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, 2013

with comparative totals for the year ended June 30, 2012

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2013

Name	Term Expires
Jim Carter, President 7200 NE Airport Way Portland, Oregon 97218	November 30, 2013
Paul A. Rosenbaum, Vice President 7200 NE Airport Way Portland, Oregon 97218	June 30, 2015
Diana A. Daggett, Secretary 5200 NE Elam Young Parkway Hillsboro, Oregon 97124	September 30, 2015
Peter J. Bragdon, Treasurer 14375 NW Science Park Drive Portland, Oregon 97229	September 30, 2015
Tom Chamberlain 2110 State Street Salem, Oregon 97303	May 9, 2015
Bruce A. Holte 2435 NW Front Avenue Portland, Oregon 97209	July 31, 2015
Robert L. Levy 822 S. Hwy 395, No. 423 Hermiston, Oregon 97838	April 30, 2017
Linda M. Pearce 4185 Highway 101 North Tillamook, Oregon 97141	September 30, 2016
Tom Tsuruta P.O. Box 261 Marylhurst, Oregon 97036	December 12, 2016

Bill Wyatt, Executive Director

REGISTERED AGENT AND OFFICE
Ian Whitlock
7200 NE Airport Way
Portland, Oregon 97218

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THE PORT OF PORTLAND
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INDEPENDENT AUDITOR’S REPORT

Independent Auditor's Report

To the Board of Commissioners of the Port of Portland:

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Port's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport and Marine & Other activities of the Port at June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have previously audited the Port's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the Airport and Marine and Other activities in our report dated October 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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 audits were conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Port's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States 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, OR
October 25, 2013

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, 2013. 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, including deferred outflows, liabilities, and net position at year end; statement of revenues, expenses, and changes in net position, 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 position increased $23.8 million from the 2012 amount, or 2.1 percent. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – increased by $4.2 million, or 4.0 percent, during that same time. In comparison, last year total net position increased by $43.6 million, or 4.0 percent. The analysis in Table 1 (below) focuses on the net position of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	$ 314.5	$ 317.9	$ 278.1	$ 268.6	$ 559.3 *	$ 564.3	(0.9)%
Capital assets	1,186.9	1,200.8	345.2	345.0	1,532.1	1,545.8	(0.9)%
Deferred outflows	17.7	37.9			17.7	37.9	(53.3)%
Total assets	1,519.1	1,556.6	623.3	613.6	2,109.1 *	2,148.0	(1.8)%
Long-term debt outstanding	634.1	669.6	114.6	83.9	748.7	753.5	(0.6)%
Other liabilities	115.6	146.6	111.8	127.6	194.1 *	252.0	(23.0)%
Total liabilities	749.7	816.2	226.4	211.5	942.8 *	1,005.5	(6.2)%
Net position:							
Invested in capital assets, net of related debt	554.0	530.7	345.8	345.5	899.8	876.2	2.7%
Restricted	137.5	154.8	18.5	5.2	156.0	160.0	(2.5)%
Unrestricted	77.9	54.9	32.6	51.4	110.5	106.3	4.0%
Total net position	$ 769.4	$ 740.4	$ 396.9	$ 402.1	$ 1,166.3	$ 1,142.5	2.1%

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

Total net position of the Airport increased by $29.0 million, or 3.9 percent, as a result of net income and capital grants. Net position invested in capital assets, net of related debt, increased $23.3 million, or 4.4 percent, as a result of capital additions and construction spending as well as a decrease in outstanding debt. Restricted net position decreased by $17.3 million, or 11.2 percent, primarily due to construction spending. Unrestricted net position increased by $23.0 million, or 41.9 percent, primarily as a result of net operating income.

Total net position of Marine & Other decreased from the 2012 balance by $5.2 million, or 1.3 percent, primarily the result of a net loss for the year. Restricted net position increased by $13.3 million, primarily as a result of loan proceeds restricted for construction. Unrestricted net position decreased $18.8 million or 36.6 percent, primarily due to the net loss for the year in Marine & Other and capital spending.

Several factors caused changes in net position (Table 2, below) to decrease $22.6 million from the prior year.

Airport changes in net position decreased $9.6 million, primarily as a result of decreased capital grants and increased operating expenses versus the prior year. Marine & Other changes in net position decreased $10.2 million primarily due to decreased net income and capital grants versus the prior year.

Table 2
Changes in Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Operating revenues							
Charges for services	$ 186.7	$ 181.3	$ 48.7	$ 52.8	$ 235.4	$ 234.1	0.6%
Land sales			1.5		1.5		100.0%
Other			0.1	0.1	0.1	0.1	
Nonoperating revenues							
Property tax revenue			9.7	9.5	9.7	9.5	2.1%
Interest revenue	4.4	1.3	1.1	2.6	5.5	3.9	41.0%
PFC revenue	29.3	27.7			29.3	27.7	5.8%
Other nonoperating revenue			2.1	2.9	2.1	2.9	(27.6)%
Total revenues	220.4	210.3	63.2	67.9	283.6	278.2	1.9%
Expenses:							
Operating expenses	178.3	167.7	71.7	71.5	250.0	239.2	4.5%
Nonoperating expenses	36.1	33.6	6.0	5.7	42.1	39.3	7.1%
Total expenses	214.4	201.3	77.7	77.2	292.1	278.5	4.9%
Income (loss) before contributions and transfers	6.0	9.0	(14.5)	(9.3)	(8.5)	(0.3)	2733.3%
Capital contributions	23.9	32.5	8.4	11.4	32.3	43.9	(26.4)%
Transfers (out) in	(0.9)	(2.9)	0.9	2.9			
Increase (decrease) in net position	$ 29.0	$ 38.6	$ (5.2)	$ 5.0	$ 23.8	$ 43.6	(45.4)%

Total revenues for the Port increased by approximately $5.4 million from the prior year. Total expenses increased approximately $13.6 million from the prior year amount.

At the Airport, operating revenues increased about $5.4 million from the prior year due primarily to increases in rental car and parking revenues. The increase of about $10.6 million in operating expenses was primarily attributable to higher depreciation and salary expenses. Capital contributions decreased $8.6 million as a result of incurring fewer grant-eligible costs in 2013.

For Marine & Other, operating revenues decreased $2.6 million from the prior year, the result of reduced dredging performed in 2013 by the Port's Navigation division, offset partially by increased land sales in 2013 versus 2012. During the same time, operating expenses remained flat versus 2012.

Budgetary Highlights:

The Port's budget for fiscal 2013 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2012. Appropriations in the budget for Marine & Other were adjusted during the year to reflect higher potential expenses associated with a cost sharing program with the Port's container terminal operator; dedication of property tax revenue to the Port's Bond Construction Fund; higher Navigation operating expenditures resulting from additional small projects approved under the U.S. Army Corps of Engineers contract; increased costs related to a general aviation project and study; a six month landing fee waiver under a cargo service retention agreement; and a transfer to reimburse the Airport for staff time. Budget appropriations at the Airport were adjusted to reflect new PFC-eligible project spending approved by the FAA and for the transfer from Marine & Other for staff time. 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 $60.2 million, 38.7 percent below the $98.1 million budget as the largest capital expansion program ever undertaken at the Airport winds down. Operating expenditures were $78.3 million, coming in 7.4 percent below the $84.5 million budget amount as a result of delays in expected costs associated with environmental liabilities, vacant positions and outside service delays. Airport operating revenues tracked well against the budget, coming in just above the $186.4 million budget. Capital grants during the year were $23.8 million, 54.1 percent above the budget of $15.4 million.

Fiscal 2013 budgetary capital expenditures for Marine & Other were $15.2 million, 48.1 percent below the budget of $29.2 million, largely due to delays and deferrals. Capital grants for the year were $8.2 million, 25.0 percent below the budget of $11.0 million. Budgetary operating revenues were $11.9 million under budget in marine and industrial development, largely due to budgeted land sales that did not occur. Budgetary operating expenditures were $2.8 million below budget for administration, primarily as a result of vacant positions and outside service cost reductions. Budgetary operating expenditures for marine and industrial development (including revised appropriations) were below budget approximately $2.8 million due to lower than anticipated environmental costs and vacant positions. Other environmental budgetary operating expenditures were $1.1 million under budget as a result of delays in expected costs associated with environmental liabilities. Other significant budgetary resource variances include the budgeted proceeds from loans coming in $13.8 million under due to a delay in drawing upon the loan.

Capital Assets:

At the end of fiscal 2013, 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 $13.8 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
Land	$ 68.0	$ 68.0	$ 75.8	$ 75.6	$ 143.8	$ 143.6	
Construction in progress	77.7	39.7	57.5	45.7	135.2	85.4	
Total capital assets not being depreciated	145.7	107.7	133.3	121.3	279.0	229.0	21.8%
Land improvements	677.1	663.6	250.8	250.8	927.9	914.4	
Buildings and equipment	1,325.9	1,312.5	233.9	237.8	1,559.8	1,550.3	
Total capital assets being depreciated	2,003.0	1,976.1	484.7	488.6	2,487.7	2,464.7	0.9%
Less: accumulated depreciation	(961.8)	(883.0)	(331.5)	(323.5)	(1,293.3)	(1,206.5)	7.2%
Total capital assets being depreciated, net	1,041.2	1,093.1	153.2	165.1	1,194.4	1,258.2	(5.1)%
Total capital assets, net	$ 1,186.9	$ 1,200.8	$ 286.5	$ 286.4	$ 1,473.4	$ 1,487.2	(0.9)%

This year's major capital asset spending included:

Airport:
- Taxiway rehabilitation and improvements - $24.6 million
- Air Trans Center pavement rehabilitation - $11.0 million
- North apron rehabilitation - $5.9 million
- In-line baggage screening improvements - $3.0 million
- Parking garage guidance system - $2.5 million

Marine & Other:
- Dredge Oregon repowering - $8.4 million
- Hillsboro airport runway and taxiway improvements - $2.8 million
- Core financial systems - $1.6 million
- Industrial property improvements at Troutdale Reynolds Industrial Park - $1.1 million

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

The Port's 2014 capital budget estimates spending another $82 million on capital projects at the Airport and $53 million in Marine & Other. Spending at the Airport is primarily slated for taxiway and pavement rehabilitation projects; access control system replacement; and parking lot pavement reconstruction. These projects are budgeted to be funded by Airport operating revenues, federal grants, bond proceeds, and PFC revenues. Capital spending for Marine & Other is budgeted principally for industrial land acquisition; general aviation airport runway and taxiway construction and improvements; repowering the dredge Oregon; 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 2013, the Port had approximately $731 million in bonds, contracts and loans payable outstanding. This is a decrease 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
	2013	2012	2013	2012	2013	2012	2012-2013
Pension bonds			$ 74.4	$ 75.7	$ 74.4	$ 75.7	(1.7)%
Revenue bonds	$ 458.3	$ 482.7			458.3	482.7	(5.1)%
PFC revenue bonds	157.7	169.2			157.7	169.2	(6.8)%
Contracts and loans payable			40.2	25.8	40.2	25.8	55.8%
	$ 616.0	$ 651.9	$ 114.6	$ 101.5	$ 730.6	$ 753.4	(3.0)%

The outstanding amount of Airport long-term debt decreased due to scheduled bond payments. As of the end of fiscal 2013, 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 decreased as a result of regularly scheduled bond payments; during 2013 the Airport issued 2012A and 2012B PFC refunding bonds to refund outstanding Series 1999B and 2009A PFC revenue bonds.

In Marine & Other, the amount of outstanding long-term debt increased as a result of entering into $16.3 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 most business lines expected to show moderate growth in fiscal 2014. Fiscal 2014 airline passenger volumes are forecast to increase 8.4% over the fiscal 2013 budget. Auto volumes and breakbulks are expected to show increases as well.

In the Port's 2014 adopted budget, total Port operating revenue is budgeted to increase about 10.8% to approximately $262.7 million largely as a result of increased land sales. Total operating expenses are budgeted to increase by about 23.6% to approximately $186.5 million, reflecting costs related to land sales as well as increased salary and benefits costs.

Operating revenues for the Airport are budgeted to increase to $190.0 million in the fiscal 2014 budget due to higher airline and nonairline revenues resulting from increased passenger volumes. Airport operating expenses (excluding depreciation) are budgeted to increase about 7.7 percent to $105.4 million as a result of increased salary and benefits costs as well as a new stormwater fee imposed by the City of Portland.

In Marine & Other, operating revenues are budgeted to increase by 44.2 percent to $72.7 million, primarily due to significantly higher land sales revenue budgeted in fiscal 2014. Operating expenses (excluding depreciation) are budgeted to increase by 53.0 percent to $81.1 million due primarily 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, 2013
with comparative totals as of June 30, 2012

	2013			2012
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 58,440	$ 41,471,730	$ 41,530,170	$ 41,079,297
Equity in pooled investments (Note 3)	78,907,197	134,600,186	213,507,383	197,604,225
Restricted cash and equity in pooled investments (Note 3)	52,416,900	50,000	52,466,900	56,676,349
Receivables, net of allowance for doubtful accounts of $209,000 in 2013 and $151,000 in 2012 for Airport and $150,000 in 2013 and $125,000 in 2012 for Marine & Other (Note 4)	10,641,296	9,553,097	20,194,393	19,385,887
Prepaid insurance and other assets	3,402,599	2,115,268	5,517,867	5,140,582
Total current assets	145,426,432	187,790,281	333,216,713	319,886,340
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	107,391,410	18,452,964	125,844,374	127,335,704
Receivables (Note 4)	16,760,464		16,760,464	19,562,435
Total restricted assets	124,151,874	18,452,964	142,604,838	146,898,139
Land held for sale (Note 1)		58,662,769	58,662,769	58,485,800
Depreciable properties, net of accumulated depreciation (Note 5)	1,041,206,282	153,182,517	1,194,388,799	1,258,283,337
Nondepreciable properties (Note 5)	145,723,682	133,329,802	279,053,484	228,857,128
Unamortized bond issue costs	6,868,510	662,080	7,530,590	9,775,082
Pension assets (Note 8)	38,034,233	37,195,150	75,229,383	75,520,196
Due from Airport (Note 8)		33,273,764	*	*
Other noncurrent assets		703,197	703,197	721,965
Total noncurrent assets	1,355,984,581	435,462,243	1,758,173,060	1,778,541,647
Deferred outflows of resources:				
Cumulative decrease in fair value of hedging derivative (Note 6)	17,706,000		17,706,000	37,874,000
Total assets	$ 1,519,117,013	$ 623,252,524	$ 2,109,095,773	$ 2,136,301,987
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 6)		$ 3,152,150	$ 3,152,150	$ 2,282,535
Accounts payable	$ 9,954,322	18,822,597	28,776,919	27,833,471
Book cash overdraft (Note 1)		4,265,420	4,265,420	
Accrued wages, vacation and sick leave pay (Note 1)	5,402,338	5,904,137	11,306,475	13,957,150
Workers' compensation and other accrued liabilities (Notes 10 and 11)	1,603,925	2,543,217	4,147,142	5,671,202
Total current liabilities (payable from current assets)	16,960,585	34,687,521	51,648,106	49,744,358
Restricted liabilities (payable from restricted assets) (Note 1):				
Current portion of long-term debt and other (Note 6)	31,184,621		31,184,621	31,962,943
Accrued interest payable	11,658,493		11,658,493	12,894,893
Accounts payable	8,155,881	50,000	8,205,881	11,627,825
Contract retainage payable	1,417,905		1,417,905	190,688
Total restricted current liabilities (payable from restricted assets)	52,416,900	50,000	52,466,900	56,676,349
Total current liabilities	69,377,485	34,737,521	104,115,006	106,420,707
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 6, 9 and 11)	30,336,489	52,076,170	82,412,659	92,349,058
Long-term debt (Note 6)	577,998,601	111,482,186	689,480,787	725,236,082
Deferred revenue and other (Notes 1 and 6)	38,742,660	28,052,801	66,795,461	69,771,179
Due to Marine & Other (Note 8)	33,273,764		*	*
Total noncurrent liabilities	680,351,514	191,611,157	838,688,907	887,356,319
Total liabilities	749,728,999	226,348,678	942,803,913	993,777,026
Commitments and contingencies (Note 11)				
NET POSITION				
Invested in capital assets, net of related debt	554,026,781	345,837,168	899,863,949	876,164,720
Restricted for capital and debt service	137,477,306	18,452,964	155,930,270	160,003,523
Unrestricted	77,883,927	32,613,714	110,497,641	106,356,718
Total net position	769,388,014	396,903,846	1,166,291,860	1,142,524,961
Total liabilities and net position	$ 1,519,117,013	$ 623,252,524	$ 2,109,095,773	$ 2,136,301,987

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

THE PORT OF PORTLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended June 30, 2013
with comparative totals for the year ended June 30, 2012

	2013			2012
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 186,669,834	$ 48,710,935	$ 235,380,769	$ 234,154,623
Land sales		1,528,970	1,528,970	
Other	38,126	129,344	167,470	92,047
Total operating revenues	186,707,960	50,369,249	237,077,209	234,246,670
Operating expenses:				
Salaries, wages and fringe benefits	39,759,810	49,098,945	88,858,755	89,179,157
Longshore labor and fringe benefits		1,812,464	1,812,464	1,765,340
Contract, professional and consulting services	28,401,046	15,443,928	43,844,974	41,232,861
Materials and supplies	3,592,537	1,974,783	5,567,320	6,293,314
Utilities	6,949,285	1,822,496	8,771,781	8,889,011
Equipment rents, repair and fuel	1,324,840	2,727,628	4,052,468	5,512,441
Insurance	1,597,115	2,086,088	3,683,203	3,836,728
Rent	6,734	168,964	175,698	186,751
Travel and management expense	1,034,293	1,755,905	2,790,198	2,893,141
Intra-Port charges and expense allocations	17,083,373	(17,083,373)		
Cost of land sold		539,607	539,607	
Other	(638,339)	6,373,591	5,735,252	3,093,060
Less expenses for capital projects	(1,187,300)	(13,690,374)	(14,877,674)	(13,982,104)
Total operating expenses, excluding depreciation	97,923,394	53,030,652	150,954,046	148,899,700
Operating income before depreciation	88,784,566	(2,661,403)	86,123,163	85,346,970
Depreciation expense	80,413,089	18,642,280	99,055,369	90,256,371
Total operating expenses, including depreciation	178,336,483	71,672,932	250,009,415	239,156,071
Operating income (loss)	8,371,477	(21,303,683)	(12,932,206)	(4,909,401)
Nonoperating revenues (expenses):				
Property tax revenue		9,658,014	9,658,014	9,545,987
Interest expense, net of capitalized construction period interest of $625,760 in 2013 and $985,464 in 2012 for Airport and $0 in 2013 and $278,963 in 2012 for Marine & Other	(29,431,343)	(5,959,259)	(35,390,602)	(34,446,109)
Interest revenue	4,392,628	1,089,081	5,481,709	3,959,047
Other (expense) income, including loss on disposal of properties	(6,671,746)	2,042,882	(4,628,864)	(2,046,669)
Nonoperating (expenses) revenues before passenger facility charges	(31,710,461)	6,830,718	(24,879,743)	(22,987,744)
Loss before passenger facility charges	(23,338,984)	(14,472,965)	(37,811,949)	(27,897,145)
Passenger facility charge revenue	29,339,099		29,339,099	27,686,267
Income (loss) before contributions and transfers	6,000,115	(14,472,965)	(8,472,850)	(210,878)
Capital contributions	23,878,285	8,361,464	32,239,749	43,867,499
Transfers (out) in	(921,613)	921,613		
Change in net position	28,956,787	(5,189,888)	23,766,899	43,656,621
Total net position - beginning of year	740,431,227	402,093,734	1,142,524,961	1,098,868,340
Total net position - end of year	$ 769,388,014	$ 396,903,846	$ 1,166,291,860	$ 1,142,524,961

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, 2013
with comparative totals for the year ended June 30, 2012

	2013			2012
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 185,470,014	$ 49,385,355	$ 234,855,369	$ 229,409,761
Cash payments to employees	(40,189,578)	(51,029,039)	(91,218,617)	(88,863,357)
Cash payments to suppliers and vendors	(39,625,458)	(23,714,396)	(63,339,854)	(72,832,812)
Cash payments (to) from other funds	(20,631,636)	20,631,636		
Net cash provided by (used in) operating activities	85,023,342	(4,726,444)	80,296,898	67,713,592
Cash flows from noncapital financing activities:				
Property taxes		9,665,244	9,665,244	9,445,542
Book cash overdraft		4,265,420	4,265,420	
Net cash provided by noncapital financing activities		13,930,664	13,930,664	9,445,542
Cash flows from capital and related financing activities:				
Capital expenditures	(68,029,299)	(18,730,633)	(86,759,932)	(123,453,982)
Sale of properties	119,124	310,950	430,074	157,984
Net proceeds from issuance of long-term debt	85,329,791	16,284,699	101,614,490	124,337,346
Interest paid	(32,128,360)	(5,847,525)	(37,975,885)	(34,365,226)
Proceeds from passenger facility charges	28,645,036		28,645,036	27,288,436
Principal payments and redemptions on long-term debt	(118,640,000)	(3,137,667)	(121,777,667)	(113,868,186)
Contributions from governmental agencies	27,201,547	7,330,794	34,532,341	39,048,948
Cash transfers (to) from other Port divisions, net	(921,613)	921,613		
Other, primarily nonoperating expense	(6,905,693)	2,367,117	(4,538,576)	(482,663)
Net cash used in capital and related financing activities	(85,329,467)	(500,652)	(85,830,119)	(81,337,343)
Cash flows from investing activities:				
Interest received	657,965	1,597,844	2,255,809	4,271,483
Investment activity:				
Purchases	(131,814,617)	(71,275,056)	(203,089,673)	(243,819,998)
Proceeds from sales or maturities	131,457,777	61,429,517	192,887,294	240,806,563
Net cash provided by (used in) investing activities	301,125	(8,247,695)	(7,946,570)	1,258,048
Net (decrease) increase in cash and cash equivalents	(5,000)	455,873	450,873	(2,920,161)
Cash and cash equivalents - beginning of year	63,440	$ 41,015,857	$ 41,079,297	$ 43,999,458
Cash and cash equivalents - end of year	$ 58,440	$ 41,471,730	$ 41,530,170	$ 41,079,297
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 8,371,477	$ (21,303,683)	$ (12,932,206)	(4,909,401)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	80,413,089	18,642,280	99,055,369	90,256,371
Cost of land sales		539,607	539,607	
Amortization of deferred revenue	(565,272)	(6,754,155)	(7,319,427)	(9,344,858)
Change in assets and liabilities:				
Receivables and other current assets	(1,112,023)	621,341	(490,682)	(1,335,697)
Amortization of pension assets	142,886	147,927	290,813	25,820
Accounts payable and accruals	(1,964,452)	(2,801,753)	(4,766,205)	(11,770,215)
Long-term environmental and other accruals	(566,363)	1,092,965	526,602	(289,383)
Additions to deferred revenue	304,000	5,089,027	5,393,027	5,080,955
Net cash provided by (used in) operating activities	$ 85,023,342	$ (4,726,444)	$ 80,296,898	$ 67,713,592
Noncash investing, capital, and related financing activities:				
Deferred bond interest		$ 1,030,882	$ 1,030,882	$ 1,059,159

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 765 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.

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, 2013, all restricted assets are available to pay restricted liabilities due within one year except for approximately $75,700,000 and approximately $75,500,000 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 and refunding transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is reported in long-term debt on the balance sheet. 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 to net position 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 position 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. As a result, book cash overdrafts (essentially comprising outstanding checks) may occur. Such overdrafts are presented as current liabilities. Investments with a remaining life of one year or less at the time of purchase are stated at amortized cost. Investments with longer maturities are stated at fair value based upon quoted market prices. For investments stated at amortized cost, there is no material difference from fair value at June 30, 2013 and 2012. 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 budgets for the years ended June 30, 2013 and June 30, 2012.

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, 2012, from which the summarized information was derived.

Reclassification

During 2013, management determined that unamortized deferred amounts related to prior debt refundings were reported in unamortized bond issuance costs in the 2012 financial statements; these amounts should have been reported as a reduction of long term debt. Management concluded that this amount was immaterial to the prior period financial statements and has therefore elected to revise the 2012 financial statements and decrease the previously reported unamortized bond issue costs by approximately $11.7 million with an offsetting decrease to long term debt. This revision had no effect on previously reported total net position, revenues, expenses or the statement of cash flows of the Port.

New Accounting Pronouncements

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 adoption of this statement did not have a material effect on the Port's 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 adoption of this statement did not have a material effect on the Port's 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 adoption of this statement did not have a material effect on the Port's 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 adoption of this statement did not have a material effect on the Port's 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. Description of the Port and Summary of Significant Accounting Policies, 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 issued 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.

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations," effective for the Port's fiscal year beginning July 1, 2014. The statement establishes accounting and financial reporting standards for government combinations and disposals of government operations. The Port is currently evaluating the effects this statement will have on its financial statements.

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees," effective for the Port's fiscal year beginning July 1, 2013. The statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions extended or received by state and local governments. The Port is currently evaluating the effects this statement will have on its financial statements.

2. Identifiable Activity Information:

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

2. Identifiable Activity Information, continued:

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2013 was as follows (in thousands):

	Marine Terminals	Property & Development Services	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 30,342	$ 4,842		$ 11,894	$ 3,161	$ 130	$ 50,369
Operating expenses	29,614	6,984	$ 5,765	10,440	3,106	(2,878)	53,031
Depreciation expense	10,890	760		1,219	2,765	3,008	18,642
Operating (loss) income	(10,162)	(2,902)	(5,765)	235	(2,710)		(21,304)
Capital contributions	1,148			3,973	3,215	25	8,361
Land held for sale and properties:							
Additions	2,396	1,255		9,325	3,569	3,158	19,703
Deletions	(233)	(540)		(233)	(6)	(144)	(1,156)

3. Cash and Investments:

At June 30, 2013, 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	$ 73,618,649	$ 31,462,846	$ 27,439,696	$ 29,208,299	$ 161,729,490
Corporate indebtedness	13,202,836	12,054,161	9,153,427	1,853,443	36,263,867
	$ 86,821,485	$ 43,517,007	$ 36,593,123	$ 31,061,742	197,993,357
Cash and deposits with financial institutions					40,780,590
					$ 238,773,947

Following are the cash and investments and maturities for Marine & Other at June 30, 2013:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 3,148,556				$ 3,148,556
U.S. Agencies	25,680,022	$ 27,604,177	$ 24,074,434	$ 25,626,132	102,984,765
Corporate indebtedness	11,583,613	10,575,814	8,030,831	1,626,132	31,816,390
	$ 40,412,191	$ 38,179,991	$ 32,105,265	$ 27,252,264	137,949,711
State of Oregon local government investment pool					40,842,579
Construction escrow					15,100,000
Cash and deposits with financial institutions					682,590
					$ 194,574,880

3. Cash and Investments, continued:

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

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, 2013, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

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

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $4,012,667. Of these deposits, $250,000 was covered by federal depository insurance and $3,762,667 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:	2013			2012
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 58,440	41,471,730	$ 41,530,170	$ 41,079,297
Unrestricted equity in pooled investments	78,907,197	134,600,186	213,507,383	197,604,225
Restricted cash and equity in pooled investments	159,808,310	18,502,964	178,311,274	184,012,053
	$ 238,773,947	$ 194,574,880	$ 433,348,827	$ 422,695,575

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $3,150,000 at June 30, 2013 and $4,150,000 at June 2012, 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, 2013 and 2012, approximately $153,644,000 and $148,762,000, 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 $15,000,000 at June 30, 2013 and $13,600,000 at June 30, 2012. Total trade receivables for the marine shipping industry were approximately $2,300,000 at June 30, 2013 and $1,800,000 at June 30, 2012. Total grants receivable for the Airport were approximately $12,200,000 at June 30, 2013 and $15,600,000 at June 30, 2012. Total grant receivables for marine and other were approximately $1,700,000 at June 30, 2013 and $600,000 at June 30, 2012. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2013 was as follows:

Airport:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital assets being depreciated:					
Land improvements	$ 663,593,341		$ (30,573)	$ 13,559,519	$ 677,122,287
Buildings and equipment	1,312,537,246		(1,663,471)	15,025,727	1,325,899,502
Total capital assets being depreciated	1,976,130,587		(1,694,044)	28,585,246	2,003,021,789
Less accumulated depreciation:					
Land improvements	340,414,376	$ 29,950,086	(30,573)		370,333,889
Buildings and equipment	542,608,113	50,463,003	(1,589,498)		591,481,618
Total accumulated depreciation	883,022,489	80,413,089	(1,620,071)		961,815,507
Total capital assets being depreciated, net	1,093,108,098	(80,413,089)	(73,973)	28,585,246	1,041,206,282
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	39,617,628	66,649,133		(28,585,246)	77,681,515
Total capital assets not being depreciated	107,659,795	66,649,133		(28,585,246)	145,723,682
Airport capital assets, net	$ 1,200,767,893	$ (13,763,956)	$ (73,973)	$	$ 1,186,929,964
Marine & Other:					
Capital assets being depreciated:					
Land improvements	$ 250,789,349		$ (1,752,695)	$ 1,736,907	$ 250,773,561
Buildings and equipment	237,837,957		(8,197,948)	4,246,236	233,886,245
Total capital assets being depreciated	488,627,306		(9,950,643)	5,983,143	484,659,806
Less accumulated depreciation:					
Land improvements	152,872,634	$ 8,815,583	(2,371,918)		159,316,299
Buildings and equipment	170,579,433	9,826,697	(8,245,140)		172,160,990
Total accumulated depreciation	323,452,067	18,642,280	(10,617,058)		331,477,289
Total capital assets being depreciated, net	165,175,239	(18,642,280)	666,415	5,983,143	153,182,517
Capital assets not being depreciated:					
Land	75,645,857		(582,410)	716,576	75,780,023
Construction in progress	45,551,476	19,703,411	(1,005,389)	(6,699,719)	57,549,779
Total capital assets not being depreciated	121,197,333	19,703,411	(1,587,799)	(5,983,143)	133,329,802
Marine & Other capital assets, net	$ 286,372,572	$ 1,061,131	$ (921,384)	$	$ 286,512,319

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.

5. Properties, continued:

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, 2013 included above are:

	Airport	Marine & Other	Total Port
Land and improvements		$ 22,202,002	$ 22,202,002
Building & equipment	$ 707,948,150	40,241,839	748,189,989
	707,948,150	62,443,841	770,391,991
Accumulated depreciation	(365,411,383)	(28,809,623)	(394,221,006)
	$ 342,536,767	$ 33,634,218	$ 376,170,985

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

	Airport	Marine & Other	Total Port
2014	$ 38,627,000	$ 19,456,000	$ 58,083,000
2015	35,641,000	18,897,000	54,538,000
2016	33,525,000	17,647,000	51,172,000
2017	12,970,000	15,117,000	28,087,000
2018	8,572,000	14,906,000	23,478,000
Thereafter	60,312,000	175,355,000	235,667,000
Total	$ 189,647,000	$ 261,378,000	$ 451,025,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2013 and 2012:

	Airport	Marine & Other	Total Port
2013	$ 59,300,000	$ 2,400,000	$ 61,700,000
2012	$ 63,700,000	$ 3,000,000	$ 66,700,000

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:

	2013	2012
Equipment	$ 3,217,739	$ 3,369,331
Less: accumulated depreciation	(214,516)	(160,660)
	$ 3,003,223	$ 3,208,671

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

2014	$ 451,930
2015	451,930
2016	451,930
2017	451,930
2018	451,930
2019-2022	527,250
Total minimum lease payments	2,786,900
Less: amount representing interest	(505,821)
Present value of net minimum lease payments	$ 2,281,079

The present value of net minimum lease payments is reflected on the balance sheet as current and noncurrent obligations of $309,560 and $1,971,519, respectively.

6. Long-Term Debt:

At June 30, 2013, long-term debt consisted of the following:

	Bonds Payable at June 30, 2013		
Limited Tax Pension bonds:	Pension	Revenue	Passenger Facility Charge Revenue
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
7.0% to 7.41%, due serially through fiscal 2020	$ 6,042,305		
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):			
4.665%, due serially through fiscal 2014	510,000		
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 0.09%, due fiscal 2027		$ 58,230,000	
currently 0.07%, due fiscal 2027		58,230,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		13,500,000	
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		90,260,000	
3.0% to 5.0%, due serially through fiscal 2031		32,405,000	
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		3,855,000	
5.0%, due serially through fiscal 2019		44,695,000	
Series Twenty-One C (issued in fiscal 2012, original issue $27,685,000):			
4.375% to 5.0%, due serially through fiscal 2024		27,685,000	
Passenger Facility Charge revenue bonds:			
Series 2011A (issued in fiscal 2012, original issue $75,670,000):			
3.0% to 5.5%, due serially through fiscal 2032			$ 74,915,000
Series 2012A (issued in fiscal 2013, original issue $57,725,000 variable interest rate):			
currently 0.886%, due fiscal 2019			57,725,000
Series 2012B (issued in fiscal 2013, original issue $25,070,000):			
5.0%, due serially through fiscal 2019			25,070,000
Totals, including $1,338,640, $25,910,000, and $3,910,000, respectively, due within one year	$ 68,077,305	$ 458,295,000	$ 157,710,000

6. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2013
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 $41,010 due on July 1, 2013 to $55,887 due on April 1, 2023, including $506,536 due within one year	$ 6,285,692
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, 2014 through March 31, 2021, including $200,000 due within one year	1,600,000
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available $7,427,000), 0.0%, payable in annual installments of $742,700 due July 1, 2014 through July 1, 2022	6,684,300
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 $337,983 due December 1, 2013 to $573,262 due December 1, 2030, including $337,983 due within one year	7,803,010
State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2009, original amount available $1,500,000), 5.13%, payable in semi-annual installments ranging from $23,667 due January 1, 2014 to $116,327 due July 1, 2031, including $23,667 due within one year	1,432,492
State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2010, original amount available $1,500,000), 5.13%, payable in semi-annual installments ranging from $21,643 due January 1, 2014 to $109,108 due January 1, 2032, including $21,643 due within one year	1,365,247
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount $15,100,000), 4.5%, payable in monthly installments ranging from $59,073 due August 1, 2013 to $115,011 due June 1, 2028, including $723,681 due within one year	15,031,745
Total, including $1,813,510 due within one year	$ 40,202,486

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
2014	$ 25,910,000	$ 16,453,731	$ 3,910,000	$ 5,447,531	$ 3,894,850	$ 6,353,766
2015	25,760,000	15,596,093	5,600,000	5,242,770	4,108,158	6,460,126
2016	25,585,000	14,809,031	6,160,000	4,975,239	4,293,831	6,569,959
2017	28,095,000	13,972,543	6,770,000	4,663,915	4,482,999	6,681,714
2018	27,665,000	13,052,151	7,445,000	4,321,476	4,681,337	6,794,582
2019-2023	126,610,000	52,616,351	42,740,000	18,699,174	35,608,911	25,623,832
2024-2028	96,520,000	34,362,445	45,250,000	15,032,033	48,668,896	9,095,640
2029-2033	42,840,000	20,344,637	39,835,000	4,421,201	2,540,809	217,701
2034-2038	44,945,000	9,764,649				
2039-2043	14,365,000	609,912				
	$ 458,295,000	$ 191,581,543	$ 157,710,000	$ 62,803,339	$ 108,279,791	$ 67,797,320

6. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2013 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 651,850,000	$ 82,795,000	$ (118,640,000)	$ 616,005,000
less: current portion	(30,580,000)	(29,820,000)	30,580,000	(29,820,000)
Long-term portion outstanding	$ 621,270,000	$ 52,975,000	$ (88,060,000)	$ 586,185,000
Marine & Other:				
Long-term debt outstanding	$ 95,132,760	$ 16,284,698	$ (3,137,667)	$ 108,279,791
less: current portion	(2,282,535)	(3,152,150)	2,282,535	(3,152,150)
Long-term portion outstanding	$ 92,850,225	$ 13,132,548	$ (855,132)	$ 105,127,641

In addition, at June 30, 2013 and 2012, the Port has accrued $6,354,543 and $6,410,021, respectively, within the Marine & Other activity, for interest payable in future years, which is included in long-term debt on the balance sheet. At June 30, 2013 and 2012, the Port has recorded $24,919,014 and $11,688,089, respectively, within the Airport activity, for the difference between the reacquisition price and the net carrying amount of refunded bonds, which is recorded 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.

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

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

6. Long-Term Debt, continued:

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 5f 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, 2013 and 2012.

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 $3,689,227 for fiscal 2013 and by $3,041,114 for fiscal 2012.

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.

Series Twenty-One A and B bonds are not subject to redemption prior to maturity.

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, at par, in part, by lot, on or after July 1, 2020.

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 demand 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

6. Long-Term Debt, continued:

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 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 2013, the Port issued Series 2012A Passenger Facility Charge Variable Rate Refunding bonds, the proceeds of which were used to redeem the 2009A PFC Variable Rate bonds. The Series 2012A bonds were issued in the form of index bonds bearing an interest rate that is generally reset weekly based on an applicable spread of 75 basis points plus 70 percent of 1 month LIBOR, and cannot exceed 12 percent. The Series 2012A bonds have a maturity date of July 1, 2024 and are subject to mandatory sinking account payments prior to maturity. The Series 2012A bonds were directly purchased by a single buyer for an initial purchase period ending August 1, 2016. Series 2012A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part. At the end of the initial purchase period, the Port may repurchase the outstanding bonds at par, or redeem the bonds in installments over a three year period with an interest rate based on the greater of the prime rate plus 1 percent, the federal funds rate plus 2 percent, or 7.0 percent.

In fiscal 2013, the Port issued Series 2012B Passenger Facility Charge Refunding Revenue bonds, the proceeds of which were used to refund all of the outstanding PFC Series 1999B bonds and to pay costs of issuing the 2012B bonds and refunding the 1999B bonds. The bonds have a coupon rate of 5 percent with maturities ranging from 2013 to 2018. The Series 2012B bonds are not subject to redemption prior to their stated maturities.

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.

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

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

DERIVATIVE INSTRUMENTS

At June 30, 2013, 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	$ 5,392,500	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (820,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 5,392,500	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (820,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$51,435,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (8,033,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$51,435,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (8,033,000)

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. 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 $(17,706,000) at June 30, 2013 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 $788,912 and a noncurrent liability of $3,978,906 at June 30, 2013. 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 $17,706,000, which is a decrease of $6,736,000 from the June 30, 2012 amount.

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 two separate counterparties for these 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, 2013 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A and C	A+ / Aa3
Derivative B and D	AAA / Aa2

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, 2013, 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 A, B, C, and D 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

6. Long-Term Debt, continued:

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 0.08 percent, while 68 percent of 1 month LIBOR is approximately 0.1324 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, 2013; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2013, the Airport had the following investment derivative instruments outstanding:

Item	Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
E	Pay-fixed interest rate swap	$ 34,635,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (5,859,000)
F	Pay-fixed interest rate swap	$ 23,090,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (3,846,000)

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 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 $(9,705,000) at June 30, 2013 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 $575,709 and a noncurrent liability of $4,011,365 at June 30, 2013. In prior years, hedge accounting was applied to the derivatives; however, in fiscal 2013, the 2009A PFC variable rate bonds hedged by derivative instruments E and F were refunded. Therefore, for accounting and financial reporting purposes, these derivatives are now considered investment derivative instruments. Accordingly, the cumulative change in fair value of the derivatives (at-market interest rate swaps) recorded as deferred outflows of $13,432,000 at June 30, 2012 was included in the net carrying amount of the 2009A PFC bonds for purposes of calculating the difference between the amount and the reacquisition price of the 2009A PFC bonds, and deferred and amortized as a component of interest expense over the life of the new 2012A PFC Variable Rate Refunding bonds. The decrease in fair value of the swaps of $3,727,000 during fiscal 2013 was recorded as interest revenue on the statement of revenues, expenses, and changes in net position.

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 two separate counterparties for these 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, 2013 credit rating for each of the counterparties is as follows:

6. Long-Term Debt, continued:

Derivative Instrument	Counterparty Credit Rating
Derivative E	A+ / Aa3
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, 2013, none of the Airports interest rate swaps were exposed to credit risk.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps E and F are index rate bonds with rates that are reset weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedged to the index rate bonds, because the variable-rate payments received by the Airport on these derivative instruments are based on a rate other than the interest rate the Airport pays on the index rate bonds. At June 30, the weighted–average interest rate on the Airport's index rate bonds is approximately 0.8861 percent, while 68 percent of 1 month LIBOR is approximately 0.1324 percent.

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, 2013, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for this derivative instrument. 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, 2013; therefore, the Airport has posted $6,700,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport's balance sheet).

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, 2013:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2014	$ 6,085,000	$ 88,300	$ 5,027,889	$ 11,201,189
2015	7,970,000	81,924	4,619,831	12,671,755
2016	9,710,000	74,156	4,157,279	13,941,435
2017	10,165,000	66,025	3,713,397	13,944,422
2018	8,865,000	58,932	3,295,269	12,219,201
2019-2023	45,200,000	183,005	9,923,018	55,306,023
2024-2028	28,465,000	34,161	1,726,074	30,225,235
	$ 116,460,000	$ 586,503	$ 32,462,757	$ 149,509,260

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2014	$ 95,000	$ 510,631	$ 2,783,510	$ 3,389,141
2015	100,000	509,745	2,778,555	3,388,300
2016	105,000	508,814	2,773,359	3,387,173
2017	110,000	507,840	2,767,799	3,385,639
2018	120,000	506,776	2,697,462	3,324,238
2019-2023	37,185,000	1,667,724	8,031,839	46,884,563
2024-2028	20,010,000	90,909	495,985	20,596,894
	$ 57,725,000	$ 4,302,439	$ 22,328,511	$ 84,355,950

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:

	2013	2012
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 years 2013 and 2012, and 6.65 percent of annual covered payroll for fiscal year 2011. 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 $(290,813), $(25,824), and $208,678, for fiscal years 2013, 2012, and 2011, respectively, of which $(142,887), $(11,938), and $148,339, 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 $1,227,268, $1,111,148, and $1,005,744, in fiscal 2013, 2012, and 2011, respectively, of which $618,852, $557,277, and $502,105, were applicable to the Airport.

For fiscal years 2013, 2012, and 2011 the Port's annual PERS contributions were $5,637,363, $5,829,454, and $3,669,874, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $2,641,655, $2,673,730, and $1,751,452, for fiscal years 2013, 2012, and 2011, 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,

8. Pension Plans and Deferred Compensation Plan, continued:

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 years 2013 and 2012, and 5.81 percent of annual covered payroll for general service members and 8.52 percent for police and fire members for fiscal year 2011. The Port's fiscal 2013, 2012, and 2011 OPSRP contributions were $3,180,130, $2,861,680, and $1,661,868, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $1,293,467, $1,128,957, and $650,439, for fiscal years 2013, 2012, and 2011, respectively, were applicable to the Airport.

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

9. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out, and 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:

9. Postemployment Healthcare Benefits, continued:

	Airport	Marine & Other
Annual required contribution	$ 401,000	$ 375,000
Interest on net OPEB obligation	44,000	2,000
Adjustment to annual required contribution	(63,000)	(3,000)
Annual OPEB cost (expense)	382,000	374,000
Contributions made	(321,000)	(423,000)
Increase (decrease) in net OPEB obligation	61,000	(49,000)
Net OPEB obligation - beginning of year	1,093,000	50,000
Net OPEB obligation - end of year	$ 1,154,000	$ 1,000

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:			
2013	$ 382,000	84.0%	$ 1,154,000
2012	382,000	84.6%	1,093,000
2011	356,000	88.2%	1,034,000
Marine & Other:			
2013	$ 374,000	113.1%	$ 1,000
2012	380,000	112.1%	50,000
2011	318,000	138.7%	96,000

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.

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,	
	2013	2012
Beginning liability	$ 1,653,266	$ 1,783,471
Current year claims and changes in estimates	373,249	781,212
Claim payments	(732,558)	(911,417)
Ending liability	$ 1,293,957	$ 1,653,266

Approximately $723,600 and $839,900 of the liability was applicable to the Airport at June 30, 2013 and 2012, respectively.

11. Commitments and Contingencies:

At June 30, 2013, land acquisition and construction contract commitments aggregated approximately $34,500,000 for the Airport, $18,500,000 for Marine & Other, and $53,000,000 in total.

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

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

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other (PRPs) as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Order on Consent (AOC) to perform remedial investigation and evaluation activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately $6,900,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2013. Cleanup costs for the Portland Harbor

11. Commitments and Contingencies, continued:

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 $20,900,000 in estimated remaining costs for this cleanup at June 30, 2013. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2013. 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.

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

	2013			2012		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 1,780,000	$ 49,033,235	$ 50,813,235	$ 1,175,000	$ 49,638,626	$ 50,813,626
Accruals		891,911	891,911	605,000	(605,391)	(391)
Reclassifications (to) from current	(8,511)	(58,123)	(66,634)			
Ending liability	$ 1,771,489	$ 49,867,023	$ 51,638,512	$ 1,780,000	$ 49,033,235	$ 50,813,235

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 $192,000 and $183,000 for Marine & Other in 2013 and 2012, respectively, and $312,000 and $303,000 for the Airport in 2013 and 2012, 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
2014	$ 305,007	$ 174,212	$ 479,219
2015	227,204	85,384	312,588
2016	14,519	6,520	21,039
2017	553	540	1,093
2018	0	0	0
Total	$ 547,283	$ 266,656	$ 813,939

12. Net Position Deficit and Budget Overexpenditures:

The Port has a net position deficit of $138,954,768 in the Airport PFC Fund (a fund within the Airport activity) as of June 30, 2013. 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, the Port overexpended a budget appropriation for long-term debt payments by $179,866; the overexpenditure resulted from the timing of a payment issued at the end of June for a debt payment due on July 1, 2013 which was budgeted in fiscal 2014. In the Airport PFC Revenue Bond Fund, a budget appropriation for long-term debt payments was overexpended by $83,933,887 as the result of refunding the outstanding 1999B and 2009A PFC revenue bonds; this type of overexpenditure is allowed for under ORS 294.338(4)c.

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.

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, interest on investments, and a property tax levy for Port improvements.

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, 2013

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Port Funds:			
General Fund	$ 52,583,763	$ 95,917,152	$ (43,333,389)
Bond Construction Fund	18,093,625	15,177,382	2,916,243
Airport Revenue Fund	187,165,548	78,267,740	108,897,808
Airport Revenue Bond Fund	34,888	48,354,670	(48,319,782)
Airport Construction Fund	23,925,533	60,162,268	(36,236,735)
PFC Fund	29,405,949	294,413	29,111,536
PFC Bond Fund	85,584,288	100,388,062	(14,803,774)
Totals - budgetary reporting basis	$ 396,793,594	$ 398,561,687	(1,768,093)
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			75,339,650
Internal costs on capital projects			14,586,729
Interest expense capitalized			625,760
Depreciation and amortization expense			(99,055,369)
Expenses that will be expended in future years			(837,277)
Contributions from governmental agencies			(32,131,222)
Bond sale and loan proceeds			(28,990,829)
Bond and contract payable principal expenditures			67,059,033
Difference between property sale proceeds and loss on sales			(575,587)
Difference between income and proceeds from sales of land			(441,152)
Change in deferred revenues and certain rents, notes, and contracts receivable			1,379,984
Amortization of bond issuance costs			(1,732,768)
Expensed capital outlay expenditures			(4,199,538)
Other			2,267,829
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ (8,472,850)

* 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, 2013

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Airport Funds:			
Airport Revenue Fund	$ 187,165,548	$ 78,267,740	$ 108,897,808
Airport Revenue Bond Fund	34,888	48,354,670	(48,319,782)
Airport Construction Fund	23,925,533	60,162,268	(36,236,735)
PFC Fund	29,405,949	294,413	29,111,536
PFC Bond Fund	85,584,288	100,388,062	(14,803,774)
Totals - budgetary reporting basis	$ 326,116,206	$ 287,467,153	38,649,053
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			60,162,268
Internal costs on capital projects			1,161,461
Interest expense capitalized			625,760
Depreciation and amortization expense			(80,413,089)
Contributions from governmental agencies			(23,794,758)
Bond sale proceeds			(27,806,131)
Bond principal expenditures			62,785,253
Change in deferred revenues and certain rents, notes, and contracts receivable			533,770
Amortization of bond issuance costs			(1,671,970)
Expensed capital outlay expenditures			(3,695,556)
Intra-Port services received, provided, and overhead			(20,679,820)
Other			143,874
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 6,000,115

* 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, 2013

	Resources				Over
		Transfers			(Under)
	Original	In (Out)	Budget	Actual	Budget
REVENUES:					
Operating revenues:					
Administration	$ 183,000		$ 183,000	$ 130,236	$ (52,764)
Marine and Industrial Development	46,554,424		46,554,424	34,656,666	(11,897,758)
Navigation	12,372,353		12,372,353	11,754,050	(618,303)
General Aviation	3,175,923		3,175,923	3,051,271	(124,652)
	62,285,700		62,285,700	49,592,223	(12,693,477)
Tax and tax items:					
Current property tax levy - net	9,536,804	$ (9,536,804)			
	9,536,804	(9,536,804)			
Grants				94,598	94,598
Interest	1,606,640		1,606,640	1,003,227	(603,413)
Debt proceeds	15,000,000		15,000,000	1,184,698	(13,815,302)
Fixed asset sales and other				709,017	709,017
Total revenues	88,429,144	(9,536,804)	78,892,340	52,583,763	(26,308,577)
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	6,090,952		6,090,952	4,981,885	(1,109,067)
Airport Construction Fund	7,578,327		7,578,327	8,443,383	865,056
Airport Revenue Fund	24,848,253		24,848,253	24,842,536	(5,717)
Total transfers	38,517,532		38,517,532	38,267,804	(249,728)
Total revenues and transfers	126,946,676	(9,536,804)	117,409,872	90,851,567	(26,558,305)
BEGINNING WORKING CAPITAL	149,594,021		149,594,021	147,908,350	(1,685,671)
Total resources	$ 276,540,697	$ (9,536,804)	$ 267,003,893	$ 238,759,917	$ (28,243,976)

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), continued
for the year ended June 30, 2013

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Administration	$ 44,441,845		$ 44,441,845	$ 41,642,250	$ 2,799,595
Marine and Industrial Development	26,771,347	$ 4,670,000	31,441,347	28,622,347	2,819,000
Navigation	9,782,277	200,000	9,982,277	9,318,922	663,355
General Aviation	2,005,039	700,000	2,705,039	2,158,732	546,307
Long-term debt payments	9,825,469		9,825,469	10,005,335	(179,866)
System development charges/other	5,000	180,000	185,000	173,212	11,788
Other environmental	5,064,969		5,064,969	3,996,354	1,068,615
Contingencies	152,539,900	(6,150,000)	146,389,900		146,389,900
Total expenditures	250,435,846	(400,000)	250,035,846	95,917,152	154,118,694
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	24,222,601	(9,536,804)	14,685,797	5,000,000	9,685,797
Airport Revenue Fund	1,882,250	400,000	2,282,250	802,122	1,480,128
Total transfers	26,104,851	(9,136,804)	16,968,047	5,802,122	11,165,925
Total expenditures and transfers	$ 276,540,697	$ (9,536,804)	$ 267,003,893	101,719,274	$ 165,284,619
ENDING WORKING CAPITAL				$ 137,040,643	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS

BOND CONSTRUCTION FUND

(BUDGETARY BASIS)

for the year ended June 30, 2013

	Original	Transfers In (Out)	Revised	Actual	(Under) Budget
REVENUES:					
Interest and other	$ 117,880		$ 117,880	$ 148,576	$ 30,696
Grants	10,986,987		10,986,987	8,241,866	(2,745,121)
	11,104,867		11,104,867	8,390,442	(2,714,425)
Tax and tax items:					
Current property tax levy - net		$ 9,536,804	9,536,804	9,658,014	121,210
Interest on taxes				45,169	45,169
		9,536,804	9,536,804	9,703,183	166,379
Total revenues	11,104,867	9,536,804	20,641,671	18,093,625	(2,548,046)
TRANSFERS FROM OTHER FUNDS:					
General Fund	24,222,601	(9,536,804)	14,685,797	5,000,000	(9,685,797)
Airport Revenue Fund				1,891,619	1,891,619
Total transfers	24,222,601	(9,536,804)	14,685,797	6,891,619	(7,794,178)
BEGINNING WORKING CAPITAL	10,000,000		10,000,000	12,105,456	2,105,456
Total resources	$ 45,327,468	$	$ 45,327,468	37,090,700	$ (8,236,768)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 29,200,771	15,177,382	$ 14,023,389
Contingencies	10,000,000		10,000,000
Total expenditures	39,200,771	15,177,382	24,023,389
TRANSFERS TO OTHER FUNDS:			
General Fund	6,090,952	4,981,885	1,109,067
Airport Revenue Fund	35,745	919,316	(883,571)
Total transfers	6,126,697	5,901,201	225,496
Total expenditures and transfers	$ 45,327,468	21,078,583	$ 24,248,885
ENDING WORKING CAPITAL		$ 16,012,117	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2013

	Original	Transfers In (Out)	Revised	Actual	(Under) Budget
REVENUES:					
Operating revenue - Portland International Airport	$ 186,356,876		$ 186,356,876	$ 186,675,408	$ 318,532
Interest and other	532,841		532,841	490,140	(42,701)
Total revenues	186,889,717		186,889,717	187,165,548	275,831
TRANSFERS FROM OTHER FUNDS:					
General Fund	1,882,250	$ 400,000	2,282,250	802,122	(1,480,128)
Bond Construction Fund	35,745		35,745	919,316	883,571
Airport Construction Fund	1,374,004		1,374,004	1,113,278	(260,726)
Total transfers	3,291,999	400,000	3,691,999	2,834,716	(857,283)
Total revenues and transfers	190,181,716	400,000	190,581,716	190,000,264	(581,452)
BEGINNING WORKING CAPITAL	35,000,000		35,000,000	53,451,827	18,451,827
Total resources	$ 225,181,716	$ 400,000	$ 225,581,716	243,452,091	$ 17,870,375

	Appropriations				
	Original	Transfers In (Out)	Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Operating expenditures	$ 84,537,111		$ 84,537,111	78,267,650	$ 6,269,461
Other	5,000		5,000	90	4,910
Contingencies	35,000,000		35,000,000		35,000,000
Total expenditures	119,542,111		119,542,111	78,267,740	41,274,371
TRANSFERS TO OTHER FUNDS:					
General Fund	24,848,253		24,848,253	24,842,536	5,717
Bond Construction Fund				1,891,619	(1,891,619)
Airport Construction Fund	28,576,460	$ 400,000	28,976,460	14,023,993	14,952,467
Airport Revenue Bond Fund	52,214,892		52,214,892	48,377,256	3,837,636
Total transfers	105,639,605	400,000	106,039,605	89,135,404	16,904,201
Total expenditures and transfers	$ 225,181,716	$ 400,000	$ 225,581,716	167,403,144	$ 58,178,572
ENDING WORKING CAPITAL				$ 76,048,947	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 26,040	$ 34,888	$ 8,848
Bond sale proceeds	4,400,000		(4,400,000)
Total revenues	4,426,040	34,888	(4,391,152)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	52,214,892	48,377,256	(3,837,636)
Airport Construction Fund	2,200,000		(2,200,000)
Total transfers	54,414,892	48,377,256	(6,037,636)
Total revenues and transfers	58,840,932	48,412,144	(10,428,788)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	21,154,313	21,039,577	(114,736)
Total resources	$ 79,995,245	69,451,721	$ (10,543,524)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 54,440,932	48,354,670	$ 6,086,262
Total expenditures	54,440,932	48,354,670	$ 6,086,262
UNAPPROPRIATED BALANCE	25,554,313		
	$ 79,995,245		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 21,097,051	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2013

	Original	Transfers In (Out)	Revised	Actual	(Under) Budget
REVENUES:					
Grants	$ 15,440,000		$ 15,440,000	$ 23,794,758	$ 8,354,758
Interest and other	420,280		420,280	130,775	(289,505)
Bond sale and other debt proceeds	46,200,000		46,200,000		(46,200,000)
Total revenues	62,060,280		62,060,280	23,925,533	(38,134,747)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	28,576,460	$ 400,000	28,976,460	14,023,993	(14,952,467)
PFC Fund	7,000,000	8,000,000	15,000,000	23,366,314	8,366,314
Total transfers	35,576,460	8,400,000	43,976,460	37,390,307	(6,586,153)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	26,004,555		26,004,555	67,699,040	41,694,485
Total resources	$ 123,641,295	$ 8,400,000	$ 132,041,295	129,014,880	$ (3,026,415)

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Capital outlay	$ 98,101,436		$ 98,101,436	60,162,268	$ 37,939,168
Contingencies	14,387,528	$ 8,400,000	22,787,528		22,787,528
Total expenditures	112,488,964	8,400,000	120,888,964	60,162,268	60,726,696
TRANSFERS TO OTHER FUNDS:					
General Fund	7,578,327		7,578,327	8,443,383	(865,056)
Airport Revenue Fund	1,374,004		1,374,004	1,113,278	260,726
Airport Revenue Bond Fund	2,200,000		2,200,000		2,200,000
Total transfers	11,152,331		11,152,331	9,556,661	1,595,670
Total expenditures and transfers	$ 123,641,295	$ 8,400,000	$ 132,041,295	69,718,929	$ 62,322,366
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 59,295,951	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2013

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 60,480	$ 66,850	$ 6,370
Passenger facility charges	27,500,000	29,339,099	1,839,099
Total revenues	27,560,480	29,405,949	1,845,469
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	28,349,690	28,066,829	(282,861)
Total resources	$ 55,910,170	57,472,778	$ 1,562,608

	Appropriations				
	Original	Transfers In (Out)	Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Other	$ 600,000		$ 600,000	294,413	$ 305,587
Contingencies	31,891,555	$ (8,000,000)	23,891,555		23,891,555
Total expenditures	32,491,555	(8,000,000)	24,491,555	294,413	24,197,142
TRANSFERS TO OTHER FUNDS:					
PFC Bond Fund	16,418,615		16,418,615	13,643,597	2,775,018
Airport Construction Fund	7,000,000	8,000,000	15,000,000	23,366,314	(8,366,314)
Total transfers	23,418,615	8,000,000	31,418,615	37,009,911	(5,591,296)
Total expenditures and transfers	$ 55,910,170	$	$ 55,910,170	37,304,324	$ 18,605,846
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 20,168,454	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2013

	Budget	Actual	(Under) Budget
REVENUES:			
Bond sale proceeds		$ 85,531,131	$ 85,531,131
Interest & other	$ 35,560	53,157	17,597
Total revenues	35,560	85,584,288	85,548,728
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	16,418,615	13,643,597	(2,775,018)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	15,472,567	15,476,035	3,468
Total resources	$ 31,926,742	114,703,920	$ 82,777,178

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 16,454,175	100,388,062	$ (83,933,887)
Total expenditures	16,454,175	100,388,062	$ (83,933,887)
UNAPPROPRIATED BALANCE	15,472,567		
	$ 31,926,742		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		$ 14,315,858	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2013

		Marine & Other			Airport					
ASSETS	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund
Current assets:										
Cash and cash equivalents	$ 41,530,170	$ 41,471,730	$ 41,420,641	$ 51,089	$ 58,440	$ 58,440				
Equity in pooled investments	213,507,383	134,600,186	118,072,467	16,527,719	78,907,197	78,907,197				
Restricted Cash and equity in pooled investments	52,466,900	50,000	50,000		52,416,900		$ 35,575,606	$ 9,573,786	$ 575,709	$ 6,691,799
Receivables, net of allowance for doubtful accounts	20,194,393	9,553,097	7,133,719	2,419,378	10,641,296	10,641,296				
Prepaid insurance and other assets	5,517,867	2,115,268	2,115,268		3,402,599	3,402,599				
Total current assets	333,216,713	187,790,281	168,792,095	18,998,186	145,426,432	93,009,532	35,575,606	9,573,786	575,709	6,691,799
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	125,844,374	18,452,964	18,452,964		107,391,410	9,274,560	21,087,238	46,923,524	15,796,874	14,309,214
Receivables	16,760,464				16,760,464		9,813	12,372,427	4,371,580	6,644
Total restricted assets	142,604,838	18,452,964	18,452,964		124,151,874	9,274,560	21,097,051	59,295,951	20,168,454	14,315,858
Land held for sale	58,662,769	58,662,769	58,662,769							
Depreciable properties, net of accumulated depreciation	1,194,388,799	153,182,517	153,182,517		1,041,206,282	1,041,206,282				
Nondepreciable properties	279,053,484	133,329,802	75,780,023	57,549,779	145,723,682	68,042,167		77,681,515		
Unamortized bond issue costs	7,530,590	662,080	662,080		6,868,510	5,732,323			1,136,187	
Pension assets	75,229,383	37,195,150	37,195,150		38,034,233	38,034,233				
Due from other funds		33,273,764 *	33,273,764 *							
Other noncurrent assets	703,197	703,197	703,197							
Total noncurrent assets	1,758,173,060	435,462,243	377,912,464	57,549,779	1,355,984,581	1,162,289,565	21,097,051	136,977,466	21,304,641	14,315,858
Deferred Outflows of Resources:										
Cumulative decrease in fair value of hedging derivative	17,706,000				17,706,000		17,706,000			
Total assets	$ 2,109,095,773	$ 623,252,524	$ 546,704,559	$ 76,547,965	$ 1,519,117,013	$ 1,255,299,097	$ 74,378,657	$ 146,551,252	$ 21,880,350	$ 21,007,657
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	$ 3,152,150	$ 3,152,150	$ 3,152,150							
Accounts payable	28,776,919	18,822,597	15,836,528	$ 2,986,069	$ 9,954,322	$ 9,954,322				
Book cash overdraft	4,265,420	4,265,420	4,265,420							
Accrued wages, vacation and sick leave pay	11,306,475	5,904,137	5,904,137		5,402,338	5,402,338				
Workers' compensation and other accrued liabilities	4,147,142	2,543,217	2,543,217		1,603,925	1,603,925				
Total current liabilities (payable from current assets)	51,648,106	34,687,521	31,701,452	2,986,069	16,960,585	16,960,585				
Restricted liabilities (payable from restricted assets):										
Current portion of long-term debt and other	31,184,621				31,184,621		$ 26,698,912		$ 575,709	$ 3,910,000
Accrued interest payable	11,658,493				11,658,493		8,876,694			2,781,799
Accounts payable	8,205,881	50,000	50,000		8,155,881			$ 8,155,881		
Contract retainage payable	1,417,905				1,417,905			1,417,905		
Total restricted current liabilities (payable from restricted assets)	52,466,900	50,000	50,000		52,416,900		35,575,606	9,573,786	575,709	6,691,799
Total current liabilities	104,115,006	34,737,521	31,751,452	2,986,069	69,377,485	16,960,585	35,575,606	9,573,786	575,709	6,691,799
Noncurrent liabilities:										
Long-term environmental and other accruals	82,412,659	52,076,170	52,076,170		30,336,489	2,925,489	17,706,000		9,705,000	
Long-term debt	689,480,787	111,482,186	111,482,186		577,998,601	431,455,557			146,543,044	
Deferred revenue and other	66,795,461	28,052,801	28,052,801		38,742,660	30,752,389	3,978,906		4,011,365	
Due to other funds					33,273,764 *	33,273,764 *				
Total noncurrent liabilities	838,688,907	191,611,157	191,611,157		680,351,514	498,407,199	21,684,906		160,259,409	
Total liabilities	942,803,913	226,348,678	223,362,609	2,986,069	749,728,999	515,367,784	57,260,512	9,573,786	160,835,118	6,691,799
NET POSITION										
Invested in capital assets, net of related debt	899,863,949	345,837,168	288,287,389	57,549,779	554,026,781	661,277,123	(25,910,000)	77,681,515	(155,111,857)	(3,910,000)
Restricted for capital and debt service	155,930,270	18,452,964	18,452,964		137,477,306	770,263	43,028,145	59,295,951	16,157,089	18,225,858
Unrestricted	110,497,641	32,613,714	16,601,597	16,012,117	77,883,927	77,883,927				
Total net position	1,166,291,860	396,903,846	323,341,950	73,561,896	769,388,014	739,931,313	17,118,145	136,977,466	(138,954,768)	14,315,858
Total liabilities and net position	$ 2,109,095,773	$ 623,252,524	$ 546,704,559	$ 76,547,965	$ 1,519,117,013	$ 1,255,299,097	$ 74,378,657	$ 146,551,252	$ 21,880,350	$ 21,007,657

* Amount eliminated in the Combined All Funds column.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF NET REVENUES
for the year ended June 30, 2013

Operating revenues:	
Airline revenues	$ 85,701,851
Concessions and other rentals	99,825,684
Other	1,238,415
	186,765,950
Interest income - revenue fund and revenue bond fund	399,707
	187,165,657
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	39,616,923
Contract, professional and consulting services	28,401,046
Materials and supplies	3,592,537
Utilities	6,949,285
Equipment rents, repair and fuel	1,324,840
Insurance	1,597,115
Rent	6,734
Travel and management expense	1,034,293
Allocation of general and administration expense of the Port of Portland	17,083,373
Other	1,208,586
	100,814,732
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$ 86,350,925

* 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, 2013

Section 16(ii) of Ordinance No. 155 and Section 5f 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 prior lien bond (PLB) and subordinate lien bond (SLB) debt service requirements, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds. The Airport paid off the last of the PLBs in 1993, and has covenanted not to issue any further PLBs.

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

Net revenues, per accompanying schedule of net revenues		$ 86,350,925
SLB debt service requirement:		
Interest and principal amount	$ 46,746,645	
	x 130%	
Total net revenues required		60,770,639
Excess of net revenues over 130% of SLB debt servic		$ 25,580,286

Section 5f of Ordinance No. 323 also requires that in a fiscal year when there is excess principal due, as defined in Section 5f of Ordinance No. 323, the net revenues in excess of 130% of the SLB debt service requirement equal 100% of such excess principal amount.

Excess of net revenues over 130% of SLB debt service requirement		$ 25,580,286
Excess principal amount	$	
	x 100%	
Total additional net revenues required		
Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requireme		$ 25,580,286

In addition, Section 5f of Ordinance No. 323 requires that the net nevenues, together with other amounts that are available to pay other swap obligations, as defined in Ordinance No. 323, are sufficient to pay all other swap obligations and junior lien obligations (Other Obligations) when due.

Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 25,580,286
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		25,580,286
Other swap obligations	$	
Junior lien obligations		
Total Other Obligations		
Excess amount over 130% of SLB debt service requirement, 100% of excess principal requirement, and Other Ob		$ 25,580,286

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2013

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2012	$ 4,668,300	$
Application of Passenger Facility Charges to prior construction expenditures	3,308,013	
Interest income	51,325	
	8,027,638	
Construction expenditures	3,270,568	
Construction account, June 30, 2013	$ 4,757,070	$

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, 2013

Net revenues, per accompanying schedule of net revenues	$ 86,350,925	
Less revenue bond fund interest income	(34,888)	
Applied to General Account, available to be applied to debt service of bonds	$ 86,316,037	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$ 46,746,645	(2)
Ratio (1)/(2)	1.85	
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, 2013

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2012	$ 3,468	$ 15,472,567	$ 28,066,829
PFC revenues:			
PFC bond account	13,643,597		
Capital account			15,695,502
Interest earnings		53,157	77,288
Transfer from reserve account to bond account	53,157	(53,157)	
Debt Service Reserve Adjustment	1,161,866	(1,161,866)	
Bond payments to trustee	(14,856,931)		
Variable rate bond and interest rate swap costs			(94,959)
Costs of approved PFC projects			(23,366,314)
Other, net			(209,892)
Balances at June 30, 2013	$ 5,157	$ 14,310,701	$ 20,168,454

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, 2013

Fiscal Year	Property Taxes Receivable June 30, 2012	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2013	Interest Collected
2012-13		$ 9,982,179	$ (9,457,638)	$ (253,891)	$ (14,052)	$ 256,598	$ 3,731
2011-12	$ 288,499		(107,807)		(35,344)	145,348	7,621
2010-11	151,493		(41,553)		(15,799)	94,141	7,454
2009-10	95,307		(38,093)		(1,193)	56,021	9,628
2008-09	24,314		(17,182)		(708)	6,424	5,005
2007-08 and prior	16,847		(2,971)		(3,178)	10,698	1,899
	$ 576,460	$ 9,982,179	$ (9,665,244)	$ (253,891)	$ (70,274)	$ 569,230	$ 35,338

Reconciliation to income from property taxes:

Current levy	$ 9,982,179
Deduct discounts allowed	(253,891)
Cancellations and adjustments	(70,274)
	$ 9,658,014

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2013

			2012-2013 Transactions			Outstanding June 30, 2013	
	Maturity Date	Outstanding at June 30, 2012	Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 6,834,573		$ 792,268	$ 792,268	$ 6,042,305	$ 828,640
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	18,945,000		435,000	435,000	18,510,000	510,000
Total Limited Tax Pension Bonds		69,304,573		1,227,268	1,227,268	68,077,305	1,338,640
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 18A, 0.09% *	07/01/26	61,140,000		2,910,000	2,910,000	58,230,000	3,045,000
Series 18B, 0.07% *	07/01/26	61,140,000		2,910,000	2,910,000	58,230,000	3,040,000
Series 19, 4.00% to 5.50%	07/01/38	128,645,000		2,350,000	2,350,000	126,295,000	2,465,000
Series 20A, 3.00% to 5.00%	07/01/40	31,680,000		3,810,000	3,810,000	27,870,000	4,000,000
Series 20B, 2.00% to 4.50%	07/01/40	21,590,000		415,000	415,000	21,175,000	435,000
Series 20C, 4.00% to 5.00%	07/01/28	94,030,000		3,770,000	3,770,000	90,260,000	3,915,000
Series 21A, 3:00% to 5.00%	07/01/15	5,490,000		1,635,000	1,635,000	3,855,000	1,720,000
Series 21B, 2.00% to 5.00%	07/01/18	51,280,000		6,585,000	6,585,000	44,695,000	7,290,000
Series 21C, 4.375% to 5.00%	07/01/23	27,685,000				27,685,000	
Total Portland Int'l Airport Revenue Bonds		482,680,000		24,385,000	24,385,000	458,295,000	25,910,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 1999B, 5.00% to 5.75%	07/01/18	35,685,000		5,350,000	35,685,000		
Series 2009A1	07/01/24	28,910,000		45,000	28,910,000		
Series 2009A2	07/01/24	28,905,000		45,000	28,905,000		
Series 2011A, 2.50% to 5.50%	07/01/31	75,670,000		755,000	755,000	74,915,000	1,425,000
Series 2012A 0 .89% *	07/01/24		$ 57,725,000			57,725,000	95,000
Series 2012B 5.00% to 5.75%	07/01/18		25,070,000			25,070,000	2,390,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		169,170,000	82,795,000	6,195,000	94,255,000	157,710,000	3,910,000
Total Port Bonds		$ 721,154,573	$ 82,795,000	$ 31,807,268	$ 119,867,268	$ 684,082,305	$ 31,158,640
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 6,766,041		$ 480,349	$ 480,349	$ 6,285,692	$ 506,536
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	1,800,000		200,000	200,000	1,600,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	11/01/23	6,242,302	$ 1,184,698		742,700	6,684,300	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	8,134,856		331,846	331,846	7,803,010	337,983
Oregon Business Development Dept., 040-188, 5.13%	07/01/31	1,478,065		45,573	45,573	1,432,492	23,667
Oregon Business Development Dept., 040-189, 5.13%	01/01/32	1,406,923		41,676	41,676	1,365,247	21,643
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28		15,100,000	68,255	68,255	15,031,745	723,681
Total Contracts & Loans Payable		$ 25,828,187	$ 16,284,698	$ 1,167,699	$ 1,910,399	$ 40,202,486	$ 1,813,510
TOTAL PORT LONG-TERM DEBT		$ 746,982,760	$ 99,079,698	$ 32,974,967	$ 121,777,667	$ 724,284,791	$ 32,972,150

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2013. 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, 2013

		2012 - 13 Transactions				
	Outstanding at June 30, 2012	Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions	Outstanding at June 30, 2013	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 12,985,428		$ 907,732		$ 12,077,696	$ 1,086,360
Series 2002B, 6.60% to 6.85%	37,914,478		2,965,950		34,948,528	2,965,950
Series 2005, 4.00% to 5.50%	9,755,930		937,321		8,818,609	917,254
Total Limited Tax Pension Bonds	60,655,836		4,811,003		55,844,833	4,969,564
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 18A, 0.09% *	849,540		105,161	$ (414,490)	329,889	49,667
Series 18B, 0.07% *	934,593		98,252	(579,727)	256,614	38,633
Series 19, 4.00% to 5.50%	113,733,268		6,696,038		107,037,230	6,575,663
Series 20A, 3.125% to 5.00%	13,025,222		1,294,156		11,731,066	1,098,906
Series 20B, 2.00% to 4.50%	15,177,688		858,150		14,319,538	845,399
Series 20C, 4.00% to 5.00%	44,020,925		4,510,850		39,510,075	4,357,150
Series 21A, 3.00% to 5.00%	342,800		165,175		177,625	114,850
Series 21B, 2.00% to 5.00%	9,206,225		2,300,600		6,905,625	2,052,500
Series 21C, 4.375% to 5.00%	12,634,844		1,320,963		11,313,881	1,320,963
Total Portland Int'l Airport Revenue Bonds	209,925,105		17,349,345	(994,217)	191,581,543	16,453,731
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 1999B, 5.00% to 5.75%	7,056,694		1,548,885	5,507,809		
Series 2009A1	761,971		12,367	(749,604)		
Series 2009A2	705,677		12,081	(693,596)		
Series 2011, 2.50% to 5.50%	58,795,344		4,309,944		54,485,400	3,743,150
Series 2012A 0.89% *		$ 4,682,938	380,499		4,302,439	510,631
Series 2012B 5.00% to 5.75%		4,227,899	212,399		4,015,500	1,193,750
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	67,319,686	8,910,837	6,476,175	4,064,609	62,803,339	5,447,531
Total Port Bonds	$ 337,900,627	$ 8,910,837	$ 28,636,523	$ 3,070,392	$ 310,229,715	$ 26,870,826
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 2,129,673		$ 348,353		$ 1,781,320	$ 322,166
Oregon Business Development Dept., B08005, 2.00% to 4.00%	3,215,808		264,686		2,951,122	258,049
Oregon Business Development Dept., 040-188, 5.13%	914,901		113,722		801,179	72,881
Oregon Business Development Dept., 040-189, 5.13%	917,275		130,792		786,483	69,482
Banc of America Leasing & Capital, LLC, 4.5%		$ 5,679,571	47,188		5,632,383	661,624
Total Contracts & Loans Payable	$ 7,177,657	$ 5,679,571	$ 904,741		$ 11,952,487	$ 1,384,202
TOTAL PORT LONG-TERM DEBT	$ 345,078,284	$ 14,590,408	$ 29,541,264	$ 3,070,392	$ 322,182,202	$ 28,255,028

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2013. 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, 2013

		Date of Issue	Total Requirements	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 to 2022-23	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38	2038-39 to 2042-43
LIMITED TAX PENSION BONDS:													
Series 2002A	-Principal	03/28/02	$ 6,042,305	$ 828,640	$ 846,100	$ 861,806	$ 877,546	$ 893,815	$ 1,734,398				
2.00% to 7.41%	-Interest		12,077,696	1,086,360	1,288,900	1,503,194	1,727,454	1,961,185	4,510,603				
Series 2002B	-Principal	03/28/02	43,525,000						13,040,000	$ 30,485,000			
6.60% to 6.85%	-Interest		34,948,528	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	13,978,637	6,140,141			
Series 2005	-Principal	09/23/05	18,510,000	510,000	590,000	680,000	775,000	875,000	6,190,000	8,890,000			
4.00% to 5.50%	-Interest		8,818,609	917,254	893,463	864,795	831,753	794,096	3,214,706	1,302,542			
Total Limited Tax Pension Bonds	-Principal		$ 68,077,305	$ 1,338,640	$ 1,436,100	$ 1,541,806	$ 1,652,546	$ 1,768,815	$ 20,964,398	$ 39,375,000			
Total Limited Tax Pension Bonds	-Interest		$ 55,844,833	$ 4,969,564	$ 5,148,313	$ 5,333,939	$ 5,525,157	$ 5,721,231	$ 21,703,946	$ 7,442,683			
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:													
Series 18A	-Principal	06/11/08	$ 58,230,000	$ 3,045,000	$ 3,985,000	$ 4,855,000	$ 5,080,000	$ 4,435,000	$ 22,600,000	$ 14,230,000			
0.90% **	-Interest		329,889	49,667	46,080	41,711	37,139	33,147	102,934	19,211			
Series 18B	-Principal	06/11/08	58,230,000	3,040,000	3,985,000	4,855,000	5,085,000	4,430,000	22,600,000	14,235,000			
0.70% **	-Interest		256,614	38,633	35,844	32,445	28,886	25,785	80,071	14,950			
Series 19	-Principal	11/13/08	126,295,000	2,465,000	2,585,000	2,695,000	2,810,000	2,945,000	17,085,000	21,970,000	$ 28,270,000	$ 36,845,000	$ 8,625,000
4.00% to 5.50%	-Interest		107,037,230	6,575,663	6,462,338	6,353,369	6,225,850	6,081,975	27,984,181	22,963,668	16,497,412	7,655,587	237,187
Series 20A	-Principal	11/02/10	27,870,000	4,000,000	2,360,000	1,235,000	1,590,000	1,660,000	4,605,000	4,140,000	2,980,000	3,105,000	2,195,000
3.125% to 5.00%	-Interest		11,731,066	1,098,906	945,806	864,919	797,381	716,131	2,809,640	2,142,045	1,406,575	807,394	142,269
Series 20B	-Principal	11/02/10	21,175,000	435,000	445,000	460,000	485,000	505,000	2,845,000	3,380,000	4,080,000	4,995,000	3,545,000
2.00% to 4.50%	-Interest		14,319,538	845,399	828,863	808,500	788,450	768,650	3,520,175	2,974,477	2,252,900	1,301,668	230,456
Series 20C	-Principal	11/02/10	90,260,000	3,915,000	3,840,000	4,000,000	5,590,000	5,860,000	27,030,000	32,515,000	7,510,000		
4.00% to 5.00%	-Interest		39,510,075	4,357,150	4,202,050	4,025,250	3,785,500	3,499,250	13,353,000	6,100,125	187,750		
Series 21A	-Principal	04/05/11	3,855,000	1,720,000	1,770,000	365,000							
3.00% to 5.00%	-Interest		177,625	114,850	53,650	9,125							
Series 21B	-Principal	04/05/11	44,695,000	7,290,000	6,790,000	7,120,000	7,455,000	7,830,000	8,210,000				
2.00% to 5.00%	-Interest		6,905,625	2,052,500	1,700,500	1,352,750	988,375	606,250	205,250				
Series 21C	-Principal	08/10/11	27,685,000						21,635,000	6,050,000			
4.375% to 5.00%	-Interest		11,313,881	1,320,963	1,320,962	1,320,962	1,320,962	1,320,963	4,561,100	147,969			
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 458,295,000	$ 25,910,000	$ 25,760,000	$ 25,585,000	$ 28,095,000	$ 27,665,000	$ 126,610,000	$ 96,520,000	$ 42,840,000	$ 44,945,000	$ 14,365,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 191,581,543	$ 16,453,731	$ 15,596,093	$ 14,809,031	$ 13,972,543	$ 13,052,151	$ 52,616,351	$ 34,362,445	$ 20,344,637	$ 9,764,649	$ 609,912
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:													
Series 2011A	-Principal	11/10/11	$ 74,915,000	$ 1,425,000	$ 1,475,000	$ 1,505,000	$ 1,560,000	$ 1,650,000	$ 2,225,000	$ 25,240,000	$ 39,835,000		
2.50% to 5.50%	-Interest		54,485,400	3,743,150	3,699,650	3,647,425	3,578,325	3,506,325	16,948,200	14,941,124	4,421,201		
Series 2012A	-Principal	08/15/12	57,725,000	95,000	100,000	105,000	110,000	120,000	37,185,000	20,010,000			
0.89%**	-Interest		4,302,439	510,631	509,745	508,814	507,840	506,776	1,667,724	90,909			
Series 2012B	-Principal	10/31/12	25,070,000	2,390,000	4,025,000	4,550,000	5,100,000	5,675,000	3,330,000				
5.00% to 5.75%	-Interest		4,015,500	1,193,750	1,033,375	819,000	577,750	308,375	83,250				
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 157,710,000	$ 3,910,000	$ 5,600,000	$ 6,160,000	$ 6,770,000	$ 7,445,000	$ 42,740,000	$ 45,250,000	$ 39,835,000		
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 62,803,339	$ 5,447,531	$ 5,242,770	$ 4,975,239	$ 4,663,915	$ 4,321,476	$ 18,699,174	$ 15,032,033	$ 4,421,201		
Total Port Bonds	-Principal		$ 684,082,305	$ 31,158,640	$ 32,796,100	$ 33,286,806	$ 36,517,546	$ 36,878,815	$ 190,314,398	$ 181,145,000	$ 82,675,000	$ 44,945,000	$ 14,365,000
Total Port Bonds	-Interest		$ 310,229,715	$ 26,870,826	$ 25,987,176	$ 25,118,209	$ 24,161,615	$ 23,094,858	$ 93,019,471	$ 56,837,161	$ 24,765,838	$ 9,764,649	$ 609,912

THE PORT OF PORTLAND

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

AS OF JUNE 30, 2013

		Date of Issue	Total Requirements	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 to 2022-23	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38	2038-39 to 2042-43
CONTRACTS & LOANS PAYABLE:													
City of Portland LID	-Principal	04/01/03	$ 6,285,692	$ 506,536	$ 534,151	$ 563,271	$ 593,978	$ 626,360	$ 3,461,396				
5.32%	-Interest		1,781,320	322,166	294,552	265,432	234,724	202,342	462,104				
Oregon Department of Transportation MMTF-0001, 0%	-Principal	05/10/09	1,600,000	200,000	200,000	200,000	200,000	200,000	600,000				
Oregon Department of Transportation MMTF-0003, 0%	-Principal	07/06/10	5,941,600		742,700	742,700	742,700	742,700	2,970,800				
Oregon Business Development Dept. B08005	-Principal	08/31/10	7,803,010	337,983	344,143	355,326	361,532	367,763	2,007,594	$ 2,370,075	$ 1,658,594		
2.00% to 4.00%	-Interest		2,951,122	258,049	251,289	244,406	237,300	230,069	981,666	616,110	132,233		
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,432,492	23,667	49,171	51,725	54,413	57,241	334,025	430,296	431,954		
5.13%	-Interest		801,179	72,881	70,389	67,769	65,012	62,112	261,509	162,767	38,740		
Oregon Business Development Dept. 040-189	-Principal	09/10/09	1,365,247	21,643	44,966	47,303	49,760	52,346	305,462	393,506	450,261		
5.13%	-Interest		786,483	69,482	67,205	64,808	62,287	59,635	253,319	163,019	46,728		
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	15,031,745	723,681	756,927	791,700	828,070	866,112	4,965,236	6,100,019			
4.5%	-Interest		5,632,383	661,624	628,378	593,605	557,234	519,193	1,961,288	711,061			
Total Contracts & Loans Payable	-Principal		$ 39,459,786	$ 1,813,510	$ 2,672,058	$ 2,752,025	$ 2,830,453	$ 2,912,522	$ 14,644,513	$ 9,293,896	$ 2,540,809		
Total Contracts & Loans Payable	-Interest		$ 11,952,487	$ 1,384,202	$ 1,311,813	$ 1,236,020	$ 1,156,557	$ 1,073,351	$ 3,919,886	$ 1,652,957	$ 217,701		
TOTAL PORT LONG-TERM DEBT	-Principal		$ 723,542,091	$ 32,972,150	$ 35,468,158	$ 36,038,831	$ 39,347,999	$ 39,791,337	$ 204,958,911	$ 190,438,896	$ 85,215,809	$ 44,945,000	$ 14,365,000
TOTAL PORT LONG-TERM DEBT	-Interest		$ 322,182,202	$ 28,255,028	$ 27,298,989	$ 26,354,229	$ 25,318,172	$ 24,168,209	$ 96,939,357	$ 58,490,118	$ 24,983,539	$ 9,764,649	$ 609,912

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

** Interest rate at June 30, 2013. Rate is variable, depending on weekly remarketings.

		Date of Issue	Total Requirements	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 to 2022-23	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38	2038-39 to 2042-43
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, 0.32%*	-Interest		$ 182,880	$ 121,920	$ 60,960								
Other Industrial Development Revenue Bonds:													
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000							$ 17,300,000			
1997 Series, 0.09%*	-Interest		216,683	$ 15,570	$ 15,570	$ 15,570	$ 15,570	$ 15,570	$ 77,850	60,983			
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000									$ 71,000,000	
2006 Series, 0.08%*	-Interest		1,295,126	57,054	57,054	57,054	57,054	57,054	$ 285,270	285,270	$ 285,270	154,046	
Total Other	-Principal		$ 88,300,000							$ 17,300,000		$ 71,000,000	
Total Other	-Interest		$ 1,511,809	$ 72,624	$ 72,624	$ 72,624	$ 72,624	$ 72,624	$ 363,120	$ 346,253	$ 285,270	$ 154,046	
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 126,400,000		$ 38,100,000					$ 17,300,000		$ 71,000,000	
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 1,694,689	$ 194,544	$ 133,584	$ 72,624	$ 72,624	$ 72,624	$ 363,120	$ 346,253	$ 285,270	$ 154,046	

* Interest rate at June 30, 2013. 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, 2013

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-3-41-0025-24	08/25/11 - 06/30/13	20.106	$ 160,197
AIP-3-41-0025-25	09/07/12 - 06/30/13	20.106	2,922,448
AIP-3-41-0048-63	08/20/10 - 06/30/13	20.106	152,973
AIP-3-41-0048-66	09/09/11 - 06/30/13	20.106	442,717
AIP-3-41-0048-67	09/15/11 - 06/30/13	20.106	5,078,604
AIP-3-41-0048-68	06/19/12 - 06/30/13	20.106	6,947,626
AIP-3-41-0048-69	09/19/12 - 06/30/13	20.106	7,062,673
AIP-3-41-0048-71	02/25/13 - 06/30/13	20.106	2,612,609
AIP-3-41-0061-15	08/08/12 - 06/30/13	20.106	132,318
			25,512,165
U.S. Department of Homeland Security:			
Office of Domestic Preparedness			
Urban Area Security Initiative FY10	07/01/09 - 06/30/13	97.067	96,193
Urban Area Security Initiative FY11	07/01/10 - 06/30/13	97.067	7,906
Port Security Grant Program	05/24/11 - 06/30/13	97.056	196,525
Transportation Security Administration			
National Explosives Detection Canine Team Program	04/01/08 - 06/30/13	97.072	461,925
Law Enforcement Officer Reimbursement Program FY11-12	10/01/07 - 06/30/13	97.090	82,836
Law Enforcement Officer Reimbursement Program FY12-13	10/01/12 - 06/30/13	97.090	108,473
Airport Checked Baggage Screening Program	10/07/07 - 06/30/13	97.100	436,850
			1,390,708
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/12 - 06/30/13	39.003	164,263
U.S. Army Corps of Engineers (M):			
Direct:			
Contract Dredging	07/01/12 - 06/30/13	W9127N-11-C-0028	11,906,526
			11,906,526
Total Expenditures of Federal Awards			$ 38,973,662

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

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

Independent Auditor's Report 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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port's internal control. Accordingly, we do not express an opinion on the effectiveness of Port's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

- The use of various depositories to secure the deposit of public funds
- The requirements relating to debt
- The requirements relating to the preparation, adoption, and execution of the annual budgets

- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies
- The statutory requirements pertaining to the investment of public funds
- The requirements pertaining to the awarding of public contracts and the construction of public improvements

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

By: ______________________

Michael MacBryde
Portland, OR
October 25, 2013