
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, 2014
with comparative totals for the year ended June 30, 2013

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2014

<u>Name</u>	<u>Term Expires</u>
Jim Carter, President 7200 NE Airport Way Portland, Oregon 97218	November 30, 2017
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

Daniel Blaufus
7200 NE Airport Way
Portland, Oregon 97218

Telephone: 503-415-6000

THE PORT OF PORTLAND
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
As of June 30, 2014 with comparative totals for the year ended June 30, 2013:	
BALANCE SHEET	8
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT HEALTHCARE PLAN	33
SUPPLEMENTARY INFORMATION	
As of and for the year ended June 30, 2014:	
ORGANIZATION AND INTERNAL FUND DIVISIONS	34
RECONCILIATION OF BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	35
RECONCILIATION OF AIRPORT BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	36
SCHEDULES OF RESOURCES, EXPENDITURES AND TRANSFERS (BUDGETARY BASIS):	
GENERAL FUND	37
BOND CONSTRUCTION FUND	39
AIRPORT REVENUE FUND	40
AIRPORT REVENUE BOND FUND	41
AIRPORT CONSTRUCTION FUND	42
PFC FUND	43
PFC BOND FUND	44
COMBINING BALANCE SHEET – ALL FUNDS	45
SCHEDULE OF NET REVENUES	46
SCHEDULE OF COMPLIANCE WITH ORDINANCE NOS. 155 AND 323 DEBT SERVICE COVERAGE REQUIREMENTS	47
SCHEDULE OF REVENUE BOND CONSTRUCTION ACCOUNT ACTIVITY	48
SCHEDULE OF GENERAL ACCOUNT AMOUNT AVAILABLE FOR PAYMENT TO AIRPORT REVENUE BOND FUND AND RATIO TO REVENUE BOND DEBT SERVICE REQUIREMENT	49
SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY	50
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES	51
SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES	52
SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES	53
SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES	54
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	56
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	57

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the Board of Commissioners of the Port of Portland

We have audited the accompanying individual balance sheets and the related statements of revenues, expenses, and changes in net position and of cash flows of the Airport and Marine & Other activities as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Port of Portland (the "Port").

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, 2014, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Port adopted the new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. The financial statements as of and for the year ended June 30, 2013 have been restated for this change. Our opinions are not modified with respect to this matter.



Other Matters

We have previously audited the Port's 2013 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 25, 2013. As discussed in Note 1 to the accompanying financial statements, the Port retroactively adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which amended the financial statement element classification of certain items previously reported as assets and liabilities. The accompanying June 30, 2013 balance sheets and the related statements of revenues, expenses, and changes in net position reflect this change. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, before the adoption of GASB Statement No. 65, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The accompanying management's discussion and analysis on pages 3 through 7 and the required supplementary information, schedule of funding progress for defined benefit healthcare plan on page 33 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's basic financial statements. The Supplementary Information on pages 34 through 56 are presented for purposes of additional analysis and are 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.

Priscilla Hunt Coopers & Lybrand

By: 

Michael MacBryde
Portland, OR
October 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



The Port of Portland Management's Discussion and Analysis

This discussion and analysis of the Port of Portland's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2014. 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 \$23.3 million from the 2013 amount, or 2.0 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 \$12.7 million, or 8.8 percent, during that same time. In comparison, last year total net position increased by \$24.2 million, or 2.1 percent. The analysis in Table 1 (below) focuses on the net position of the Airport and of the Port's Marine & Other activities separately.

	Airport		Marine & Other		Total Port		Total Percentage Change 2013-2014	
	2014	2013	2014	2013	2014	2013		
Current and other assets	\$ 332.5	\$ 276.1	\$ 262.6	\$ 277.7	\$ 562.5	* \$ 553.8	1.6%	
Capital assets	1,161.7	1,186.9	353.2	345.2	1,514.9	1,532.1	(1.1)%	
Deferred outflows	33.6	37.4			33.6	37.4	(10.2)%	
Total assets	1,527.8	1,500.4	615.8	622.9	2,111.0	*	2,123.3	(0.6)%
Long-term debt outstanding	601.6	634.1	112.5	114.6	714.1	748.7	(4.6)%	
Other liabilities	140.7	107.2	109.9	111.8	218.0	*	219.0	(0.5)%
Total liabilities	742.3	741.3	222.4	226.4	932.1	*	967.7	(3.7)%
Net position:								
Net investment								
in capital assets	586.0	584.3	320.7	326.5	906.7	910.8	(0.5)%	
Restricted	111.8	96.9	3.3	3.5	115.1	100.4	14.6%	
Unrestricted	87.7	77.9	69.4	66.5	157.1	144.4	8.8%	
Total net position	\$ 785.5	\$ 759.1	\$ 393.4	\$ 396.5	\$ 1,178.9	\$ 1,155.6		2.0%

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

The Port of Portland
Management's Discussion and Analysis, continued

Total net position of the Airport increased by \$26.4 million, or 3.5 percent, as a result of net income and capital grants. Restricted net position increased by \$14.9 million, or 15.4 percent, primarily due to the addition of Customer Facility Charges (CFCs) as a new revenue source in 2014 and a new long-term prepaid lease from a tenant. Unrestricted net position increased by \$9.8 million, or 12.6 percent, primarily as a result of net operating income.

Total net position of Marine & Other decreased from the 2013 balance by \$3.1 million, or 0.8 percent, primarily the result of a net loss for the year, offset in part by capital grants and transfers from the Airport (primarily to fund construction at general aviation airports included in Marine & Other). Net investment in capital assets decreased \$5.8 million, or 1.8%, primarily as a result of normal capital asset depreciation. Unrestricted net position increased by \$2.9 million or 4.4 percent, primarily the result of unrestricted capital grants in Marine & Other.

Several offsetting factors caused changes in net position (Table 2, below) to decrease \$0.9 million from the prior year.

Airport changes in net position decreased \$3.0 million, primarily as a result of decreased capital grants and increased operating expenses versus the prior year, offset in part by increased revenues. Marine & Other changes in net position increased \$2.1 million primarily due to increased transfers from the Airport to support general aviation costs, offset in part by decreased capital grants versus the prior year.

Table 2
Changes in Net Position
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
Revenues:							
Operating revenues							
Charges for services	\$ 199.1	\$ 186.7	\$ 51.0	\$ 48.7	\$ 250.1	\$ 235.4	6.2%
Land sales			1.4	1.5	1.4	1.5	(6.7)%
Other	0.1		0.1	0.1	0.2	0.1	
Nonoperating revenues							
Property tax revenue			10.0	9.7	10.0	9.7	3.1%
Interest revenue	2.1	4.4	2.4	1.1	4.5	5.5	(18.2)%
PFC revenue	30.9	29.3			30.9	29.3	5.5%
CFC revenue	5.6				5.6		100.0%
Other nonoperating revenue			3.1	2.1	3.1	2.1	47.6%
Total revenues	<u>237.8</u>	<u>220.4</u>	<u>68.0</u>	<u>63.2</u>	<u>305.8</u>	<u>283.6</u>	7.8%
Expenses:							
Operating expenses	188.1	178.3	76.0	71.7	264.1	250.0	5.6%
Nonoperating expenses	29.5	35.7	6.4	6.0	35.9	41.7	(13.9)%
Total expenses	<u>217.6</u>	<u>214.0</u>	<u>82.4</u>	<u>77.7</u>	<u>300.0</u>	<u>291.7</u>	2.8%
Income (loss) before contributions and transfers	20.2	6.4	(14.4)	(14.5)	5.8	(8.1)	171.6%
Capital contributions	11.7	23.9	5.8	8.4	17.5	32.3	(45.8)%
Transfers (out) in	(5.5)	(0.9)	5.5	0.9			
Increase (decrease) in net position	<u>\$ 26.4</u>	<u>\$ 29.4</u>	<u>\$ (3.1)</u>	<u>\$ (5.2)</u>	<u>\$ 23.3</u>	<u>\$ 24.2</u>	(3.7)%

Total revenues for the Port increased by approximately \$22.2 million from the prior year. Total expenses increased approximately \$8.3 million from the prior year amount.

At the Airport, operating revenues increased about \$12.4 million from the prior year due primarily to increases in airline, concession, rental car and parking revenues. CFC revenues were a new revenue source during the latter half of the fiscal year. The increase of about \$9.8 million in operating expenses was primarily attributable to higher salary expenses and increased accruals for a pollution remediation

The Port of Portland
Management's Discussion and Analysis, continued

obligation. Nonoperating expenses decreased by \$6.2 million due to lower interest expense resulting from scheduled decreases in outstanding debt, as well as lower interest rates in 2014, and increased capitalized labor. Capital contributions decreased \$12.2 million as a result of incurring fewer grant-eligible costs in 2014.

For Marine & Other, operating revenues increased \$2.3 million from the prior year, the result, of increased marine revenues resulting from increased activity at the marine terminals. During the same time, operating expenses increased \$4.3 million due to higher salary expenses as well as an increase in environmental expense accruals in 2014 when compared to 2013. Transfers from the Airport increased by \$4.6 million primarily to fund increased construction at general aviation airports included in Marine & Other.

Budgetary Highlights:

The Port's budget for fiscal 2014 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2013. Appropriations in the budget for Marine & Other were adjusted during the year to reflect potential expenses associated with a program to incent container carrier service to call Terminal 6; increased long term debt payments to adjust for the timing of a principal payment on a loan; additional costs related to a master plan at the Troutdale airport; transfers from the Airport to reimburse Marine & Other for staff support; and a transfer to reimburse the Airport for staff time. Budget appropriations at the Airport were adjusted to reflect increased transfers to Marine & Other for staff support on capital projects and for the resource 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 \$43.0 million, 41.0 percent below the \$72.4 million budget as the largest capital expansion program ever undertaken at the Airport winds down. Operating expenditures were \$83.6 million, tracking well against the \$84.3 million budget. Airport operating revenues were 200.5 million, well above the \$190.0 million budget as a result of record passenger counts, which drove higher airline, nonairline, parking, and rental car revenues. Customer facility charges of \$5.6 million were a new, unbudgeted revenue source in the latter half of the fiscal year. Capital grants during the year were \$11.7 million, 90.0 percent above the budget of \$6.2 million. Other significant budgetary resource variances include a delay in a budgeted bond issue until the next fiscal year.

Fiscal 2014 budgetary capital expenditures for Marine & Other were \$24.0 million, 51.8 percent below the budget of \$49.9 million, largely due to delays and deferrals. Capital grants for the year were \$5.8 million, 64.3 percent below the budget of \$16.2 million, in large part due to lower than anticipated grant eligible capital spending. Budgetary operating revenues were \$20.1 million under budget in marine and industrial development, due to budgeted land sales that did not occur. Budgetary operating expenditures were \$2.5 million below budget for administration, primarily as a result of lower than anticipated outside service costs. Budgetary operating expenditures for marine and industrial development (including revised appropriations) were also below budget approximately \$2.5 million due to vacant positions and timing of incurring outside contracted expenses related to Terminal 6. Other significant budgetary resource variances include higher debt proceeds of 16.2 million resulting from a loan budgeted in the prior year which was not drawn on until 2014, as well as a new loan resulting from a refinancing to obtain a more favorable interest rate; this refinancing also resulted in long-term debt payments expenditures which were \$2.7 million over budget as a result of paying off the refinanced debt.

Capital Assets:

At the end of fiscal 2014, the Port had nearly \$1.5 billion invested in a broad range of capital assets. This amount represents a decrease (essentially depreciation expense offset in part by additions) of \$15.9 million versus last year, as outlined in Table 3 (below).

**The Port of Portland
Management's Discussion and Analysis, continued**

Table 3
Capital Assets
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change 2013-2014
	2014	2013	2014	2013	2014	2013	
Land	\$ 68.0	\$ 68.0	\$ 76.2	\$ 75.8	\$ 144.2	\$ 143.8	
Construction in progress	90.5	77.7	68.0	57.5	158.5	135.2	
Total capital assets not being depreciated	<u>158.5</u>	<u>145.7</u>	<u>144.2</u>	<u>133.3</u>	<u>302.7</u>	<u>279.0</u>	8.5%
Land improvements	650.1	677.1	243.8	250.8	893.9	927.9	
Buildings and equipment	1,264.7	1,325.9	230.1	233.9	1,494.8	1,559.8	
Total capital assets being depreciated	<u>1,914.8</u>	<u>2,003.0</u>	<u>473.9</u>	<u>484.7</u>	<u>2,388.7</u>	<u>2,487.7</u>	(4.0)%
Less: accumulated depreciation	<u>(911.7)</u>	<u>(961.8)</u>	<u>(322.2)</u>	<u>(331.5)</u>	<u>(1,233.9)</u>	<u>(1,293.3)</u>	(4.6)%
Total capital assets being depreciated, net	<u>1,003.1</u>	<u>1,041.2</u>	<u>151.7</u>	<u>153.2</u>	<u>1,154.8</u>	<u>1,194.4</u>	(3.3)%
Total capital assets, net	<u>\$ 1,161.6</u>	<u>\$ 1,186.9</u>	<u>\$ 295.9</u>	<u>\$ 286.5</u>	<u>\$ 1,457.5</u>	<u>\$ 1,473.4</u>	(1.1)%

This year's major capital asset spending included:

Airport:

- Taxiway rehabilitation and improvements - \$12.8 million
- Air Trans Center pavement rehabilitation - \$7.1 million
- Parking lot and roadway pavement rehabilitation - \$5.0 million
- Central utility plant switchgear upgrade - \$3.1 million
- North apron rehabilitation - \$2.4 million

Marine & Other:

- Dredge Oregon repowering - \$11.2 million
- Hillsboro airport runway and taxiway improvements - \$5.7 million
- Terminal 6 building reroof - \$1.3 million
- Marine pavement rehabilitation - \$1.3 million

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

The Port's 2015 capital budget estimates spending another \$148 million on capital projects at the Airport and \$60 million in Marine & Other. Spending at the Airport is primarily slated for terminal improvements; post-security concessions redevelopment; pavement rehabilitation projects; and access control system replacement. These projects are budgeted to be funded by Airport operating revenues, federal grants, bond proceeds, and PFC revenues. Capital spending for Marine & Other is budgeted principally for industrial land improvements; general aviation airport runway construction; and infrastructure improvements at marine terminal and Rivergate facilities. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:

At the end of 2014, the Port had approximately \$699 million in bonds, contracts and loans payable outstanding. This is a decrease from the prior year, as seen in Table 4 (below).

**The Port of Portland
Management's Discussion and Analysis, continued**

Table 4
Outstanding Long-Term Debt
(\$ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Pension bonds			\$ 72.8	\$ 74.4	\$ 72.8	\$ 74.4	(2.2)%
Revenue bonds	\$ 432.4	\$ 458.3			432.4	458.3	(5.7)%
PFC revenue bonds	153.8	157.7			153.8	157.7	(2.5)%
Contracts and loans payable			39.7	40.2	39.7	40.2	(1.2)%
	<u>\$ 586.2</u>	<u>\$ 616.0</u>	<u>\$ 112.5</u>	<u>\$ 114.6</u>	<u>\$ 698.7</u>	<u>\$ 730.6</u>	(4.4)%

The outstanding amount of Airport long-term debt decreased due to scheduled bond payments. As of the end of fiscal 2014, 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.

In Marine & Other, the amount of outstanding long-term debt decreased as a result of scheduled payments made on other pension bonds and contracts payable, offset, in part by entering into \$2.3 million in loans payable and from Series 2002A pension bonds deferred interest accrued but not paid until maturity.

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 but steady, with most business lines continuing to show moderate growth in fiscal 2015. Fiscal 2015 airline passenger volumes are forecast to increase 2.6% over the fiscal 2014 budget. At the Port's Marine & Other facilities and business parks, many of our tenants are making significant investment to position them to take advantage of trade growth resulting from the economic recovery.

In the Port's 2015 adopted budget, total Port operating revenue is budgeted to increase about 3.9% to approximately \$261.4 million largely as a result of increased land sales and increased parking revenues. Total operating expenses are budgeted to increase by about 3.6% to approximately \$172.2 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 \$201.9 million in the fiscal 2015 budget due to higher airline, nonairline, and parking revenues resulting from increased passenger volumes. Airport operating expenses (excluding depreciation) are budgeted to increase about 2.6 percent to \$111.9 million as a result of increased salary and benefits costs as well as an increase to the stormwater fee imposed by the City of Portland.

In Marine & Other, operating revenues are budgeted to increase by 13.3 percent to \$59.5 million, primarily due to higher land sales revenue budgeted in fiscal 2015. Operating expenses (excluding depreciation) are budgeted to increase by 5.6 percent to \$60.3 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, 2014
with comparative totals as of June 30, 2013

	2014			2013
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 58,440	\$ 52,114,812	\$ 52,173,252	\$ 41,530,170
Equity in pooled investments (Note 3)	92,478,808	120,053,105	212,531,913	213,507,383
Restricted cash and equity in pooled investments (Note 3)	49,272,366	50,000	49,322,366	52,466,900
Receivables, net of allowance for doubtful accounts of \$188,000 in 2014 and \$209,000 in 2013 for Airport and \$286,000 in 2014 and \$150,000 in 2013 for Marine & Other (Note 4)	9,520,794	13,224,171	22,744,965	20,194,393
Prepaid insurance and other assets	3,470,293	2,119,556	5,589,849	5,517,867
Total current assets	<u>154,800,701</u>	<u>187,561,644</u>	<u>342,362,345</u>	<u>333,216,713</u>
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	126,597,981	4,490,305	131,088,286	125,844,374
Receivables (Note 4)	11,809,730		11,809,730	16,760,464
Total restricted assets	138,407,711	4,490,305	142,898,016	142,604,838
Land held for sale (Note 1)		57,325,632	57,325,632	58,662,769
Depreciable properties, net of accumulated depreciation (Note 5)	1,003,119,046	151,643,100	1,154,762,146	1,194,388,799
Nondepreciable properties (Note 5)	158,556,289	144,214,297	302,770,586	279,053,484
Unamortized bond issue costs	1,555,759	236,376	1,792,135	2,006,808
Pension assets (Note 8)	37,749,756	36,890,237	74,639,993	75,229,383
Due from Airport (Note 8)		32,595,580	*	*
Other noncurrent assets		809,074	809,074	703,197
Total noncurrent assets	<u>1,339,388,561</u>	<u>428,204,601</u>	<u>1,734,997,582</u>	<u>1,752,649,278</u>
Deferred outflows of resources:				
Deferred charges on refunding bonds	17,914,510		17,914,510	19,700,519
Cumulative decrease in fair value of hedging derivative (Note 6)	15,656,000		15,656,000	17,706,000
Total deferred outflows of resources	<u>33,570,510</u>		<u>33,570,510</u>	<u>37,406,519</u>
Total assets	<u>\$ 1,527,759,772</u>	<u>\$ 615,766,245</u>	<u>\$ 2,110,930,437</u>	<u>\$ 2,123,272,510</u>
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 6)		\$ 3,688,515	\$ 3,688,515	\$ 3,152,150
Accounts payable	\$ 8,360,933	19,636,504	27,997,437	28,776,919
Book cash overdraft (Note 1)				4,265,420
Accrued wages, vacation and sick leave pay (Note 1)	6,640,819	8,110,105	14,750,924	11,306,475
Workers' compensation and other accrued liabilities (Notes 10 and 11)	1,826,524	2,729,293	4,555,817	4,147,142
Total current liabilities (payable from current assets)	<u>16,828,276</u>	<u>34,164,417</u>	<u>50,992,693</u>	<u>51,648,106</u>
Restricted liabilities (payable from restricted assets) (Note 1):				
Current portion of long-term debt and other (Note 6)	32,690,097		32,690,097	31,184,621
Accrued interest payable	11,100,659		11,100,659	11,658,493
Accounts payable	5,114,514	50,000	5,164,514	8,205,881
Contract retainage payable	367,096		367,096	1,417,905
Total restricted current liabilities (payable from restricted assets)	<u>49,272,366</u>	<u>50,000</u>	<u>49,322,366</u>	<u>52,466,900</u>
Total current liabilities	<u>66,100,642</u>	<u>34,214,417</u>	<u>100,315,059</u>	<u>104,115,006</u>
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 6, 9 and 11)	30,969,000	51,677,070	82,646,070	82,412,659
Long-term debt (Note 6)	568,915,831	108,763,213	677,679,044	714,399,801
Unearned revenue and other (Notes 1 and 6)	43,645,109	27,728,990	71,374,099	66,795,461
Due to Marine & Other (Note 8)	32,595,580		*	*
Total noncurrent liabilities	<u>676,125,520</u>	<u>188,169,273</u>	<u>831,699,213</u>	<u>863,607,921</u>
Total liabilities	<u>742,226,162</u>	<u>222,383,690</u>	<u>932,014,272</u>	<u>967,722,927</u>
Commitments and contingencies (Note 11)				
NET POSITION				
Net investment in capital assets	586,060,388	320,695,720	906,756,108	910,833,408
Restricted for capital and debt service	111,751,987	3,330,936	115,082,923	100,301,440
Unrestricted	87,721,235	69,355,899	157,077,134	144,414,735
Total net position	<u>785,533,610</u>	<u>393,382,555</u>	<u>1,178,916,165</u>	<u>1,155,549,583</u>
Total liabilities and net position	<u>\$ 1,527,759,772</u>	<u>\$ 615,766,245</u>	<u>\$ 2,110,930,437</u>	<u>\$ 2,123,272,510</u>

* 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, 2014
with comparative totals for the year ended June 30, 2013

	2014			2013
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	\$ 199,053,121	\$ 51,043,580	\$ 250,096,701	\$ 235,380,769
Land sales		1,428,234	1,428,234	1,528,970
Other	124,317	41,654	165,971	167,470
Total operating revenues	<u>199,177,438</u>	<u>52,513,468</u>	<u>251,690,906</u>	<u>237,077,209</u>
Operating expenses:				
Salaries, wages and fringe benefits	42,002,143	52,239,183	94,241,326	88,858,755
Longshore labor and fringe benefits		1,885,155	1,885,155	1,812,464
Contract, professional and consulting services	31,233,575	18,146,880	49,380,455	43,844,974
Materials and supplies	4,791,960	2,626,571	7,418,531	5,567,320
Utilities	7,908,964	1,792,531	9,701,495	8,771,781
Equipment rents, repair and fuel	1,403,651	2,625,157	4,028,808	4,052,468
Insurance	1,533,292	1,608,234	3,141,526	3,683,203
Rent	(13,257)	172,373	159,116	175,698
Travel and management expense	1,065,294	2,038,364	3,103,658	2,790,198
Intra-Port charges and expense allocations	19,276,298	(19,276,298)		
Cost of land sold		642,335	642,335	539,607
Other	856,943	5,969,330	6,826,273	5,735,252
Less expenses for capital projects	(946,510)	(13,347,461)	(14,293,971)	(14,877,674)
Total operating expenses, excluding depreciation	<u>109,112,353</u>	<u>57,122,354</u>	<u>166,234,707</u>	<u>150,954,046</u>
Operating income before depreciation	90,065,085	(4,608,886)	85,456,199	86,123,163
Depreciation expense	78,938,456	18,913,776	97,852,232	99,055,369
Total operating expenses, including depreciation	<u>188,050,809</u>	<u>76,036,130</u>	<u>264,086,939</u>	<u>250,009,415</u>
Operating income (loss)	<u>11,126,629</u>	<u>(23,522,662)</u>	<u>(12,396,033)</u>	<u>(12,932,206)</u>
Nonoperating revenues (expenses):				
Property tax revenue		9,964,457	9,964,457	9,658,014
Interest expense, net of capitalized construction period interest of \$2,336,594 in 2014 and \$625,760 in 2013 for Airport	(25,250,246)	(6,360,874)	(31,611,120)	(34,536,268)
Interest revenue	2,094,136	2,444,046	4,538,182	5,481,709
Other (expense) income, including loss on disposal of properties	(4,238,518)	3,114,711	(1,123,807)	(5,053,278)
Nonoperating (expenses) revenues before passenger facility charges	<u>(27,394,628)</u>	<u>9,162,340</u>	<u>(18,232,288)</u>	<u>(24,449,823)</u>
Loss before passenger facility charges and customer facility charges	(16,267,999)	(14,360,322)	(30,628,321)	(37,382,029)
Passenger facility charge revenue	30,906,655		30,906,655	29,339,099
Customer facility charge revenue	<u>5,646,246</u>		<u>5,646,246</u>	
Income (loss) before contributions and transfers	20,284,902	(14,360,322)	5,924,580	(8,042,930)
Capital contributions	11,671,306	5,770,696	17,442,002	32,239,749
Transfers (out) in	(5,471,199)	5,471,199		
Change in net position	<u>26,485,009</u>	<u>(3,118,427)</u>	<u>23,366,582</u>	<u>24,196,819</u>
Total net position - beginning of year	759,048,601	396,500,982	1,155,549,583	1,131,352,764
Total net position - end of year	<u>\$ 785,533,610</u>	<u>\$ 393,382,555</u>	<u>\$ 1,178,916,165</u>	<u>\$ 1,155,549,583</u>

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, 2014
with comparative totals for the year ended June 30, 2013

	2014			2013
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	\$ 201,482,948	\$ 51,742,352	\$ 253,225,300	\$ 234,855,369
Cash payments to employees	(40,479,185)	(49,728,302)	(90,207,487)	(91,218,617)
Cash payments to suppliers and vendors	(46,578,506)	(21,919,977)	(68,498,483)	(63,339,854)
Cash payments (to) from other funds	(19,276,298)	19,276,298		
Net cash provided by (used in) operating activities	<u>95,148,959</u>	<u>(629,629)</u>	<u>94,519,330</u>	<u>80,296,898</u>
Cash flows from noncapital financing activities:				
Property taxes		9,953,047	9,953,047	9,665,244
Book cash overdraft		(4,265,420)	(4,265,420)	4,265,420
Net cash provided by noncapital financing activities		<u>5,687,627</u>	<u>5,687,627</u>	<u>13,930,664</u>
Cash flows from capital and related financing activities:				
Capital expenditures	(56,603,295)	(28,446,879)	(85,050,174)	(86,759,932)
Sale of properties	142,747	143,664	286,411	430,074
Net proceeds from issuance of long-term debt		2,303,000	2,303,000	101,614,490
Interest paid	(29,912,953)	(6,441,168)	(36,354,121)	(37,975,885)
Proceeds from passenger facility charges	31,511,777		31,511,777	28,645,036
Proceeds from customer facility charges	4,323,000		4,323,000	
Principal payments and redemptions on long-term debt	(29,820,000)	(4,181,916)	(34,001,916)	(121,777,667)
Contributions from governmental agencies	21,979,579	2,420,658	24,400,237	34,532,341
Cash transfers (to) from other Port divisions, net	(5,471,199)	5,471,199		
Other, primarily nonoperating expense	(3,217,380)	3,225,061	7,681	(4,538,576)
Net cash used in capital and related financing activities	<u>(67,067,724)</u>	<u>(25,506,381)</u>	<u>(92,574,105)</u>	<u>(85,830,119)</u>
Cash flows from investing activities:				
Interest received	1,552,413	2,581,725	4,134,138	2,255,809
Investment activity:				
Purchases	(95,040,695)	(50,894,914)	(145,935,609)	(203,089,673)
Proceeds from sales or maturities	65,407,047	79,404,654	144,811,701	192,887,294
Net cash (used in) provided by investing activities	<u>(28,081,235)</u>	<u>31,091,465</u>	<u>3,010,230</u>	<u>(7,946,570)</u>
Net increase in cash and cash equivalents		10,643,082	10,643,082	450,873
Cash and cash equivalents - beginning of year	58,440	41,471,730	41,530,170	41,079,297
Cash and cash equivalents - end of year	<u>\$ 58,440</u>	<u>\$ 52,114,812</u>	<u>\$ 52,173,252</u>	<u>\$ 41,530,170</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 11,126,629	\$ (23,522,662)	\$ (12,396,033)	\$ (12,932,206)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	78,938,456	18,913,776	97,852,232	99,055,369
Cost of land sales		642,335	642,335	539,607
Amortization of unearned revenue	(683,290)	(6,035,229)	(6,718,519)	(7,319,427)
Change in assets and liabilities:				
Receivables and other current assets	(3,569,882)	(451,593)	(4,021,475)	(490,682)
Amortization of pension assets	284,477	304,913	589,390	290,813
Accounts payable and accruals	(132,309)	3,654,330	3,522,021	(4,766,205)
Long-term environmental and other accruals	2,529,327	153,083	2,682,410	526,602
Additions to unearned revenue	6,655,551	5,711,418	12,366,969	5,393,027
Net cash provided by (used in) operating activities	<u>\$ 95,148,959</u>	<u>\$ (629,629)</u>	<u>\$ 94,519,330</u>	<u>\$ 80,296,898</u>
Noncash investing, capital, and related financing activities:				
Interest payable in future years		\$ 985,208	\$ 985,208	\$ 1,030,882

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

**THE PORT OF PORTLAND
NOTES TO 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, six 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, customer facility charges, 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, 2014, all restricted assets are available to pay restricted liabilities due within one year except for approximately \$97,000,000 and approximately \$96,700,000 equity in pooled investments for the Port and Airport activity, respectively.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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 depreciable properties are depreciated over their estimated useful lives on a straight-line basis. The useful lives generally range from 5 to 40 years for land improvements; 5 to 40 years for buildings, building components, and terminals; and 2 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 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

Bond issue costs related to prepaid insurance costs are amortized over the life of the related debt and reported as a noncurrent asset on the balance sheet. 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 as a deferred outflow of resources 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.

Unearned Revenue

Unearned 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 5 to 92 years. Unearned revenue is reported as a noncurrent liability on the balance sheet.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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.

Customer Facility Charges

Customer facility charges (CFCs) are imposed on rental car transactions at the Airport, effective January 15, 2014. CFC revenue is recorded as nonoperating revenue and is required by Port ordinance to be used to fund rental car-related projects, programs and related expenses.

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, 2014 and 2013. 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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

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, 2014 and June 30, 2013.

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

Transfers Between Activities

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

Internal Receivables and Payables

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

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a 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, 2013, from which the summarized information was derived.

Comparative Information

The Port determined that in the 2013 financial statements, certain debt was incorrectly reported within the components of net position. Debt related to capital additions was incorrectly reported within the unrestricted category of net position and should have been reported in the net investment in capital assets category. Certain debt related to unspent debt proceeds was incorrectly reported within unrestricted net position and should have been reported in the restricted net position category. Additionally, debt related to unspent debt proceeds was incorrectly reported within the net investment in capital assets category of net position and should have been reported in the restricted net position category. Management has evaluated these out of period adjustments and concluded they are not material to any prior financial statement and has elected to revise the June 30, 2013 financial statements as follows:

	As Previously Reported	Adjustment	As Revised
Airport:			
Net investment in capital assets	\$ 554,026,781	\$ 40,597,085	\$ 594,623,866
Restricted for capital and debt service	137,477,306	(40,597,085)	96,880,221
Unrestricted	77,883,927		77,883,927
Total net position	769,388,014		769,388,014
Marine & Other:			
Net investment in capital assets	345,837,168	(18,885,349)	326,951,819
Restricted for capital and debt service	18,452,964	(15,031,745)	3,421,219
Unrestricted	32,613,714	33,917,094	66,530,808
Total net position	396,903,846		396,903,846
Total:			
Net investment in capital assets	899,863,949	21,711,736	921,575,685
Restricted for capital and debt service	155,930,270	(55,628,830)	100,301,440
Unrestricted	110,497,641	33,917,094	144,414,735
Total net position	\$ 1,166,291,860	\$	\$ 1,166,291,860

This revision had no effect on the total previously reported net position of the Port, nor did it affect previously reported revenues, expenses, or the statement of cash flows of the Port.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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

New Accounting Pronouncements

In March, 2012, the GASB issued Statement No. 65 (GASB 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 GASB Concept Statement 4, "Elements of Financial Statements." GASB 65 requires that debt issuance costs, except any portions related to prepaid insurance costs, be expensed in the period incurred; prepaid insurance is reported as an asset and recognized as an expense over the life of the related debt. GASB 65 also requires that for refundings of debt, the difference between the reacquisition price and the net carrying amount of the old debt be reported as a deferred outflow of resources or deferred inflow of resources; this amount is recognized as a component of interest expense over the life of the related debt. Accounting changes adopted to conform to the provisions of GASB 65 have been applied retroactively, and fiscal 2013 has been restated. The impacts of the restatement are summarized in the following table (in thousands):

	<u>As previously reported</u>	<u>As restated</u>
Balance Sheet		
Noncurrent assets:		
Unamortized bond issue costs	\$ 7,531	\$ 2,007
Deferred outflows of resources:		
Deferred charges on refunding bonds		19,701
Noncurrent liabilities:		
Long-term debt	689,481	714,400
Net Position:		
Net investment in capital assets	921,576	910,833
Statement of Revenues, Expenses, and Changes in Net Position		
Nonoperating revenues (expenses):		
Interest Expense	(35,391)	(34,536)
Other (expense) income	(4,629)	(5,053)
Change in net position:		
Total net position - beginning of year(July 1, 2012)	1,142,525	1,131,353

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 adoption of this statement did not have a material effect on the Port's 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 revises accounting and financial reporting requirements for state and local government pension plans. The adoption of this statement did not have a material effect on the Port's 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 revises 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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

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 adoption of this statement did not have a material effect on the Port's financial statements.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," effective for the Port's fiscal year beginning July 1, 2014. The statement addresses an issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68. The Port is currently evaluating the effects this statement will have on its financial statements.

2. Identifiable Activity Information:

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

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2014 was as follows (in thousands):

	Marine <u>Terminals</u>	Property & Development <u>Services</u>	<u>Environmental</u>	<u>Navigation</u>	General <u>Aviation</u>	Engineering <u>& Admin</u>	<u>Total</u>
Operating revenues	\$ 32,318	\$ 4,781		\$ 12,245	\$ 3,159	\$ 10	\$ 52,513
Operating expenses	30,483	7,155	\$ 8,186	11,240	3,513	(3,455)	57,122
Depreciation expense	10,499	729		1,622	2,599	3,465	18,914
Operating (loss) income	\$ (8,664)	\$ (3,103)	\$ (8,186)	\$ (617)	\$ (2,953)	\$	\$ (23,523)
Capital contributions	\$ 960	\$ 753		\$ 22	\$ 4,036		\$ 5,771
Land held for sale & properties:							
Additions	5,544	1,694		12,245	6,746	\$ 1,765	27,994
Deletions	(8,919)	(18)		(2,233)	(3,675)	(13,835)	(28,680)

3. Cash and Investments:

At June 30, 2014, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				Value
	<u>Less than 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3 - 5</u>	
U.S. Treasuries		\$ 4,839,093	\$ 3,025,245		\$ 7,864,338
U.S. Agencies	\$ 51,360,703	30,621,699	47,296,042	\$ 24,385,274	153,663,718
Corporate indebtedness	13,376,486	18,119,361	7,387,665	1,208,470	40,091,982
	\$ <u>64,737,189</u>	\$ <u>53,580,153</u>	\$ <u>57,708,952</u>	\$ <u>25,593,744</u>	<u>201,620,038</u>
Cash and deposits with financial institutions					66,787,557
					<u>\$ 268,407,595</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2014:

	Investment Maturities (in years)				Value
	Less than 1	1 - 2	2 - 3	3 - 5	
U.S. Treasuries	\$ 3,148,565	\$ 3,164,007	\$ 1,978,035		\$ 8,290,607
U.S. Agencies	21,986,036	20,021,781	30,924,181	\$ 15,944,139	88,876,137
Corporate indebtedness	8,746,120	11,847,215	4,830,372	790,150	26,213,857
	\$ 33,880,721	\$ 35,033,003	\$ 37,732,588	\$ 16,734,289	123,380,601
State of Oregon local government investment pool					45,345,458
Construction escrow					1,159,369
Cash and deposits with financial institutions					6,822,794
					\$ 176,708,222

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:

<u>Maturity</u>	<u>Maximum Investment</u>
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, 2014, 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 composite minimum weighted average credit quality rating for the Fund's holdings are the equivalent 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 \$9,741,321. Of these deposits, \$250,000 was covered by federal depository insurance and \$9,491,321 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:

	2014			2013
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	\$ 58,440	\$ 52,114,812	\$ 52,173,252	\$ 41,530,170
Unrestricted equity in pooled investments	92,478,808	120,053,105	212,531,913	213,507,383
Restricted cash and equity in pooled investments	175,870,347	4,540,305	180,410,652	178,311,274
	\$ 268,407,595	\$ 176,708,222	\$ 445,115,817	\$ 433,348,827

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

3. Cash and Investments, continued:

As required by federal law, the Port held investments (classified as restricted assets) with a par value of \$3,150,000 at June 30, 2014 and \$3,150,000 at June 2013, 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, 2014 and 2013, approximately \$183,885,000 and \$153,644,000, 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 \$14,200,000 at June 30, 2014 and \$15,000,000 at June 30, 2013. Total trade receivables for the marine shipping industry were approximately \$2,300,000 at June 30, 2014 and \$2,300,000 at June 30, 2013. Total grants receivable for the Airport were approximately \$2,200,000 at June 30, 2014 and \$12,200,000 at June 30, 2013. Total grant receivables for marine and other were approximately \$4,800,000 at June 30, 2014 and \$1,700,000 at June 30, 2013. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Airport:					
<i>Capital assets being depreciated:</i>					
Land improvements	\$ 677,122,287		\$ (61,200,207)	\$ 34,144,249	\$ 650,066,329
Buildings and equipment	1,325,899,502		(69,103,868)	7,913,844	1,264,709,478
Total capital assets being depreciated	2,003,021,789		(130,304,075)	42,058,093	1,914,775,807
<i>Less accumulated depreciation:</i>					
Land improvements	370,333,889	\$ 29,135,089	(60,499,869)		338,969,109
Buildings and equipment	591,481,618	49,803,367	(68,597,333)		572,687,652
Total accumulated depreciation	961,815,507	78,938,456	(129,097,202)		911,656,761
Total capital assets being depreciated, net	1,041,206,282	(78,938,456)	(1,206,873)	42,058,093	1,003,119,046
<i>Capital assets not being depreciated:</i>					
Land	68,042,167				68,042,167
Construction in progress	77,681,515	54,890,700		(42,058,093)	90,514,122
Total capital assets not being depreciated	145,723,682	54,890,700		(42,058,093)	158,556,289
Airport capital assets, net	\$ 1,186,929,964	\$ (24,047,756)	\$ (1,206,873)	\$	\$ 1,161,675,335
Marine & Other:					
<i>Capital assets being depreciated:</i>					
Land improvements	\$ 250,773,561		\$ (8,074,348)	\$ 1,118,672	\$ 243,817,885
Buildings and equipment	233,886,245		(20,217,062)	16,401,407	230,070,590
Total capital assets being depreciated	484,659,806		(28,291,410)	17,520,079	473,888,475
<i>Less accumulated depreciation:</i>					
Land improvements	159,316,299	\$ 8,695,542	(8,051,007)		159,960,834
Buildings and equipment	172,160,990	10,218,234	(20,094,683)		162,284,541
Total accumulated depreciation	331,477,289	18,913,776	(28,145,690)		322,245,375
Total capital assets being depreciated, net	153,182,517	(18,913,776)	(145,720)	17,520,079	151,643,100
<i>Capital assets not being depreciated:</i>					
Land	75,780,023		410,747		76,190,770
Construction in progress	57,549,779	27,993,827		(17,520,079)	68,023,527
Total capital assets not being depreciated	133,329,802	27,993,827	410,747	(17,520,079)	144,214,297
Marine & Other capital assets, net	\$ 286,512,319	\$ 9,080,051	\$ 265,027	\$	\$ 295,857,397

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

5. Properties, continued:

The ordinances authorizing the issuance of Airport revenue and PFC revenue bonds do not convey title to or mortgage the Airport or any part thereof; however, the Port covenants not to encumber or dispose of Airport properties other than as specifically permitted in the ordinances and in certain grant agreements. In Marine & Other, the Port has granted a lender a first lien on two watercraft used by its navigation activity as security for related loans.

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, 2014 included above are:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
Land and improvements		\$ 22,202,002	\$ 22,202,002
Building & equipment	\$ 664,768,220	38,782,811	703,551,031
	664,768,220	60,984,813	725,753,033
Accumulated depreciation	<u>(347,960,584)</u>	<u>(28,945,117)</u>	<u>(376,905,701)</u>
	<u>\$ 316,807,636</u>	<u>\$ 32,039,696</u>	<u>\$ 348,847,332</u>

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

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
2015	\$ 40,502,000	\$ 20,123,000	\$ 60,625,000
2016	37,946,000	19,918,000	57,864,000
2017	16,416,000	16,959,000	33,375,000
2018	11,605,000	16,745,000	28,350,000
2019	11,204,000	15,770,000	26,974,000
Thereafter	<u>65,842,000</u>	<u>179,219,000</u>	<u>245,061,000</u>
Total	<u>\$ 183,515,000</u>	<u>\$ 268,734,000</u>	<u>\$ 452,249,000</u>

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2014 and 2013:

	<u>Airport</u>	<u>Marine & Other</u>	<u>Total Port</u>
2014	\$ 58,300,000	\$ 3,200,000	\$ 61,500,000
2013	\$ 59,300,000	\$ 2,400,000	\$ 61,700,000

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

	<u>2014</u>	<u>2013</u>
Equipment	\$ 0	\$ 3,217,739
Less: accumulated depreciation	0	(214,516)
	<u>\$ 0</u>	<u>\$ 3,003,223</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt:

At June 30, 2014, long-term debt consisted of the following:

	Bonds Payable at June 30, 2014		
	<u>Pension</u>	<u>Revenue</u>	<u>Passenger Facility Charge Revenue</u>
Limited Tax Pension bonds:			
2002 Series (issued in fiscal 2002, original issue \$54,952,959):			
7.15% to 7.41%, due serially through fiscal 2020	\$ 5,213,665		
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):			
4.859%, 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 0.06%, due fiscal 2027		\$ 55,185,000	
currently 0.09%, due fiscal 2027		55,190,000	
Series Nineteen (issued in fiscal 2009, original issue \$131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		11,035,000	
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		86,345,000	
3.0% to 5.0%, due serially through fiscal 2031		27,970,000	
4.25%, due fiscal 2041		16,640,000	
Series Twenty-One A and B (issued in fiscal 2011, original issue \$56,770,000):			
4.0% to 5.0%, due serially through fiscal 2016		2,135,000	
5.0%, due serially through fiscal 2019		37,405,000	
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			\$ 73,490,000
Series 2012A (issued in fiscal 2013, original issue \$57,725,000 variable interest rate):			
currently 0.856%, due fiscal 2019			57,630,000
Series 2012B (issued in fiscal 2013, original issue \$25,070,000):			
5.0%, due serially through fiscal 2019			22,680,000
Totals, including \$1,436,100, \$25,760,000, and \$5,600,000, respectively, due within one year	\$ 66,738,665	\$ 432,385,000	\$ 153,800,000

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

	<u>Contracts and Loans Payable at June 30, 2014</u>
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 \$43,246 due on July 1, 2014 to \$55,887 due on April 1, 2023, including \$534,151 due within one year	\$ 5,779,156
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, 2015 through March 31, 2021, including \$200,000 due within one year	1,400,000
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, 2015 through July 1, 2022	5,941,600
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 \$344,143 due December 1, 2014 to \$573,262 due December 1, 2030, including \$344,143 due within one year	7,465,027
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 \$24,897 due January 1, 2015 to \$116,327 due July 1, 2031, including \$24,897 due within one year	1,384,551
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 \$22,768 due January 1, 2015 to \$109,108 due January 1, 2032, including \$22,768 due within one year	1,321,406
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount \$15,100,000), 4.5%, payable in monthly installments ranging from \$61,787 due August 1, 2014 to \$115,011 due June 1, 2028, including \$756,927 due within one year	14,308,064
Banc of America Leasing & Capital, LLC, (issued in fiscal 2014, original amount \$2,303,000), 2.84%, payable in monthly installments ranging from \$30,395 due August 1, 2014 to \$35,193, due October 1, 2019, including \$369,530 due within one year	<u>2,062,406</u>
Total, including \$2,252,416 due within one year	<u>\$ 39,662,210</u>

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
2015	\$ 25,760,000	\$ 15,590,974	\$ 5,600,000	\$ 5,225,511	\$ 3,688,516	\$ 6,445,727
2016	25,585,000	14,804,397	6,160,000	4,958,012	4,673,993	6,615,654
2017	28,095,000	13,968,416	6,770,000	4,646,720	4,874,100	6,716,603
2018	27,665,000	13,048,469	7,445,000	4,304,318	5,083,690	6,818,357
2019	28,765,000	12,083,348	7,830,000	3,979,559	5,304,267	6,932,637
2020-2024	122,045,000	48,708,263	44,740,000	18,121,380	40,454,418	21,728,565
2025-2029	86,605,000	31,081,392	44,695,000	13,429,524	40,503,241	6,214,148
2030-2034	36,645,000	18,312,750	30,560,000	2,562,401	1,818,650	131,870
2035-2039	47,315,000	7,330,904				
2040-2043	3,905,000	167,769				
	<u>\$ 432,385,000</u>	<u>\$ 175,096,682</u>	<u>\$ 153,800,000</u>	<u>\$ 57,227,425</u>	<u>\$ 106,400,875</u>	<u>\$ 61,603,561</u>

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	\$ 616,005,000		\$ (29,820,000)	\$ 586,185,000
less: current portion	(29,820,000)	\$ (31,360,000)	29,820,000	(31,360,000)
Long-term portion outstanding	<u>\$ 586,185,000</u>	<u>\$ (31,360,000)</u>	<u>\$ -</u>	<u>\$ 554,825,000</u>
Marine & Other:				
Long-term debt outstanding	\$ 108,279,791	\$ 2,303,000	\$ (4,181,916)	\$ 106,400,875
less: current portion	(3,152,150)	(3,688,517)	3,152,150	(3,688,517)
Long-term portion outstanding	<u>\$ 105,127,641</u>	<u>\$ (1,385,517)</u>	<u>\$ (1,029,766)</u>	<u>\$ 102,712,358</u>

In addition, at June 30, 2014 and 2013, the Port has accrued \$6,050,851 and \$6,354,543, respectively, within the Marine & Other activity, for interest payable in future years, which is included in long-term debt on the balance sheet. Within the Airport activity, \$14,090,831 and \$16,732,615 in unamortized bond issuance premium is included in long-term debt on the balance sheet at June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, the Port has recorded \$17,914,510 and \$19,700,519, respectively, within the Airport activity, for the difference between the reacquisition price and the net carrying amount of refunded bonds, which is recorded as a deferred outflow of resources 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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, 2014 and 2013.

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 \$3,956,899 for fiscal 2014 and by \$3,689,277 for fiscal 2013.

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 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

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 2014 to 2018. The Series 2012B bonds are not subject to redemption prior to their stated maturities.

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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

DERIVATIVE INSTRUMENTS

At June 30, 2014, the Airport had the following hedging derivative instruments outstanding:

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$ 5,095,000	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	\$ (739,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$ 5,095,000	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	\$ (739,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$48,910,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	\$ (7,089,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	\$48,910,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	\$ (7,089,000)

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 \$(15,656,000) at June 30, 2014 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 \$742,910 and a noncurrent liability of \$3,364,096 at June 30, 2014. 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 \$15,656,000, which is a decrease of \$2,050,000 from the June 30, 2013 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, 2014 credit rating for each of the counterparties is as follows:

<u>Derivative Instrument</u>	<u>Counterparty Credit Rating</u>
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, 2014, 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

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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 0.075 percent, while 68 percent of 1 month LIBOR is approximately 0.1055 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, 2014; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2014, the Airport had the following investment derivative instruments outstanding:

<u>Item</u>	<u>Type</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>
E	Pay-fixed interest rate swap	\$ 34,578,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	\$ (5,541,000)
F	Pay-fixed interest rate swap	\$ 23,052,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	\$ (3,639,000)

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 \$(9,180,000) at June 30, 2014 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 \$587,187 and a noncurrent liability of \$3,556,363 at June 30, 2014. 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 considered investment derivative instruments. Accordingly, the decrease in fair value of the swaps of \$525,000 during fiscal 2014 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, 2014 credit rating for each of the counterparties is as follows:

<u>Derivative Instrument</u>	<u>Counterparty Credit Rating</u>
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, 2014, none of the Airports interest rate swaps were exposed to credit risk.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

6. Long-Term Debt, continued:

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 0.8561 percent, while 68 percent of 1 month LIBOR is approximately 0.1055 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, 2014, 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, 2014; therefore, the Airport has posted \$5,650,000 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, 2014:

Variable Rate Airport Revenue Bonds				
	Principal	Interest	Interest Rate Swaps, net	Total
2015	\$7,970,000	\$76,805	\$4,648,013	\$12,694,818
2016	9,710,000	69,522	4,182,636	13,962,158
2017	10,165,000	61,898	3,736,044	13,962,942
2018	8,865,000	55,250	3,315,365	12,235,615
2019	9,025,000	48,480	2,879,502	11,952,982
2020-2024	43,075,000	139,265	7,973,680	51,187,945
2025-2029	21,565,000	15,853	866,947	22,447,800
	\$ 110,375,000	\$ 467,073	\$ 27,602,187	\$ 138,444,260

Variable Rate Passenger Facility Charge Bonds				
	Principal	Interest	Interest Rate Swaps, net	Total
2015	\$ 100,000	\$ 492,486	\$ 2,795,890	\$ 3,388,376
2016	105,000	491,587	2,790,660	3,387,247
2017	110,000	490,645	2,785,066	3,385,711
2018	120,000	489,618	2,714,291	3,323,909
2019	2,790,000	465,734	2,452,955	5,708,689
2020-2024	54,405,000	1,233,355	6,128,070	61,766,425
	\$ 57,630,000	\$ 3,663,425	\$ 19,666,932	\$ 80,960,357

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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:

	<u>2014</u>	<u>2013</u>
Bonds issued for:		
Airport industrial facilities	\$ 17,300,000	\$ 17,300,000
Marine & Other facilities	<u>109,100,000</u>	<u>109,100,000</u>
Total bonds payable	<u>\$ 126,400,000</u>	<u>\$ 126,400,000</u>

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 9.56 percent of annual covered payroll for fiscal year 2014, and 9.26 percent of annual covered payroll for fiscal years 2013 and 2012. 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 the balance of Port pension assets by \$589,389, \$290,813, and \$25,824, for fiscal years 2014, 2013, and 2012, respectively, of which \$284,477, \$142,887, and \$11,938, 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 \$1,338,640, \$1,227,268, and \$1,111,148, in fiscal 2014, 2013, and 2012, respectively, of which \$678,184, \$618,852, and \$557,277, were applicable to the Airport.

For fiscal years 2014, 2013, and 2012 the Port's annual PERS contributions were \$5,556,741, \$5,637,363, and \$5,829,454, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of \$2,637,953, \$2,641,655, and \$2,673,730, for fiscal years 2014, 2013, and 2012, respectively, were applicable to the Airport.

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components,

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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 6.27 percent of annual covered payroll for general service members and 9.0 percent for police and fire members for fiscal 2014, and 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. The Port's fiscal 2014, 2013, and 2012 OPSRP contributions were \$3,376,060, \$3,180,130, and \$2,861,680, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of \$1,401,551, \$1,293,467, and \$1,128,957, for fiscal years 2014, 2013, and 2012, 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:

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

9. Postemployment Healthcare Benefits, continued:

	<u>Airport</u>	Marine & <u>Other</u>
Annual required contribution	\$ 251,000	\$ 223,000
Interest on net OPEB obligation	46,000	0
Adjustment to annual required contribution	<u>(67,000)</u>	<u>0</u>
Annual OPEB cost (expense)	230,000	223,000
Contributions made	<u>(226,000)</u>	<u>(349,000)</u>
Increase (decrease) in net OPEB obligation	4,000	(126,000)
Net OPEB obligation - beginning of year	<u>1,154,000</u>	<u>1,000</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 1,158,000</u></u>	<u><u>\$ (125,000)</u></u>

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

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
<u>Airport:</u>			
2014	\$ 230,000	98.3%	\$ 1,158,000
2013	382,000	84.0%	1,154,000
2012	382,000	84.6%	1,093,000
<u>Marine & Other:</u>			
2014	\$ 223,000	156.5%	\$ (125,000)
2013	374,000	113.1%	1,000
2012	380,000	112.1%	50,000

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:	7/1/2013	\$ 0	\$ 2,739,000	\$ 2,739,000	0%	N/A	N/A
Marine & Other:	7/1/2013	0	2,705,000	2,705,000	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, 2013 actuarial valuation, the entry age normal actuarial cost method was used.

The July 1, 2013 actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after seven 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.

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

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,	
	2014	2013
Beginning liability	\$ 1,293,957	\$ 1,653,266
Current year claims and changes in estimates	413,542	373,249
Claim payments	(473,929)	(732,558)
Ending liability	\$ 1,233,570	\$ 1,293,957

Approximately \$624,300 and \$723,600 of the liability was applicable to the Airport at June 30, 2014 and 2013, respectively.

11. Commitments and Contingencies:

At June 30, 2014, land acquisition and construction contract commitments aggregated approximately \$39,500,000 for the Airport, \$6,500,000 for Marine & Other, and \$46,000,000 in total.

The Port, in the regular course of business, is named as a defendant in lawsuits. Although litigation is inherently uncertain, 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 \$9,600,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2014. Cleanup costs for the Portland Harbor are not yet estimable under GAAP, and the Port's ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The

THE PORT OF PORTLAND
NOTES TO FINANCIAL STATEMENTS, Continued

11. Commitments and Contingencies, continued:

Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately \$21,600,000 in estimated remaining costs for this cleanup at June 30, 2014. At another site, the Port has accrued approximately \$22,100,000 in estimated remaining costs at June 30, 2014. 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:

	2014			2013		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	\$ 1,771,489	\$ 49,867,023	\$ 51,638,512	\$ 1,780,000	\$ 49,033,235	\$ 50,813,235
Accruals	3,203,511	2,603,927	5,807,438		891,911	891,911
Reclassifications (to)						
from current		(1,031,509)	(1,031,509)	(8,511)	(58,123)	(66,634)
Ending liability	<u>\$ 4,975,000</u>	<u>\$ 51,439,441</u>	<u>\$ 56,414,441</u>	<u>\$ 1,771,489</u>	<u>\$ 49,867,023</u>	<u>\$ 51,638,512</u>

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 \$194,000 and \$192,000 for Marine & Other in 2014 and 2013, respectively, and \$414,000 and \$312,000 for the Airport in 2014 and 2013, 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
2015	\$ 303,356	\$ 172,821	\$ 476,177
2016	2,105	42,947	45,052
2017	0	1,249	1,249
2018	0	0	0
2019	0	0	0
Total	<u>\$ 305,461</u>	<u>\$ 217,017</u>	<u>\$ 522,478</u>

12. Net Position Deficit and Budget Overexpenditures:

The Port has a net position deficit of \$117,490,384 in the Airport PFC Fund (a fund within the Airport activity) as of June 30, 2014. 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 four budget appropriation items. An overexpenditure of \$218,323 for Navigation operating expenditures resulted from additional costs incurred for spare parts purchased for a reimbursable contract, which is billed to the U.S. Army Corps of Engineers (Corps). The General Aviation division overexpended an operating expenditure budget appropriation by \$152,106 as a result of higher than anticipated expense accruals associated with a master planning effort. An appropriation for long-term debt payments was overexpended by \$2,652,709 as a result of refinancing a debt obligation to obtain a more favorable interest rate; this type of overexpenditure is allowed for under ORS 294.338(4)c. An overexpenditure in the Other Environmental division of \$473,017 was caused by revision of an estimated environmental liability, and does not represent a cash overexpenditure.

13. Subsequent Event:

Subsequent to June 30, 2014, the Airport issued Series Twenty-Two Airport revenue bonds. The Series Twenty-Two bonds were issued September 4, 2014 for a face amount of \$90,050,000 to pay for costs of construction at the Airport, to pay a portion of the interest to accrue on the Series Twenty-Two bonds during the construction period, and to fund issuance costs and a debt service reserve.

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)
<u>Airport</u>						
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
7/1/2013	\$0	\$2,739,000	\$2,739,000	0%	N/A	N/A
<u>Marine & Other</u>						
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
7/1/2013	\$0	\$2,705,000	\$2,705,000	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, 2014

	<u>Budgetary (Accrual) Basis *</u>		Excess
	<u>Revenues</u>	<u>Expenditures</u>	Revenues (Expenditures)
Port Funds:			
General Fund	\$ 71,111,066	\$ 104,023,609	\$ (32,912,543)
Bond Construction Fund	16,058,578	24,013,987	(7,955,409)
Airport Revenue Fund	208,118,626	83,570,261	124,548,365
Airport Revenue Bond Fund	20,659	46,939,400	(46,918,741)
Airport Construction Fund	11,981,868	43,007,003	(31,025,135)
PFC Fund	31,131,902	8,001	31,123,901
PFC Bond Fund	<u>24,924</u>	<u>13,758,412</u>	<u>(13,733,488)</u>
Totals - budgetary reporting basis	<u>\$ 338,447,623</u>	<u>\$ 315,320,673</u>	23,126,950
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			67,020,990
Internal costs on capital projects			14,069,660
Interest expense capitalized			2,336,594
Depreciation and amortization expense			(97,852,232)
Expenses that will be expended in future years			(4,653,929)
Contributions from governmental agencies			(17,437,744)
Bond sale and loan proceeds			(16,228,631)
Bond and contract payable principal expenditures			40,676,584
Difference between property sale proceeds and loss on sales			(1,308,202)
Difference between income and proceeds from sales of land			(543,880)
Change in unearned revenues and certain rents, notes, and contracts receivable			(561,961)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,050,698)
Expensed capital outlay expenditures			(229,664)
Other			<u>(439,257)</u>
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			<u>\$ 5,924,580</u>

* 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, 2014

	Budgetary (Accrual) Basis *		Excess
	Revenues	Expenditures	Revenues (Expenditures)
Airport Funds:			
Airport Revenue Fund	\$ 208,118,626	\$ 83,570,261	\$ 124,548,365
Airport Revenue Bond Fund	20,659	46,939,400	(46,918,741)
Airport Construction Fund	11,981,868	43,007,003	(31,025,135)
PFC Fund	31,131,902	8,001	31,123,901
PFC Bond Fund	24,924	13,758,412	(13,733,488)
Totals - budgetary reporting basis	\$ 251,277,979	\$ 187,283,077	63,994,902
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			43,007,003
Internal costs on capital projects			924,415
Interest expense capitalized			2,336,594
Depreciation and amortization expense			(78,938,456)
Expenses that will be expended in future years			(3,207,511)
Contributions from governmental agencies			(11,667,048)
Bond principal expenditures			34,001,784
Allocation of pension debt service			(3,108,711)
Difference between property sale proceeds and loss on sales			(1,163,883)
Change in unearned revenues and certain rents, notes, and contracts receivable			(284,796)
Amortization of bond issuance costs and deferred charges on refunding bonds			(1,978,776)
Intra-Port services received, provided, and overhead			(22,986,589)
Other			(644,026)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			\$ 20,284,902

* 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, 2014

	Resources			Actual	Over (Under) Budget
	Original	Transfers In (Out)	Budget		
REVENUES:					
Operating revenues:					
Administration	\$ 153,000		\$ 153,000	\$ 9,832	\$ (143,168)
Marine and Industrial Development	56,839,290		56,839,290	36,776,736	(20,062,554)
Navigation	12,371,488		12,371,488	12,380,449	8,961
General Aviation	3,352,453		3,352,453	3,179,921	(172,532)
	<u>72,716,231</u>		<u>72,716,231</u>	<u>52,346,938</u>	<u>(20,369,293)</u>
Interest	1,291,050		1,291,050	2,274,313	983,263
Debt proceeds				16,243,631	16,243,631
Fixed asset sales and other				246,184	246,184
Total revenues	<u>74,007,281</u>		<u>74,007,281</u>	<u>71,111,066</u>	<u>(2,896,215)</u>
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	2,731,763		2,731,763	3,958,715	1,226,952
Airport Construction Fund	7,344,058	\$ 1,300,000	8,644,058	8,881,653	237,595
Airport Revenue Fund	25,653,733	1,500,000	27,153,733	27,491,684	337,951
Total transfers	<u>35,729,554</u>	<u>2,800,000</u>	<u>38,529,554</u>	<u>40,332,052</u>	<u>1,802,498</u>
Total revenues and transfers	109,736,835	2,800,000	112,536,835	111,443,118	(1,093,717)
BEGINNING WORKING CAPITAL					
	148,147,409		148,147,409	137,040,643	(11,106,766)
Total resources	<u>\$ 257,884,244</u>	<u>\$ 2,800,000</u>	<u>\$ 260,684,244</u>	<u>\$ 248,483,761</u>	<u>\$ (12,200,483)</u>

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), continued
for the year ended June 30, 2014

	Appropriations			<u>Actual</u>	(Over Under Budget)
	<u>Original</u>	Transfers <u>In (Out)</u>	<u>Revised</u>		
EXPENDITURES:					
Administration	\$ 46,617,280		\$ 46,617,280	\$ 44,117,789	\$ 2,499,491
Marine and Industrial Development	30,778,362	\$ 2,000,000	32,778,362	30,259,641	2,518,721
Navigation	9,561,843		9,561,843	9,780,166	(218,323)
General Aviation	2,107,711	200,000	2,307,711	2,459,817	(152,106)
Long-term debt payments	10,225,125	150,000	10,375,125	13,027,834	(2,652,709)
System development charges/other	30,000		30,000		30,000
Other environmental	3,905,346		3,905,346	4,378,363	(473,017)
Contingencies	133,200,183	300,000	133,500,183		133,500,183
Total expenditures	236,425,850	2,650,000	239,075,850	104,023,609	135,052,241
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	20,822,989		20,822,989	5,000,822	15,822,167
Airport Revenue Fund	635,405	150,000	785,405	384,792	400,613
Total transfers	21,458,394	150,000	21,608,394	5,385,614	16,222,780
Total expenditures and transfers	\$ 257,884,244	\$ 2,800,000	\$ 260,684,244	109,409,223	\$ 151,275,021
ENDING WORKING CAPITAL				\$ 139,074,538	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest and other	\$ 94,725	\$ 122,318	\$ 27,593
Grants	<u>16,191,866</u>	<u>5,770,696</u>	<u>(10,421,170)</u>
	<u>16,286,591</u>	<u>5,893,014</u>	<u>(10,393,577)</u>
Tax and tax items:			
Current property tax levy - net	9,744,994	10,115,129	370,135
Interest on taxes	<u>9,744,994</u>	<u>50,435</u>	<u>50,435</u>
	<u>26,031,585</u>	<u>16,058,578</u>	<u>(9,973,007)</u>
TRANSFERS FROM OTHER FUNDS:			
General Fund	20,822,989	5,000,822	(15,822,167)
Airport Revenue Fund	<u>5,768,184</u>	<u>5,207,215</u>	<u>(560,969)</u>
Total transfers	<u>26,591,173</u>	<u>10,208,037</u>	<u>(16,383,136)</u>
BEGINNING WORKING CAPITAL			
Total resources	<u>\$ 10,000,000</u>	<u>16,012,117</u>	<u>6,012,117</u>
	<u>\$ 62,622,758</u>	<u>42,278,732</u>	<u>\$ (20,344,026)</u>
EXPENDITURES:			
Capital outlay	\$ 49,858,683	24,013,987	\$ 25,844,696
Contingencies	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Total expenditures	<u>59,858,683</u>	<u>24,013,987</u>	<u>35,844,696</u>
TRANSFERS TO OTHER FUNDS:			
General Fund	2,731,763	3,958,715	(1,226,952)
Airport Revenue Fund	<u>32,312</u>	<u>33,341</u>	<u>(1,029)</u>
Total transfers	<u>2,764,075</u>	<u>3,992,056</u>	<u>(1,227,981)</u>
Total expenditures and transfers	<u>\$ 62,622,758</u>	<u>28,006,043</u>	<u>\$ 34,616,715</u>
ENDING WORKING CAPITAL		<u>\$ 14,272,689</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Resources				Over (Under) Budget
	Original	Transfers In (Out)	Revised	Actual	
REVENUES:					
Operating revenue - Portland International Airport	\$ 190,042,732		\$ 190,042,732	\$ 200,511,067	\$ 10,468,335
Customer Facility Charges revenue				5,646,246	5,646,246
Interest and other	474,175		474,175	1,961,313	1,487,138
Total revenues	190,516,907		190,516,907	208,118,626	17,601,719
TRANSFERS FROM OTHER FUNDS:					
General Fund	635,405	\$ 150,000	785,405	384,792	(400,613)
Bond Construction Fund	32,312		32,312	33,341	1,029
Airport Construction Fund	1,124,030		1,124,030	891,074	(232,956)
Total transfers	1,791,747	150,000	1,941,747	1,309,206	(632,541)
Total revenues and transfers	192,308,654	150,000	192,458,654	209,427,832	16,969,178
BEGINNING WORKING CAPITAL					
Total resources	\$ 227,308,654	\$ 150,000	\$ 227,458,654	76,048,947	\$ 41,048,947
				285,476,779	\$ 58,018,125
	Appropriations				(Over) Under Budget
	Original	Transfers In (Out)	Revised	Actual	
EXPENDITURES:					
Operating expenditures	\$ 84,314,286		\$ 84,314,286	83,565,622	\$ 748,664
Other	5,000		5,000	4,639	361
Contingencies	36,500,000		36,500,000		36,500,000
Total expenditures	120,819,286		120,819,286	83,570,261	37,249,025
TRANSFERS TO OTHER FUNDS:					
General Fund	25,653,733	\$ 1,500,000	27,153,733	27,491,684	(337,951)
Bond Construction Fund	5,768,184		5,768,184	5,207,215	560,969
Airport Construction Fund	27,656,814	(1,350,000)	26,306,814	28,001,733	(1,694,919)
Airport Revenue Bond Fund	47,410,637		47,410,637	46,996,026	414,611
Total transfers	106,489,368	150,000	106,639,368	107,696,658	(1,057,290)
Total expenditures and transfers	\$ 227,308,654	\$ 150,000	\$ 227,458,654	191,266,919	\$ 36,191,735
ENDING WORKING CAPITAL					
				\$ 94,209,860	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES:			
Interest and other	\$ 20,925	\$ 20,659	\$ (266)
Bond sale proceeds	<u>4,400,000</u>	<u>4,400,000</u>	<u>(4,400,000)</u>
Total revenues	<u>4,420,925</u>	<u>20,659</u>	<u>(4,400,266)</u>
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	47,410,637	46,996,026	(414,611)
Airport Construction Fund	<u>2,200,000</u>	<u>2,200,000</u>	<u>(2,200,000)</u>
Total transfers	<u>49,610,637</u>	<u>46,996,026</u>	<u>(2,614,611)</u>
Total revenues and transfers	54,031,562	47,016,685	(7,014,877)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE			
Total resources	<u>21,039,577</u>	<u>21,097,051</u>	<u>57,474</u>
	<u>\$ 75,071,139</u>	<u>68,113,736</u>	<u>\$ (6,957,403)</u>
EXPENDITURES:			
Long-term debt payments	\$ 49,631,562	46,939,400	\$ 2,692,162
Total expenditures	<u>49,631,562</u>	<u>46,939,400</u>	<u>\$ 2,692,162</u>
UNAPPROPRIATED BALANCE			
	<u>25,439,577</u>		
	<u>\$ 75,071,139</u>		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE			
		<u>\$ 21,174,336</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	Resources				Over (Under) Budget
	Original	Transfers In (Out)	Revised	Actual	
REVENUES:					
Grants	\$ 6,153,671		\$ 6,153,671	\$ 11,667,048	\$ 5,513,377
Interest and other	337,725		337,725	314,820	(22,905)
Bond sale proceeds	46,200,000		46,200,000		(46,200,000)
Total revenues	52,691,396		52,691,396	11,981,868	(40,709,528)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	27,656,814	\$ (1,350,000)	26,306,814	28,001,733	1,694,919
PFC Fund	21,089,250		21,089,250	134,903	(20,954,347)
Total transfers	48,746,064	(1,350,000)	47,396,064	28,136,636	(19,259,428)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	33,966,426		33,966,426	59,295,951	25,329,525
Total resources	\$ 135,403,886	\$ (1,350,000)	\$ 134,053,886	99,414,455	\$ (34,639,431)
	Appropriations				(Over) Under Budget
	Original	Transfers In (Out)	Revised	Actual	
EXPENDITURES:					
Capital outlay	\$ 73,710,798	\$ (1,300,000)	\$ 72,410,798	43,007,003	\$ 29,403,795
Contingencies	51,025,000	(1,350,000)	49,675,000		49,675,000
Total expenditures	124,735,798	(2,650,000)	122,085,798	43,007,003	79,078,795
TRANSFERS TO OTHER FUNDS:					
General Fund	7,344,058	1,300,000	8,644,058	8,881,653	(237,595)
Airport Revenue Fund	1,124,030		1,124,030	891,074	232,956
Airport Revenue Bond Fund	2,200,000		2,200,000		2,200,000
Total transfers	10,668,088	1,300,000	11,968,088	9,772,726	2,195,362
Total expenditures and transfers	\$ 135,403,886	\$ (1,350,000)	\$ 134,053,886	52,779,729	\$ 81,274,157
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				\$ 46,634,726	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest and other	\$ 48,600	\$ 225,247	\$ 176,647
Passenger facility charges	<u>28,882,964</u>	<u>30,906,655</u>	<u>2,023,691</u>
Total revenues	<u>28,931,564</u>	<u>31,131,902</u>	<u>2,200,338</u>
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR APPROPRIATION	<u>32,416,677</u>	<u>20,168,454</u>	<u>(12,248,223)</u>
Total resources	<u>\$ 61,348,241</u>	<u>\$ 51,300,356</u>	<u>\$ (10,047,885)</u>
	<u>Appropriations</u>	<u>Actual</u>	(Over) Under <u>Budget</u>
EXPENDITURES:			
Other	\$ 10,000	8,001	\$ 1,999
Contingencies	<u>25,948,187</u>	<u> </u>	<u>25,948,187</u>
Total expenditures	<u>25,958,187</u>	<u>8,001</u>	<u>25,950,186</u>
TRANSFERS TO OTHER FUNDS:			
PFC Bond Fund	14,300,804	13,745,278	555,526
Airport Construction Fund	<u>21,089,250</u>	<u>134,903</u>	<u>20,954,347</u>
Total transfers	<u>35,390,054</u>	<u>13,880,181</u>	<u>21,509,873</u>
Total expenditures and transfers	<u>\$ 61,348,241</u>	<u>13,888,182</u>	<u>\$ 47,460,059</u>
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR APPROPRIATION		<u>\$ 37,412,174</u>	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Interest & other	\$ 28,575	\$ 24,924	\$ (3,651)
Total revenues	<u>28,575</u>	<u>24,924</u>	<u>(3,651)</u>
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	14,300,804	13,745,278	(555,526)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	<u>15,476,035</u>	<u>14,315,858</u>	<u>(1,160,177)</u>
Total resources	<u>\$ 29,805,414</u>	<u>28,086,060</u>	<u>\$ (1,719,354)</u>
EXPENDITURES:			
Long-term debt payments	\$ 14,329,379	13,758,412	\$ 570,967
Total expenditures	<u>14,329,379</u>	<u>13,758,412</u>	<u>\$ 570,967</u>
UNAPPROPRIATED BALANCE	<u>15,476,035</u>		
	<u>\$ 29,805,414</u>		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		<u>\$ 14,327,648</u>	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2014

ASSETS	Marine & Other				Airport					
	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	\$ 52,173,252	\$ 52,114,812	\$ 52,065,736	\$ 49,076	\$ 58,440	\$ 58,440				
Equity in pooled investments	212,531,913	120,053,105	108,939,587	11,113,518	92,478,808	92,478,808				
Restricted Cash and equity in pooled investments	49,322,366	50,000	50,000		49,272,366		\$ 34,902,165	\$ 5,481,610	\$ 587,187	\$ 8,301,404
Receivables, net of allowance for doubtful accounts	22,744,965	13,224,171	7,776,943	5,447,228	9,520,794	9,520,794				
Prepaid insurance and other assets	5,589,849	2,119,556	2,119,556		3,470,293	3,470,293				
Total current assets	<u>342,362,345</u>	<u>187,561,644</u>	<u>170,951,822</u>	<u>16,609,822</u>	<u>154,800,701</u>	<u>105,528,335</u>	<u>34,902,165</u>	<u>5,481,610</u>	<u>587,187</u>	<u>8,301,404</u>
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	131,088,286	4,490,305	4,490,305		126,597,981	12,747,198	21,161,094	44,735,134	33,642,828	14,311,727
Receivables	11,809,730				11,809,730	6,111,629	13,242	1,899,592	3,769,346	15,921
Total restricted assets	<u>142,898,016</u>	<u>4,490,305</u>	<u>4,490,305</u>		<u>138,407,711</u>	<u>18,858,827</u>	<u>21,174,336</u>	<u>46,634,726</u>	<u>37,412,174</u>	<u>14,327,648</u>
Land held for sale	57,325,632	57,325,632	57,325,632							
Depreciable properties, net of accumulated depreciation	1,154,762,146	151,643,100	151,643,100		1,003,119,046	1,003,119,046				
Nondepreciable properties	302,770,586	144,214,297	76,190,770	68,023,527	158,556,289	68,042,167		90,514,122		
Unamortized bond issue costs	1,792,135	236,376	236,376		1,555,759	1,230,223			325,536	
Pension assets	74,639,993	36,890,237	36,890,237		37,749,756	37,749,756				
Due from other funds		32,595,580 *	32,595,580 *							
Other noncurrent assets	809,074	809,074	809,074							
Total noncurrent assets	<u>1,734,997,582</u>	<u>428,204,601</u>	<u>360,181,074</u>	<u>68,023,527</u>	<u>1,339,388,561</u>	<u>1,129,000,019</u>	<u>21,174,336</u>	<u>137,148,848</u>	<u>37,737,710</u>	<u>14,327,648</u>
Deferred outflows of resources:										
Deferred charges on refunding bonds	17,914,510				17,914,510	5,513,440			12,401,070	
Cumulative decrease in fair value of hedging derivative	15,656,000				15,656,000					
Total deferred outflows of resources	<u>33,570,510</u>				<u>33,570,510</u>	<u>5,513,440</u>			<u>12,401,070</u>	
Total assets	<u>\$ 2,110,930,437</u>	<u>\$ 615,766,245</u>	<u>\$ 531,132,896</u>	<u>\$ 84,633,349</u>	<u>\$ 1,527,759,772</u>	<u>\$ 1,240,041,794</u>	<u>\$ 71,732,501</u>	<u>\$ 142,630,458</u>	<u>\$ 50,725,967</u>	<u>\$ 22,629,052</u>
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	\$ 3,688,515	\$ 3,688,515	\$ 3,688,515							
Accounts payable	27,997,437	19,636,504	17,299,371	\$ 2,337,133	\$ 8,360,933	\$ 8,360,933				
Accrued wages, vacation and sick leave pay	14,750,924	8,110,105	8,110,105		6,640,819	6,640,819				
Workers' compensation and other accrued liabilities	4,555,817	2,729,293	2,729,293		1,826,524	1,826,524				
Total current liabilities (payable from current assets)	<u>50,992,693</u>	<u>34,164,417</u>	<u>31,827,284</u>	<u>2,337,133</u>	<u>16,828,276</u>	<u>16,828,276</u>				
Restricted liabilities (payable from restricted assets):										
Current portion of long-term debt and other	32,690,097				32,690,097		\$ 26,502,910		\$ 587,187	\$ 5,600,000
Accrued interest payable	11,100,659				11,100,659		8,399,255			2,701,404
Accounts payable	5,164,514	50,000	50,000		5,114,514			\$ 5,114,514		
Contract retainage payable	367,096				367,096			\$ 367,096		
Total restricted current liabilities (payable from restricted assets)	<u>49,322,366</u>	<u>50,000</u>	<u>50,000</u>		<u>49,272,366</u>		<u>34,902,165</u>	<u>5,481,610</u>	<u>587,187</u>	<u>8,301,404</u>
Total current liabilities	<u>100,315,059</u>	<u>34,214,417</u>	<u>31,877,284</u>	<u>2,337,133</u>	<u>66,100,642</u>	<u>16,828,276</u>	<u>34,902,165</u>	<u>5,481,610</u>	<u>587,187</u>	<u>8,301,404</u>
Noncurrent liabilities:										
Long-term environmental and other accruals	82,646,070	51,677,070	51,677,070		30,969,000	6,133,000	15,656,000		9,180,000	
Long-term debt	677,679,044	108,763,213	108,763,213		568,915,831	414,023,030			154,892,801	
Unearned revenue and other	71,374,099	27,728,990	27,728,990		43,645,109	36,724,650	3,364,096		3,556,363	
Due to other funds					32,595,580 *	32,595,580 *				
Total noncurrent liabilities	<u>831,699,213</u>	<u>188,169,273</u>	<u>188,169,273</u>		<u>676,125,520</u>	<u>489,476,260</u>	<u>19,020,096</u>		<u>167,629,164</u>	
Total liabilities	<u>932,014,272</u>	<u>222,383,690</u>	<u>220,046,557</u>	<u>2,337,133</u>	<u>742,226,162</u>	<u>506,304,536</u>	<u>53,922,261</u>	<u>5,481,610</u>	<u>168,216,351</u>	<u>8,301,404</u>
NET POSITION										
Net investment in capital assets	906,756,108	320,695,720	252,672,193	68,023,527	586,060,388	641,964,295	(5,716,506)	92,448,093	(137,035,494)	(5,600,000)
Restricted for capital and debt service	115,082,923	3,330,936	3,330,936		111,751,987	4,051,728	23,526,746	44,700,755	19,545,110	19,927,648
Unrestricted	157,077,134	69,355,899	55,083,210	14,272,689	87,721,235	87,721,235				
Total net position	<u>1,178,916,165</u>	<u>393,382,555</u>	<u>311,086,339</u>	<u>82,296,216</u>	<u>785,533,610</u>	<u>733,737,258</u>	<u>17,810,240</u>	<u>137,148,848</u>	<u>(117,490,384)</u>	<u>14,327,648</u>
Total liabilities and net position	<u>\$ 2,110,930,437</u>	<u>\$ 615,766,245</u>	<u>\$ 531,132,896</u>	<u>\$ 84,633,349</u>	<u>\$ 1,527,759,772</u>	<u>\$ 1,240,041,794</u>	<u>\$ 71,732,501</u>	<u>\$ 142,630,458</u>	<u>\$ 50,725,967</u>	<u>\$ 22,629,052</u>

* 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, 2014

Operating revenues:	
Airline revenues	\$ 90,822,905
Concessions and other rentals	106,861,512
Other	1,472,044
	199,156,461
Interest income - revenue fund and revenue bond fund	961,129
	200,117,590
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	41,717,666
Contract, professional and consulting services	31,233,575
Materials and supplies	4,791,960
Utilities	7,908,964
Equipment rents, repair and fuel	1,403,651
Insurance	1,533,292
Rent	(13,257)
Travel and management expense	1,065,294
Allocation of general and administration expense of the Port of Portland	19,276,298
Other	2,998,165
	111,915,608
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	\$ 88,201,982

* 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, 2014

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		\$ 88,201,982
SLB debt service requirement:		
Interest and principal amount	\$ 46,985,402	
	<u> x 130%</u>	
Total net revenues required		<u>61,081,023</u>
Excess of net revenues over 130% of SLB debt service requirement		<u>\$ 27,120,959</u>

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		\$ 27,120,959
Excess principal amount	\$	
	<u> x 100%</u>	
Total additional net revenues required		<u> </u>
Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		<u>\$ 27,120,959</u>

In addition, Section 5f of Ordinance No. 323 requires that the net revenues, 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		\$ 27,120,959
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		<u>27,120,959</u>
Other swap obligations	\$	
Junior lien obligations		
Total Other Obligations	<u> </u>	<u> </u>
Excess amount over 130% of SLB debt service requirement, 100% of excess principal requirement, and Other Obligations		<u>\$ 27,120,959</u>

THE PORT OF PORTLAND
 PORTLAND INTERNATIONAL AIRPORT
 SCHEDULE OF REVENUE BOND
 CONSTRUCTION ACCOUNT ACTIVITY
 for the year ended June 30, 2014

	Bond Proceeds <u>Portion</u>	Capitalized Interest <u>Portion</u>
Construction account, June 30, 2013	\$ 4,757,070	\$
Interest income	<u>24,648</u>	<u> </u>
	4,781,718	
Construction expenditures	<u>2,847,747</u>	<u> </u>
Construction account, June 30, 2014	<u>\$ 1,933,971</u>	<u>\$</u>

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, 2014

Net revenues, per accompanying schedule of net revenues	\$	88,201,982
Less revenue bond fund interest income		<u>(20,660)</u>
Applied to General Account, available to be applied to debt service of bonds	\$	<u>88,181,322</u> (1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	\$	<u>46,985,402</u> (2)
Ratio (1)/(2)		<u>1.88</u>
Required ratio		<u>1.30</u>

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, 2014

	<u>First Lien Bond Account</u>	<u>First Lien Reserve Account</u>	<u>Capital Account</u>
Balances at June 30, 2013	\$ 5,157	\$ 14,310,701	\$ 20,168,454
PFC revenues:			
PFC bond account	13,745,278		
Capital account			17,161,377
Interest earnings		24,924	202,952
Transfer from reserve account to bond account	24,924	(24,924)	
Bond payments to trustee	(13,758,412)		
Costs of approved PFC projects			(134,903)
Other, net	<u> </u>	<u> </u>	<u>14,294</u>
Balances at June 30, 2014	<u>\$ 16,947</u>	<u>\$ 14,310,701</u>	<u>\$ 37,412,174</u>

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, 2014

Fiscal Year	Property Taxes Receivable June 30, <u>2013</u>	Current Levy as Extended by <u>Assessors</u>	Deduct Cash <u>Collections</u>	Deduct Discounts <u>Allowed</u>	Cancellations and <u>Adjustments</u>	Property Taxes Receivable June 30, <u>2014</u>	Interest <u>Collected</u>
2013-14		\$ 10,261,791	\$ (9,730,718)	\$ (264,241)	\$ (24,377)	\$ 242,455	\$ 3,408
2012-13	\$ 256,598		(119,241)		(6,231)	131,126	7,186
2011-12	145,348		(45,726)		(98)	99,524	7,229
2010-11	94,141		(38,212)		907	56,836	9,343
2009-10	56,021		(15,935)		(1,005)	39,081	4,888
2008-09 and prior	17,122		(3,215)		(2,289)	11,618	1,418
	<u>\$ 569,230</u>	<u>\$ 10,261,791</u>	<u>\$ (9,953,047)</u>	<u>\$ (264,241)</u>	<u>\$ (33,093)</u>	<u>\$ 580,640</u>	<u>\$ 33,472</u>

Reconciliation to income from property taxes:

Current levy	\$ 10,261,791
Deduct discounts allowed	(264,241)
Cancellations and adjustments	(33,093)
	<u>\$ 9,964,457</u>

THE PORT OF PORTLAND
SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2014

	Maturity Date	Outstanding at June 30, 2013	2013-2014 Transactions			Outstanding June 30, 2014	
			Issued	Matured	Redeemed	Total	Due Within One Year
<u>LIMITED TAX PENSION BONDS:</u>							
Series 2002A, 2.00% to 7.41%	06/01/20	\$ 6,042,305		\$ 828,640	\$ 828,640	\$ 5,213,665	\$ 846,101
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	18,510,000		510,000	510,000	18,000,000	590,000
Total Limited Tax Pension Bonds		68,077,305		1,338,640	1,338,640	66,738,665	1,436,101
<u>PORTLAND INTERNATIONAL AIRPORT</u>							
<u>REVENUE BONDS:</u>							
Series 18A, 0.06% *	07/01/26	58,230,000		3,045,000	3,045,000	55,185,000	3,985,000
Series 18B, 0.09% *	07/01/26	58,230,000		3,040,000	3,040,000	55,190,000	3,985,000
Series 19, 4.00% to 5.50%	07/01/38	126,295,000		2,465,000	2,465,000	123,830,000	2,585,000
Series 20A, 3.00% to 5.00%	07/01/40	27,870,000		4,000,000	4,000,000	23,870,000	2,360,000
Series 20B, 2.00% to 4.50%	07/01/40	21,175,000		435,000	435,000	20,740,000	445,000
Series 20C, 4.00% to 5.00%	07/01/28	90,260,000		3,915,000	3,915,000	86,345,000	3,840,000
Series 21A, 3:00% to 5.00%	07/01/15	3,855,000		1,720,000	1,720,000	2,135,000	1,770,000
Series 21B, 2.00% to 5.00%	07/01/18	44,695,000		7,290,000	7,290,000	37,405,000	6,790,000
Series 21C, 4.375% to 5.00%	07/01/23	27,685,000				27,685,000	
Total Portland Int'l Airport Revenue Bonds		458,295,000		25,910,000	25,910,000	432,385,000	25,760,000
<u>PORTLAND INTERNATIONAL AIRPORT</u>							
<u>PASSENGER FACILITY CHARGE REVENUE BONDS:</u>							
Series 2011A, 2.50% to 5.50%	07/01/31	74,915,000		1,425,000	1,425,000	73,490,000	1,475,000
Series 2012A 0.86% *	07/01/24	57,725,000		95,000	95,000	57,630,000	100,000
Series 2012B 5.00% to 5.75%	07/01/18	25,070,000		2,390,000	2,390,000	22,680,000	4,025,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		157,710,000		3,910,000	3,910,000	153,800,000	5,600,000
Total Port Bonds		\$ 684,082,305		\$ 31,158,640	\$ 31,158,640	\$ 652,923,665	\$ 32,796,101
<u>CONTRACTS & LOANS PAYABLE:</u>							
City of Portland LID, Series 2003, 5.32%	04/01/23	\$ 6,285,692		\$ 506,536	\$ 506,536	\$ 5,779,156	\$ 534,151
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	1,600,000		200,000	200,000	1,400,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	07/01/23	6,684,300			742,700	5,941,600	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	7,803,010		337,983	337,983	7,465,027	344,143
Oregon Business Development Dept., 040-188, 5.13%	07/01/31	1,432,492		23,667	47,941	1,384,551	24,897
Oregon Business Development Dept., 040-189, 5.13%	01/01/32	1,365,247		21,643	43,842	1,321,406	22,768
Banc of America Leasing & Capital, LLC, 2.84%	10/01/19		\$ 2,303,000	240,594	240,594	2,062,406	369,530
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28	15,031,745		723,681	723,681	14,308,064	756,927
Total Contracts & Loans Payable		\$ 40,202,486	\$ 2,303,000	\$ 2,054,104	\$ 2,843,276	\$ 39,662,210	\$ 2,252,416
TOTAL PORT LONG-TERM DEBT		\$ 724,284,791	\$ 2,303,000	\$ 33,212,744	\$ 34,001,916	\$ 692,585,875	\$ 35,048,516

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2014. 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, 2014

	Outstanding at June 30, 2013	2013 - 14 Transactions			Outstanding at June 30, 2014	Maturing Within One Year
		Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions		
<u>LIMITED TAX PENSION BONDS:</u>						
Series 2002A, 2.00% to 7.41%	\$ 12,077,696		\$ 1,086,360		\$ 10,991,336	\$ 1,288,900
Series 2002B, 6.60% to 6.85%	34,948,528		2,965,950		31,982,578	2,965,950
Series 2005, 4.00% to 5.50%	8,818,609		917,254		7,901,355	893,463
Total Limited Tax Pension Bonds	55,844,833		4,969,564		50,875,269	5,148,313
<u>PORTLAND INTERNATIONAL AIRPORT</u>						
<u>REVENUE BONDS:</u>						
Series 18A, 0.06% *	329,889		45,055	\$ 98,021	186,813	30,720
Series 18B, 0.09% *	256,614		41,249	(64,895)	280,260	46,085
Series 19, 4.00% to 5.50%	107,037,230		6,575,663		100,461,567	6,462,338
Series 20A, 3.125% to 5.00%	11,731,066		1,098,906		10,632,160	945,806
Series 20B, 2.00% to 4.50%	14,319,538		845,399		13,474,139	828,863
Series 20C, 4.00% to 5.00%	39,510,075		4,357,150		35,152,925	4,202,050
Series 21A, 3.00% to 5.00%	177,625		114,850		62,775	53,650
Series 21B, 2.00% to 5.00%	6,905,625		2,052,500		4,853,125	1,700,500
Series 21C, 4.375% to 5.00%	11,313,881		1,320,963		9,992,918	1,320,962
Total Portland Int'l Airport Revenue Bonds	191,581,543		16,451,735	33,126	175,096,682	15,590,974
<u>PORTLAND INTERNATIONAL AIRPORT</u>						
<u>PASSENGER FACILITY CHARGE REVENUE BONDS:</u>						
Series 2011, 2.50% to 5.50%	54,485,400		3,743,150		50,742,250	3,699,650
Series 2012A 0.86% *	4,302,439		506,197	(132,817)	3,663,425	492,486
Series 2012B 5.00% to 5.75%	4,015,500		1,193,750		2,821,750	1,033,375
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	62,803,339		5,443,097	(132,817)	57,227,425	5,225,511
Total Port Bonds	\$ 310,229,715		\$ 26,864,396	\$ (99,691)	\$ 283,199,376	\$ 25,964,798
<u>CONTRACTS & LOANS PAYABLE:</u>						
City of Portland LID, Series 2003, 5.32%	\$ 1,781,320		\$ 322,166		\$ 1,459,154	\$ 294,552
Oregon Business Development Dept., B08005, 2.00% to 4.00%	2,951,122		258,049		2,693,073	251,289
Oregon Business Development Dept., 040-188, 5.13%	801,179		72,880		728,299	35,514
Oregon Business Development Dept., 040-189, 5.13%	786,483		69,482		717,001	33,895
Banc of America Leasing & Capital, LLC, 2.84%		\$ 201,624	41,618		160,006	53,787
Banc of America Leasing & Capital, LLC, 4.5%	5,632,383		661,624		4,970,759	628,378
Total Contracts & Loans Payable	\$ 11,952,487	\$ 201,624	\$ 1,425,819		\$ 10,728,292	\$ 1,297,415
TOTAL PORT LONG-TERM DEBT	\$ 322,182,202	\$ 201,624	\$ 28,290,215	\$ (99,691)	\$ 293,927,668	\$ 27,262,213

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

* Interest rate at June 30, 2014. 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, 2014

		Date of Issue	Total Requirements	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 to 2023-24	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39	2039-40 to 2043-44
LIMITED TAX PENSION BONDS:													
Series 2002A	-Principal	03/28/02	\$ 5,213,665	\$ 846,100	\$ 861,806	\$ 877,546	\$ 893,815	\$ 901,618	\$ 832,780				
2.00% to 7.41%	-Interest		10,991,336	1,288,900	1,503,194	1,727,454	1,961,185	2,218,383	2,292,220				
Series 2002B	-Principal	03/28/02	43,525,000						18,535,000	\$ 24,990,000			
6.60% to 6.85%	-Interest		31,982,578	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	13,085,397	4,067,431			
Series 2005	-Principal	09/23/05	18,000,000	590,000	680,000	775,000	875,000	985,000	6,875,000	7,220,000			
4.00% to 5.50%	-Interest		7,901,355	893,463	864,795	831,753	794,096	751,580	2,907,982	857,686			
Total Limited Tax Pension Bonds	-Principal		\$ 66,738,665	\$ 1,436,100	\$ 1,541,806	\$ 1,652,546	\$ 1,768,815	\$ 1,886,618	\$ 26,242,780	\$ 32,210,000			
Total Limited Tax Pension Bonds	-Interest		\$ 50,875,269	\$ 5,148,313	\$ 5,333,939	\$ 5,525,157	\$ 5,721,231	\$ 5,935,913	\$ 18,285,599	\$ 4,925,117			

PORTLAND INTERNATIONAL AIRPORT

REVENUE BONDS:													
Series 18A	-Principal	06/11/08	\$ 55,185,000	\$ 3,985,000	\$ 4,855,000	\$ 5,080,000	\$ 4,435,000	\$ 4,510,000	\$ 21,540,000	\$ 10,780,000			
0.06% **	-Interest		186,813	30,720	27,807	24,759	22,098	19,392	55,698	6,339			
Series 18B	-Principal	06/11/08	55,190,000	3,985,000	4,855,000	5,085,000	4,430,000	4,515,000	21,535,000	10,785,000			
0.09% **	-Interest		280,260	46,085	41,715	37,139	33,152	29,088	83,567	9,514			
Series 19	-Principal	11/13/08	123,830,000	2,585,000	2,695,000	2,810,000	2,945,000	3,095,000	17,945,000	23,115,000	\$ 29,770,000	\$ 38,870,000	
4.00% to 5.50%	-Interest		100,461,567	6,462,338	6,353,369	6,225,850	6,081,975	5,930,975	27,094,100	21,798,699	14,940,837	5,573,424	
Series 20A	-Principal	11/02/10	23,870,000	2,360,000	1,235,000	1,590,000	1,660,000	1,745,000	3,635,000	4,285,000	2,630,000	3,240,000	\$ 1,490,000
3.125% to 5.00%	-Interest		10,632,160	945,806	864,919	797,381	716,131	631,006	2,664,853	1,984,551	1,290,988	672,562	63,963
Series 20B	-Principal	11/02/10	20,740,000	445,000	460,000	485,000	505,000	525,000	2,950,000	3,505,000	4,245,000	5,205,000	2,415,000
2.00% to 4.50%	-Interest		13,474,139	828,863	808,500	788,450	768,650	748,050	3,413,563	2,848,414	2,080,925	1,084,918	103,806
Series 20C	-Principal	11/02/10	86,345,000	3,840,000	4,000,000	5,590,000	5,860,000	6,165,000	26,755,000	34,135,000			
4.00% to 5.00%	-Interest		35,152,925	4,202,050	4,025,250	3,785,500	3,499,250	3,198,625	12,008,375	4,433,875			
Series 21A	-Principal	04/05/11	2,135,000	1,770,000	365,000								
3.00% to 5.00%	-Interest		62,775	53,650	9,125								
Series 21B	-Principal	04/05/11	37,405,000	6,790,000	7,120,000	7,455,000	7,830,000	8,210,000					
2.00% to 5.00%	-Interest		4,853,125	1,700,500	1,352,750	988,375	606,250	205,250					
Series 21C	-Principal	08/10/11	27,685,000						27,685,000				
4.375% to 5.00%	-Interest		9,992,918	1,320,962	1,320,962	1,320,962	1,320,963	1,320,962	3,388,107				
Total Portland Int'l Airport Revenue Bonds	-Principal		\$ 432,385,000	\$ 25,760,000	\$ 25,585,000	\$ 28,095,000	\$ 27,665,000	\$ 28,765,000	\$ 122,045,000	\$ 86,605,000	\$ 36,645,000	\$ 47,315,000	\$ 3,905,000
Total Portland Int'l Airport Revenue Bonds	-Interest		\$ 175,096,682	\$ 15,590,974	\$ 14,804,397	\$ 13,968,416	\$ 13,048,469	\$ 12,083,348	\$ 48,708,263	\$ 31,081,392	\$ 18,312,750	\$ 7,330,904	\$ 167,769

PORTLAND INTERNATIONAL AIRPORT

PASSENGER FACILITY CHARGE REVENUE BONDS:													
Series 2011A	-Principal	11/10/11	\$ 73,490,000	\$ 1,475,000	\$ 1,505,000	\$ 1,560,000	\$ 1,650,000	\$ 1,710,000	\$ 595,000	\$ 34,435,000	\$ 30,560,000		
2.50% to 5.50%	-Interest		50,742,250	3,699,650	3,647,425	3,578,325	3,506,325	3,430,575	16,888,025	13,429,524	2,562,401		
Series 2012A	-Principal	08/15/12	57,630,000	100,000	105,000	110,000	120,000	2,790,000	44,145,000	10,260,000			
0.86%**	-Interest		3,663,425	492,486	491,587	490,645	489,618	465,734	1,233,355				
Series 2012B	-Principal	10/31/12	22,680,000	4,025,000	4,550,000	5,100,000	5,675,000	3,330,000					
5.00% to 5.75%	-Interest		2,821,750	1,033,375	819,000	577,750	308,375	83,250					
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		\$ 153,800,000	\$ 5,600,000	\$ 6,160,000	\$ 6,770,000	\$ 7,445,000	\$ 7,830,000	\$ 44,740,000	\$ 44,695,000	\$ 30,560,000		
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		\$ 57,227,425	\$ 5,225,511	\$ 4,958,012	\$ 4,646,720	\$ 4,304,318	\$ 3,979,559	\$ 18,121,380	\$ 13,429,524	\$ 2,562,401		
Total Port Bonds	-Principal		\$ 652,923,665	\$ 32,796,100	\$ 33,286,806	\$ 36,517,546	\$ 36,878,815	\$ 38,481,618	\$ 193,027,780	\$ 163,510,000	\$ 67,205,000	\$ 47,315,000	\$ 3,905,000
Total Port Bonds	-Interest		\$ 283,199,376	\$ 25,964,798	\$ 25,096,348	\$ 24,140,293	\$ 23,074,018	\$ 21,998,820	\$ 85,115,242	\$ 49,436,033	\$ 20,875,151	\$ 7,330,904	\$ 167,769

THE PORT OF PORTLAND
SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2014

		Date of Issue	Total Requirements	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20 to 2023-24	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39	2039-40 to 2043-44
<u>CONTRACTS & LOANS PAYABLE:</u>													
City of Portland LID	-Principal	04/01/03	\$ 5,779,156	\$ 534,151	\$ 563,271	\$ 593,978	\$ 626,360	\$ 660,507	\$ 2,800,889				
5.32%	-Interest		1,459,154	294,552	265,432	234,724	202,342	168,195	293,909				
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	1,400,000	200,000	200,000	200,000	200,000	200,000	400,000				
Oregon Department of Transportation MMTF-0003	-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	7,465,027	344,143	355,326	361,532	367,763	379,332	2,068,566	\$ 2,460,620	\$ 1,127,745		
2.00% to 4.00%	-Interest		2,693,073	251,289	244,406	237,300	230,069	220,875	917,369	525,159	66,606		
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,384,551	24,897	51,725	54,413	57,241	60,214	351,381	452,653	332,027		
5.13%	-Interest		728,299	35,514	69,095	66,408	63,581	60,606	252,721	151,448	28,926		
Oregon Business Development Dept. 040-189	-Principal	09/10/09	1,321,406	22,768	47,303	49,760	52,346	55,065	321,334	413,952	358,878		
5.13%	-Interest		717,001	33,894	66,022	63,564	60,978	58,258	245,282	152,665	36,338		
Banc of America Leasing & Capital, LLC	-Principal	11/01/13	2,062,406	369,530	380,162	391,101	402,353	413,930	105,330				
2.84%	-Interest		160,006	53,787	43,155	32,216	20,963	9,386	499				
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	14,308,064	756,927	791,700	828,070	866,112	905,901	5,193,338	4,966,016			
4.5%	-Interest		4,970,759	628,378	593,605	557,234	519,193	479,404	1,733,186	459,759			
Total Contracts & Loans Payable	-Principal		\$ 39,662,210	\$ 2,252,416	\$ 3,132,187	\$ 3,221,554	\$ 3,314,875	\$ 3,417,649	\$ 14,211,638	\$ 8,293,241	\$ 1,818,650		
Total Contracts & Loans Payable	-Interest		\$ 10,728,292	\$ 1,297,414	\$ 1,281,715	\$ 1,191,446	\$ 1,097,126	\$ 996,724	\$ 3,442,966	\$ 1,289,031	\$ 131,870		
TOTAL PORT LONG-TERM DEBT	-Principal		\$ 692,585,875	\$ 35,048,516	\$ 36,418,993	\$ 39,739,100	\$ 40,193,690	\$ 41,899,267	\$ 207,239,418	\$ 171,803,241	\$ 69,023,650	\$ 47,315,000	\$ 3,905,000
TOTAL PORT LONG-TERM DEBT	-Interest		\$ 293,927,668	\$ 27,262,212	\$ 26,378,063	\$ 25,331,739	\$ 24,171,144	\$ 22,995,544	\$ 88,558,208	\$ 50,725,064	\$ 21,007,021	\$ 7,330,904	\$ 167,769

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

** Interest rate at June 30, 2014. Rate is variable, depending on weekly remarketings.

INDUSTRIAL DEVELOPMENT REVENUE BONDS:

<u>Public Grain Elevator Revenue Bonds:</u>													
Columbia Grain, Inc. Project:	-Principal	12/19/84	\$ 38,100,000	\$ 38,100,000									
1984 Series, 0.26%*	-Interest		\$ 49,530	\$ 49,530									
<u>Other Industrial Development Revenue Bonds:</u>													
Horizon Air Project:	-Principal	08/07/97	\$ 17,300,000							\$ 17,300,000			
1997 Series, 0.04%*	-Interest		89,383	6,920	6,920	6,920	6,920	6,920	34,600	20,183			
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000									\$ 71,000,000	
2006 Series, 0.09%*	-Interest		1,386,630	63,900	63,900	63,900	63,900	63,900	319,500	319,500	\$ 319,500	108,630	
Total Other	-Principal		\$ 88,300,000							\$ 17,300,000		\$ 71,000,000	
Total Other	-Interest		\$ 1,476,013	\$ 70,820	\$ 70,820	\$ 70,820	\$ 70,820	\$ 70,820	\$ 354,100	\$ 339,683	\$ 319,500	\$ 108,630	
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		\$ 126,400,000	\$ 38,100,000						\$ 17,300,000		\$ 71,000,000	
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		\$ 1,525,543	\$ 120,350	\$ 70,820	\$ 70,820	\$ 70,820	\$ 70,820	\$ 354,100	\$ 339,683	\$ 319,500	\$ 108,630	

* Interest rate at June 30, 2014. 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, 2014

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-3-41-0048-66	09/09/11 - 06/30/14	20.106	\$ 1
AIP-3-41-0048-69	09/19/12 - 06/30/14	20.106	1,437,327
AIP-3-41-0048-70	09/16/13 - 06/30/14	20.106	5,403,034
AIP-3-41-0048-71	09/20/13 - 06/30/14	20.106	2,387,391
AIP-3-41-0025-24	08/25/11 - 06/30/14	20.106	(50,389)
AIP-3-41-0025-25	09/07/12 - 06/30/14	20.106	4,084,437
AIP 3-41-0061-15	08/08/12 - 06/30/14	20.106	1,818
			<u>13,263,619</u>
U.S. Department of Homeland Security:			
Office of Domestic Preparedness			
Urban Area Security Initiative FY11	07/01/10 - 06/30/14	97.067	33,612
Urban Area Security Initiative FY12	07/01/11 - 06/30/14	97.067	11,310
Port Security Grant Program	11/21/12 - 06/30/14	97.056	267,073
Transportation Security Administration			
National Explosives Detection Canine Team Program	04/01/08 - 06/30/14	97.072	264,075
Law Enforcement Officer Reimbursement Program FY12-13	07/01/13 - 09/30/13	97.090	36,800
Law Enforcement Officer Reimbursement Program FY13-14	10/01/13 - 06/30/14	97.090	109,200
			<u>722,070</u>
Equitable Sharing Program			
U.S.Department of Treasury	07/01/13 - 06/30/14	16.922	72,682
U.S. Department of Justice	07/01/13 - 06/30/14	16.922	2,700
			<u>75,382</u>
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/13 - 06/30/14	39.003	6,465
U.S. Army Corps of Engineers (M):			
Direct:			
Contract Dredging	07/01/13 - 06/30/14	W9127N-11-C-0028	12,876,644
			<u>12,876,644</u>
			<u>\$ 26,944,180</u>

(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, 2014, 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 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

As discussed in Note 1 to the financial statements, the Port adopted the new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. The financial statements as of and for the year ended June 30, 2013 have been restated for this change. Our opinions are not modified with respect to this matter.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Corporation, 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.

By:

Michael MacBryde
Portland, OR
October 27, 2014