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, 2016

with comparative totals for the year ended June 30, 2015

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2016

Name	Term Expires
Jim Carter, President 7200 NE Airport Way Portland, Oregon 97218	November 30, 2017
Tom Chamberlain, Vice President 2110 State Street Salem, Oregon 97303	May 9, 2019
Robert L. Levy, Secretary 822 S Hwy 395, No. 423 Hermiston, Oregon 97838	April 30, 2017
Linda M. Pearce, Treasurer 4185 Highway 101 North Tillamook, Oregon 97141	September 30, 2020
Michael C. Alexander 7200 NE Airport Way Portland, Oregon 97218	May 31, 2020
Alice Cuprill-Comas 3181 SW Sam Jackson Park Road Portland, Oregon 97239	September 30, 2019
Pat McDonald 3100 NE Shute Road Hillsboro, Oregon 97229	February 16, 2020
Tom Tsuruta P.O. Box 261 Marylhurst, Oregon 97036	December 12, 2016
Gary Young 15937 NE Airport Way Portland, Oregon 97230	September 30, 2019

Bill Wyatt, Executive Director

REGISTERED AGENT AND OFFICE
Daniel Blaufus
7200 NE Airport Way
Portland, Oregon 97218

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THE PORT OF PORTLAND
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REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

To the Board of Commissioners of the Port of Portland

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, 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport and Marine & Other activities of the Port at June 30, 2016, 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 and 3 to the financial statements, the Port adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, in 2016 and changed the manner in which they present certain fair value hierarchy disclosures related to investments. Our opinions are not modified with respect to this matter.

PricewaterhouseCoopers LLP, 805 SW Broadway, Suite 800, Portland, OR 97205-3344
T: (971) 544 4000, F: (971) 544 4100, www.pwc.com/us

Other Matters

We have previously audited the individual financial statements of the Airport and Marine & Other activities, which collectively comprise the Port's 2015 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 8 and the required supplementary information, Schedule of Funding Progress for Defined Benefit Healthcare Plan, Schedule of the Proportionate Share of PERS Net Pension Liability (Asset) and the Schedule of Contributions to PERS on pages 38 through 40 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were 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 41 through 65 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

By:
Michael MacBryde
Portland, Oregon
October 21, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

(UNAUDITED)

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, 2016. 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, including deferred inflows, 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, industrial development, 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.

During fiscal 2015, the Port applied new pension reporting standards as required by GASB Statement No. 68 (GASB 68). GASB 68 had a significant impact on both the Port's income statement and balance sheet, impacting pension expense, deferred inflows and outflows of resources, net pension assets, and net pension liabilities. Based upon the GASB-required calculations by the actuaries for the Oregon Public Employees Retirement System (PERS), the Port's share of the collective net pension liability was a pension liability of $36.0 million at the end of fiscal 2016, and a pension asset of $14.4 million at the end of fiscal 2015. The Port's share of the collective pension expense was $35.0 million in fiscal 2016 and a negative $13.4 million in fiscal 2015. Further discussion of the impacts of the implementation of GASB 68 can be found later in the Financial Results section of this discussion and analysis, and in Note 8 to the financial statements.

Financial Results:
The Port's total net position increased $64.4 million from the 2015 amount, or 5.7 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 – remained relatively flat with a $1.0 million, or 1.1 percent, increase during that same time. In comparison, last year total net position decreased by $44.6 million, or 3.8 percent. The analysis in Table 1 (below) focuses on the net position of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Position
($ millions)

	Airport 2016	Airport 2015	Marine & Other 2016	Marine & Other 2015	Total Port 2016	Total Port 2015	Total Percentage Change 2015-2016
Current and other assets	$ 413.3	$ 412.7	$ 245.2	$ 240.2	$ 627.4 *	$ 621.0	1.0%
Capital assets	1,188.4	1,158.9	347.7	352.9	1,536.1	1,511.8	1.6%
Deferred outflows	45.6	46.9	4.1	2.9	49.7	49.8	(0.2)%
Total assets	1,647.3	1,618.5	597.0	596.0	2,213.2 *	2,182.6	1.4%
Long-term debt outstanding	648.5	684.1	99.3	107.4	747.8	791.5	(5.5)%
Other liabilities	161.1	141.3	127.0	118.7	257.1 *	228.1	12.7%
Deferred inflows	4.1	12.6	5.6	16.1	9.7	28.7	(66.2)%
Total liabilities	813.7	838.0	231.9	242.2	1,014.6 *	1,048.3	(3.2)%
Net position:							
Net investment in capital assets	573.4	543.6	321.6	321.7	895.0	865.3	3.4%
Restricted	217.7	184.0	3.3	3.3	221.0	187.3	18.0%
Unrestricted	42.5	52.9	40.2	28.8	82.7	81.7	1.2%
Total net position	$ 833.6	$ 780.5	$ 365.1	$ 353.8	$ 1,198.7	$ 1,134.3	5.7%

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

Total net position of the Airport increased by $53.1 million, or 6.8 percent, as a result of net income, leased assets that reverted to the Airport, and capital grants. Net investment in capital assets increased $29.8 million, or 5.5 percent, as a result of increases in capital additions and construction spending. Restricted net position increased by $33.7 million, or 18.3 percent, primarily due net income restricted for construction. Unrestricted net position decreased by $10.4 million, or 19.7 percent, primarily as a result of increased long-term pension liability required under GASB 68, partially offset by net operating income.

Total net position of Marine & Other increased from the 2015 balance by $11.3 million, or 3.2 percent, primarily due to capital grants and transfers from the Airport (primarily to fund construction at general aviation airports included in Marine & Other). Unrestricted net position increased by $11.4 million or 39.6 percent, again primarily due to capital grants and transfers from the Airport.

Several factors caused changes in net position (Table 2, below) to increase $108.9 million from 2015.

Airport changes in net position increased $58.1 million, primarily as a result of the prior year implementation of GASB 68, as well as higher capital grants and leased assets that reverted to the Airport, partially offset by decreased net income versus the prior year. Marine & Other changes in net position increased $50.8 million primarily due to the prior year implementation of GASB 68.

Table 2
Changes in Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues:							
Operating revenues							
Charges for services	$ 232.3	$ 205.8	$ 49.0	$ 57.5	$ 281.3	$ 263.3	6.8%
Land sales			13.7		13.7		
Other		0.1	0.1		0.1	0.1	0.0%
Nonoperating revenues							
Property tax revenue			11.1	10.5	11.1	10.5	5.7%
Interest revenue	2.2	2.3	3.7	3.0	5.9	5.3	11.3%
PFC revenue	34.9	32.2			34.9	32.2	8.4%
CFC revenue	15.4	14.2			15.4	14.2	8.5%
Other nonoperating revenue			12.6	4.5	12.6	4.5	180.0%
Total revenues	284.8	254.6	90.2	75.5	375.0	330.1	13.6%
Expenses:							
Operating expenses	226.3	178.8	85.4	71.2	311.7	250.0	24.7%
Nonoperating expenses	26.1	30.4	5.9	6.2	32.0	36.6	(12.6)%
Total expenses	252.4	209.2	91.3	77.4	343.7	286.6	19.9%
Income (loss) before contributions and transfers	32.4	45.4	(1.1)	(1.9)	31.3	43.5	(28.0)%
Capital contributions and reversions	24.4	8.4	8.6	5.8	33.0	14.2	132.4%
Transfers (out) in	(3.7)	(8.7)	3.7	8.7			
GASB 68 Restatement of beginning net position		(50.1)		(52.2)		(102.3)	
Increase (decrease) in net position	$ 53.1	$ (5.0)	$ 11.2	$ (39.6)	$ 64.3	$ (44.6)	(244.2)%

Total revenues for the Port increased by approximately $44.9 million from the prior year. Total expenses increased approximately $57.1 million from the prior year amount.

At the Airport, operating revenues increased about $26.4 million from the prior year due primarily to increases in airline, concessions, and parking revenues. The increase of about $47.5 million in operating expenses was primarily attributable to the impacts of increased GASB 68 pension expense, as well as the expensing of design costs associated with an airport terminal project that underwent a significant scope change during fiscal 2016. Capital contributions and reversions increased as a result of $12.9 million of leased assets whose ownership reverted to the Airport during the year, and $3.1 million resulting from incurring more grant-eligible costs in 2016.

For Marine & Other, charges for services operating revenues decreased $8.5 million from the prior year, primarily the result of decreased Navigation division dredging revenues, as well as lower marine terminal activity. Land sales revenue increased $13.7 million from the prior year as a result of industrial property sales. Other nonoperating revenue increased $8.1 million as a result of a payment received pursuant to a lease restructuring. During the same time, operating expenses increased $14.2 million due to the impacts of increased GASB 68 pension expense and higher cost of land sold expense, partially offset by decreased environmental expense accruals, decreased expenses resulting from reduced activity at the Port's Terminal 6, and an increase in the amount of labor capitalized on Port capital projects. Transfers from the Airport decreased by $5.0 million primarily as a result of lower construction at general aviation airports included in Marine & Other.

Budgetary Highlights:
The Port's budget for fiscal 2016 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2015. Appropriations in the budget for Marine & Other were adjusted upwards during the year to reflect higher than anticipated costs associated with maintenance dredging activity on the Columbia River, increased costs for the early extinguishment of debt, increased General Aviation costs associated with the write-off of noncapitalized

runway rehabilitation costs at Troutdale as well as the Troutdale airport master plan, and to account for long-term interest associated with the maturity of deferred interest obligation pension bonds. Budget appropriations at the Airport were adjusted to reflect the write off of noncapitalized design costs associated with significant scope changes in an airport terminal project, increased transfers to Marine & Other for support services staff costs on capital projects, and to cover bank counsel fees and other related PFC expenses. 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 $75.8 million, 57.5 percent below the $178.5 million budget due largely to timing as a new capital expansion program at the Airport begins to get underway. Operating expenditures were $107.9 million, coming in $5.6 million, or 5.0 percent, under the budgeted amount. Airport operating revenues were $232.0 million, coming in 6.6 percent above the $217.5 million budget as a result of record passenger counts, which drove higher airline, nonairline, and parking revenues. Passenger facility charges of $34.9 million exceeded budget by about $2.5 million, and customer facility charges of $15.4 million were about $1.5 million above budget for the year, both attributable to record passenger counts. Capital grants during the year were $11.5 million, 30.9 percent below the budget of $16.6 million as a result of timing of the capital program and incurring fewer grant eligible costs. Other significant budgetary resource variances include a delay in a budgeted bond issue until the next year.

Fiscal 2016 budgetary capital expenditures for Marine & Other were $26.0 million, 32.2 percent below the budget of $38.3 million, largely due to timing delays and project deferrals. Capital grants for the year were $8.6 million, well exceeding the budget of $1.2 million, primarily due to unbudgeted grants received for Troutdale Reynolds Industrial Park development. Budgetary operating revenues were $11.3 million under budget for industrial development due to budgeted land sales that were delayed beyond the end of the fiscal year. Marine revenues were $4.5 million below budget as a result of lower activity at marine terminals. Budgetary operating expenditures were $5.5 million below budget for administration, primarily as a result of more staff time being charged to capital projects (thereby reducing operating expense) as well as lower than anticipated outside service costs. Budgetary operating expenditures for marine were below budget approximately $7.0 million due to budgeted payments under a shipper incentive program not taking place, as well as lower outside service expenses related to reduced marine terminal activity. Other environmental budgetary operating expenditures were $7.6 million under budget as a result of delays in the timing of costs associated with environmental liabilities.

Capital Assets:

At the end of fiscal 2016, the Port had nearly $1.5 billion invested in a broad range of capital assets. This amount represents an increase (essentially additions offset by depreciation expense) of $33 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Land	$ 68.0	$ 68.0	$ 83.4	$ 83.7	$ 151.4	$ 151.7	
Construction in progress	87.6	85.7	49.1	44.2	136.7	129.9	
Total capital assets not being depreciated	155.6	153.7	132.5	127.9	288.1	281.6	2.3%
Land improvements	748.5	711.7	278.6	260.5	1,027.1	972.2	
Buildings and equipment	1,335.3	1,280.8	248.6	246.7	1,583.9	1,527.5	
Total capital assets being depreciated	2,083.8	1,992.5	527.2	507.2	2,611.0	2,499.7	4.5%
Less: accumulated depreciation	(1,051.0)	(987.4)	(361.1)	(339.9)	(1,412.1)	(1,327.3)	6.4%
Total capital assets being depreciated, net	1,032.8	1,005.1	166.1	167.3	1,198.9	1,172.4	2.3%
Total capital assets, net	$ 1,188.4	$ 1,158.9	$ 298.6	$ 295.2	$ 1,487.0	$ 1,454.0	2.3%

This year's major capital asset spending included:

Airport:
- Terminal improvements - $31.2 million
- Access control system replacement - $15.9 million
- Taxiway rehabilitation and improvements - $9.4 million
- Rental car facility improvements - $5.2 million
- General aviation redevelopment - $4.9 million

Marine & Other:
- Industrial property improvements at Troutdale Reynolds Industrial Park - $17.2 million
- Hillsboro roadway improvements - $2.8 million
- Navigation tugboat modifications - $1.6 million
- Marine pavement rehabilitation - $1.3 million
- Marine crane drive upgrades - $1.3 million

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

The Port's 2017 capital budget estimates spending another $138 million on capital projects at the Airport and $46 million in Marine & Other. Spending at the Airport is primarily slated for rental car facility improvements; terminal improvements; access control system replacement; aircraft gate and loading bridge improvements; central utility plant capacity upgrades; and pavement rehabilitation projects. These projects are budgeted to be funded by Airport operating revenues, federal grants, bond proceeds, PFC revenues, and CFC revenues. Capital spending for Marine & Other is budgeted principally for Hillsboro airport runway rehabilitation; industrial land improvements; infrastructure improvements at marine terminal and Rivergate facilities; IT equipment, infrastructure, and software upgrades; and new Navigation equipment to support the dredging operation. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:
At the end of 2016, the Port had approximately $709 million in bonds, contracts and loans payable outstanding. This is an decrease from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2015-2016
Pension bonds			$ 68.3	$ 70.8	$ 68.3	$ 70.8	(3.5)%
Revenue bonds	$ 467.7	$ 493.3			467.7	493.3	(5.2)%
PFC revenue bonds	142.0	148.2			142.0	148.2	(4.2)%
Contracts and loans payable			31.0	36.7	31.0	36.7	(15.5)%
	$ 609.7	$ 641.5	$ 99.3	$ 107.5	$ 709.0	$ 749.0	(5.3)%

The outstanding amount of Airport long-term debt decreased due to scheduled bond payments. As of the end of fiscal 2016, 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 also 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 pension bonds and contracts payable, as well as an early pay-off of two State loans.

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 continues, with most business lines continuing to show growth in fiscal 2017. Fiscal 2017 airline passenger volumes are forecast to increase 9.5 percent over the fiscal 2016 budget. At the Port's Marine & Other facilities and business parks, many of our tenants have made significant investments to position them to take advantage of trade growth resulting from the economic recovery.

In the Port's 2017 adopted budget, total Port operating revenue is budgeted to increase about 4.3 percent over 2016 results to approximately $307.7 million largely as a result of increased land sales, airline revenues, and parking revenues. Total operating expenses (excluding depreciation and the non-cash impacts of GASB 68 on pension expense) are budgeted to increase by about 9.5 percent to approximately $194.9 million, reflecting higher costs related to increased land sales, as well as increased outside services costs for the Portland Harbor superfund site.

Operating revenues for the Airport are budgeted to decrease slightly to $228.2 million in the fiscal 2017 budget due to a one-time project billing to airlines in fiscal 2016, largely offset by higher airline and parking revenues resulting from increased passenger volumes in 2017. Airport operating expenses (excluding depreciation and the non-cash impacts of GASB 68 on pension expense) are budgeted to decrease about 3.9 percent to $122.3 million as a result of a one-time project write-off in fiscal 2016, offset by increased salary and benefits costs, central services costs, and an increase to the stormwater fee imposed by the City of Portland.

In Marine & Other, operating revenues are budgeted to increase by 26.8 percent to $79.5 million, primarily due to higher land sales revenue budgeted in fiscal 2017 as well as increased dredging revenues. Operating expenses (excluding depreciation and the non-cash impacts of GASB 68 on pension expense) are budgeted to increase by 42.9 percent to $72.6 million due to higher outside services costs for the Portland Harbor, higher costs of property sold resulting from increased budgeted land sales, and higher costs associated with increased dredging activity. 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, 2016
with comparative totals as of June 30, 2015

	2016			2015
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 58,280	$ 49,245,900	$ 49,304,180	$ 48,198,759
Equity in pooled investments (Note 3)	98,082,313	145,763,438	243,845,751	221,499,281
Restricted cash and equity in pooled investments (Note 3)	58,825,697		58,825,697	66,689,548
Receivables, net of allowance for doubtful accounts of $66,000 in 2016 and $192,000 in 2015 for Airport and $331,000 in 2016 and $388,000 in 2015 for Marine & Other (Note 4)	10,157,192	12,609,683	22,766,875	20,336,170
Prepaid insurance and other assets	4,204,384	2,202,149	6,406,533	5,925,338
Total current assets	171,327,866	209,821,170	381,149,036	362,649,096
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	228,922,644	3,311,513	232,234,157	233,183,743
Receivables (Note 4)	7,930,061		7,930,061	8,336,723
Total restricted assets	236,852,705	3,311,513	240,164,218	241,520,466
Land held for sale (Note 1)		49,059,070	49,059,070	57,764,684
Depreciable properties, net of accumulated depreciation (Note 5)	1,032,765,535	166,091,192	1,198,856,727	1,172,373,901
Nondepreciable properties (Note 5)	155,595,814	132,543,180	288,138,994	281,625,133
Unamortized bond issue costs (Note 1)	1,172,092	190,695	1,362,787	1,577,461
Net pension assets (GASB 68) (Note 8)				14,416,804
Due from Airport (Note 8)		31,074,810	*	*
Other noncurrent assets	3,999,506	869,151	4,868,657	830,258
Total noncurrent assets	1,430,385,652	383,139,611	1,782,450,453	1,770,108,707
Deferred outflows of resources:				
Deferred charges on refunding bonds (Note 6)	27,937,885		27,937,885	30,751,162
Deferred charges on pensions (GASB 68) (Note 8)	3,441,140	4,051,490	7,492,630	5,332,217
Cumulative decrease in fair value of hedging derivative (Note 6)	14,246,000		14,246,000	13,780,000
Total deferred outflows of resources	45,625,025	4,051,490	49,676,515	49,863,379
Total assets	$ 1,647,338,543	$ 597,012,271	$ 2,213,276,004	$ 2,182,621,182
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 6)		$ 4,027,227	$ 4,027,227	$ 3,882,405
Accounts payable	$ 11,417,525	15,920,810	27,338,335	22,592,349
Accrued wages, vacation and sick leave pay (Note 1)	6,261,811	8,292,343	14,554,154	15,487,738
Workers' compensation and other accrued liabilities (Notes 10 and 11)	2,877,212	5,021,411	7,898,623	4,070,563
Total current liabilities (payable from current assets)	20,556,548	33,261,791	53,818,339	46,033,055
Restricted liabilities (payable from restricted assets) (Note 1):				
Current portion of long-term debt and other (Note 6)	36,092,806		36,092,806	44,354,061
Accrued interest payable	11,966,414		11,966,414	11,171,764
Accounts payable	9,362,855		9,362,855	10,008,335
Contract retainage payable	1,403,622		1,403,622	1,155,388
Total restricted current liabilities (payable from restricted assets)	58,825,697		58,825,697	66,689,548
Total current liabilities	79,382,245	33,261,791	112,644,036	112,722,603
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 6, 9 and 11)	28,877,258	50,824,935	79,702,193	82,683,356
Long-term debt (Note 6)	612,367,773	95,281,140	707,648,913	754,543,031
Unearned revenue and other (Notes 1 and 6)	41,311,202	27,574,741	68,885,943	69,630,716
Net pension liability (GASB 68) (Note 8)	16,641,905	19,394,128	36,036,033	
Due to Marine & Other (Note 8)	31,074,810		*	*
Total noncurrent liabilities	730,272,948	193,074,944	892,273,082	906,857,103
Deferred inflows of resources:				
Deferred pension inflows (GASB 68) (Note 8)	4,089,733	5,601,118	9,690,851	28,673,514
Total deferred inflows of resources	4,089,733	5,601,118	9,690,851	28,673,514
Total liabilities	813,744,926	231,937,853	1,014,607,969	1,048,253,220
Commitments and contingencies (Note 11)				
NET POSITION				
Net investment in capital assets	573,351,978	321,590,228	894,942,206	865,326,980
Restricted for capital and debt service	217,697,078	3,311,513	221,008,591	187,309,213
Unrestricted	42,544,561	40,172,677	82,717,238	81,731,769
Total net position	833,593,617	365,074,418	1,198,668,035	1,134,367,962
Total liabilities and net position	$ 1,647,338,543	$ 597,012,271	$ 2,213,276,004	$ 2,182,621,182

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

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

THE PORT OF PORTLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended June 30, 2016
with comparative totals for the year ended June 30, 2015

	2016			2015
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 232,322,461	$ 48,992,674	$ 281,315,135	$ 263,368,667
Land sales		13,665,528	13,665,528	
Other		52,294	52,294	87,340
Total operating revenues	232,322,461	62,710,496	295,032,957	263,456,007
Operating expenses:				
Salaries, wages and fringe benefits	57,911,074	72,032,440	129,943,514	80,273,932
Longshore labor and fringe benefits		1,397,394	1,397,394	1,941,043
Contract, professional and consulting services	29,550,606	11,859,007	41,409,613	44,894,448
Materials and supplies	5,066,006	2,934,781	8,000,787	8,227,479
Utilities	10,013,931	2,122,275	12,136,206	11,100,870
Equipment rents, repair and fuel	1,048,489	1,839,084	2,887,573	4,919,500
Insurance	2,204,680	1,628,810	3,833,490	3,542,167
Rent		166,868	166,868	164,597
Travel and management expense	1,352,313	2,321,735	3,674,048	3,620,298
Intra-Port charges and expense allocations	27,485,087	(27,485,087)		
Cost of land sold		9,609,894	9,609,894	
Other	12,395,303	2,125,295	14,520,598	5,773,393
Less expenses for capital projects	(1,529,456)	(18,713,391)	(20,242,847)	(13,994,112)
Total operating expenses, excluding depreciation	145,498,033	61,839,105	207,337,138	150,463,615
Operating income before depreciation	86,824,428	871,391	87,695,819	112,992,392
Depreciation expense	80,816,587	23,518,463	104,335,050	99,569,107
Total operating expenses, including depreciation	226,314,620	85,357,568	311,672,188	250,032,722
Operating income (loss)	6,007,841	(22,647,072)	(16,639,231)	13,423,285
Nonoperating revenues (expenses):				
Property tax revenue		11,101,596	11,101,596	10,491,101
Interest expense, net of capitalized construction period interest of $5,692,508 in 2016 and $5,051,680 in 2015 for Airport	(22,744,849)	(5,906,235)	(28,651,084)	(30,482,498)
Interest revenue	2,231,723	3,654,849	5,886,572	5,318,561
Other (expense) income, including loss on disposal of properties	(3,365,936)	12,762,577	9,396,641	(1,651,922)
Nonoperating (expenses) revenues before facility charges	(23,879,062)	21,612,787	(2,266,275)	(16,324,758)
Loss before passenger facility charges and customer facility charges	(17,871,221)	(1,034,285)	(18,905,506)	(2,901,473)
Passenger facility charge revenue	34,890,161		34,890,161	32,182,436
Customer facility charge revenue	15,357,155		15,357,155	14,241,191
Income (loss) before contributions and transfers	32,376,095	(1,034,285)	31,341,810	43,522,154
Capital contributions and reversions	24,385,443	8,572,826	32,958,269	14,195,685
Transfers (out) in	(3,671,469)	3,671,469		
Change in net position	53,090,069	11,210,010	64,300,079	57,717,839
Total net position - beginning of year	780,503,548	353,864,408	1,134,367,956	1,178,916,165
Impact of adoption of GASB No. 68 (Note 8)				(102,266,042)
Total net position - end of year	$ 833,593,617	$ 365,074,418	$ 1,198,668,035	$ 1,134,367,962

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, 2016
with comparative totals for the year ended June 30, 2015

	2016			2015
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 226,369,337	$ 64,498,498	$ 290,867,835	$ 263,465,467
Cash payments to employees	(47,805,750)	(56,356,981)	(104,162,731)	(98,238,674)
Cash payments to suppliers and vendors	(55,503,713)	(6,870,625)	(62,374,338)	(67,532,800)
Cash payments (to) from other funds	(25,682,443)	25,682,443		
Net cash provided by operating activities	97,377,431	26,953,335	124,330,766	97,693,993
Cash flows from noncapital financing activities:				
Property taxes		11,057,092	11,057,092	10,485,424
Net cash provided by noncapital financing activities		11,057,092	11,057,092	10,485,424
Cash flows from capital and related financing activities:				
Capital expenditures	(93,773,012)	(27,403,232)	(121,176,244)	(88,021,469)
Sale of properties	109,035	2,515,429	2,624,464	321,356
Net proceeds from issuance of long-term debt				229,716,151
Interest paid	(29,560,213)	(6,779,188)	(36,339,401)	(52,547,228)
Proceeds from passenger facility charges	34,265,226		34,265,226	32,013,249
Proceeds from customer facility charges	15,750,192		15,750,192	13,870,115
Principal payments and redemptions on long-term debt	(31,745,000)	(7,184,369)	(38,929,369)	(148,635,102)
Contributions from governmental agencies	12,117,288	6,883,537	19,000,825	15,144,930
Cash transfers (to) from other Port divisions, net	(3,671,469)	3,671,469		
Other, primarily nonoperating expense	(3,473,186)	12,230,392	8,757,206	(1,622,611)
Net cash (used in) provided by capital and related financing activities	(99,981,139)	(16,065,962)	(116,047,101)	239,391
Cash flows from investing activities:				
Interest received	3,196,174	3,429,706	6,625,880	4,708,523
Investment activity:				
Purchases	(150,987,668)	(77,597,464)	(228,585,132)	(270,758,324)
Proceeds from sales or maturities	150,395,042	53,328,874	203,723,916	153,656,500
Net cash provided by (used in) investing activities	2,603,548	(20,838,884)	(18,235,336)	(112,393,301)
Net (decrease) increase in cash and cash equivalents	(160)	1,105,581	1,105,421	(3,974,493)
Cash and cash equivalents - beginning of year	58,440	48,140,319	48,198,759	52,173,252
Cash and cash equivalents - end of year	$ 58,280	$ 49,245,900	$ 49,304,180	$ 48,198,759
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 6,007,841	$ (22,647,072)	$ (16,639,231)	$ 13,423,285
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	80,816,587	23,518,463	104,335,050	99,569,107
Cost of land sales		9,609,894	9,609,894	
Non cash GASB 68 pension expense	10,980,474	15,733,893	26,714,367	(13,369,339)
Amortization of unearned revenue	(766,855)	(6,537,110)	(7,303,965)	(6,993,099)
Non cash project write-off expense	3,930,000		3,930,000	
Change in assets and liabilities:				
Receivables and other current assets	(6,828,606)	1,861,650	(4,966,956)	5,219,046
Deferred pension contributions				(5,332,217)
Accounts payable and accruals	3,619,480	1,866,976	5,486,456	(3,463,924)
Long-term environmental and other accruals	(1,604,454)	(2,854,999)	(4,459,453)	2,404,727
Additions to unearned revenue	1,222,964	6,401,640	7,624,604	6,236,407
Net cash provided by operating activities	$ 97,377,431	$ 26,953,335	$ 124,330,766	$ 97,693,993
Noncash investing, capital, and related financing activities:				
Interest payable in future years		$ 831,661	$ 831,661	$ 920,098
Escrow funds for future transactions				11,328,183

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

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

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, 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, 2016, all restricted assets are available to pay restricted liabilities due within one year except for approximately $190,900,000 and approximately $190,800,000 equity in pooled investments for the Port and Airport activity, respectively.

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

Land Held for Sale

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

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation, including capitalized interest. Interest income earned on investments from tax-exempt debt is offset against capitalized interest expense. Properties with an individual purchase cost exceeding $5,000 with a useful life exceeding one year are capitalized, and 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. All other bond issuance costs are expensed as incurred.

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.

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. 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. Investments are stated at fair value based upon evaluated quotes from independent pricing vendors. 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 municipal bonds.

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.

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 budget for the year ended June 30, 2016 and one supplemental budget for the fiscal year ended June 30, 2015.

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, 2015, from which the summarized information was derived.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application," effective for the Port's fiscal year beginning July 1, 2015. The statement requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques to enhance fair value application guidance and related disclosures. The adoption of this statement did not have a material effect on the Port's financial statements, and additional required disclosures have been made in Note 3 to the financial statements.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," effective for the Port's fiscal year beginning July 1, 2016. The statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. It establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68, and also amends certain provisions of Statements No. 67 and 68 for pension plans and pensions that are within their respective scope. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," effective for the Port's fiscal year beginning July 1, 2016. The statement establishes financial reporting standards to improve the usefulness of information about postemployment benefits other than pensions included in the financial reports of state and local government benefit plans for making decisions and assessing accountability. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," effective for the Port's fiscal year beginning July 1, 2017. The statement establishes standards for governmental employer recognition, measurement, and presentation of information about postemployment benefits other than pensions (OPEB), and also establishes requirements for reporting information about financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities. The Port is currently evaluating the effects this statement will have on its financial statements.

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

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective for the Port's fiscal year beginning July 1, 2015. The statement identifies the hierarchy of accounting principles used to prepare financial statements of state and local governments in conformity with generally accepted accounting principles. The adoption of this statement did not have a material effect on the Port's financial statements.

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures," effective for the Port's fiscal year beginning July 1, 2016. The statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The Port is currently evaluating the effects this statement will have on its financial statements.

In December 2015, the GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for the Port's fiscal year beginning July 1, 2016. The statement establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting certain criteria. The Port is currently evaluating the effects this statement will have on its financial statements.

In December 2015, the GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants," effective for the Port's fiscal year beginning July 1, 2015. The statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost, as well as for state and local governments that participate in such a qualifying external investment pool. The adoption of this statement did not have a material effect on the Port's financial statements.

In January 2016, the GASB issued Statement No. 80, "Blending Requirements for Certain Component Units," effective for the Port's fiscal year beginning July 1, 2016. The statement establishes an additional blending requirement for the financial statement presentation of component units. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the Port's fiscal year beginning July 1, 2017. The statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 82, "Pension Issues," effective for the Port's fiscal year beginning July 1, 2016. This statement establishes accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employer. It also establishes financial reporting requirements for pension plans administered through certain trusts. 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; industrial development, which is responsible for real estate development and related services; environmental, which includes costs and recoveries associated with environmental cleanup not directly attributable to specific Port facilities, or which pertain to facilities for which operations have been discontinued; navigation, which performs maintenance dredging for the Columbia River channel and maintains a river level reporting system; general aviation, which provides general aviation relief services; engineering, which provides drafting, environmental planning, permit coordination, and engineering support for the Port; and administrative departments (admin), which provide support and services to the Port's operating departments.

2. Identifiable Activity Information, continued**:**

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2016 was as follows (in thousands):

	Marine Terminals	Industrial Development	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 28,310	$ 17,300		$ 13,636	$ 3,419	$ 45	$ 62,710
Operating expenses	25,639	18,506	$ 2,696	13,280	4,846	(3,128)	61,839
Depreciation expense	13,742	776		2,467	3,360	3,173	23,518
Operating (loss) income	$ (11,071)	$ (1,982)	$ (2,696)	$ (2,111)	$ (4,787)	$	$ (22,647)
Capital contributions	$ 1,495	$ 7,046			$ 32		$ 8,573
Land held for sale & properties:							
Additions	$ 4,272	$ 17,824	$ 15	$ 2,238	$ 3,038	$ 1,871	$ 29,258
Deletions	(3,897)	(305)		(54)	(372)	(13)	(4,641)

3. Cash and Investments:

At June 30, 2016, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 5,178,743				$ 5,178,743
U.S. Agencies	80,558,181	$ 61,180,058	$ 53,943,050	$ 16,251,957	211,933,246
Municipal debt	318,988	1,554,967	2,658,312		4,532,267
Corporate indebtedness	33,036,562	20,930,632	17,094,145		71,061,339
	$ 119,092,474	$ 83,665,657	$ 73,695,507	$ 16,251,957	292,705,595
Cash and deposits with financial institutions					93,183,339
					$ 385,888,934

Following are the cash and investments and maturities for Marine & Other at June 30, 2016:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 4,969,011				$ 4,969,011
U.S. Agencies	31,935,729	$ 35,187,090	$ 31,024,799	$ 9,347,148	107,494,766
Municipal debt	183,462	894,323	1,528,901		2,606,686
Corporate indebtedness	12,134,922	12,038,041	9,831,525		34,004,488
	$ 49,223,124	$ 48,119,454	$ 42,385,225	$ 9,347,148	149,074,951
State of Oregon local government investment pool					44,775,903
Cash and deposits with financial institutions					4,469,997
					$ 198,320,851

3. <u>Cash and Investments</u>, continued:

Fair value is defined in accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair values hierarchy is based upon the activity level in the market for the security type and the inputs used to determine fair market value, as follows:

> Level 1 – Unadjusted quoted prices in active markets for identical instruments.
>
> Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
>
> Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.
>
> Not leveled – Cash and cash equivalents are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The Port's investments are valued using evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. All of the Port's investments at June 30, 2016 are considered level 2.

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

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

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2016, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

Oregon Revised Statutes (ORS) limit investments in municipal debt to those lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a national recognized statistical rating organization. In addition, lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho and Washington and political subdivisions of those states are authorized if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a national recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2016, all municipal debt 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.

3. Cash and Investments, continued:

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $9,409,964. Of these deposits, $250,000 was covered by federal depository insurance and $9,159,964 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:	2016			2015
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 58,280	$ 49,245,900	$ 49,304,180	$ 48,198,759
Unrestricted equity in pooled investments	98,082,313	145,763,438	243,845,751	221,499,281
Restricted cash and equity in pooled investments	287,748,341	3,311,513	291,059,854	299,873,291
	$ 385,888,934	$ 198,320,851	$ 584,209,785	$ 569,571,331

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $3,150,000 at both June 30, 2016 and 2015, 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, 2016 and 2015, approximately $253,636,000 and $225,705,000, 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 $26,000,000 at June 30, 2016 and $13,000,000 at June 30, 2015. Total trade receivables for the marine shipping industry were approximately $1,600,000 at June 30, 2016 and $1,400,000 at June 30, 2015. Total grants receivable for the Airport were approximately $2,100,000 at June 30, 2016 and $3,000,000 at June 30, 2015. Total grant receivables for marine and other were approximately $4,900,000 at June 30, 2016 and $3,000,000 at June 30, 2015. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2016 was as follows:

Airport:	Beginning Balances	Additions	Disposals, Transfers & Write-offs	Completed Projects	Ending Balances
Capital Assets being depreciated:					
Land improvements	$ 711,729,082		$ (8,408,325)	$ 45,212,650	$ 748,533,407
Buildings and equipment	1,280,801,029		4,470,412	49,983,219	1,335,254,660
Total capital assets being depreciated	1,992,530,111		(3,937,913)	95,195,869	2,083,788,067
Less accumulated depreciation:					
Land improvements	370,127,624	$ 32,345,844	(13,227,050)		389,246,418
Buildings & equipment	617,253,559	48,470,743	(3,948,188)		661,776,114
Total accumulated depreciation	987,381,183	80,816,587	(17,175,238)		1,051,022,532
Total capital assets being depreciated, net	1,005,148,928	(80,816,587)	13,237,325	95,195,869	1,032,765,535
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	85,695,383	107,837,039	(10,782,906)	(95,195,869)	87,553,647
Total capital assets not being depreciated	153,737,550	107,837,039		(95,195,869)	155,595,814
Airport capital assets,net	$ 1,158,886,478	$ 27,020,452	$ 2,454,419	$	$ 1,188,361,349
Marine & Other:					
Capital Assets being depreciated:					
Land improvements	$ 260,469,372		$ (3,980,542)	$ 22,067,166	$ 278,555,996
Buildings and equipment	246,699,472		(307,884)	2,229,858	248,621,446
Total capital assets being depreciated	507,168,844		(4,288,426)	24,297,024	527,177,442
Less accumulated depreciation:					
Land improvements	168,509,299	$ 10,502,015	(2,028,030)		176,983,284
Buildings & equipment	171,434,572	13,016,448	(348,054)		184,102,966
Total accumulated depreciation	339,943,871	23,518,463	(2,376,084)		361,086,250
Total capital assets being depreciated, net	167,224,973	(23,518,463)	(1,912,342)	24,297,024	166,091,192
Capital assets not being depreciated:					
Land	83,722,763		(305,279)		83,417,484
Construction in progress	44,164,820	29,257,900		(24,297,024)	49,125,696
Total capital assets not being depreciated	127,887,583	29,257,900	(305,279)	(24,297,024)	132,543,180
Marine & Other capital assets,net	$ 295,112,556	$ 5,739,437	$ (2,217,621)	$	$ 298,634,372

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, 2016 included above are:

	Airport	Marine & Other	Total Port
Land and improvements	$ 4,446,566	$ 31,420,645	$ 35,867,211
Building & equipment	659,764,854	39,047,162	698,812,016
	664,211,420	70,467,807	734,679,227
Accumulated depreciation	(391,428,578)	(31,728,592)	(423,157,170)
	$ 272,782,842	$ 38,739,215	$ 311,522,057

5. Properties, continued:

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

	Airport	Marine & Other	Total Port
2017	$ 40,714,000	$ 20,483,000	$ 61,197,000
2018	35,938,000	20,037,000	55,975,000
2019	21,150,000	18,669,000	39,819,000
2020	17,474,000	15,415,000	32,889,000
2021	15,382,000	14,171,000	29,553,000
Thereafter	67,695,000	206,981,000	274,676,000
Total	$ 198,353,000	$ 295,756,000	$ 494,109,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2016 and 2015:

	Airport	Marine & Other	Total Port
2016	$ 75,100,000	$ 3,600,000	$ 78,700,000
2015	$ 55,900,000	$ 2,500,000	$ 58,400,000

6. Long-Term Debt:

At June 30, 2016, long-term debt consisted of the following:

	Bonds Payable at June 30, 2016		
Limited Tax Pension bonds:	Pension	Airport Revenue	Passenger Facility Charge Revenue
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
7.3% to 7.41%, due serially through fiscal 2020	$ 3,505,759		
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	3,735,000		
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 0.49%, due fiscal 2027		$ 46,345,000	
currently 0.45%, due fiscal 2027		46,350,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
5.0%, due serially through fiscal 2018		5,755,000	
Series Twenty (issued in fiscal 2011, original issue $157,050,000):			
5.0%, due serially through fiscal 2029		78,505,000	
3.0% to 5.0%, due serially through fiscal 2031		23,470,000	
4.25%, due fiscal 2041		16,640,000	
Series Twenty-One A and B (issued in fiscal 2011, original issue $56,770,000):			
5.0%, due serially through fiscal 2019		23,495,000	
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	
Series Twenty-Two (issued in fiscal 2015, original issue $90,050,000):			
4.0% to 5.0%, due serially through fiscal 2035		41,695,000	
5.0%, due fiscal 2040		21,245,000	
5.0%, due fiscal 2045		27,110,000	
Series Twenty-Three (issued in fiscal 2015, original issue $109,440,000):			
5.0%, due serially through fiscal 2036		86,190,000	
5.0%, due fiscal 2039		23,250,000	
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			$ 70,510,000
Series 2012A (issued in fiscal 2013, original issue $57,725,000 variable interest rate):			
currently 0.9572%, due fiscal 2025			57,425,000
Series 2012B (issued in fiscal 2013, original issue $25,070,000):			
5.0%, due serially through fiscal 2019			14,105,000
Totals, including $1,652,546, $28,095,000, and $6,770,000 respectively, due within one year	$ 63,760,759	$ 467,735,000	$ 142,040,000

6. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2016
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 $48,090 due on July 1, 2016 to $55,887 due on April 1, 2023, including $593,978 due within one year	$ 4,681,735
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, 2017 through March 31, 2021, including $200,000 due within one year	1,000,000
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, 2017 through July 1, 2022	4,456,200
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 $361,532 due December 1, 2016 to $573,262 due December 1, 2030, including $361,532 due within one year	6,765,558
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount $15,100,000), 4.5%, payable in monthly installments ranging from $67,594 due August 1, 2016 to $115,011 due June 1, 2028, including $828,070 due within one year	12,759,437
Banc of America Leasing & Capital, LLC, (issued in fiscal 2014, original amount $2,303,000), 2.84%, payable in monthly installments ranging from $32,170 due August 1, 2016 to $35,193, due October 1, 2019, including $391,101 due within one year	1,312,714
Total, including $2,374,681 due within one year	$ 30,975,644

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

	Airport				Marine & Other	
	Revenue Bonds		Passenger Facility Charge Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 28,095,000	$ 18,242,760	$ 6,770,000	$ 4,704,700	$ 4,027,227	$ 6,586,631
2018	27,665,000	17,287,793	7,445,000	4,362,176	4,974,103	6,693,798
2019	28,735,000	16,287,776	7,830,000	4,034,595	5,188,988	6,813,773
2020	25,520,000	15,369,151	8,105,000	3,830,199	5,276,106	6,741,857
2021	26,705,000	14,525,983	8,505,000	3,745,806	7,991,484	4,284,447
2022-2026	122,815,000	59,483,421	46,405,000	17,227,096	46,884,223	14,429,540
2027-2031	74,400,000	40,208,638	46,245,000	9,164,487	20,394,273	1,751,359
2032-2036	56,855,000	26,125,332	10,735,000	291,463		
2037-2041	54,740,000	11,237,755				
2042-2046	22,205,000	2,288,375				
	$ 467,735,000	$ 221,056,984	$ 142,040,000	$ 47,360,522	$ 94,736,404	$ 47,301,405

6. Long-Term Debt, continued:

Changes in long-term debt for the year ended June 30, 2016 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 641,520,000		$ (31,745,000)	$ 609,775,000
less: current portion	(31,745,000)	$ (34,865,000)	31,745,000	(34,865,000)
Long-term portion outstanding	$ 609,775,000	$ (34,865,000)	$	$ 574,910,000
Marine & Other:				
Long-term debt outstanding	$ 101,920,773		$ (7,184,369)	$ 94,736,404
less: current portion	(3,882,406)	$ (4,027,227)	3,882,406	(4,027,227)
Long-term portion outstanding	$ 98,038,367	$ (4,027,227)	$ (3,301,963)	$ 90,709,177

In addition, at June 30, 2016 and 2015, the Port has accrued $4,571,963 and $5,467,758, 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, $37,457,773 and $41,261,906 in unamortized bond issuance premium is included in long-term debt on the balance sheet at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the Port has recorded $27,937,885 and $30,751,162, 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.

6. <u>Long-Term Debt</u>, 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, 2016 and 2015.

On July 1, 2015, ten year 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, 2025 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 $4,534,560 for fiscal 2016 and by $4,016,894 for fiscal 2015.

Series Twenty-Three bonds maturing on or before July 1, 2025 are not subject to optional redemption prior to maturity. Series Twenty-Three bonds maturing on or after July 1, 2026 are redeemable at the option of the Port on or after July 1, 2025 at 100 percent of the principal amount plus accrued interest.

Series Twenty-Two bonds maturing on or before July 1, 2024 are not subject to optional redemption prior to maturity. Series Twenty-Two bonds maturing on or after July 1, 2025 are redeemable at the option of the Port on or after July 1, 2024 at 100 percent of the principal amount plus accrued interest.

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 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 before July 1, 2018 are not subject to redemption prior to maturity. Series Nineteen bonds maturing on or after July 1, 2019 were advance refunded and defeased during fiscal 2015 by placing proceeds from the Series Twenty-Three bonds in an irrevocable trust with an escrow agent. As a result, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2016, $112,795,000 of the Series Nineteen defeased debt was still outstanding.

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

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 three years at a variable rate of interest that increases over time, reaching a maximum rate of the greater of the federal funds rate plus 2.5 percent, or the bank's prime rate plus 2 percent.

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

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

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

Ordinance No. 395-B established a debt service reserve account in an amount equal to the maximum annual debt service. The reserve account was fully funded from PFC bond proceeds. Ordinance No. 395-B requires that PFC revenues be accounted for in a PFC fund and used for, in order of priority, payments into a PFC bond fund to provide for payment of PFC bond interest and principal, payments into the reserve account, any required payments into an obligations account, any required payments into an obligations reserve account, and then to a PFC capital account. The capital account may be used to pay costs of construction, additions, improvements, repairs to, or extensions of approved PFC projects or be used for any other lawful Port purpose to the extent permitted by PFC regulations. Until so applied, amounts in the capital account are pledged to payment of and subject to a lien and charge in favor of registered owners of the PFC revenue bonds.

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

The Series 2012A variable rate bonds were issued in the form of index bonds bearing an interest rate that is generally reset weekly based on an applicable spread of 63.5 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 June 1, 2020. 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.

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.

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

DERIVATIVE INSTRUMENTS

At June 30, 2016, the Airport had the following hedging derivative instruments outstanding:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 4,452,500	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (702,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 4,452,500	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (702,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$41,087,500	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (6,421,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$41,087,500	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (6,421,000)

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 $(14,246,000) at June 30, 2016 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 $615,812 and a noncurrent liability of $2,318,440 at June 30, 2016. 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 $14,246,000, which is an increase of $466,000 from the June 30, 2015 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, 2016 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A and C	A+ / Aa3
Derivative B and D	AA- / 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, 2016, none of the Airport's 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.

6. Long-Term Debt, continued:

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 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 0.47 percent, while 68 percent of 1 month LIBOR is approximately 0.3162 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, 2016; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2016, the Airport had the following investment derivative instruments outstanding:

Item	Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
E	Pay-fixed interest rate swap	$ 34,455,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (5,784,000)
F	Pay-fixed interest rate swap	$ 22,970,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (3,812,000)

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 $(9,596,000) at June 30, 2016 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 $611,994 and a noncurrent liability of $2,549,916 at June 30, 2016. 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 increase in fair value of the swaps of $950,000 during fiscal 2016 was recorded in 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, 2016 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative E	A+ / Aa3
Derivative F	BBB+ / Baa1

6. Long-Term Debt, continued:

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, 2016, none of the Airport's interest rate swaps were exposed to credit risk.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps E and F are index rate bonds with rates that are reset weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedged to the index rate bonds, because the variable rate payments received by the Airport on these derivative instruments are based on a rate other than the interest rate the Airport pays on the index rate bonds. At June 30, the weighted–average interest rate on the Airport's index rate bonds is approximately 0.9572 percent, while 68 percent of 1 month LIBOR is approximately 0.3162 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, 2016, 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, 2016; therefore, the Airport has posted $5,150,000 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, 2016:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2017	$ 10,165,000	$ 387,892	$ 3,569,721	$ 14,122,613
2018	8,865,000	346,225	3,167,780	12,379,005
2019	9,025,000	303,808	2,751,332	12,080,140
2020	9,410,000	259,582	2,313,328	11,982,910
2021	9,865,000	213,215	1,852,483	11,930,698
2022-2026	38,580,000	499,233	4,281,293	43,360,526
2027	6,785,000			6,785,000
	$ 92,695,000	$ 2,009,955	$ 17,935,937	$ 112,640,892

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2017	$ 110,000	$ 548,625	$ 2,661,317	$ 3,319,942
2018	120,000	547,476	2,593,686	3,261,162
2019	2,790,000	520,770	2,343,962	5,654,732
2020	7,955,000	444,624	1,964,554	10,364,178
2021	8,370,000	364,506	1,565,391	10,299,897
2022-2025	38,080,000	569,971	2,325,834	40,975,805
	$ 57,425,000	$ 2,995,972	$ 13,454,744	$ 73,875,716

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:

	2016	2015
Bonds issued for:		
Airport industrial facilities	$ 17,300,000	$ 17,300,000
Marine & Other facilities		71,000,000
Total bonds payable	$ 17,300,000	$ 88,300,000

8. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan, 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. Monthly benefits are adjusted annually through cost-of-living adjustments (COLA). A prospective cap on the COLA which took effect in fiscal 2015 and beyond varies based upon the amount of the annual benefit. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position, have been determined on the same basis as they are reported by PERS. PERS uses accrual basis accounting for all funds, recognizing revenues when earned, contributions when due, benefits in the month they are earned, and withdrawals in the month they are due and payable. PERS issues a publicly available financial report, which may be obtained at www.oregon.gov/pers or by writing to PERS, PO Box 23700, Tigard, Oregon 97281.

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 rates were 13.40 percent and 9.56 percent of annual covered payroll for fiscal years 2016 and 2015, respectively. 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. The proceeds from these bond issues are held by PERS in side accounts specific to the Port, and are factors in the calculation of the Port's employer contribution rates and Net Pension Liability (NPL) or Net Pension Asset (NPA). Of these bond issue amounts, $25,550,920 and $11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as liabilities (due to Marine & Other). 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 $1,541,806 and $1,436,100 in fiscal 2016 and 2015, respectively, of which $789,382 and $731,388 were applicable to the Airport.

8. Pension Plans and Deferred Compensation Plan, continued:

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components, the Pension Program (a defined benefit program) and the Individual Account Program (IAP) (a defined contribution program), and is administered by PERS, the agency. The Pension Program is funded by employer contributions. For general service members, normal retirement age is 65 or age 58 with 30 years of service, and for police and fire members, normal retirement age is 60 or age 53 with 25 years of service. Retirement benefits under the Pension Program are calculated using a formula based on final average salary, as defined, and years of service. The IAP is funded by a 6 percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation. The Port's employer contribution rate to OPSRP, set periodically by PERS based on actuarial valuations, was 7.33 percent of annual covered payroll for general service members and 11.44 percent for police and fire members for fiscal 2016, and 6.27 percent of annual covered payroll for general service members and 9.0 percent for police and fire members for fiscal 2015; the Port also pays the required employee contributions of 6 percent of annual covered salary.

The Port's fiscal 2016 and 2015 contributions recognized by PERS were $5,549,385 and $5,332,217. Actuarial determinations are not made solely as to Airport employees. PERS contributions of $2,561,401 and $2,394,351 were applicable to the Airport for fiscal years 2016 and 2015, respectively.

The Port adopted GASB 68 for the year ending June 30, 2015. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires the liability of employers to employees for defined benefit plans (NPL or NPA) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (Total Pension Liability (TPL) or Total Pension Asset (TPA)), less the amount of the pension plan's fiduciary net position. Prior to implementing GASB 68, employers participating in cost-sharing plans recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB 68, employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology.

The Port recognizes its proportion of the PERS NPL or NPA, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense. The TPL at June 30, 2016 was determined based on an actuarial valuation as of December 31, 2013 and rolled forward to the measurement date of June 30, 2015; the TPA at June 30, 2015 was determined based on an actuarial valuation as of December 31, 2012 and rolled forward to the measurement date of June 30, 2014. The basis for the Port's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers.

For the year ended June 30, 2016, the Port's proportionate share of the collective NPL of PERS is $36,036,033, or 0.627646 percent of the total, and the Port recognized pension expense of $34,952,095 as its proportionate share of PERS pension expense. For the year ended June 30, 2015, the Port's proportionate share of the collective NPA of PERS is $14,416,804, or 0.636022 percent of the total, and the Port recognized negative pension expense of $13,420,092 as its proportionate share of PERS pension expense. Actuarial determinations are not made solely as to Airport employees. For the year ended June 30, 2016, $16,641,905 of the NPL, and $15,823,383 of pension expense, was applicable to the Airport. For the year ended June 30, 2015, $6,115,126 of the NPA, and $5,887,703 of negative pension expense, was applicable to the Airport.

8. <u>Pension Plans and Deferred Compensation Plan</u>, continued:

Actuarial assumptions used in the valuations upon which the TPL and TPA are based were as follows:

- Investment Rate of Return: 7.75 percent per annum
- Projected Salary Increases: 3.75 percent overall payroll growth
- Inflation Rate: 2.75 percent per annum

Mortality assumptions for healthy retirees and beneficiaries are based on RP-2000 Sex-distinct, generational per Scale AA. Active members' mortality rates are a percentage of healthy retiree rates that vary by group. Disabled retirees mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

GASB 68 generally requires that a blended discount rate be used to measure the TPL (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.
- Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

The discount rate used to measure the TPL or TPA of PERS was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, PERS' fiduciary net position was projected to be available to make all projected future benefit payments of current PERS members. Therefore, the long-term expected rate of return on PERS investments was applied to all periods of projected benefit payments to determine the TPL or TPA.

8. Pension Plans and Deferred Compensation Plan, continued:

For fiscal 2016, the Port's $36,036,033 proportionate share of the NPL was calculated using the discount rate of 7.75 percent as of the measurement date of June 30, 2015. If a discount rate 1 percentage point lower (6.75%) were used in the calculation, it would result in a NPL for the Port of $86,971,626. If a discount rate 1 percentage point higher (8.75%) were used in the calculation, it would result in a NPA for the Port of $6,889,289. For fiscal 2015, the Port's $14,416,804 proportionate share of the NPA was calculated using the discount rate of 7.75 percent as of the measurement date of June 30, 2014. If a discount rate 1 percentage point lower (6.75%) were used in the calculation, it would result in a NPL for the Port of $30,529,583. If a discount rate 1 percentage point higher (8.75%) were used in the calculation, it would result in a NPA for the Port of $52,430,906.

Deferred items are calculated at the PERS level and allocated to the Port based upon its proportionate share. For the measurement date of June 30, 2015, there was:

- A difference of $1,943,245 between expected and actual experience, which is being amortized as a deferred outflow of resources over 5.4 years, the remaining service lives of all plan participants, including retirees.
- No difference due to changes of assumptions.
- A net difference of $7,553,970 between projected and actual earnings which is being amortized as a deferred inflow of resources over a closed five-year period.
- Changes in employer proportion since the prior measurement date of $143,814, which is being amortized as a deferred inflow of resources over 5.4 years, the remaining service lives of all plan participants, including retirees.
- A difference of $1,993,068 between employer contributions and proportionate share of contributions, which is being amortized as a deferred inflow of resources over 5.4 years, the remaining service lives of all plan participants.

For the measurement date of June 30, 2014, there was:

- No difference between expected and actual experience.
- No difference due to changes of assumptions.
- A net difference of $27,818,592 between projected and actual earnings which is being amortized as a deferred inflow of resources over a closed five-year period.
- No change in proportion.
- A difference of $854,922 between employer contributions and proportionate share of contributions, which is being amortized as a deferred inflow of resources over 5.6 years, the remaining service lives of all plan participants.

Port employer contributions for PERS made after the measurement date are reported as deferred outflows on the balance sheet at June 30, 2016 and 2015 in the amount of $5,549,385 and $5,332,217, respectively; these contributions are recognized as a reduction in the Port's NPL in the ensuing year. $2,561,401 and $2,394,351 of the deferred outflows were applicable to the Airport at June 30, 2016 and 2015, respectively. Cumulative deferred inflows and outflows related to PERS will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Inflow/ (Outflow) of Resources - Airport	Deferred Inflow/ (Outflow) of Resources - Marine & Other	Deferred Inflow/ (Outflow) of Resources - Total
2017	$ 1,525,550	$ 2,156,507	$ 3,682,057
2018	1,525,550	2,156,507	3,682,057
2019	1,525,550	2,156,507	3,682,057
2020	(1,348,753)	(1,906,589)	(3,255,342)
2021	(17,908)	(25,314)	(43,222)
Total	$ 3,209,989	$ 4,537,618	$ 7,747,607

8. Pension Plans and Deferred Compensation Plan, continued:

On April 30, 2015 the Oregon Supreme Court ruled in the *Moro* decision, finding that provisions enacted in 2013 by Oregon Senate Bills 822 and 861 imposing limits on post-retirement COLA benefits accrued prior to enactment were unconstitutional. This increased the benefits projected to be paid by employers and consequently increased the June 30, 2015 TPL.

The Port offers all its employees 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:

	Airport	Marine & Other
Annual required contribution	$ 244,724	$ 191,358
Interest on net OPEB obligation	47,340	(6,702)
Adjustment to annual required contribution	(67,112)	9,502
Annual OPEB cost (expense)	224,952	194,158
Contributions made	(212,727)	(257,448)
Increase (decrease) in net OPEB obligation	12,225	(63,290)
Net OPEB obligation (asset) - beginning of year	1,183,495	(167,559)
Net OPEB obligation (asset) - end of year	$ 1,195,720	$ (230,849)

9. <u>Postemployment Healthcare Benefits</u>, continued:

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
Airport:			
2016	$ 224,952	94.6%	$ 1,195,720
2015	222,464	88.5%	1,183,495
2014	230,000	98.3%	1,158,000
Marine & Other:			
2016	$ 194,158	132.6%	$ (230,849)
2015	195,819	121.7%	(167,559)
2014	223,000	156.5%	(125,000)

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:	7/1/2015	$ 0	$ 3,001,205	$ 3,001,205	0%	N/A	N/A
Marine & Other:	7/1/2015	0	2,392,840	2,392,840	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, 2015 actuarial valuation, the entry age normal actuarial cost method was used.

The July 1, 2015 actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after five years. Healthcare cost trends are also modified to reflect the expected impact of the Affordable Care Act excise tax starting in 2018. The Port's unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

10. <u>Risk Management</u>:

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

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

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

10. Risk Management, continued:

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

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

	Fiscal Year Ended June 30,	
	2016	2015
Beginning liability	$ 1,109,005	$ 1,233,570
Current year claims and changes in estimates	605,686	619,765
Claim payments	(497,677)	(744,330)
Ending liability	$ 1,217,014	$ 1,109,005

Approximately $786,730 and $502,370 of the liability was applicable to the Airport at June 30, 2016 and 2015, respectively.

11. Commitments and Contingencies:

At June 30, 2016, land acquisition and construction contract commitments aggregated approximately $166,200,000 for the Airport, $9,700,000 for Marine & Other, and $175,900,000 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 $7,000,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2016. Cleanup costs for the Portland Harbor are not yet estimable under GAAP, and the Port’s ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately $22,000,000 in estimated remaining costs for this cleanup at June 30, 2016. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2016. Both these sites are accounted for within the Marine & Other activity.

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

11. <u>Commitments and Contingencies</u>, continued:

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

	2016			2015		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 4,940,000	$ 54,169,397	$ 59,109,397	$ 4,975,000	$ 51,439,441	$ 56,414,441
Accruals		(2,115,377)	(2,115,377)	(35,000)	3,186,097	3,151,097
Reclassifications (to) from current	(865,000)	(1,465,714)	(2,330,714)		(456,141)	(456,141)
Ending liability	$ 4,075,000	$ 50,588,306	$ 54,663,306	$ 4,940,000	$ 54,169,397	$ 59,109,397

The Port leases from others, under operating leases, warehouse and office space, office equipment, and submerged lands. These leases expire at varying times through fiscal 2021. Total rental expense (all minimum rentals) for operating leases approximated $184,000 and $193,000 for Marine & Other in 2016 and 2015, respectively, and $269,000 and $358,000 for the Airport in 2016 and 2015, 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
2017	$ 167,952	$ 195,532	$ 363,484
2018	168,028	195,116	363,144
2019	165,445	88,498	253,943
2020	165,445	32,986	198,431
2021	6,877	3,778	10,655
Total	$ 673,747	$ 515,910	$ 1,189,657

12. <u>Net Position Deficit</u>:

The Port has a net position deficit of $67,125,577 in the Airport PFC Fund (a fund within the Airport activity) as of June 30, 2016. The deficit exists because bond proceeds are recorded in or reimbursed to construction funds and related long-term debt is recorded in this fund.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR DEFINED-BENEFIT HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport						
7/1/2011	$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
7/1/2015	$0	$3,001,205	$3,001,205	0%	N/A	N/A
Marine & Other						
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
7/1/2015	$0	$2,392,840	$2,392,840	0%	N/A	N/A

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (ASSET)

Measurement date as-of June 30,	**2015**	**2014**	**2013**
Port share of Net Pension Liability (Asset) - percentage	0.627646%	0.636022%	0.636022%
Port share of Net Pension Liability (Asset) - amount [A]	$ 36,036,033	$ (14,416,804)	$ 32,457,134
Port covered-employee payroll [B]	$ 66,637,000	$ 61,267,000	$ 60,855,267
Port share of Net Pension Liability (Asset) as a percentage of Port covered-employee payroll [A/B]	54.1%	(23.5%)	53.3%
PERS fiduciary net position as a percentage of TPL	91.9%	103.6%	92.0%

THE PORT OF PORTLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO PERS ($000)

Fiscal Year:	**2016** [(1)]	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008** [(2)]	**2007**
Actuarially Determined Contribution	$ 5,549	$ 5,332	$ 4,831	$ 5,030	$ 4,966	$ 1,902	$ 1,764	$ 3,614	$ 3,411	$ 3,889
Contribution in relation to Actuarially Determined Contribution	5,549	5,332	4,831	5,030	4,966	1,902	1,764	3,614	3,411	3,889
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$	$	$
Covered Employee Payroll	$ 66,585	$ 66,637	$ 61,267	$ 60,855	$ 60,447	$ 56,138	$ 54,943	$ 55,905	$ 53,775	$ 49,336
Contribution as a percentage of Covered Employee Payroll	8.3%	8.0%	7.9%	8.3%	8.2%	3.4%	3.2%	6.5%	6.3%	7.9%

(1) Effective in Port fiscal year 2016, the actuarial methodology utilized by PERS for determining employer contributions changed from projected unit credit to entry age normal.

(2) Effective in Port fiscal year 2008, the actuarial methodology utilized by PERS for determining employer contributions changed from entry age normal to projected unit credit.

SUPPLEMENTARY INFORMATION

(UNAUDITED)

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.

CFC Fund

This fund is used to account for CFC revenues. The monies credited to this fund are used and applied solely to the payment of costs of projects related to rental car facilities, related Port-approved enabling projects, and program costs at the Airport in accordance with Section 4, Ordinance No. 448. The principal resource for this fund is a customer facility charge imposed on rental car customers who rent automobiles from Airport facilities.

THE PORT OF PORTLAND

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

for the year ended June 30, 2016

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Port Funds:			
General Fund	$ 76,651,940	$ 103,007,011	$ (26,355,071)
Bond Construction Fund	20,591,370	25,964,428	(5,373,058)
Airport Revenue Fund	233,680,597	107,899,950	125,780,647
Airport Revenue Bond Fund	128,955	50,773,314	(50,644,359)
Airport Construction Fund	11,978,956	75,811,967	(63,833,011)
PFC Fund	35,530,228	48,368	35,481,860
PFC Bond Fund	54,277	14,380,753	(14,326,476)
CFC Fund	15,652,040		15,652,040
Totals - budgetary reporting basis	$ 394,268,363	$ 377,885,791	16,382,572
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			101,776,395
Internal costs on capital projects			19,978,674
Interest expense capitalized			5,692,508
Depreciation and amortization expense			(104,335,050)
Noncash GASB 68 pension expense			(29,309,761)
Expenses that will be expended in future years			4,497,156
Contributions from governmental agencies			(20,051,519)
Bond and contract payable principal expenditures			45,998,324
Difference between property sale proceeds and loss on sales			(1,362,640)
Difference between income and proceeds from sales of land			(9,609,894)
Change in unearned revenues and certain noncurrent receivables			4,146,125
Amortization of bond issuance costs and deferred charges on refunding bonds			(3,027,951)
Other			566,871
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 31,341,810

* 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, 2016

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Airport Funds:			
Airport Revenue Fund	$ 233,680,597	$ 107,899,950	$ 125,780,647
Airport Revenue Bond Fund	128,955	50,773,314	(50,644,359)
Airport Construction Fund	11,978,956	75,811,967	(63,833,011)
PFC Fund	35,530,228	48,368	35,481,860
PFC Bond Fund	54,277	14,380,753	(14,326,476)
CFC Fund	15,652,040		15,652,040
Totals - budgetary reporting basis	$ 297,025,053	$ 248,914,352	48,110,701
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			75,811,967
Internal costs on capital projects			1,529,456
Interest expense capitalized			5,692,508
Depreciation and amortization expense			(80,816,587)
Noncash GASB 68 pension expense			(13,220,246)
Expenses that will be expended in future years			852,775
Contributions from governmental agencies			(11,478,693)
Bond principal expenditures			38,669,132
Allocation of pension debt service			(3,387,427)
Change in unearned revenues and certain noncurrent receivables			4,079,907
Amortization of bond issuance costs and deferred charges on refunding bonds			(3,005,111)
Intra-Port services received, provided, and overhead			(30,822,229)
Other			359,942
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 32,376,095

* 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, 2016

	Resources				Over
	Original	Transfers In (Out)	Budget	Actual	(Under) Budget
REVENUES:					
Operating revenues:					
Administration	$ 75,000		$ 75,000	$ 45,180	$ (29,820)
Marine	32,597,759		32,597,759	28,098,376	(4,499,383)
Industrial Development	28,105,507		28,105,507	16,857,650	(11,247,857)
Navigation	13,566,556	$ 500,000	14,066,556	14,050,921	(15,635)
General Aviation	3,434,800		3,434,800	3,364,441	(70,359)
	77,779,622	500,000	78,279,622	62,416,568	(15,863,054)
Interest	1,773,351		1,773,351	3,483,487	1,710,136
Fixed asset sales and other				10,650,994	10,650,994
Total revenues	79,552,973	500,000	80,052,973	76,551,049	(3,501,924)
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	3,551,229		3,551,229	4,027,682	476,453
Airport Construction Fund	7,686,232	4,000,000	11,686,232	14,421,535	2,735,303
Airport Revenue Fund	30,555,730		30,555,730	36,807,386	6,251,656
Total transfers	41,793,191	4,000,000	45,793,191	55,256,603	9,463,412
Total revenues and transfers	121,346,164	4,500,000	125,846,164	131,807,652	5,961,488
BEGINNING WORKING CAPITAL	108,517,590		108,517,590	135,883,314	27,365,724
Total resources	$ 229,863,754	$ 4,500,000	$ 234,363,754	$ 267,690,966	$ 33,327,212

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), Continued
for the year ended June 30, 2016

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Administration	$ 53,402,485		$ 53,402,485	$ 47,863,228	$ 5,539,257
Marine	24,585,195		24,585,195	17,606,514	6,978,681
Industrial Development	6,122,383		6,122,383	5,107,193	1,015,190
Navigation	9,711,363	$ 500,000	10,211,363	9,164,518	1,046,845
General Aviation	2,532,066	1,000,000	3,532,066	3,289,136	242,930
Long-term debt payments	11,704,573	2,700,000	14,404,573	14,108,380	296,193
System development charges/other	5,000		5,000		5,000
Other environmental	13,508,291		13,508,291	5,868,042	7,640,249
Contingencies	81,355,631	300,000	81,655,631		81,655,631
Total expenditures	202,926,987	4,500,000	207,426,987	103,007,011	104,419,976
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	26,447,437		26,447,437		26,447,437
Airport Revenue Fund	489,330		489,330	382,021	107,309
Total transfers	26,936,767		26,936,767	382,021	26,554,746
Total expenditures and transfers	$ 229,863,754	$ 4,500,000	$ 234,363,754	103,389,032	$ 130,974,722
ENDING WORKING CAPITAL				$ 164,301,934	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2016

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 130,089	$ 860,808	$ 730,719
Grants	1,150,000	8,572,826	7,422,826
	1,280,089	9,433,634	8,153,545
Tax and tax items:			
Current property tax levy - net	10,546,080	11,101,596	555,516
Interest on taxes		56,140	56,140
	10,546,080	11,157,736	611,656
Total revenues	11,826,169	20,591,370	8,765,201
TRANSFERS FROM OTHER FUNDS:			
General Fund	26,447,437		(26,447,437)
Airport Revenue Fund	3,615,000	2,227,247	(1,387,753)
Total transfers	30,062,437	2,227,247	(27,835,190)
BEGINNING WORKING CAPITAL	10,000,000	19,360,089	9,360,089
Total resources	$ 51,888,606	42,178,706	$ (9,709,900)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 38,307,641	25,964,428	$ 12,343,213
Contingencies	10,000,000		10,000,000
Total expenditures	48,307,641	25,964,428	22,343,213
TRANSFERS TO OTHER FUNDS:			
General Fund	3,551,229	4,027,682	(476,453)
Airport Revenue Fund	29,736	30,042	(306)
Total transfers	3,580,965	4,057,724	(476,759)
Total expenditures and transfers	$ 51,888,606	30,022,152	$ 21,866,454
ENDING WORKING CAPITAL		$ 12,156,554	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2016

	Resources				Over
	Original	Transfers In (Out)	Revised	Actual	(Under) Budget
REVENUES:					
Operating revenue - Portland International Airport	$ 217,508,302		$ 217,508,302	$ 231,950,191	$ 14,441,889
Interest and other	634,027		634,027	1,730,406	1,096,379
Total revenues	218,142,329		218,142,329	233,680,597	15,538,268
TRANSFERS FROM OTHER FUNDS:					
General Fund	489,330		489,330	382,021	(107,309)
Bond Construction Fund	29,736		29,736	30,042	306
Airport Construction Fund	1,486,503		1,486,503	1,499,414	12,911
CFC Fund	100,000		100,000	471,227	371,227
Total transfers	2,105,569		2,105,569	2,382,704	277,135
Total revenues and transfers	220,247,898		220,247,898	236,063,301	15,815,403
BEGINNING WORKING CAPITAL	96,467,476		96,467,476	94,683,090	(1,784,386)
Total resources	$ 316,715,374		$ 316,715,374	330,746,391	$ 14,031,017

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Operating expenditures	$ 93,529,584	$ 20,000,000	$ 113,529,584	107,896,423	$ 5,633,161
Other	5,000		5,000	3,527	1,473
Contingencies	85,962,043	(20,000,000)	65,962,043		65,962,043
Total expenditures	179,496,627		179,496,627	107,899,950	71,596,677
TRANSFERS TO OTHER FUNDS:					
General Fund	30,555,730		30,555,730	36,807,386	(6,251,656)
Bond Construction Fund	3,615,000		3,615,000	2,227,247	1,387,753
Airport Construction Fund	50,891,259		50,891,259	41,350,019	9,541,240
Airport Revenue Bond Fund	52,156,758		52,156,758	50,516,168	1,640,590
Total transfers	137,218,747		137,218,747	130,900,820	6,317,927
Total expenditures and transfers	$ 316,715,374	$	$ 316,715,374	238,800,770	$ 77,914,604
ENDING WORKING CAPITAL				$ 91,945,621	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS

AIRPORT REVENUE BOND FUND

(BUDGETARY BASIS)

for the year ended June 30, 2016

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 28,737	$ 128,955	$ 100,218
Bond sale proceeds	3,750,000		(3,750,000)
Total revenues	3,778,737	128,955	(3,649,782)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	52,156,758	50,516,168	(1,640,590)
Airport Construction Fund	2,750,000		(2,750,000)
Total transfers	54,906,758	50,516,168	(4,390,590)
Total revenues and transfers	58,685,495	50,645,123	(8,040,372)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	28,674,336	26,177,943	(2,496,393)
Total resources	$ 87,359,831	76,823,066	$ (10,536,765)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 54,935,495	50,773,314	$ 4,162,181
Total expenditures	54,935,495	50,773,314	$ 4,162,181
UNAPPROPRIATED BALANCE	32,424,336		
	$ 87,359,831		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 26,049,752	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS

AIRPORT CONSTRUCTION FUND

(BUDGETARY BASIS)

for the year ended June 30, 2016

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Grants	$ 16,605,431		$ 16,605,431	$ 11,478,693	$ (5,126,738)
Interest and other	638,809		638,809	500,263	(138,546)
Bond sale proceeds	50,000,000		50,000,000		(50,000,000)
Total revenues	67,244,240		67,244,240	11,978,956	(55,265,284)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	50,891,259		50,891,259	41,350,019	(9,541,240)
CFC Fund	26,000,000		26,000,000	5,222,970	(20,777,030)
PFC Fund	10,683,927		10,683,927	1,196,764	(9,487,163)
Total transfers	87,575,186		87,575,186	47,769,753	(39,805,433)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	72,379,434		72,379,434	109,608,834	37,229,400
Total resources	$ 227,198,860		$ 227,198,860	169,357,543	$ (57,841,317)

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Capital outlay	$ 178,459,495		$ 178,459,495	75,811,967	$ 102,647,528
Bond issue costs/other	750,000		750,000		750,000
Contingencies	36,066,630	$ (4,000,000)	32,066,630		32,066,630
Total expenditures	215,276,125	(4,000,000)	211,276,125	75,811,967	135,464,158
TRANSFERS TO OTHER FUNDS:					
General Fund	7,686,232	4,000,000	11,686,232	14,421,535	(2,735,303)
Airport Revenue Fund	1,486,503		1,486,503	1,499,414	(12,911)
Airport Revenue Bond Fund	2,750,000		2,750,000		2,750,000
Total transfers	11,922,735	4,000,000	15,922,735	15,920,949	1,786
Total expenditures and transfers	$ 227,198,860	$	$ 227,198,860	91,732,916	$ 135,465,944
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 77,624,627	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2016

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Interest and other	$ 50,743		$ 50,743	$ 640,067	$ 589,324
Passenger facility charges	32,351,489		32,351,489	34,890,161	2,538,672
Total revenues	32,402,232		32,402,232	35,530,228	3,127,996
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	53,972,193		53,972,193	55,071,204	1,099,011
Total resources	$ 86,374,425		$ 86,374,425	90,601,432	$ 4,227,007

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Other	$ 10,000	$ 100,000	$ 110,000	48,368	$ 61,632
Contingencies	60,761,189	(100,000)	60,661,189		60,661,189
Total expenditures	60,771,189		60,771,189	48,368	60,722,821
TRANSFERS TO OTHER FUNDS:					
PFC Bond Fund	14,919,309		14,919,309	14,374,891	544,418
Airport Construction Fund	10,683,927		10,683,927	1,196,764	9,487,163
Total transfers	25,603,236		25,603,236	15,571,655	10,031,581
Total expenditures and transfers	$ 86,374,425	$	$ 86,374,425	15,620,023	$ 70,754,402
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 74,981,409	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2016

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 39,243	$ 54,277	$ 15,034
Total revenues	39,243	54,277	15,034
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	14,919,309	14,374,891	(544,418)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	14,327,648	14,350,601	22,953
Total resources	$ 29,286,200	28,779,769	$ (506,431)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 14,958,552	14,380,753	$ 577,799
Total expenditures	14,958,552	14,380,753	$ 577,799
UNAPPROPRIATED BALANCE	14,327,648		
	$ 29,286,200		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		$ 14,399,016	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
CFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2016

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 52,522	$ 294,885	$ 242,363
Customer facility charges	13,902,182	15,357,155	1,454,973
Total revenues	13,954,704	15,652,040	1,697,336
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	15,322,140	18,285,571	2,963,431
Total resources	$ 29,276,844	33,937,611	$ 4,660,767

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Bank fees and other	$ 5,000		$ 5,000
Contingencies	3,171,844		3,171,844
Total expenditures	3,176,844		3,176,844
TRANSFERS TO OTHER FUNDS:			
Airport Revenue Fund	100,000	471,227	(371,227)
Airport Construction Fund	26,000,000	5,222,970	20,777,030
Total transfers	26,100,000	5,694,197	20,405,803
Total expenditures and transfers	$ 29,276,844	5,694,197	$ 23,582,647
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 28,243,414	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2016

		Marine & Other			Airport						
ASSETS	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund	CFC Fund
Current assets:											
Cash and cash equivalents	$ 49,304,180	$ 49,245,900	$ 49,202,341	$ 43,559	$ 58,280	$ 58,280					
Equity in pooled investments	243,845,751	145,763,438	136,816,656	8,946,782	98,082,313	98,082,313					
Restricted Cash and equity in pooled investments	58,825,697				58,825,697		$ 38,247,391	$ 10,724,926	$ 653,545	$ 9,199,835	
Receivables, net of allowance for doubtful accounts	22,766,875	12,609,683	6,862,289	5,747,394	10,157,192	10,157,192					
Prepaid insurance and other assets	6,406,533	2,202,149	2,202,149		4,204,384	4,204,384					
Total current assets	381,149,036	209,821,170	195,083,435	14,737,735	171,327,866	112,502,169	38,247,391	10,724,926	653,545	9,199,835	
Noncurrent assets:											
Restricted assets:											
Cash and equity in pooled investments	232,234,157	3,311,513	3,311,513		228,922,644	15,554,487	26,049,752	75,565,596	70,420,987	14,399,016	$ 26,932,806
Receivables	7,930,061				7,930,061			2,059,031	4,560,422		1,310,608
Total restricted assets	240,164,218	3,311,513	3,311,513		236,852,705	15,554,487	26,049,752	77,624,627	74,981,409	14,399,016	28,243,414
Land held for sale	49,059,070	49,059,070	49,059,070								
Depreciable properties, net of accumulated depreciation	1,198,856,727	166,091,192	166,091,192		1,032,765,535	1,032,765,535					
Nondepreciable properties	288,138,994	132,543,180	83,447,833	49,095,347	155,595,814	68,042,167		87,553,647			
Unamortized bond issue costs	1,362,787	190,695	190,695		1,172,092	952,170			219,922		
Due from other funds		31,074,810 *	31,074,810 *								
Other noncurrent assets	4,868,657	869,151	869,151		3,999,506	3,999,506					
Total noncurrent assets	1,782,450,453	383,139,611	334,044,264	49,095,347	1,430,385,652	1,121,313,865	26,049,752	165,178,274	75,201,331	14,399,016	28,243,414
Deferred outflows of resources:											
Deferred charges on refunding bonds	27,937,885				27,937,885	18,082,418			9,855,467		
Deferred charges on pensions (GASB 68)	7,492,630	4,051,490	4,051,490		3,441,140	3,441,140					
Cumulative decrease in fair value of hedging derivative	14,246,000				14,246,000		14,246,000				
Total deferred outflows of resources	49,676,515	4,051,490	4,051,490		45,625,025	21,523,558	14,246,000		9,855,467		
Total assets	$ 2,213,276,004	$ 597,012,271	$ 533,179,189	$ 63,833,082	$ 1,647,338,543	$ 1,255,339,592	$ 78,543,143	$ 175,903,200	$ 85,710,343	$ 23,598,851	$ 28,243,414
LIABILITIES											
Current liabilities (payable from current assets):											
Current portion of long-term debt	$ 4,027,227	$ 4,027,227	$ 4,027,227								
Accounts payable	27,338,335	15,920,810	13,339,629	$ 2,581,181	$ 11,417,525	$ 11,417,525					
Accrued wages, vacation and sick leave pay	14,554,154	8,292,343	8,292,343		6,261,811	6,261,811					
Workers' compensation and other accrued liabilities	7,898,623	5,021,411	5,021,411		2,877,212	2,877,212					
Total current liabilities (payable from current assets)	53,818,339	33,261,791	30,680,610	2,581,181	20,556,548	20,556,548					
Restricted liabilities (payable from restricted assets):											
Current portion of long-term debt and other	36,092,806				36,092,806		$ 28,710,812		$ 611,994	$ 6,770,000	
Accrued interest payable	11,966,414				11,966,414		9,536,579			2,429,835	
Accounts payable	9,362,855				9,362,855			$ 9,321,304	41,551		
Contract retainage payable	1,403,622				1,403,622			1,403,622			
Total restricted current liabilities (payable from restricted assets)	58,825,697				58,825,697		38,247,391	10,724,926	653,545	9,199,835	
Total current liabilities	112,644,036	33,261,791	30,680,610	2,581,181	79,382,245	20,556,548	38,247,391	10,724,926	653,545	9,199,835	
Noncurrent liabilities:											
Long-term environmental and other accruals	79,702,193	50,824,935	50,824,935		28,877,258	5,035,258	14,246,000		9,596,000		
Long-term debt	707,648,913	95,281,140	95,281,140		612,367,773	472,331,314			140,036,459		
Unearned revenue and other	68,885,943	27,574,741	27,574,741		41,311,202	36,442,846	2,318,440		2,549,916		
Net pension liability (GASB 68)	36,036,033	19,394,128	19,394,128		16,641,905	16,641,905					
Due to other funds					31,074,810 *	31,074,810 *					
Total noncurrent liabilities	892,273,082	193,074,944	193,074,944		730,272,948	561,526,133	16,564,440		152,182,375		
Deferred inflows of resources:											
Deferred pension inflows (GASB 68)	9,690,851	5,601,118	5,601,118		4,089,733	4,089,733					
Total deferred inflows of resources	9,690,851	5,601,118	5,601,118		4,089,733	4,089,733					
Total liabilities	1,014,607,969	231,937,853	229,356,672	2,581,181	813,744,926	586,172,414	54,811,831	10,724,926	152,835,920	9,199,835	
NET POSITION											
Net investment in capital assets	894,942,206	321,590,228	272,494,881	49,095,347	573,351,978	626,254,508	(29,392,418)	122,816,958	(139,557,070)	(6,770,000)	
Restricted for capital and debt service	221,008,591	3,311,513	3,311,513		217,697,078	368,109	53,123,730	42,361,316	72,431,493	21,169,016	$ 28,243,414
Unrestricted	82,717,238	40,172,677	28,016,123	12,156,554	42,544,561	42,544,561					
Total net position	1,198,668,035	365,074,418	303,822,517	61,251,901	833,593,617	669,167,178	23,731,312	165,178,274	(67,125,577)	14,399,016	28,243,414
Total liabilities and net position	$ 2,213,276,004	$ 597,012,271	$ 533,179,189	$ 63,833,082	$ 1,647,338,543	$ 1,255,339,592	$ 78,543,143	$ 175,903,200	$ 85,710,343	$ 23,598,851	$ 28,243,414

* 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, 2016

Operating revenues:	
Airline revenues	$ 97,834,524
Concessions and other rentals	122,008,618
Other	12,563,319
	232,406,461
Interest income - revenue fund and revenue bond fund	1,679,509
	234,085,970
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	44,690,828
Contract, professional and consulting services	29,550,606
Materials and supplies	5,066,006
Utilities	10,013,931
Equipment rents, repair and fuel	1,048,489
Insurance	2,204,680
Travel and management expense	1,352,313
Allocation of general and administration expense of the Port of Portland	21,961,907
Other	14,337,274
	130,226,034
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$ 103,859,936

* 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, 2016

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		$ 103,859,936
SLB debt service requirement:		
Interest and principal amount	$ 49,998,129	
	x 130%	
Total net revenues required		64,997,568
Excess of net revenues over 130% of SLB debt service requirement		$ 38,862,368

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		$ 38,862,368
Excess principal amount	$	
	x 100%	
Total additional net revenues required		
Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 38,862,368

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

Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 38,862,368
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		38,862,368
Other swap obligations	$	
Junior lien obligations		
Total Other Obligations		
Excess amount over 130% of SLB debt service requirement, 100% of excess principal requirement, and Other Obligations		$ 38,862,368

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2016

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2015	$ 65,578,895	$ 847,718
Interest income	251,843	1,069
	65,830,738	848,787
Construction expenditures	30,567,427	
Transfers to revenue bond fund		848,787
Construction account, June 30, 2016	$ 35,263,311	$

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, 2016

Net revenues, per accompanying schedule of net revenues	$	103,859,936	
Less revenue bond fund interest income		(128,955)	
Applied to General Account, available to be applied to debt service of bonds	$	103,730,981	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	49,998,129	(2)
Ratio (1)/(2)		2.07	
Required ratio		1.30	

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

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY
for the year ended June 30, 2016

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2015	$ 39,900	$ 14,310,701	$ 55,071,204
PFC revenues:			
PFC bond account	14,374,892		
Capital account			20,515,269
Interest earnings		54,277	652,806
Transfer from reserve account to bond account	54,277	(54,277)	
Bond payments to trustee	(14,380,754)		
Costs of approved PFC projects			(1,196,764)
Other, net			(61,106)
Balances at June 30, 2016	$ 88,315	$ 14,310,701	$ 74,981,409

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, 2016

Fiscal Year	Property Taxes Receivable June 30, 2015	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2016	Interest Collected
2015-16		$ 11,428,406	$ (10,879,795)	$ (298,995)	$ (20,146)	$ 229,470	$ 3,718
2014-15	$ 228,943		(99,104)		(6,028)	123,811	5,822
2013-14	123,674		(33,043)		(641)	89,990	5,169
2012-13	89,167		(28,469)		(483)	60,215	7,080
2011-12	61,877		(13,074)		(175)	48,628	3,928
2010-11 and prior	82,656		(3,607)		(342)	78,707	1,852
	$ 586,317	$ 11,428,406	$ (11,057,092)	$ (298,995)	$ (27,815)	$ 630,821	$ 27,569

Reconciliation to income from property taxes:

Current levy	$ 11,428,406
Deduct discounts allowed	(298,995)
Cancellations and adjustments	(27,815)
	$ 11,101,596

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2016

			2015-2016 Transactions			Outstanding June 30, 2016	
	Maturity Date	Outstanding at June 30, 2015	Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 4,367,565		$ 861,806	$ 861,806	$ 3,505,759	$ 877,546
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	17,410,000		680,000	680,000	16,730,000	775,000
Total Limited Tax Pension Bonds		65,302,565		1,541,806	1,541,806	63,760,759	1,652,546
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 18A, 0.49% *	07/01/26	51,200,000		4,855,000	4,855,000	46,345,000	5,080,000
Series 18B, 0.45% *	07/01/26	51,205,000		4,855,000	4,855,000	46,350,000	5,085,000
Series 19, 4.00% to 5.50%	07/01/38	8,450,000		2,695,000	2,695,000	5,755,000	2,810,000
Series 20A, 3.00% to 5.00%	07/01/40	21,510,000		1,235,000	1,235,000	20,275,000	1,590,000
Series 20B, 2.00% to 4.50%	07/01/40	20,295,000		460,000	460,000	19,835,000	485,000
Series 20C, 4.00% to 5.00%	07/01/28	82,505,000		4,000,000	4,000,000	78,505,000	5,590,000
Series 21A, 3:00% to 5.00%	07/01/15	365,000		365,000	365,000		
Series 21B, 2.00% to 5.00%	07/01/18	30,615,000		7,120,000	7,120,000	23,495,000	7,455,000
Series 21C, 4.375% to 5.00%	07/01/23	27,685,000				27,685,000	
Series 22, 4.00% to 5.00%	07/01/44	90,050,000				90,050,000	
Series 23, 5.00%	07/01/38	109,440,000				109,440,000	
Total Portland Int'l Airport Revenue Bonds		493,320,000		25,585,000	25,585,000	467,735,000	28,095,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 2011A, 2.50% to 5.50%	07/01/31	72,015,000		1,505,000	1,505,000	70,510,000	1,560,000
Series 2012A 0.96% *	07/01/24	57,530,000		105,000	105,000	57,425,000	110,000
Series 2012B 5.00% to 5.75%	07/01/18	18,655,000		4,550,000	4,550,000	14,105,000	5,100,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		148,200,000		6,160,000	6,160,000	142,040,000	6,770,000
Total Port Bonds		$ 706,822,565		$ 33,286,806	$ 33,286,806	$ 673,535,759	$ 36,517,546
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 5,245,005		$ 563,270	$ 563,270	$ 4,681,735	$ 593,978
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	1,200,000		200,000	200,000	1,000,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	07/01/23	5,198,900		742,700	742,700	4,456,200	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	7,120,884		355,326	355,326	6,765,558	361,532
Oregon Business Development Dept., 040-188, 5.13%	07/01/31	1,334,119		26,190	1,334,119		
Oregon Business Development Dept., 040-189, 5.13%	01/01/32	1,275,286		23,951	1,275,286		
Banc of America Leasing & Capital, LLC, 2.84%	10/01/19	1,692,876		380,162	380,162	1,312,714	391,101
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28	13,551,137		791,700	791,700	12,759,437	828,070
Total Contracts & Loans Payable		$ 36,618,207		$ 3,083,299	$ 5,642,563	$ 30,975,644	$ 2,374,681
TOTAL PORT LONG-TERM DEBT		$ 743,440,772		$ 36,370,105	$ 38,929,369	$ 704,511,403	$ 38,892,227

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2016. 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, 2016

	Outstanding at June 30, 2015	2015 - 2016 Transactions: Issued	2015 - 2016 Transactions: Interest Matured and Paid	2015 - 2016 Transactions: Interest Fluctuations and Redemptions	Outstanding at June 30, 2016	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 9,702,436		$ 1,503,194		$ 8,199,242	$ 1,727,454
Series 2002B, 6.60% to 6.85%	29,016,628		2,965,950		26,050,678	2,965,950
Series 2005, 4.00% to 5.50%	7,007,892		864,795		6,143,097	831,753
Total Limited Tax Pension Bonds	45,726,956		5,333,939		40,393,017	5,525,157
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 18A, 0.49%	208,124		50,097	$ (889,644)	1,047,671	202,199
Series 18B, 0.45% *	260,190		52,558	(754,652)	962,284	185,693
Series 19, 4.00% to 5.50%	535,572		244,447		291,125	217,500
Series 20A, 3.125% to 5.00%	9,686,354		864,919		8,821,435	797,381
Series 20B, 2.00% to 4.50%	12,645,276		808,500		11,836,776	788,450
Series 20C, 4.00% to 5.00%	30,950,875		4,025,250		26,925,625	3,785,500
Series 21A, 3.00% to 5.00%	9,125		9,125			
Series 21B, 2.00% to 5.00%	3,152,625		1,352,750		1,799,875	988,375
Series 21C, 4.375% to 5.00%	8,671,956		1,320,963		7,350,993	1,320,962
Series 22, 4.00% to 5.00%	88,480,900		4,484,700		83,996,200	4,484,700
Series 23, 5%	82,144,200		4,119,200		78,025,000	5,472,000
Total Portland Int'l Airport Revenue Bonds	236,745,197		17,332,509	(1,644,296)	221,056,984	18,242,760
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 2011, 2.50% to 5.50%	47,042,600		3,647,425		43,395,175	3,578,325
Series 2012A, 0.96% *	3,262,986		562,401	(295,387)	2,995,972	548,625
Series 2012B, 5.00% to 5.75%	1,788,375		819,000		969,375	577,750
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	52,093,961		5,028,826	(295,387)	47,360,522	4,704,700
Total Port Bonds	$ 334,566,114		$ 27,695,274	$ (1,939,683)	$ 308,810,523	$ 28,472,617
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 1,164,602		$ 265,432		$ 899,170	$ 234,724
Oregon Business Development Dept., B08005, 2.00% to 4.00%	2,441,784		244,406		2,197,378	237,300
Oregon Business Development Dept., 040-188, 5.13%	657,910		34,220	$ 623,690		
Oregon Business Development Dept., 040-189, 5.13%	649,797		32,711	617,086		
Banc of America Leasing & Capital, LLC, 2.84%	106,219		43,155		63,064	32,216
Banc of America Leasing & Capital, LLC, 4.5%	4,342,381		593,605		3,748,776	557,234
Total Contracts & Loans Payable	$ 9,362,693		$ 1,213,529	$ 1,240,776	$ 6,908,388	$ 1,061,474
TOTAL PORT LONG-TERM DEBT	$ 343,928,807		$ 28,908,803	$ (698,907)	$ 315,718,911	$ 29,534,091

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2016. 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, 2016

		Date of Issue	Total Requirements	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 to 2025-26	2026-27 to 2030-31	2031-32 to 2035-36	2036-37 to 2040-41	2041-42 to 2045-46
LIMITED TAX PENSION BONDS:													
Series 2002A	-Principal	03/28/02	$ 3,505,759	$ 877,546	$ 893,815	$ 901,618	$ 832,780						
2.00% to 7.41%	-Interest		8,199,242	1,727,454	1,961,185	2,218,383	2,292,220						
Series 2002B	-Principal	03/28/02	43,525,000				265,000	$ 3,695,000	$ 27,745,000	$ 11,820,000			
6.60% to 6.85%	-Interest		26,050,678	2,965,950	2,965,950	2,965,950	2,965,950	2,947,797	10,154,726	1,084,355			
Series 2005	-Principal	09/23/05	16,730,000	775,000	875,000	985,000	1,100,000	1,230,000	8,395,000	3,370,000			
4.00% to 5.50%	-Interest		6,143,097	831,753	794,096	751,580	703,719	650,270	2,184,747	226,932			
Total Limited Tax Pension Bonds	-Principal		$ 63,760,759	$ 1,652,546	$ 1,768,815	$ 1,886,618	$ 2,197,780	$ 4,925,000	$ 36,140,000	$ 15,190,000			
Total Limited Tax Pension Bonds	-Interest		$ 40,393,017	$ 5,525,157	$ 5,721,231	$ 5,935,913	$ 5,961,889	$ 3,598,067	$ 12,339,473	$ 1,311,287			
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:													
Series 18A	-Principal	06/11/08	$ 46,345,000	$ 5,080,000	$ 4,435,000	$ 4,510,000	$ 4,705,000	$ 4,935,000	$ 19,290,000	$ 3,390,000			
0.49% **	-Interest		1,047,671	202,199	180,467	158,368	135,314	111,132	260,191				
Series 18B	-Principal	06/11/08	46,350,000	5,085,000	4,430,000	4,515,000	4,705,000	4,930,000	19,290,000	3,395,000			
0.45% **	-Interest		962,284	185,693	165,758	145,440	124,268	102,083	239,042				
Series 19	-Principal	11/13/08	5,755,000	2,810,000	2,945,000								
4.00% to 5.50%	-Interest		291,125	217,500	73,625								
Series 20A	-Principal	11/02/10	20,275,000	1,590,000	1,660,000	1,745,000	685,000	705,000	3,865,000	3,655,000	$ 2,855,000	$ 3,515,000	
3.125% to 5.00%	-Interest		8,821,435	797,381	716,131	631,006	577,106	556,256	2,422,567	1,674,925	1,060,482	385,581	
Series 20B	-Principal	11/02/10	19,835,000	485,000	505,000	525,000	545,000	570,000	3,165,000	3,770,000	4,600,000	5,670,000	
2.00% to 4.50%	-Interest		11,836,776	788,450	768,650	748,050	726,650	702,925	3,200,189	2,569,463	1,709,350	623,049	
Series 20C	-Principal	11/02/10	78,505,000	5,590,000	5,860,000	6,165,000	4,845,000	5,085,000	29,485,000	21,475,000			
4.00% to 5.00%	-Interest		26,925,625	3,785,500	3,499,250	3,198,625	2,923,375	2,675,125	9,198,125	1,645,625			
Series 21B	-Principal	04/05/11	23,495,000	7,455,000	7,830,000	8,210,000							
2.00% to 5.00%	-Interest		1,799,875	988,375	606,250	205,250							
Series 21C	-Principal	08/10/11	27,685,000				5,040,000	5,250,000	17,395,000				
4.375% to 5.00%	-Interest		7,350,993	1,320,962	1,320,962	1,320,962	1,194,963	937,712	1,255,432				
Series 22	-Principal	09/25/14	90,050,000				1,780,000	1,850,000	10,730,000	13,705,000	17,475,000	22,305,000	$ 22,205,000
4.00% to 5.00%	-Interest		83,996,200	4,484,700	4,484,700	4,484,700	4,449,100	4,367,250	20,316,250	17,276,125	13,396,875	8,448,125	2,288,375
Series 23	-Principal	03/31/15	109,440,000			3,065,000	3,215,000	3,380,000	19,595,000	25,010,000	31,925,000	23,250,000	
5.00%	-Interest		78,025,000	5,472,000	5,472,000	5,395,375	5,238,375	5,073,500	22,591,625	17,042,500	9,958,625	1,781,000	
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 467,735,000	$ 28,095,000	$ 27,665,000	$ 28,735,000	$ 25,520,000	$ 26,705,000	$ 122,815,000	$ 74,400,000	$ 56,855,000	$ 54,740,000	$ 22,205,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 221,056,984	$ 18,242,760	$ 17,287,793	$ 16,287,776	$ 15,369,151	$ 14,525,983	$ 59,483,421	$ 40,208,638	$ 26,125,332	$ 11,237,755	$ 2,288,375
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:													
Series 2011A	-Principal	11/10/11	$ 70,510,000	$ 1,560,000	$ 1,650,000	$ 1,710,000	$ 150,000	$ 135,000	$ 8,325,000	$ 46,245,000	$ 10,735,000		
2.50% to 5.50%	-Interest		43,395,175	3,578,325	3,506,325	3,430,575	3,385,575	3,381,300	16,657,125	9,164,487	291,463		
Series 2012A	-Principal	08/15/12	57,425,000	110,000	120,000	2,790,000	7,955,000	8,370,000	38,080,000				
0.96%**	-Interest		2,995,972	548,625	547,476	520,770	444,624	364,506	569,971				
Series 2012B	-Principal	10/31/12	14,105,000	5,100,000	5,675,000	3,330,000							
5.00% to 5.75%	-Interest		969,375	577,750	308,375	83,250							
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 142,040,000	$ 6,770,000	$ 7,445,000	$ 7,830,000	$ 8,105,000	$ 8,505,000	$ 46,405,000	$ 46,245,000	$ 10,735,000		
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 47,360,522	$ 4,704,700	$ 4,362,176	$ 4,034,595	$ 3,830,199	$ 3,745,806	$ 17,227,096	$ 9,164,487	$ 291,463		
Total Port Bonds	-Principal		$ 673,535,759	$ 36,517,546	$ 36,878,815	$ 38,451,618	$ 35,822,780	$ 40,135,000	$ 205,360,000	$ 135,835,000	$ 67,590,000	$ 54,740,000	$ 22,205,000
Total Port Bonds	-Interest		$ 308,810,523	$ 28,472,617	$ 27,371,200	$ 26,258,284	$ 25,161,239	$ 21,869,856	$ 89,049,990	$ 50,684,412	$ 26,416,795	$ 11,237,755	$ 2,288,375

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2016, Continued

		Date of Issue	Total Requirements	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 to 2025-26	2026-27 to 2030-31	2031-32 to 2035-36	2036-37 to 2040-41	2041-42 to 2045-46
CONTRACTS & LOANS PAYABLE:													
City of Portland LID	-Principal	04/01/03	$ 4,681,735	$ 593,978	$ 626,360	$ 660,507	$ 696,516	$ 734,487	$ 1,369,887				
5.32%	-Interest		899,170	234,724	202,342	168,195	132,187	94,215	67,507				
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	1,000,000	200,000	200,000	200,000	200,000	200,000					
Oregon Department of Transportation MMTF-0003	-Principal	07/06/10	4,456,200		742,700	742,700	742,700	742,700	1,485,400				
Oregon Business Development Dept. B08005	-Principal	08/31/10	6,765,558	361,532	367,763	379,332	386,262	398,250	2,207,476	$ 2,664,943			
2.00% to 4.00%	-Interest		2,197,378	237,300	230,069	220,875	209,495	197,907	777,497	324,235			
Banc of America Leasing & Capital, LLC	-Principal	11/01/13	1,312,714	391,101	402,353	413,930	105,330						
2.84%	-Interest		63,064	32,216	20,963	9,386	499						
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	12,759,437	828,070	866,112	905,901	947,518	991,047	5,681,460	2,539,329			
4.5%	-Interest		3,748,776	557,234	519,193	479,404	437,787	394,258	1,245,063	115,837			
Total Contracts & Loans Payable	-Principal		$ 30,975,644	$ 2,374,681	$ 3,205,288	$ 3,302,370	$ 3,078,326	$ 3,066,484	$ 10,744,223	$ 5,204,272			
Total Contracts & Loans Payable	-Interest		$ 6,908,388	$ 1,061,474	$ 972,567	$ 877,860	$ 779,968	$ 686,380	$ 2,090,067	$ 440,072			
TOTAL PORT LONG-TERM DEBT	-Principal		$ 704,511,403	$ 38,892,227	$ 40,084,103	$ 41,753,988	$ 38,901,106	$ 43,201,484	$ 216,104,223	$ 141,039,272	$ 67,590,000	$ 54,740,000	$ 22,205,000
TOTAL PORT LONG-TERM DEBT	-Interest		$ 315,718,911	$ 29,534,091	$ 28,343,767	$ 27,136,144	$ 25,941,207	$ 22,556,236	$ 91,140,057	$ 51,124,484	$ 26,416,795	$ 11,237,755	$ 2,288,375

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

** Interest rate at June 30, 2016. Rate is variable, depending on weekly remarketings.

		Date of Issue	Total Requirements	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 to 2025-26	2026-27 to 2030-31	2031-32 to 2035-36	2036-37 to 2040-41	2041-42 to 2045-46
INDUSTRIAL DEVELOPMENT REVENUE BONDS:													
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000							$ 17,300,000			
1997 Series, 0.43%*	-Interest		737,701	$ 74,390	$ 74,390	$ 74,390	$ 74,390	$ 74,390	$ 297,560	68,191			
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 17,300,000							$ 17,300,000			
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 737,701	$ 74,390	$ 74,390	$ 74,390	$ 74,390	$ 74,390	$ 297,560	$ 68,191			

* Interest rate at June 30, 2016. 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, 2016

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-3-41-0048-72	06/12/14 - 06/30/16	20.106	$ 70,065
AIP 3-41-0048-74	05/26/15 - 06/30/16	20.106	7,820,159
AIP 3-41-0048-75	09/24/10 - 06/30/16	20.106	3,588,469
			11,478,693
U.S. Department of Homeland Security:			
Transportation Security Administration			
National Explosives Detection Canine Team Program	04/01/08 - 06/30/16	97.072	202,000
Law Enforcement Officer Reimbursement Program FY14-15	07/01/15 - 09/30/15	97.090	36,800
Law Enforcement Officer Reimbursement Program FY15-16	10/01/15 - 03/31/16	97.090	72,000
Law Enforcement Officer Reimbursement Program FY15-16	04/01/16 - 06/30/16	97.090	36,400
			347,200
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/15 - 06/30/16	39.003	196
U.S. Army Corps of Engineers:			
Direct:			
Contract Dredging	07/01/15 - 06/30/16	W9127N-11-C-0028	14,589,508
			14,589,508
Total Expenditures of Federal Awards			$ 26,415,597

(M) Major federal programs as defined by OMB Uniform Guidance

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

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

To the Board of Commissioners of the Port of Portland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the provisions of *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, 2016, 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 21, 2016.

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.

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 162-010-0320*, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

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

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- The requirements pertaining to insurance and fidelity bonds
- 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 *Minimum Standards for Audits of Oregon Municipal Corporations* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

By: ____________________________

Michael MacBryde
Portland, Oregon
October 21, 2016