5.5 percent, as a result of net income and capital grants. Net assets invested in capital assets, net of related debt, decreased $18.5 million, or 3.4 percent, as a result of normal depreciation and an increase in debt outstanding. Restricted net assets increased by $46.0 million, or 42.3 percent, primarily due to net income and bond proceeds restricted for construction. Unrestricted net assets increased by $11.1 million, or 25.3 percent, primarily as a result of net income.

Total net assets of Marine & Other increased from the 2011 balance by $5.0 million, or 1.3 percent, primarily the result of capital grants and transfers from the Airport (primarily to fund construction at general aviation airports included in Marine & Other), offset by a net loss for the year. Net assets invested in capital assets, net of related debt, increased $32.0 million, or 10.2 percent, as a result of increased capital additions and construction spending. Unrestricted net assets decreased $23.9 million or 31.7 percent, primarily due to the net loss for the year in Marine & Other and capital spending.

Several factors caused changes in net assets (Table 2, below) to decrease $11.8 million from the prior year.

Airport changes in net assets decreased $10.2 million, primarily as a result of decreased capital grants and increased operating expenses versus the prior year. Marine & Other changes in net assets decreased $1.6 million primarily due to decreased net income versus the prior year.

Table 2
Changes in Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Operating revenues							
Charges for services	$ 181.3	$ 173.3	$ 52.8	$ 61.7	$ 234.1	$ 235.0	(0.4)%
Land sales				1.0		1.0	(100.0)%
Other			0.1	0.1	0.1	0.1	
Nonoperating revenues							
Property tax revenue			9.5	9.3	9.5	9.3	2.2%
Interest revenue	1.3	1.7	2.6	2.9	3.9	4.6	(15.2)%
PFC revenue	27.7	27.0			27.7	27.0	2.6%
Other nonoperating revenue			2.9	3.8	2.9	3.8	(23.7)%
Total revenues	210.3	202.0	67.9	78.8	278.2	280.8	(0.9)%
Expenses:							
Operating expenses	167.7	153.9	71.5	80.1	239.2	234.0	2.2%
Nonoperating expenses	33.6	35.3	5.7	5.5	39.3	40.8	(3.7)%
Total expenses	201.3	189.2	77.2	85.6	278.5	274.8	1.3%
Income (loss) before contributions and transfers	9.0	12.8	(9.3)	(6.8)	(0.3)	6.0	(105.0)%
Capital contributions	32.5	36.1	11.4	13.3	43.9	49.4	(11.1)%
Transfers (out) in	(2.9)	(0.1)	2.9	0.1			
Increase (decrease) in net assets	$ 38.6	$ 48.8	$ 5.0	$ 6.6	$ 43.6	$ 55.4	(21.3)%

Total revenues for the Port decreased by approximately $2.6 million from the prior year. Total expenses increased approximately $3.7 million from the prior year amount.

At the Airport, operating revenues increased about $8.0 million from the prior year due primarily to increases in rental car and parking revenues. The increase of about $13.8 million in operating expenses was primarily attributable to higher depreciation, salary, environmental, and support services expenses. Capital contributions decreased $3.6 million as a result of incurring fewer grant-eligible costs in 2012.

For Marine & Other, operating revenues decreased $8.9 million from the prior year, largely the result of the fact that fiscal 2012 was the first full year for the Terminal 6 lease, offset in part by higher dredging revenues. During the same time, operating expenses decreased $8.6 million versus 2011, also due to the fact that fiscal 2012 was the first full year for the Terminal 6 lease, offset in part by higher dredging expenses.

Budgetary Highlights:
The Port's budget for fiscal 2012 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2011. Appropriations in the budget were adjusted upward during the year to reflect higher Navigation operating expenditures resulting from additional dredging activity; increased costs related to environmental expenditures in the Portland Harbor Superfund site; increased Engineering costs related to the transfer of an employee into that department from elsewhere in the Port as well as increased costs in fiscal 2012 related to the timing of an energy study; and higher equipment maintenance and repair costs for General Aviation. 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 $51.4 million, 46.1 percent below the $95.3 million budget as the largest capital expansion program ever undertaken at the Airport winds down. Operating expenditures were $76.0 million, coming in 1.5 percent below the $77.2 million budget amount. Airport operating revenues also tracked well against the budget, coming in just below the $181.4 million budget. Capital grants during the year were $32.4 million, 12.5 percent above the budget of $28.8 million.

Fiscal 2012 budgetary capital expenditures for Marine & Other were $46.0 million, 23.2 percent below the budget of $59.9 million, as a result of deferrals of nonessential projects. Capital grants for the year were $11.4 million, significantly below the budget of $27.7 million, as a result of grants anticipated for the Hillsboro general aviation airport that were not received during the year. Budgetary operating revenues were $8.4 million under budget in marine and industrial development, largely due to budgeted land sales that did not occur and lower rent revenues than originally anticipated from the lease of Terminal 6. Budgetary operating revenues for navigation were $5.7 million above budget as a result of greater than anticipated dredging activity during the year. Budgetary operating expenditures were below budget by approximately $2.6 million for administration, primarily as a result of outside service cost reductions. Budgetary operating expenditures for marine and industrial development were below budget approximately $2.3 million due to no cost of land sold as a result of the delayed land sales. Navigation budgetary operating expenditures were $0.4 million over budget (including revised appropriations) as a result of greater than anticipated dredging activity during the year. Other significant budgetary resource variances include the receipt of proceeds from loans for $5.1 million which was not budgeted.

Capital Assets:
At the end of fiscal 2012, the Port had nearly $1.5 billion invested in a broad range of capital assets. This amount represents a slight decrease (essentially depreciation expense offset in part by additions) of $22.1 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport 2012	Airport 2011	Marine & Other 2012	Marine & Other 2011	Total Port 2012	Total Port 2011	Total Percentage Change 2011-2012
Land	$ 68.0	$ 68.0	$ 75.6	$ 75.5	$ 143.6	$ 143.5	
Construction in progress	39.7	309.0	45.7	65.7	85.4	374.7	
Total capital assets not being depreciated	107.7	377.0	121.3	141.2	229.0	518.2	(55.8)%
Land improvements	663.6	569.3	250.8	236.5	914.4	805.8	
Buildings and equipment	1,312.5	1,106.8	237.8	224.3	1,550.3	1,331.1	
Total capital assets being depreciated	1,976.1	1,676.1	488.6	460.8	2,464.7	2,136.9	15.3%
Less: accumulated depreciation	(883.0)	(840.7)	(323.5)	(305.1)	(1,206.5)	(1,145.8)	5.3%
Total capital assets being depreciated, net	1,093.1	835.4	165.1	155.7	1,258.2	991.1	26.9%
Total capital assets, net	$ 1,200.8	$ 1,212.4	$ 286.4	$ 296.9	$ 1,487.2	$ 1,509.3	(1.5)%

This year's major capital asset spending included:

Airport:

- South runway improvements - $23.0 million
- Taxiway improvements - $12.6 million
- In-line baggage screening improvements - $7.9 million
- Deicing system improvements - $5.4 million
- 800 MHz digital radio replacement - $1.5 million

Marine & Other:

- Hillsboro airport runway and taxiway improvements - $5.5 million
- South Rivergate rail expansion - $5.0 million
- Terminal 6 wharf modernization - $5.0 million
- Dredge Oregon repowering - $2.0 million
- Terminal 6 crane modernization - $1.5 million

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

The Port's 2013 capital budget estimates spending another $107 million on capital projects at the Airport and $35 million in Marine & Other. Spending at the Airport is primarily slated for taxiway, apron, and pavement rehabilitation projects; deicing system improvements; baggage screening improvements; and terminal carpet replacement. 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 repowering the dredge Oregon; Hillsboro airport runway and taxiway improvements; rail and infrastructure improvements at marine terminal and South Rivergate facilities; and industrial land improvements. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:
At the end of 2012, the Port had approximately $753 million in bonds, contracts and loans payable outstanding. This is a slight increase from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Pension bonds			$ 75.7	$ 76.7	$ 75.7	$ 76.7	(1.3)%
Revenue bonds	$ 482.7	$ 504.4			482.7	504.4	(4.3)%
PFC revenue bonds	169.2	104.6			169.2	104.6	61.8%
Contracts and loans payable		41.7	25.8	21.7	25.8	63.4	(59.3)%
	$ 651.9	$ 650.7	$ 101.5	$ 98.4	$ 753.4	$ 749.1	0.6%

The outstanding amount of Airport long-term debt increased slightly as decreases due to scheduled bond payments were offset by PFC revenue bonds issued during fiscal 2012. As of the end of fiscal 2012, the Airport revenue bonds were rated AA- by Standard & Poor's, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds increased by $64.6 million as a result of issuance of 2011A PFC revenue bonds, offset by regularly scheduled bond payments. Airport contracts and loans payable decreased by $41.7 million as the result of paying off a non-revolving credit facility with a portion of the 2011A bond proceeds.

In Marine & Other, the amount of outstanding long-term debt increased as a result of entering into $5.1 million in loans payable and from Series 2002A pension bonds deferred interest accrued but not paid until maturity, offset, in part by scheduled payments made on other pension bonds and contracts payable.

Please see Note 6 to the financial statements for more detailed information of long-term debt activity.

Economic Factors and Next Year's Budgets and Rates:
As part of the Port's strategic planning and business planning process, regional, national, and global economic trends and forecasts are reviewed and assumptions regarding passenger, cargo, and population growth are coupled with these trends and forecasts to produce the annual budget. The global economic recovery is slow with business lines expected to show moderate growth in fiscal 2013. Fiscal 2013 airline passenger volumes are forecast to increase 3.6% over the fiscal 2012 budget. Mineral bulks, breakbulk, and auto volumes are expected to show moderate increases as well.

In the Port's 2013 adopted budget, total Port operating revenue is budgeted to increase about 6.1% to approximately $248.7 million as a result of moderate growth across all business lines and increased land sales. Total operating expenses are budgeted to increase by about 8.8% to approximately $162.0 million, reflecting the aforementioned growth and costs related to land sales.

Operating revenues for the Airport are budgeted to increase to $186.4 million in the fiscal 2013 budget due to higher airline and nonairline revenues resulting from a modest increase in passenger volumes. Airport operating expenses (excluding depreciation) are budgeted to increase about 6.0 percent to $102.0 million as a result of expenses attributable to the first full year of operation of new baggage screening and deicing systems.

In Marine & Other, operating revenues are budgeted to increase by 17.5 percent to $62.3 million, primarily due to higher land sales revenue budgeted in fiscal 2013. Operating expenses (excluding depreciation) are budgeted to increase by 13.9 percent to $60.0 million due to higher costs of property sold resulting from increased budgeted land sales. 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, 2012

with comparative totals as of June 30, 2011

	2012			2011
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 63,440	$ 41,015,857	$ 41,079,297	$ 43,999,458
Equity in pooled investments (Note 3)	59,561,983	138,042,242	197,604,225	221,698,132
Restricted cash and equity in pooled investments (Note 3)	56,626,349	50,000	56,676,349	60,742,830
Receivables, net of allowance for doubtful accounts of $151,000 in 2012 and $105,000 in 2011 for Airport and $125,000 in 2012 and $75,000 in 2011 for Marine & Other (Note 4)	9,666,233	9,719,654	19,385,887	19,978,088
Prepaid insurance and other assets	3,085,207	2,055,375	5,140,582	4,722,587
Total current assets	129,003,212	190,883,128	319,886,340	351,141,095
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	122,170,335	5,165,369	127,335,704	96,161,881
Receivables (Note 4)	19,562,435		19,562,435	13,048,139
Total restricted assets	141,732,770	5,165,369	146,898,139	109,210,020
Land held for sale (Note 1)		58,485,800	58,485,800	16,163,732
Depreciable properties, net of accumulated depreciation (Note 5)	1,093,108,098	165,175,239	1,258,283,337	991,115,454
Nondepreciable properties (Note 5)	107,659,795	121,197,333	228,857,128	518,161,885
Unamortized bond issue costs	20,740,292	722,878	21,463,170	22,251,251
Pension assets (Note 8)	38,177,119	37,343,077	75,520,196	75,546,020
Due from Airport (Note 8)		33,892,616	*	*
Deferred outflows and other noncurrent assets (Note 6)	37,874,000	721,965	38,595,965	26,610,749
Total noncurrent assets	1,439,292,074	422,704,277	1,828,103,735	1,759,059,111
Total assets	$ 1,568,295,286	$ 613,587,405	$ 2,147,990,075	$ 2,110,200,206
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 6)		$ 2,282,535	$ 2,282,535	$ 2,092,396
Accounts payable	$ 11,314,001	16,519,470	27,833,471	35,685,232
Accrued wages, vacation and sick leave pay (Note 1)	5,974,992	7,982,158	13,957,150	13,667,170
Workers' compensation and other accrued liabilities (Notes 10 and 11)	1,636,043	4,035,159	5,671,202	12,028,101
Total current liabilities (payable from current assets)	18,925,036	30,819,322	49,744,358	63,472,899
Restricted liabilities (payable from restricted assets) (Note 1):				
Current portion of long-term debt and other (Note 6)	31,962,943		31,962,943	27,972,960
Accrued interest payable	12,894,893		12,894,893	10,501,186
Accounts payable	11,577,825	50,000	11,627,825	22,114,109
Contract retainage payable	190,688		190,688	154,575
Total restricted current liabilities (payable from restricted assets)	56,626,349	50,000	56,676,349	60,742,830
Total current liabilities	75,551,385	30,869,322	106,420,707	124,215,729
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 6, 9 and 11)	40,747,000	51,602,058	92,349,058	80,609,441
Long-term debt (Note 6)	637,619,808	99,304,362	736,924,170	731,448,735
Deferred revenue and other (Notes 1 and 6)	40,053,250	29,717,929	69,771,179	75,057,961
Due to Marine & Other (Note 8)	33,892,616		*	*
Total noncurrent liabilities	752,312,674	180,624,349	899,044,407	887,116,137
Total liabilities	827,864,059	211,493,671	1,005,465,114	1,011,331,866
Commitments and contingencies (Note 11)				
NET ASSETS				
Invested in capital assets, net of related debt	530,729,743	345,434,977	876,164,720	862,744,459
Restricted for capital and debt service	154,838,154	5,165,369	160,003,523	117,056,799
Unrestricted	54,863,330	51,493,388	106,356,718	119,067,082
Total net assets	740,431,227	402,093,734	1,142,524,961	1,098,868,340
Total liabilities and net assets	$ 1,568,295,286	$ 613,587,405	$ 2,147,990,075	$ 2,110,200,206

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

THE PORT OF PORTLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
for the year ended June 30, 2012
with comparative totals for the year ended June 30, 2011

	2012			2011
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 181,250,822	$ 52,903,801	$ 234,154,623	$ 235,012,026
Land sales				973,835
Other	17,047	75,000	92,047	143,273
Total operating revenues	181,267,869	52,978,801	234,246,670	236,129,134
Operating expenses:				
Salaries, wages and fringe benefits	38,736,449	50,442,708	89,179,157	80,559,490
Longshore labor and fringe benefits		1,765,340	1,765,340	18,130,178
Contract, professional and consulting services	25,921,204	15,311,657	41,232,861	36,951,679
Materials and supplies	3,727,191	2,566,123	6,293,314	6,129,384
Utilities	7,103,814	1,785,197	8,889,011	9,079,443
Equipment rents, repair and fuel	1,457,789	4,054,652	5,512,441	3,530,599
Insurance	1,746,248	2,090,480	3,836,728	3,915,719
Rent	(1,747)	188,498	186,751	187,310
Travel and management expense	986,171	1,906,970	2,893,141	2,788,303
Intra-Port charges and expense allocations	16,544,773	(16,544,773)		
Cost of land sold				470,498
Other	892,624	2,200,436	3,093,060	4,092,595
Less expenses for capital projects	(934,313)	(13,047,791)	(13,982,104)	(14,233,611)
Total operating expenses, excluding depreciation	96,180,203	52,719,497	148,899,700	151,601,587
Operating income before depreciation	85,087,666	259,304	85,346,970	84,527,547
Depreciation expense	71,488,500	18,767,871	90,256,371	82,430,393
Total operating expenses, including depreciation	167,668,703	71,487,368	239,156,071	234,031,980
Operating income (loss)	13,599,166	(18,508,567)	(4,909,401)	2,097,154
Nonoperating revenues (expenses):				
Property tax revenue		9,545,987	9,545,987	9,272,062
Interest expense, net of capitalized construction period interest of $985,464 in 2012 and $2,350,564 in 2011 for Airport and $278,963 in 2012 and $418,400 in 2011 for Marine & Other	(28,712,387)	(5,733,722)	(34,446,109)	(34,326,912)
Interest revenue	1,342,184	2,616,863	3,959,047	4,608,037
Other (expense) income, including loss on disposal of properties	(4,925,145)	2,878,476	(2,046,669)	(2,676,434)
Nonoperating (expenses) revenues before passenger facility charges	(32,295,348)	9,307,604	(22,987,744)	(23,123,247)
Loss before passenger facility charges	(18,696,182)	(9,200,963)	(27,897,145)	(21,026,093)
Passenger facility charge revenue	27,686,267		27,686,267	26,987,640
Income (loss) before contributions and transfers	8,990,085	(9,200,963)	(210,878)	5,961,547
Capital contributions	32,447,699	11,419,800	43,867,499	49,406,190
Transfers (out) in	(2,854,932)	2,854,932		
Change in net assets	38,582,852	5,073,769	43,656,621	55,367,737
Total net assets - beginning of year	701,848,375	397,019,965	1,098,868,340	1,043,500,603
Total net assets - end of year	$ 740,431,227	$ 402,093,734	$ 1,142,524,961	$ 1,098,868,340

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, 2012

with comparative totals for the year ended June 30, 2011

	2012			2011
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 179,100,768	$ 50,308,993	$ 229,409,761	$ 236,782,871
Cash payments to employees	(38,745,474)	(50,117,883)	(88,863,357)	(78,518,151)
Cash payments to suppliers and vendors	(44,547,228)	(28,285,584)	(72,832,812)	(56,281,652)
Cash payments (to) from other funds	(20,504,346)	20,504,346		
Net cash provided by (used in) operating activities	75,303,720	(7,590,128)	67,713,592	101,983,068
Cash flows from noncapital financing activities:				
Property taxes		9,445,542	9,445,542	9,302,354
Net cash provided by noncapital financing activities		9,445,542	9,445,542	9,302,354
Cash flows from capital and related financing activities:				
Capital expenditures	(61,107,676)	(62,346,306)	(123,453,982)	(127,734,133)
Sale of properties		157,984	157,984	7,841,930
Net proceeds from issuance of long-term debt	119,201,648	5,135,698	124,337,346	268,656,683
Interest paid	(38,501,711)	4,136,485	(34,365,226)	(37,705,867)
Proceeds from passenger facility charges	27,288,436		27,288,436	27,080,736
Principal payments and redemptions on long-term debt	(111,705,695)	(2,162,491)	(113,868,186)	(220,102,711)
Contributions from governmental agencies	26,674,206	12,374,742	39,048,948	51,540,486
Cash transfers (to) from other Port divisions, net	(2,854,932)	2,854,932		
Other, primarily nonoperating expense	(3,295,615)	2,812,952	(482,663)	(4,314,349)
Net cash used in capital and related financing activities	(44,301,339)	(37,036,004)	(81,337,343)	(34,737,225)
Cash flows from investing activities:				
Interest received	1,338,859	2,932,624	4,271,483	4,077,085
Investment activity:				
Purchases	(160,245,825)	(83,574,173)	(243,819,998)	(297,128,213)
Proceeds from sales or maturities	127,904,585	112,901,978	240,806,563	221,712,413
Net cash (used in) provided by investing activities	(31,002,381)	32,260,429	1,258,048	(71,338,715)
Net (decrease) increase in cash and cash equivalents	0	(2,920,161)	(2,920,161)	5,209,482
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	$ 41,015,857	$ 41,079,297	$ 43,999,458
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 13,599,166	$ (18,508,567)	$ (4,909,401)	$ 2,097,154
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	71,488,500	18,767,871	90,256,371	82,430,393
Cost of land sales				470,498
Amortization of deferred revenue	(561,271)	(8,783,587)	(9,344,858)	(2,203,617)
Change in assets and liabilities:				
Receivables and other current assets	(2,065,384)	729,687	(1,335,697)	(2,558,706)
Amortization of pension assets	11,937	13,883	25,820	(203,336)
Accounts payable and accruals	(7,275,951)	(4,494,264)	(11,770,215)	21,187,637
Long-term environmental and other accruals	106,723	(396,106)	(289,383)	(4,142,204)
Additions to deferred revenue		5,080,955	5,080,955	4,905,249
Net cash provided by (used in) operating activities	$ 75,303,720	$ (7,590,128)	$ 67,713,592	$ 101,983,068
Noncash investing, capital, and related financing activities:				
Deferred bond interest		$ 1,059,159	$ 1,059,159	$ 1,071,771

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, eight 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 772 full-time equivalent persons.

Basis of Accounting

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

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

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, legal services rendered, 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.

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, 2012, all restricted assets are available to pay restricted liabilities due within one year except for approximately $91,000,000 and approximately $89,900,000 equity in pooled investments for the Port and Airport activity, respectively.

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

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 effective 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.

Property Taxes

Property taxes are used for capital and debt service 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.

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

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, 2012 and 2011. 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.

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 years ended June 30, 2012 and June 30, 2011.

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.

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

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 complete 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, 2011, from which the summarized information was derived.

Reclassification

Certain 2011 amounts have been reclassified to conform to current year classification. These reclassifications have no effect on previously reported net income, net assets, or cash flows.

New Accounting Pronouncements

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 modified 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.

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

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

accounting should continue to be applied. The adoption of this statement did not have a material effect on the Port's financial statements.

In March, 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities," effective for the Port's fiscal year beginning July 1, 2013. The statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concept Statement 4. The Port is currently evaluating the effects this statement will have on its financial statements.

In March, 2012, the GASB issued Statement No. 66, "Technical Corrections-2012," effective for the Port's fiscal year beginning July 1, 2013. The statement resolves conflicting accounting and financial reporting guidance that resulted from the issuance of GASB Statements 54 and 62. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans," effective for the Port's fiscal year beginning July 1, 2013. The statement establishes revised accounting and financial reporting requirements for state and local government pension plans. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2012, the GASB issues Statement No. 68, "Accounting and Financial Reporting for Pensions," effective for the Port's fiscal year beginning July 1, 2014. The statement establishes revised pension accounting and financial reporting requirements for state and local governments. The Port is currently evaluating the effects this statement will have on its financial statements.

2. <u>Identifiable Activity Information</u>:

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

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2012 was as follows (in thousands):

	Marine Terminals	Property & Development Services	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 29,825	$ 2,976		$ 17,050	$ 3,043	$ 85	$ 52,979
Operating expenses	25,829	4,670	$ 6,862	15,744	2,960	(3,345)	52,720
Depreciation expense	11,279	123		1,076	2,860	3,430	18,768
Operating (loss) income	(7,283)	(1,817)	(6,862)	230	(2,777)		(18,509)
Capital contributions	7,539	10			3,322		10,871
Land held for sale and properties:							
Additions	12,591	27,577		2,283	6,187	1,904	50,542
Deletions	(22)			(27)			(49)

3. Cash and Investments:

At June 30, 2012, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Agencies	$ 66,799,023	$ 33,098,439	$ 25,898,593	$ 25,214,721	$ 151,010,776
Corporate indebtedness	32,824,726	12,484,820	3,485,105	1,070,001	49,864,652
	$ 99,623,749	$ 45,583,259	$ 29,383,698	$ 26,284,722	200,875,428
Cash and deposits with financial institutions					37,546,679
					$ 238,422,107

Following are the cash and investments and maturities for Marine & Other at June 30, 2012:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 4,149,490				$ 4,149,490
U.S. Agencies	17,436,365	$ 30,023,005	$ 23,492,152	$ 22,871,825	93,823,347
Corporate indebtedness	29,774,724	11,324,757	3,161,276	970,579	45,231,336
	$ 51,360,579	$ 41,347,762	$ 26,653,428	$ 23,842,404	143,204,173
State of Oregon local government investment pool					38,164,670
Cash and deposits with financial institutions					2,904,625
					$ 184,273,468

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

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

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2012, 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.

3. Cash and Investments, continued:

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $4,912,174. Of these deposits, $250,000 was covered by federal depository insurance and $4,662,174 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:	2012			2011
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 63,440	$ 41,015,857	$ 41,079,297	$ 43,999,458
Unrestricted equity in pooled investments	59,561,983	138,042,242	197,604,225	221,698,132
Restricted cash and equity in pooled investments	178,796,684	5,215,369	184,012,053	156,904,711
	$ 238,422,107	$ 184,273,468	$ 422,695,575	$ 422,602,301

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $4,150,000 at June 30, 2012 and 2011, 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, 2012 and 2011, approximately $148,762,000 and $130,345,000, 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 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 $13,600,000 at June 30, 2012 and $11,500,000 at June 30, 2011. Total trade receivables for the marine shipping industry were approximately $1,800,000 at June 30, 2012 and $5,000,000 at June 30, 2011. Total grants receivable for the Airport were approximately $15,600,000 at June 30, 2012 and $9,900,000 at June 30, 2011. Total grant receivables for marine and other were approximately $600,000 at June 30, 2012 and $1,500,000 at June 30, 2011. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2012 was as follows:

Airport:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital assets being depreciated:					
Land improvements	$ 569,292,087		$ (28,998,673)	$ 123,299,927	$ 663,593,341
Buildings and equipment	1,106,784,902		(1,784,459)	207,536,803	1,312,537,246
Total capital assets being depreciated	1,676,076,989		(30,783,132)	330,836,730	1,976,130,587
Less accumulated depreciation:					
Land improvements	341,089,164	$ 26,713,253	(27,388,041)		340,414,376
Buildings and equipment	499,578,520	44,775,247	(1,745,654)		542,608,113
Total accumulated depreciation	840,667,684	71,488,500	(29,133,695)		883,022,489
Total capital assets being depreciated, net	835,409,305	(71,488,500)	(1,649,437)	330,836,730	1,093,108,098
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	308,945,125	61,546,742	(37,509)	(330,836,730)	39,617,628
Total capital assets not being depreciated	376,987,292	61,546,742	(37,509)	(330,836,730)	107,659,795
Airport capital assets, net	$ 1,212,396,597	$ (9,941,758)	$ (1,686,946)	$	$ 1,200,767,893
Marine & Other:					
Capital assets being depreciated:					
Land improvements	$ 236,480,911		$ 11,820,023	$ 2,488,415	$ 250,789,349
Buildings and equipment	224,292,473		(337,519)	13,883,003	237,837,957
Total capital assets being depreciated	460,773,384		11,482,504	16,371,418	488,627,306
Less accumulated depreciation:					
Land improvements	144,101,700	$ 8,770,934	-		152,872,634
Buildings and equipment	160,965,535	9,996,937	(383,039)		170,579,433
Total accumulated depreciation	305,067,235	18,767,871	(383,039)		323,452,067
Total capital assets being depreciated, net	155,706,149	(18,767,871)	11,865,543	16,371,418	165,175,239
Capital assets not being depreciated:					
Land	75,501,194		(42,322,067)	42,466,730	75,645,857
Construction in progress	65,673,399	50,542,436	(11,826,211)	(58,838,148)	45,551,476
Total capital assets not being depreciated	141,174,593	50,542,436	(54,148,278)	(16,371,418)	121,197,333
Marine & Other capital assets, net	$ 296,880,742	$ 31,774,565	$ (42,282,735)	$	$ 286,372,572

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, 2012 included above are:

	Airport	Marine & Other	Total Port
Land and improvements		$ 22,067,836	$ 22,067,836
Building & equipment	$ 701,015,870	39,877,937	740,893,807
	701,015,870	61,945,773	762,961,643
Accumulated depreciation	(337,737,611)	(27,078,260)	(364,815,871)
	$ 363,278,259	$ 34,867,513	$ 398,145,772

5. Properties, continued:

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

	Airport	Marine & Other	Total Port
2013	$ 38,396,000	$ 18,486,000	$ 56,882,000
2014	35,810,000	17,828,000	53,638,000
2015	33,918,000	17,266,000	51,184,000
2016	32,278,000	16,057,000	48,335,000
2017	12,100,000	13,542,000	25,642,000
Thereafter	66,583,000	176,645,000	243,228,000
Total	$ 219,085,000	$ 259,824,000	$ 478,909,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2012 and 2011:

	Airport	Marine & Other	Total Port
2012	$ 63,700,000	$ 3,000,000	$ 66,700,000
2011	$ 62,200,000	$ 3,600,000	$ 65,800,000

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

	2012	2011
Equipment	$ 3,369,331	$ 151,592
Less: accumulated depreciation	(160,660)	(81,643)
	$ 3,208,671	$ 69,949

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

2013	$ 464,722
2014	451,930
2015	451,930
2016	451,930
2017	451,930
2018-2022	979,180
Total minimum lease payments	3,251,622
Less: amount representing interest	(668,552)
Present value of net minimum lease payments	$ 2,583,070

The present value of net minimum lease payments is reflected on the balance sheet as current and noncurrent obligations of $300,876 and $2,282,194, respectively.

6. Long-Term Debt:

	Bonds Payable at June 30, 2012		
Limited Tax Pension bonds:	Pension	Revenue	Passenger Facility Charge Revenue
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
6.950% to 7.41%, due serially through fiscal 2020	$ 6,834,573		
6.85%, due serially from fiscal 2020 through fiscal 2028	37,320,000		
6.6%, due fiscal 2025	6,205,000		
2005 Series (issued in fiscal 2006, original issue $20,230,000):			
4.613% to 4.665%, due serially through fiscal 2014	945,000		
4.859%, due fiscal 2020	5,005,000		
5.004%, due fiscal 2028	12,995,000		
Portland International Airport revenue bonds:			
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):			
currently 0.22%, due fiscal 2027		$ 61,140,000	
currently 0.22%, due fiscal 2027		61,140,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		15,850,000	
5.0%, due fiscal 2020		6,340,000	
5.0%, due fiscal 2022		6,990,000	
5.25%, due fiscal 2027		20,870,000	
5.0%, due fiscal 2030		15,310,000	
5.5%, due fiscal 2039		63,285,000	
Series Twenty (issued in fiscal 2011, original issue $157,050,000):			
4.0% to 5.0%, due serially through fiscal 2029		94,030,000	
3.0% to 5.0%, due serially through fiscal 2031		36,630,000	
4.25%, due fiscal 2041		16,640,000	
Series Twenty-One A and B (issued in fiscal 2011, original issue $56,770,000):			
3.0% to 5.0%, due serially through fiscal 2016		5,490,000	
2.0% to 5.0%, due serially through fiscal 2019		51,280,000	
Series Twenty-One C (issued in fiscal 2012, original issue $27,685,000):			
4.375% to 5.0%, due serially through fiscal 2023		27,685,000	
Passenger Facility Charge revenue bonds:			
Series 1999 (issued in fiscal 2000, original issue $132,110,000):			
5.375% to 5.75%, due serially through fiscal 2017			$ 23,930,000
5.5%, due fiscal 2019			11,755,000
Series 2009A (issued in fiscal 2009, original issue $57,985,000, variable interest rate):			
currently 0.28%, due fiscal 2025			28,910,000
currently 0.26%, due fiscal 2025			28,905,000
Series 2011A (issued in fiscal 2012, original issue $75,670,000):			
2.5% to 5.5%, due serially through fiscal 2032			75,670,000
Totals, including $1,227,268, $24,385,000, and $6,195,000, respectively, due within one year	$ 69,304,573	$ 482,680,000	$ 169,170,000

6. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2012
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 $38,890 due on July 1, 2012 to $55,887 due on April 1, 2023, including $480,349 due within one year	$ 6,766,041
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	1,800,000
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available $6,242,302), 0.0%, payable in annual installments of $624,232 due November 1, 2013 through November 1, 2022	6,242,302
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 $331,846 due December 1, 2012 to $573,262 due December 1, 2030, including $331,846 due within one year	8,134,856
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 $22,498 due January 1, 2013 to $116,327 due July 1, 2031, including $22,498 due within one year	1,478,065
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, including $20,574 due within one year	1,406,923
Total, including $1,055,267 due within one year	$ 25,828,187

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

	Airport					
	Revenue Bonds		Passenger Facility Charge Revenue Bonds		Marine & Other	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 24,385,000	$ 17,390,498	$ 6,195,000	$ 6,293,702	$ 2,282,535	$ 5,595,661
2014	25,910,000	16,597,219	5,575,000	5,461,327	3,096,876	5,694,437
2015	25,760,000	15,729,220	6,145,000	5,180,370	3,232,761	5,834,161
2016	25,585,000	14,929,535	6,755,000	4,854,268	3,383,661	5,978,893
2017	28,095,000	14,079,831	7,430,000	4,482,152	3,536,459	6,127,153
2018-2022	131,185,000	57,018,653	42,615,000	18,229,580	26,351,910	26,756,753
2023-2027	105,990,000	37,871,976	45,825,000	16,110,925	44,838,539	11,134,717
2028-2032	48,775,000	22,642,163	48,630,000	6,707,362	8,410,019	711,718
2033-2037	42,690,000	12,075,425				
2038-2042	24,305,000	1,590,585				
	$ 482,680,000	$ 209,925,105	$ 169,170,000	$ 67,319,686	$ 95,132,760	$ 67,833,493

6. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2012 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 650,785,614	$ 112,843,779	$ (111,779,393)	$ 651,850,000
less: current portion	(26,575,000)	(30,580,000)	26,575,000	(30,580,000)
Long-term portion outstanding	$ 624,210,614	$ 82,263,779	$ (85,204,393)	$ 621,270,000
Marine & Other:				
Long-term debt outstanding	$ 92,111,393	$ 5,135,698	$ (2,114,331)	$ 95,132,760
less: current portion	(2,092,396)	(2,282,535)	2,092,396	(2,282,535)
Long-term portion outstanding	$ 90,018,997	$ 2,853,163	$ (21,935)	$ 92,850,225

In addition, at June 30, 2012 and 2011, the Port has accrued $6,410,021 and $6,258,596, 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, 2020, and on each June 1 thereafter. Interest for certain of the 2002 Limited Tax Pension Bonds is payable only at maturity.

Limited Tax Pension Bonds were also issued to fund the Port's estimated unfunded actuarial accrued liability as of October 1, 2005 (Note 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 were secured by Airport net revenues, but were subordinate to Airport revenue bonds. The term of the facility was two years, and the Port could terminate and prepay at any date prior to maturity. During fiscal 2012, the Airport issued bonds and used a portion of the proceeds to pay off the balance and terminated the facility.

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, 2012 and 2011.

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 amount was increased by $3,041,114 for fiscal 2012, and the discount was not adjusted for fiscal 2011.

In fiscal 2012, the Port issued Series Twenty-One C bonds, the proceeds of which were used to refund $28,539,347 of Series Fifteen D bonds, to cash fund $375,000 in debt service reserve, and to pay costs of issuing the Series Twenty-One C bonds. The bonds have coupon rates ranging from 4.375 percent to 5.0 percent with maturities ranging from 2019 to 2023. The Series Twenty-One C bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series Twenty-One C bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

In fiscal 2011, the Port issued Series Twenty-One A and B 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 A and B 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 A and B 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.

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 2012, the Port issued Series 2011A Passenger Facility Charge Revenue bonds, the proceeds of which were used to pay costs associated with the south runway rehabilitation project and the deicing system improvement project, to repay draws against a non-revolving credit facility, to cash fund $4,701,592 in debt service reserve, and to pay costs of issuing Series 2011A bonds. The bonds have coupon rates ranging from 2.5 percent to 5.5 percent with maturities ranging from 2012 to 2031. Series 2011A bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series 2011A bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

Series 2009A Passenger Facility Charge 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 2009A 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 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. In the event that the Series 2009A 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

6. Long-Term Debt, continued:

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.

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, 2012, the Airport had the following hedging derivative instruments outstanding:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 5,672,500	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (1,135,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 5,672,500	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (1,135,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$53,835,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (11,086,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$53,835,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (11,086,000)
E	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$34,689,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (8,102,000)
F	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 PFC Series 2009A bonds	$23,126,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (5,330,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling $9,293,538, and for derivative instruments E and F, the Airport received an up-front payment totaling $5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was $(37,874,000) at June 30, 2012 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of $1,382,943 and a noncurrent liability of $9,024,572 at June 30, 2012. Hedge 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 $37,874,000, which is an increase of $12,029,000 from the June 30, 2011 amount.

6. Long-Term Debt, continued:

The fair values of the at-market 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, 2012 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A, C, and E	A / A2
Derivative B and D	AAA / Aa2
Derivative F	A- / Baa2

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, 2012, 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 0.2293 percent, while 68 percent of 1 month LIBOR is approximately 0.1671 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, 2012; 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, 2012, 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, 2012; therefore, the Airport has posted $8,080,000 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, 2012:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2013	$ 5,820,000	$ 244,566	$ 5,313,221	$ 11,377,787
2014	6,085,000	231,788	4,996,373	11,313,161
2015	7,970,000	215,051	4,590,874	12,775,925
2016	9,710,000	194,660	4,131,224	14,035,884
2017	10,165,000	173,313	3,690,127	14,028,440
2018-2022	47,475,000	575,307	11,940,094	59,990,401
2023-2027	35,055,000	149,448	2,910,629	38,115,077
	$ 122,280,000	$ 1,784,133	$ 37,572,542	$ 161,636,675

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2013	$ 90,000	$ 155,858	$ 2,768,653	$ 3,014,511
2014	95,000	155,602	2,763,972	3,014,574
2015	100,000	155,332	2,759,052	3,014,384
2016	105,000	155,049	2,753,892	3,013,941
2017	110,000	154,752	2,748,372	3,013,124
2018-2022	28,040,000	608,599	9,927,476	38,576,075
2023-2027	29,275,000	82,456	1,219,018	30,576,474
	$ 57,815,000	$ 1,467,648	$ 24,940,435	$ 84,223,083

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:

	2012	2011
Bonds issued for:		
Airport industrial facilities	$ 17,300,000	$ 17,300,000
Marine & Other facilities	109,100,000	109,100,000
Total bonds payable	$ 126,400,000	$ 126,400,000

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 9.26 percent of annual covered payroll for fiscal year 2012, and 6.65 percent of annual covered payroll for fiscal years 2011 and 2010. 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 (decreased) increased the balance of Port pension assets by $(25,824), $208,678, and $415,581, for fiscal years 2012, 2011, and 2010, respectively, of which $(11,938), $148,339, and $201,487, 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 $1,111,148, $1,005,744, and $894,182, in fiscal 2012, 2011, and 2010, respectively, of which $557,277, $502,105, and $444,022, were applicable to the Airport.

For fiscal years 2012, 2011, and 2010 the Port's annual PERS contributions were $5,829,454, $3,669,874, and $3,633,617, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $2,673,730, $1,751,452, and $1,713,699, for fiscal years 2012, 2011, and 2010, 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, set periodically by PERS based on actuarial valuations, was 6.13 percent of annual covered payroll for general service members and 8.84 percent for police and fire members for fiscal year 2012, and 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. The Port's fiscal 2012, 2011, and 2010 OPSRP contributions were $2,861,680, $1,661,868, and $1,510,905, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $1,128,957, $650,439, and $560,845, for fiscal years 2012, 2011, and 2010, respectively, were applicable to the Airport.

8. <u>Pension Plans and Deferred Compensation Plan</u>, 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. <u>Postemployment Healthcare Benefits</u>:

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 is not offered to any employees that did not meet eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. Contributions to the plan are made on a pay-as-you-go basis.

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

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

	Airport	Marine & Other
Annual required contribution	$ 401,000	$ 382,000
Interest on net OPEB obligation	41,000	4,000
Adjustment to annual required contribution	(60,000)	(6,000)
Annual OPEB cost (expense)	382,000	380,000
Contributions made	(323,000)	(426,000)
Increase (decrease) in net OPEB obligation	59,000	(46,000)
Net OPEB obligation - beginning of year	1,034,000	96,000
Net OPEB obligation - end of year	$ 1,093,000	$ 50,000

9. Postemployment Healthcare Benefits, continued:

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Airport:			
2012	$ 382,000	84.6%	$ 1,093,000
2011	356,000	88.2%	1,034,000
2010	307,000	91.5%	992,000
Marine & Other:			
2012	$ 380,000	112.1%	$ 50,000
2011	318,000	138.7%	96,000
2010	303,000	134.7%	219,000

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

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport:	7/1/2011	$ 0	$ 3,908,000	$ 3,908,000	0%	N/A	N/A
Marine & Other:	7/1/2011	0	4,096,000	4,096,000	0%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used.

The July 1, 2011 actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after nine years. Healthcare cost trends are also modified to reflect the expected impact of the Affordable Care Act excise tax starting in 2018. 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:

	Fiscal Year Ended June 30,	
	2012	2011
Beginning liability	$ 1,783,471	$ 1,570,702
Current year claims and changes in estimates	781,212	930,362
Claim payments	(911,417)	(717,593)
Ending liability	$ 1,653,266	$ 1,783,471

Approximately $839,900 and $1,154,700 of the liability was applicable to the Airport at June 30, 2012 and 2011, respectively.

11. Commitments and Contingencies:

At June 30, 2012, land acquisition and construction contract commitments aggregated approximately $37,100,000 for the Airport, $2,600,000 for Marine & Other, and $39,700,000 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 $6,200,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2012. 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 $20,700,000 in estimated remaining costs for this cleanup at June 30, 2012. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2012. 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 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.

11. Commitments and Contingencies, continued:

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

	2012			2011		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 1,175,000	$ 49,638,626	$ 50,813,626	$ 1,175,000	$ 53,405,000	$ 54,580,000
Accruals	605,000	(605,391)	(391)		(612,874)	(612,874)
Reclassifications (to) from current					(3,153,500)	(3,153,500)
Ending liability	$ 1,780,000	$ 49,033,235	$ 50,813,235	$ 1,175,000	$ 49,638,626	$ 50,813,626

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 2017. Total rental expense (all minimum rentals) for operating leases approximated $183,000 and $152,000 for Marine & Other in 2012 and 2011, respectively, and $303,000 and $302,000 for the Airport in 2012 and 2011, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

	Airport	Marine & Other	Total Port
2013	$ 311,033	$ 177,151	$ 488,184
2014	305,596	169,242	474,838
2015	227,793	167,599	395,392
2016	18,354	47,123	65,477
2017	2,470	464	2,934
Total	$ 865,246	$ 561,579	$ 1,426,825

12. Net Assets Deficit and Budget Overexpenditures:

The Port has a net assets deficit of $141,491,453 in the Airport PFC Fund as of June 30, 2012. 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 General Fund, increased activity for the Navigation division resulting in operating revenues which exceeded budget by nearly $5.7 million. As a result of this increased activity, for the year ended June 30, 2012, the Port overexpended a budget appropriation for General Fund operating expenditures in the Navigation division by $394,574. Also in the General Fund, the Port overexpended a budget appropriation for operating expenditures in the General Aviation division by $10,171. In the Airport Revenue Bond Fund, a budget appropriation for long-term debt payments was overexpended by $27,300,379 as the result of refunding the outstanding Series 15D Airport revenue bonds; this type of overexpenditure is allowed for under ORS 294.338(4)c.

13. Subsequent Event:

Subsequent to June 30, 2012, the Airport issued Series 2012A Passenger Facility Charge revenue bonds in conjunction with negotiating a five year direct bank purchase agreement whereby the bank purchases and holds the Series 2012A bonds for the duration of the contract. The Series 2012A bonds were issued in the face amount of $57,725,000 to refund the Airport's outstanding Series 2009A Passenger Facility Charge revenue bonds. Also subsequent to June 30, 2012, the Airport priced Series 2012B Passenger Facility Charge revenue bonds. The Series 2012B bonds were issued in the face amount of $25,070,000 to refund the Airport's outstanding Series 1999B Passenger Facility Charge revenue bonds and to pay costs of issuing the Series 2012B bonds.

REQUIRED SUPPLEMENTARY INFORMATION

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR DEFINED-BENEFIT HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport						
7/1/2007	$0	$9,363,000	$9,363,000	0%	N/A	N/A
7/1/2009	$0	$3,182,000	$3,182,000	0%	N/A	N/A
7/1/2011	$0	$3,908,000	$3,908,000	0%	N/A	N/A
Marine & Other						
7/1/2007	$0	$8,977,000	$8,977,000	0%	N/A	N/A
7/1/2009	$0	$3,394,000	$3,394,000	0%	N/A	N/A
7/1/2011	$0	$4,096,000	$4,096,000	0%	N/A	N/A

SUPPLEMENTARY INFORMATION

THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS

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

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

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

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

General Fund

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

Bond Construction Fund

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

Airport Revenue Fund

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

Airport Revenue Bond Fund

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

Airport Construction Fund

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

PFC Fund

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

PFC Bond Fund

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

THE PORT OF PORTLAND

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

for the year ended June 30, 2012

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Port Funds:			
General Fund	$ 69,690,655	$ 94,887,027	$ (25,196,372)
Bond Construction Fund	11,470,639	46,012,555	(34,541,916)
Airport Revenue Fund	183,124,888	128,636,721	54,488,167
Airport Revenue Bond Fund	28,937,154	76,353,948	(47,416,794)
Airport Construction Fund	42,459,332	51,409,330	(8,949,998)
PFC Fund	104,515,744	602,980	103,912,764
PFC Bond Fund	4,503,969	19,320,790	(14,816,821)
Totals - budgetary reporting basis	$ 444,702,381	$ 417,223,351	27,479,030
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			97,421,885
Internal costs on capital projects			13,835,373
Interest expense capitalized			1,264,427
Depreciation and amortization expense			(90,256,371)
Expenses that will be expended in future years			(12,609)
Contributions from governmental agencies			(43,867,499)
Bond sale and loan proceeds			(124,637,570)
Bond and contract payable principal expenditures			120,173,446
Difference between property sale proceeds and loss on sales			(1,696,501)
Change in deferred revenues and certain rents, notes, and contracts receivable			2,057,502
Amortization of bond issuance costs			(1,829,949)
Other			(142,042)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ (210,878)

* 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, 2012

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Airport Funds:			
Airport Revenue Fund	$ 183,124,888	$ 128,636,721	$ 54,488,167
Airport Revenue Bond Fund	28,937,154	76,353,948	(47,416,794)
Airport Construction Fund	42,459,332	51,409,330	(8,949,998)
PFC Fund	104,515,744	602,980	103,912,764
PFC Bond Fund	4,503,969	19,320,790	(14,816,821)
Totals - budgetary reporting basis	$ 363,541,087	$ 276,323,769	87,217,318
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			51,409,330
Internal costs on capital projects			934,313
Interest expense capitalized			985,464
Depreciation and amortization expense			(71,488,500)
Expenses that will be expended in future years			(664,000)
Contributions from governmental agencies			(32,447,699)
Bond sale proceeds			(119,501,872)
Bond principal expenditures			117,588,919
Difference between property sale proceeds and loss on sales			(1,647,822)
Change in deferred revenues and certain rents, notes, and contracts receivable			1,413,416
Amortization of bond issuance costs			(1,770,840)
Intra-Port services received, provided, and overhead			(20,521,763)
Other			(2,516,179)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 8,990,085

* 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, 2012

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenues:			
Administration	$ 170,000	$ 85,352	$ (84,648)
Marine and Industrial Development	40,606,196	32,244,071	(8,362,125)
Navigation	11,412,996	17,108,069	5,695,073
General Aviation	3,220,716	2,993,135	(227,581)
	55,409,908	52,430,627	(2,979,281)
Tax and tax items:			
Current property tax levy - net	9,311,375	9,545,987	234,612
Interest on taxes		36,000	36,000
	9,311,375	9,581,987	270,612
Grants		21,317	21,317
Interest	1,419,500	2,513,779	1,094,279
State loan proceeds		5,135,698	5,135,698
Fixed asset sales and other		7,247	7,247
Total revenues	66,140,783	69,690,655	3,549,872
TRANSFERS FROM OTHER FUNDS:			
Bond Construction Fund	5,230,202	4,229,986	(1,000,216)
Airport Construction Fund	7,577,027	8,410,736	833,709
Airport Revenue Fund	24,860,858	24,029,004	(831,854)
Total transfers	37,668,087	36,669,726	(998,361)
Total revenues and transfers	103,808,870	106,360,381	2,551,511
BEGINNING WORKING CAPITAL	155,184,862	170,679,108	15,494,246
Total resources	$ 258,993,732	$ 277,039,489	$ 18,045,757

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), continued
for the year ended June 30, 2012

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Administration	$ 42,932,999	$ 150,000	$ 43,082,999	$ 40,483,705	$ 2,599,294
Marine and Industrial Development	27,205,276		27,205,276	24,910,482	2,294,794
Navigation	9,361,157	4,000,000	13,361,157	13,755,731	(394,574)
General Aviation	2,028,398	100,000	2,128,398	2,138,569	(10,171)
Long-term debt payments	8,804,000		8,804,000	7,717,998	1,086,002
System development charges/other	5,000		5,000		5,000
Other environmental	4,217,693	2,000,000	6,217,693	5,880,542	337,151
Contingencies	122,789,785	(6,250,000)	116,539,785		116,539,785
Total expenditures	217,344,308		217,344,308	94,887,027	122,457,281
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	35,577,529		35,577,529	34,000,000	1,577,529
Airport Revenue Fund	6,071,895		6,071,895	244,112	5,827,783
Total transfers	41,649,424		41,649,424	34,244,112	7,405,312
Total expenditures and transfers	$ 258,993,732	$	$ 258,993,732	129,131,139	$ 129,862,593
ENDING WORKING CAPITAL				$ 147,908,350	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2012

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 106,800	$ 67,084	$ (39,716)
Grants and other	27,654,282	11,403,555	(16,250,727)
Total revenues	27,761,082	11,470,639	(16,290,443)
TRANSFERS FROM OTHER FUNDS:			
General Fund	35,577,529	34,000,000	(1,577,529)
Airport Revenue Fund		2,950,036	2,950,036
Total transfers	35,577,529	36,950,036	1,372,507
BEGINNING WORKING CAPITAL	11,853,758	13,953,345	2,099,587
Total resources	$ 75,192,369	62,374,020	$ (12,818,349)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 59,928,968	46,012,555	$ 13,916,413
Contingencies	10,000,000		10,000,000
Total expenditures	69,928,968	46,012,555	23,916,413
TRANSFERS TO OTHER FUNDS:			
General Fund	5,230,201	4,229,986	1,000,215
Airport Revenue Fund	33,200	26,023	7,177
Total transfers	5,263,401	4,256,009	1,007,392
Total expenditures and transfers	$ 75,192,369	50,268,564	$ 24,923,805
ENDING WORKING CAPITAL		$ 12,105,456	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2012

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenue - Portland International Airport	$ 181,390,542	$ 180,925,315	$ (465,227)
Interest and other	523,300	2,199,573	1,676,273
Total revenues	181,913,842	183,124,888	1,211,046
TRANSFERS FROM OTHER FUNDS:			
General Fund	6,071,895	244,112	(5,827,783)
Bond Construction Fund	33,200	26,023	(7,177)
PFC Fund	100,000,000	51,228,035	(48,771,965)
Airport Construction Fund	1,339,550	910,591	(428,959)
Total transfers	107,444,645	52,408,761	(55,035,884)
Total revenues and transfers	289,358,487	235,533,649	(53,824,838)
BEGINNING WORKING CAPITAL	30,000,000	42,292,913	12,292,913
Total resources	$ 319,358,487	277,826,562	$ (41,531,925)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Operating expenditures	$ 77,159,244	75,976,052	$ 1,183,192
Line of credit/other	100,000,000	52,660,669	47,339,331
Contingencies	35,000,000		35,000,000
Total expenditures	212,159,244	128,636,721	83,522,523
TRANSFERS TO OTHER FUNDS:			
General Fund	24,860,858	24,029,004	831,854
Bond Construction Fund		2,950,036	(2,950,036)
Airport Construction Fund	33,785,816	20,325,269	13,460,547
Airport Revenue Bond Fund	48,552,569	48,433,705	118,864
Total transfers	107,199,243	95,738,014	11,461,229
Total expenditures and transfers	$ 319,358,487	224,374,735	$ 94,983,752
ENDING WORKING CAPITAL		$ 53,451,827	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2012

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 101,000	$ 22,807	$ (78,193)
Bond sale proceeds		28,914,347	28,914,347
Total revenues	101,000	28,937,154	28,836,154
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	48,552,569	48,433,705	(118,864)
Airport Construction Fund	400,000		(400,000)
Total transfers	48,952,569	48,433,705	(518,864)
Total revenues and transfers	49,053,569	77,370,859	28,317,290
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	35,867,490	20,022,666	(15,844,824)
Total resources	$ 84,921,059	97,393,525	$ 12,472,466

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 49,053,569	76,353,948	$ (27,300,379)
Total expenditures	49,053,569	76,353,948	$ (27,300,379)
UNAPPROPRIATED BALANCE	35,867,490		
	$ 84,921,059		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 21,039,577	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2012

	Budget	Actual	Over (Under) Budget
REVENUES:			
Grants	$ 28,830,191	$ 32,447,699	$ 3,617,508
Interest and other	1,740,400	504,212	(1,236,188)
Bond sale and other debt proceeds		9,507,421	9,507,421
Total revenues	30,570,591	42,459,332	11,888,741
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	33,785,816	20,325,269	(13,460,547)
PFC Fund		18,554,925	18,554,925
Total transfers	33,785,816	38,880,194	5,094,378
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	114,833,156	47,090,171	(67,742,985)
Total resources	$ 179,189,563	128,429,697	$ (50,759,866)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 95,318,404	51,409,330	$ 43,909,074
Contingencies	74,554,582		74,554,582
Total expenditures	169,872,986	51,409,330	118,463,656
TRANSFERS TO OTHER FUNDS:			
General Fund	7,577,027	8,410,736	(833,709)
Airport Revenue Fund	1,339,550	910,591	428,959
Airport Revenue Bond Fund	400,000		400,000
Total transfers	9,316,577	9,321,327	(4,750)
Total expenditures and transfers	$ 179,189,563	60,730,657	$ 118,458,906
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 67,699,040	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2012

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 138,126	$ 234,911	$ 96,785
Bond sale and other debt proceeds	130,000,000	76,594,566	(53,405,434)
Passenger facility charges	27,184,500	27,686,267	501,767
Total revenues	157,322,626	104,515,744	(52,806,882)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	8,468,521	13,427,368	4,958,847
Total resources	$ 165,791,147	117,943,112	$ (47,848,035)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Other	$ 700,000	602,980	$ 97,020
Contingencies	25,780,992		25,780,992
Total expenditures	26,480,992	602,980	25,780,992
TRANSFERS TO OTHER FUNDS:			
Airport Revenue Fund	100,000,000	51,228,035	48,771,965
PFC Bond Fund	39,310,155	19,490,343	19,819,812
Airport Construction Fund		18,554,925	(18,554,925)
Total transfers	139,310,155	89,273,303	50,036,852
Total expenditures and transfers	$ 165,791,147	89,876,283	$ 75,817,844
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 28,066,829	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2012

	Budget	Actual	Over (Under) Budget
REVENUES:			
Bond sale and other debt proceeds	$ 13,000,000	$ 4,449,000	$ (8,551,000)
Interest	221,000	54,969	(166,031)
Total revenues	13,221,000	4,503,969	(8,717,031)
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	39,310,155	19,490,343	(19,819,812)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	10,770,975	10,802,513	31,538
Total resources	$ 63,302,130	34,796,825	$ (28,505,305)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 39,531,155	19,320,790	$ 20,210,365
Total expenditures	39,531,155	19,320,790	$ 20,210,365
UNAPPROPRIATED BALANCE	23,770,975		
	$ 63,302,130		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 15,476,035	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2012

ASSETS	Combined All Funds	Marine & Other: Total Marine & Other	Marine & Other: General Fund	Marine & Other: Bond Construction Fund	Airport: Total Airport	Airport: Revenue Fund	Airport: Revenue Bond Fund	Airport: Construction Fund	Airport: PFC Fund	Airport: PFC Bond Fund
Current assets:										
Cash and cash equivalents	$ 41,079,297	$ 41,015,857	$ 41,015,857		$ 63,440	$ 63,440				
Equity in pooled investments	197,604,225	138,042,242	124,935,730	$ 13,106,512	59,561,983	59,561,983				
Restricted Cash and equity in pooled investments	56,676,349	50,000	50,000		56,626,349		$ 34,437,973	$ 11,631,819	$ 701,497	$ 9,855,060
Receivables, net of allowance for doubtful accounts	19,385,887	9,719,654	9,119,030	600,624	9,666,233	9,666,233				
Prepaid insurance and other assets	5,140,582	2,055,375	2,055,375		3,085,207	3,085,207				
Total current assets	319,886,340	190,883,128	177,175,992	13,707,136	129,003,212	72,376,863	34,437,973	11,631,819	701,497	9,855,060
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	127,335,704	5,165,369	5,165,369		122,170,335	9,451,289	21,036,409	51,821,307	24,389,470	15,471,860
Receivables	19,562,435				19,562,435		3,168	15,877,733	3,677,359	4,175
Total restricted assets	146,898,139	5,165,369	5,165,369		141,732,770	9,451,289	21,039,577	67,699,040	28,066,829	15,476,035
Land held for sale	58,485,800	58,485,800	58,485,800							
Depreciable properties, net of accumulated depreciation	1,258,283,337	165,175,239	165,175,239		1,093,108,098	1,093,108,098				
Nondepreciable properties	228,857,128	121,197,333	75,645,857	45,551,476	107,659,795	68,042,167		39,617,628		
Unamortized bond issue costs	21,463,170	722,878	722,878		20,740,292	17,004,131			3,736,161	
Pension assets	75,520,196	37,343,077	37,343,077		38,177,119	38,177,119				
Due from other funds		33,892,616 *	33,892,616 *							
Deferred outflow and other noncurrent assets	38,595,965	721,965	721,965		37,874,000		24,442,000		13,432,000	
Total noncurrent assets	1,828,103,735	422,704,277	377,152,801	45,551,476	1,439,292,074	1,225,782,804	45,481,577	107,316,668	45,234,990	15,476,035
Total assets	$ 2,147,990,075	$ 613,587,405	$ 554,328,793	$ 59,258,612	$ 1,568,295,286	$ 1,298,159,667	$ 79,919,550	$ 118,948,487	$ 45,936,487	$ 25,331,095
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	$ 2,282,535	$ 2,282,535	$ 2,282,535							
Accounts payable	27,833,471	16,519,470	14,917,790	$ 1,601,680	$ 11,314,001	$ 11,314,001				
Accrued wages, vacation and sick leave pay	13,957,150	7,982,158	7,982,158		5,974,992	5,974,992				
Workers' compensation and other accrued liabilities	5,671,202	4,035,159	4,035,159		1,636,043	1,636,043				
Total current liabilities (payable from current assets)	49,744,358	30,819,322	29,217,642	1,601,680	18,925,036	18,925,036				
Restricted liabilities (payable from restricted assets):										
Current portion of long-term debt and other	31,962,943				31,962,943		$ 25,203,140		$ 564,803	$ 6,195,000
Accrued interest payable	12,894,893				12,894,893		9,234,833			3,660,060
Accounts payable	11,627,825	50,000	50,000		11,577,825			$ 11,441,131	136,694	
Contract retainage payable	190,688				190,688			190,688		
Total restricted current liabilities (payable from restricted assets)	56,676,349	50,000	50,000		56,626,349		34,437,973	11,631,819	701,497	9,855,060
Total current liabilities	106,420,707	30,869,322	29,267,642	1,601,680	75,551,385	18,925,036	34,437,973	11,631,819	701,497	9,855,060
Noncurrent liabilities:										
Long-term environmental and other accruals	92,349,058	51,602,058	51,602,058		40,747,000	2,873,000	24,442,000		13,432,000	
Long-term debt	736,924,170	99,304,362	99,304,362		637,619,808	468,779,958			168,839,850	
Deferred revenue and other	69,771,179	29,717,929	29,717,929		40,053,250	31,013,661	4,584,996		4,454,593	
Due to other funds					33,892,616 *	33,892,616 *				
Total noncurrent liabilities	899,044,407	180,624,349	180,624,349		752,312,674	536,559,235	29,026,996		186,726,443	
Total liabilities	1,005,465,114	211,493,671	209,891,991	1,601,680	827,864,059	555,484,271	63,464,969	11,631,819	187,427,940	9,855,060
NET ASSETS										
Invested in capital assets, net of related debt	876,164,720	345,434,977	299,883,501	45,551,476	530,729,743	686,795,804	(24,385,000)	39,617,628	(165,103,689)	(6,195,000)
Restricted for capital and debt service	160,003,523	5,165,369	5,165,369		154,838,154	1,016,262	40,839,581	67,699,040	23,612,236	21,671,035
Unrestricted	106,356,718	51,493,388	39,387,932	12,105,456	54,863,330	54,863,330				
Total net assets	1,142,524,961	402,093,734	344,436,802	57,656,932	740,431,227	742,675,396	16,454,581	107,316,668	(141,491,453)	15,476,035
Total liabilities and net assets	$ 2,147,990,075	$ 613,587,405	$ 554,328,793	$ 59,258,612	$ 1,568,295,286	$ 1,298,159,667	$ 79,919,550	$ 118,948,487	$ 45,936,487	$ 25,331,095

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF NET REVENUES
for the year ended June 30, 2012

Operating revenues:		
Airline revenues	$	87,257,410
Concessions and other rentals		92,648,398
Other		1,410,048
		181,315,856
Interest income - revenue fund and revenue bond fund		571,279
		181,887,135
Costs of operation and maintenance, excluding depreciation:		
Salaries, wages and fringe benefits		38,748,386
Contract, professional and consulting services		25,921,204
Materials and supplies		3,727,191
Utilities		7,103,814
Equipment rents, repair and fuel		1,457,789
Insurance		1,746,248
Rent		(1,747)
Travel and management expense		986,171
Allocation of general and administration expense of the Port of Portland		16,544,773
Other		2,854,633
		99,088,462
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$	82,798,672

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

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF COMPLIANCE WITH ORDINANCE NOS. 155 AND 323
DEBT SERVICE COVERAGE REQUIREMENTS
for the year ended June 30, 2012

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

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

Net revenues, per accompanying schedule of net revenues		$ 82,798,672
Debt service requirement:		
Interest and principal amount	$ 46,100,122	
	x 130%	
Total net revenues required		59,930,159
Excess of net revenues over 130% of debt service requirement		$ 22,868,513

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2012

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2011	$ 17,050,967	$ 766,597
Interest income	63,258	1,038
	17,114,225	767,635
Construction expenditures	12,445,925	
Transfers to revenue bond fund		767,635
Construction account, June 30, 2012	$ 4,668,300	$

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

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF GENERAL ACCOUNT AMOUNT AVAILABLE FOR
PAYMENT TO AIRPORT REVENUE BOND FUND AND RATIO TO
REVENUE BOND DEBT SERVICE REQUIREMENT
for the year ended June 30, 2012

Net revenues, per accompanying schedule of net revenues	$	82,798,672	
Less revenue bond fund interest income		(22,766)	
Applied to General Account, available to be applied to debt service of bonds	$	82,775,906	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	46,100,122	(2)
Ratio (1)/(2)		1.80	
Required ratio		1.30	

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

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY
For the year ended June 30, 2012

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2011	$ 31,538	$ 10,770,975	$ 13,427,368
PFC revenues:			
PFC bond account	19,490,343		
Capital account			8,195,924
Interest earnings		54,968	244,641
Transfer from reserve account to bond account	54,968	(54,968)	
PFC Bond 2011A Issuance Proceeds			25,366,531
PFC Bond 2011A Debt Service Reserve		4,701,592	
Bond payments to trustee	(19,573,381)		
Variable rate bond and interest rate swap costs			(607,219)
Costs of approved PFC projects			(18,554,925)
Other, net			(5,491)
Balances at June 30, 2012	$ 3,468	$ 15,472,567	$ 28,066,829

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, 2012

Fiscal Year	Property Taxes Receivable June 30, 2011	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2012	Interest Collected
2011-12		$ 9,826,737	$ (9,268,475)	$ (246,651)	$ (23,112)	$ 288,499	$ 3,676
2010-11	$ 263,724		(107,869)		(4,362)	151,493	8,642
2009-10	116,751		(17,324)		(4,120)	95,307	7,753
2008-09	61,766		(36,276)		(1,176)	24,314	9,165
2007-08	18,632		(13,158)		(616)	4,858	3,942
2006-07 and prior	15,142		(2,440)		(713)	11,989	1,186
	$ 476,015	$ 9,826,737	$ (9,445,542)	$ (246,651)	$ (34,099)	$ 576,460	$ 34,364

Reconciliation to income from property taxes:

Current levy	$ 9,826,737
Deduct discounts allowed	(246,651)
Cancellations and adjustments	(34,099)
	$ 9,545,987

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2012

	Maturity Date	Outstanding at June 30, 2011	2011-2012 Transactions: Issued	2011-2012 Transactions: Matured	2011-2012 Transactions: Redeemed	Outstanding June 30, 2012: Total	Outstanding June 30, 2012: Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 7,585,721		$ 751,148	$ 751,148	$ 6,834,573	$ 792,268
Series 2002B, 6.60% to 6.85%	06/01/28	43,525,000				43,525,000	
Series 2005, 4.00% to 5.50%	06/01/28	19,305,000		360,000	360,000	18,945,000	435,000
Total Limited Tax Pension Bonds		70,415,721		1,111,148	1,111,148	69,304,573	1,227,268
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 15A, 4.00% to 5.00%	07/01/15	1,630,000		1,630,000	1,630,000		
Series 15B, 4.50% to 5.375%	07/01/18	1,575,000		1,575,000	1,575,000		
Series 15D, 4.50% to 5.50%	07/01/23	28,830,000		835,000	28,830,000		
Series 18A, 0.20% *	07/01/26	64,040,000		2,900,000	2,900,000	61,140,000	2,910,000
Series 18B, 0.22% *	07/01/26	64,040,000		2,900,000	2,900,000	61,140,000	2,910,000
Series 19, 4.00% to 5.50%	07/01/38	130,485,000		1,840,000	1,840,000	128,645,000	2,350,000
Series 20A, 3.00% to 5.00%	07/01/40	35,765,000		4,085,000	4,085,000	31,680,000	3,810,000
Series 20B, 2.00% to 4.50%	07/01/40	21,620,000		30,000	30,000	21,590,000	415,000
Series 20C, 4.00% to 5.00%	07/01/28	99,665,000		5,635,000	5,635,000	94,030,000	3,770,000
Series 21A, 3:00% to 5.00%	07/01/15	5,490,000				5,490,000	1,635,000
Series 21B, 2.00% to 5.00%	07/01/18	51,280,000				51,280,000	6,585,000
Series 21C, 4.375% to 5.00%	07/01/23		$ 27,685,000			27,685,000	
Total Portland Int'l Airport Revenue Bonds		504,420,000	27,685,000	21,430,000	49,425,000	482,680,000	24,385,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 1999B, 5.00% to 5.75%	07/01/18	46,745,000		5,060,000	11,060,000	35,685,000	5,350,000
Series 2009A1, 0.28% *	07/01/24	28,955,000		45,000	45,000	28,910,000	45,000
Series 2009A2, 0.26% *	07/01/24	28,945,000		40,000	40,000	28,905,000	45,000
Series 2011A, 2.50% to 5.50%	07/01/31		75,670,000			75,670,000	755,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		104,645,000	75,670,000	5,145,000	11,145,000	169,170,000	6,195,000
Total Port Bonds		$ 679,480,721	$ 103,355,000	$ 27,686,148	$ 61,681,148	$ 721,154,573	$ 31,807,268
CONTRACTS & LOANS PAYABLE:							
Portland Int'l Airport Wells Fargo Bank Line of Credit, .53% to .62%	11/12/10	$ 41,720,614	$ 9,507,421		$ 51,228,035		
City of Portland LID, Series 2003, 5.32%	04/01/23	7,221,557		$ 455,516	455,516	$ 6,766,041	$ 480,349
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	2,000,000		200,000	200,000	1,800,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	11/01/23	1,106,604	5,135,698			6,242,302	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	8,460,588		325,732	325,732	8,134,856	331,846
Oregon Business Development Dept., 040-188, 5.13%	07/01/31	1,500,000		21,935	21,935	1,478,065	22,498
Oregon Business Development Dept., 040-189, 5.13%	01/01/32	1,406,923				1,406,923	20,574
Total Contracts & Loans Payable		$ 63,416,286	$ 14,643,119	$ 1,003,183	$ 52,231,218	$ 25,828,187	$ 1,055,267
TOTAL PORT LONG-TERM DEBT		$ 742,897,007	$ 117,998,119	$ 28,689,331	$ 113,912,366	$ 746,982,760	$ 32,862,535

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2012. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2012

	Outstanding at June 30, 2011	2011 - 12 Transactions: Issued	2011 - 12 Transactions: Interest Matured and Paid	2011 - 12 Transactions: Interest Fluctuations and Redemptions	Outstanding at June 30, 2012	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 13,729,280		$ 743,852		$ 12,985,428	$ 907,732
Series 2002B, 6.60% to 6.85%	40,880,428		2,965,950		37,914,478	2,965,950
Series 2005, 4.00% to 5.50%	10,713,051		957,121		9,755,930	937,321
Total Limited Tax Pension Bonds	65,322,759		4,666,923		60,655,836	4,811,003
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 15A, 4.00% to 5.00%	40,750		40,750			
Series 15B, 4.50% to 5.375%	42,328		42,328			
Series 15D, 4.50% to 5.50%	14,855,044		1,421,669	$ 13,433,375		
Series 18A, 0.20% *	388,728		83,997	544,809	849,540	116,460
Series 18B, 0.22% *	388,764		89,237	635,066	934,593	128,106
Series 19, 4.00% to 5.50%	120,534,056		6,800,788		113,733,268	6,696,038
Series 20A, 3.125% to 5.00%	14,496,328		1,471,106		13,025,222	1,294,156
Series 20B, 2.00% to 4.50%	16,042,363		864,675		15,177,688	858,150
Series 20C, 4.00% to 5.00%	48,719,875		4,698,950		44,020,925	4,510,850
Series 21A, 3.00% to 5.00%	482,967		140,167		342,800	165,175
Series 21B, 2.00% to 5.00%	10,954,769		1,748,544		9,206,225	2,300,600
Series 21C, 4.375% to 5.00%		$ 13,152,221	517,377		12,634,844	1,320,963
Total Portland Int'l Airport Revenue Bonds	226,945,972	13,152,221	17,919,588	14,613,250	209,925,105	17,390,498
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 1999B, 5.00% to 5.75%	10,594,507		2,293,063	1,244,750	7,056,694	1,827,900
Series 2009A1, 0.28% *	331,149		50,210	481,032	761,971	80,822
Series 2009A2, 0.26% *	178,975		46,578	573,280	705,677	75,036
Series 2011, 2.50% to 5.50%		58,795,344			58,795,344	4,309,944
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	11,104,631	58,795,344	2,389,851	2,299,062	67,319,686	6,293,702
Total Port Bonds	$ 303,373,362	$ 71,947,565	$ 24,976,362	$ 16,912,312	$ 337,900,627	$ 28,495,203
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 2,502,859		$ 373,186		$ 2,129,673	$ 348,353
Oregon Business Development Dept., B08005, 2.00% to 4.00%	3,487,008		271,200		3,215,808	264,686
Oregon Business Development Dept., 040-188, 5.13%	976,461		61,560		914,901	76,387
Oregon Business Development Dept., 040-189, 5.13%	989,450		72,175		917,275	95,232
Total Contracts & Loans Payable	$ 7,955,778		$ 778,121		$ 7,177,657	$ 784,658
TOTAL PORT LONG-TERM DEBT	$ 311,329,140	$ 71,947,565	$ 25,754,483	$ 16,912,312	$ 345,078,284	$ 29,279,861

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

* Interest rate at June 30, 2012. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2012

		Date of Issue	Total Requirements	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Remaining Fiscal Years
LIMITED TAX PENSION BONDS:														
Series 2002A	-Principal	03/28/02	$ 6,834,573	$ 792,268	$ 828,640	$ 846,100	$ 861,806	$ 877,546	$ 893,815	$ 901,618	$ 832,780			
2.00% to 7.41%	-Interest		12,985,428	907,732	1,086,360	1,288,900	1,503,194	1,727,454	1,961,185	2,218,383	2,292,220			
Series 2002B	-Principal	03/28/02	43,525,000								265,000	$ 3,695,000	$ 4,240,000	$ 35,325,000
6.60% to 6.85%	-Interest		37,914,478	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,947,797	2,694,690	8,544,391
Series 2005	-Principal	09/23/05	18,945,000	435,000	510,000	590,000	680,000	775,000	875,000	985,000	1,100,000	1,230,000	1,365,000	10,400,000
4.00% to 5.50%	-Interest		9,755,930	937,321	917,254	893,463	864,795	831,753	794,096	751,580	703,719	650,270	588,721	1,822,958
Total Limited Tax Pension Bonds	-Principal		$ 69,304,573	$ 1,227,268	$ 1,338,640	$ 1,436,100	$ 1,541,806	$ 1,652,546	$ 1,768,815	$ 1,886,618	$ 2,197,780	$ 4,925,000	$ 5,605,000	$ 45,725,000
Total Limited Tax Pensions Bonds	-Interest		$ 60,655,836	$ 4,811,003	$ 4,969,564	$ 5,148,313	$ 5,333,939	$ 5,525,157	$ 5,721,231	$ 5,935,913	$ 5,961,889	$ 3,598,067	$ 3,283,411	$ 10,367,349
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:														
Series 18A	-Principal	06/11/08	$ 61,140,000	$ 2,910,000	$ 3,045,000	$ 3,985,000	$ 4,855,000	$ 5,080,000	$ 4,435,000	$ 4,510,000	$ 4,705,000	$ 4,935,000	$ 5,155,000	$ 17,525,000
0.20% **	-Interest		849,540	116,460	110,370	102,400	92,690	82,530	73,660	64,640	55,230	45,360	35,050	71,150
Series 18B	-Principal	06/11/08	61,140,000	2,910,000	3,040,000	3,985,000	4,855,000	5,085,000	4,430,000	4,515,000	4,705,000	4,930,000	5,155,000	17,530,000
0.22% **	-Interest		934,593	128,106	121,418	112,651	101,970	90,783	81,037	71,104	60,753	49,907	38,566	78,298
Series 19	-Principal	11/13/08	128,645,000	2,350,000	2,465,000	2,585,000	2,695,000	2,810,000	2,945,000	3,095,000	3,245,000	3,410,000	3,580,000	99,465,000
4.00% to 5.50%	-Interest		113,733,268	6,696,038	6,575,663	6,462,338	6,353,369	6,225,850	6,081,975	5,930,975	5,772,475	5,606,100	5,431,350	52,597,135
Series 20A	-Principal	11/02/10	31,680,000	3,810,000	4,000,000	2,360,000	1,235,000	1,590,000	1,660,000	1,745,000	685,000	705,000	725,000	13,165,000
3.125% to 5.00%	-Interest		13,025,222	1,294,156	1,098,906	945,806	864,919	797,381	716,131	631,006	577,106	556,256	534,353	5,009,202
Series 20B	-Principal	11/02/10	21,590,000	415,000	435,000	445,000	460,000	485,000	505,000	525,000	545,000	570,000	590,000	16,615,000
2.00% to 4.50%	-Interest		15,177,688	858,150	845,399	828,863	808,500	788,450	768,650	748,050	726,650	702,925	680,881	7,421,170
Series 20C	-Principal	11/02/10	94,030,000	3,770,000	3,915,000	3,840,000	4,000,000	5,590,000	5,860,000	6,165,000	4,845,000	5,085,000	5,335,000	45,625,000
4.00% to 5.00%	-Interest		44,020,925	4,510,850	4,357,150	4,202,050	4,025,250	3,785,500	3,499,250	3,198,625	2,923,375	2,675,125	2,414,625	8,429,125
Series 21A	-Principal	04/05/11	5,490,000	1,635,000	1,720,000	1,770,000	365,000							
3.00% to 5.00%	-Interest		342,800	165,175	114,850	53,650	9,125							
Series 21B	-Principal	04/05/11	51,280,000	6,585,000	7,290,000	6,790,000	7,120,000	7,455,000	7,830,000	8,210,000				
2.00% to 5.00%	-Interest		9,206,225	2,300,600	2,052,500	1,700,500	1,352,750	988,375	606,250	205,250				
Series 21C	-Principal	08/10/11	27,685,000								5,040,000	5,250,000	5,560,000	11,835,000
4.375% to 5.00%	-Interest		12,634,844	1,320,963	1,320,963	1,320,962	1,320,962	1,320,962	1,320,963	1,320,962	1,194,963	937,712	681,363	574,069
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 482,680,000	$ 24,385,000	$ 25,910,000	$ 25,760,000	$ 25,585,000	$ 28,095,000	$ 27,665,000	$ 28,765,000	$ 23,770,000	$ 24,885,000	$ 26,100,000	$ 221,760,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 209,925,105	$ 17,390,498	$ 16,597,219	$ 15,729,220	$ 14,929,535	$ 14,079,831	$ 13,147,916	$ 12,170,612	$ 11,310,552	$ 10,573,385	$ 9,816,188	$ 74,180,149
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:														
Series 1999B	-Principal	09/01/99	$ 35,685,000	$ 5,350,000	$ 4,055,000	$ 4,570,000	$ 5,145,000	$ 5,760,000	$ 6,390,000	$ 4,415,000				
5.00% to 5.75%	-Interest		7,056,694	1,827,900	1,562,575	1,325,388	1,051,794	749,075	418,550	121,412				
Series 2009A1	-Principal	06/24/09	28,910,000	45,000	45,000	50,000	50,000	55,000	60,000	1,395,000	$ 3,980,000	$ 4,185,000	$ 4,405,000	$ 14,640,000
0.28% **	-Interest		761,971	80,822	80,696	80,556	80,416	80,262	80,094	76,188	65,044	53,326	40,992	43,575
Series 2009A2	-Principal	06/24/09	28,905,000	45,000	50,000	50,000	55,000	55,000	60,000	1,395,000	3,975,000	4,185,000	4,400,000	14,635,000
0.26% **	-Interest		705,677	75,036	74,906	74,776	74,633	74,490	74,334	70,707	60,372	49,491	38,051	38,881
Series 2011A	-Principal	11/10/11	75,670,000	755,000	1,425,000	1,475,000	1,505,000	1,560,000	1,650,000	1,710,000	150,000	135,000	125,000	65,180,000
2.50% to 5.50%	-Interest		58,795,344	4,309,944	3,743,150	3,699,650	3,647,425	3,578,325	3,506,325	3,430,575	3,385,575	3,381,300	3,377,244	22,735,831
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 169,170,000	$ 6,195,000	$ 5,575,000	$ 6,145,000	$ 6,755,000	$ 7,430,000	$ 8,160,000	$ 8,915,000	$ 8,105,000	$ 8,505,000	$ 8,930,000	$ 94,455,000
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 67,319,686	$ 6,293,702	$ 5,461,327	$ 5,180,370	$ 4,854,268	$ 4,482,152	$ 4,079,303	$ 3,698,882	$ 3,510,991	$ 3,484,117	$ 3,456,287	$ 22,818,287
Total Port Bonds	-Principal		$ 721,154,573	$ 31,807,268	$ 32,823,640	$ 33,341,100	$ 33,881,806	$ 37,177,546	$ 37,593,815	$ 39,566,618	$ 34,072,780	$ 38,315,000	$ 40,635,000	$ 361,940,000
Total Port Bonds	-Interest		$ 337,900,627	$ 28,495,203	$ 27,028,110	$ 26,057,903	$ 25,117,742	$ 24,087,140	$ 22,948,450	$ 21,805,407	$ 20,783,432	$ 17,655,569	$ 16,555,886	$ 107,365,785

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2012

		Date of Issue	Total Requirements	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Remaining Fiscal Years
CONTRACTS PAYABLE:														
City of Portland LID	-Principal	04/01/03	$ 6,766,041	$ 480,349	$ 506,536	$ 534,151	$ 563,271	$ 593,978	$ 626,360	$ 660,507	$ 696,515	$ 734,487	$ 774,529	$ 595,358
5.32%	-Interest		2,129,673	348,353	322,166	294,552	265,432	234,724	202,342	168,195	132,187	94,215	54,173	13,334
Oregon Dept. of Transportation MMTF-0001, 0%	-Principal	05/10/09	1,800,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000		
Oregon Dept. of Transportation MMTF-0003, 0%	-Principal	07/06/10	6,242,302		624,230	624,230	624,230	624,230	624,230	624,230	624,230	624,230	624,230	624,232
Oregon Business Development Dept. B08005	-Principal	08/31/10	8,134,856	331,846	337,983	344,143	355,326	361,532	367,763	379,332	386,262	398,250	415,639	4,456,780
2.00% to 4.00%	-Interest		3,215,808	264,686	258,049	251,289	244,406	237,300	230,069	220,875	209,495	197,907	183,968	917,764
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,478,065	22,498	46,742	49,171	51,725	54,413	57,241	60,214	63,343	66,634	70,096	935,988
5.13%	-Interest		914,901	76,387	74,079	71,650	69,095	66,408	63,579	60,606	57,478	54,187	50,725	270,707
Oregon Business Development Dept. 040-189	-Principal	09/10/09	1,406,923	20,574	42,745	44,966	47,303	49,760	52,346	55,065	57,926	60,936	64,102	911,200
5.13%	-Interest		917,275	95,232	70,579	68,357	66,021	63,564	60,978	58,258	55,397	52,387	49,221	277,281
Total	-Principal		$ 25,828,187	$ 1,055,267	$ 1,758,236	$ 1,796,661	$ 1,841,855	$ 1,883,913	$ 1,927,940	$ 1,979,348	$ 2,028,276	$ 2,084,537	$ 1,948,596	$ 7,523,558
Total	-Interest		$ 7,177,657	$ 784,658	$ 724,873	$ 685,848	$ 644,954	$ 601,996	$ 556,968	$ 507,934	$ 454,557	$ 398,696	$ 338,087	$ 1,479,086
TOTAL PORT LONG-TERM DEBT	-Principal		$ 746,982,760	$ 32,862,535	$ 34,581,876	$ 35,137,761	$ 35,723,661	$ 39,061,459	$ 39,521,755	$ 41,545,966	$ 36,101,056	$ 40,399,537	$ 42,583,596	$ 369,463,558
TOTAL PORT LONG-TERM DEBT	-Interest		$ 345,078,284	$ 29,279,861	$ 27,752,983	$ 26,743,751	$ 25,762,696	$ 24,689,136	$ 23,505,418	$ 22,313,341	$ 21,237,989	$ 18,054,265	$ 16,893,973	$ 108,844,871

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
** Interest rate at June 30, 2012. Rate is variable, depending on weekly remarketings.

		Date of Issue	Total Requirements	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Remaining Fiscal Years
INDUSTRIAL DEVELOPMENT REVENUE BONDS:														
Public Grain Elevator Revenue Bonds:														
Columbia Grain, Inc. Project:	-Principal	12/19/84	$ 38,100,000			$ 38,100,000								
1984 Series, 0.34% *	-Interest		$ 323,850	$ 129,540	$ 129,540	$ 64,770								
Other Industrial Development Revenue Bonds:														
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000											$ 17,300,000
1997 Series, 0.18% *	-Interest		464,505	$ 31,140	$ 31,140	$ 31,140	$ 31,140	$ 31,140	$ 31,140	$ 31,140	$ 31,140	$ 31,140	$ 31,140	153,105
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000											71,000,000
2006 Series, 0.18% *	-Interest		3,164,566	133,526	133,526	133,526	133,526	133,526	133,526	133,526	133,526	133,526	133,526	1,829,306
Total Other	-Principal		$ 88,300,000											$ 88,300,000
Total Other	-Interest		$ 3,629,071	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 1,982,411
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 126,400,000			$ 38,100,000								$ 88,300,000
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 3,952,921	$ 294,206	$ 294,206	$ 229,436	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 164,666	$ 1,982,411

* Interest rate at June 30, 2012. Rate is variable, depending on prime.
Note: Interest rates relate to original issue. Certain coupons are no longer outstanding. This schedule is provided for information purposes only. Industrial development revenue bonds are not a liability or contingent liability of the Port.

THE PORT OF PORTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	Award Period	Federal CFDA Number/Contract #	Current Expenditures
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program (M):			
AIP-3-41-0025-22	06/20/10 - 06/30/12	20.106	$ 2,662,966
AIP-3-41-0025-23	09/23/10 - 06/30/12	20.106	549,727
AIP-3-41-0025-24	08/25/11 - 06/30/12	20.106	350,803
AIP-3-41-0048-61	09/02/09 - 06/30/12	20.106	1,999
AIP-3-41-0048-63	08/20/10 - 06/30/12	20.106	(152,973)
AIP-3-41-0048-64	03/15/11 - 06/30/12	20.106	6,350,143
AIP-3-41-0048-65	06/21/11 - 06/30/12	20.106	10,606,765
AIP-3-41-0048-66	09/09/11 - 06/30/12	20.106	3,984,443
AIP-3-41-0048-67	09/27/11 - 06/30/12	20.106	5,521,396
AIP-3-41-0048-68	06/12/12 - 06/30/12	20.106	2,335,994
Maritime Administration			
American Recovery and Reinvestment Act of 2009 (M)	06/17/09 - 06/30/12	20.205	4,835,130
			37,046,393
U.S. Department of Homeland Security:			
Transportation Security Administration			
National Explosives Detection Canine Team Program (M)	10/01/04 - 06/30/12	97.072	159,073
Law Enforcement Officer Reimbursement Program	10/01/07 - 06/30/12	97.090	125,554
Airport Checked Baggage Screening Program	10/07/07 - 06/30/12	97.100	3,574,932
			3,859,559
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/11 - 06/30/12	39.003	43,182
U.S. Army Corps of Engineers:			
Direct:			
Contract Dredging	07/01/11 - 09/30/11	W9127N-05-C-0018	4,850,941
Contract Dredging	10/01/11 - 06/30/12	W9127N-11-C-0028	11,765,003
			16,615,944
Total Expenditures of Federal Awards			$ 57,565,078

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

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Minimum Standards for Audits of Oregon Municipal Corporations

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, 2012, which collectively comprise the Port's basic financial statements and have issued our report thereon dated October 26, 2012. 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 opinions 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

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- 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.

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By: ______________________________

Michael MacBryde

Portland, Oregon
October 26, 2012