THE PORT OF PORTLAND

(A Municipal Corporation)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2011

with comparative totals for the year ended June 30, 2010

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2011

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

Bill Wyatt, Executive Director

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

Telephone: 503-415-6000

* Serves until reappointed or a successor is appointed and confirmed.

THE PORT OF PORTLAND
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REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

To the Board of Commissioners of the
Port of Portland

In our opinion, the financial statements of the Airport and Marine & Other Activities, which collectively comprise the financial statements of the Port of Portland (the "Port") as listed in the table of contents, present fairly, in all material respects , the financial position at June 30, 2011, the changes in financial position and cash flows of the Airport and Marine & Other Activities, respectively, for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Management's Discussion and Analysis and other Required Supplementary Information, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

By: ______________________________
Michael MacBryde, Partner

Portland, Oregon
October 26, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Port of Portland
Management's Discussion and Analysis

This discussion and analysis of the Port of Portland's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Port's financial statements, which follow this section.

Overview of the Financial Statements:
This audit report consists of four parts – management's discussion and analysis (this section), the basic financial statements (including notes), required supplementary information, and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB), and also by the Oregon Secretary of State (OSS). The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a balance sheet, which includes the Port's assets, liabilities, and net assets (assets minus liabilities) at year end; statement of revenues, expenses, and changes in net assets, which includes all revenues, expenses, and grants expended for construction for the year; and statement of cash flows, which presents the sources and uses of cash for the year. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, nearly all of which is required by the GASB, the OSS, or bond ordinances. The Port's two activities are Airport (Portland International Airport) and Marine & Other (marine terminals, property and development services, environmental, navigation, general aviation, engineering, and administration). These activities are described in Notes 1 and 2 to the financial statements. Of special significance to readers of the financial statements is that, with certain limited exceptions, Airport monies are restricted by bond ordinances and Federal Aviation Administration regulations for use at the Airport only. Airport net revenues (essentially operating revenues less operating expenses other than depreciation) are largely determined by bond ordinances and contracts with airlines, as more fully explained in Note 6 to the financial statements.

Financial Results:
The Port's total net assets increased $55.4 million from the 2010 amount, or 5.3 percent. Unrestricted net assets – the portion of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – increased by $34.4 million, or 40.6 percent, during that same time. In comparison, last year total net assets increased by $76.8 million, or 7.9 percent. The analysis in Table 1 (below) focuses on the net assets of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	$ 315.7	$ 262.0	$ 303.6	$ 279.3	$ 584.8 *	$ 506.3	15.5%
Capital assets	1,212.4	1,157.5	313.0	320.2	1,525.4	1,477.7	3.2%
Total assets	1,528.1	1,419.5	616.6	599.5	2,110.2 *	1,984.0	6.4%
Long-term debt outstanding	663.1	617.4	98.4	95.9	761.5	713.3	6.8%
Other liabilities	163.2	149.1	121.1	113.1	249.8 *	227.2	9.9%
Total liabilities	826.3	766.5	219.5	209.0	1,011.3 *	940.5	7.5%
Net assets:							
Invested in capital assets, net of related debt	549.2	541.1	313.5	320.7	862.7	861.8	0.1%
Restricted	108.8	88.8	8.3	8.2	117.1	97.0	20.7%
Unrestricted	43.8	23.1	75.3	61.6	119.1	84.7	40.6%
Total net assets	$ 701.8	$ 653.0	$ 397.1	$ 390.5	$ 1,098.9	$ 1,043.5	5.3%

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

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

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

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

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

Table 2
Changes in Net Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Operating revenues							
Charges for services	$ 173.3	$ 166.3	$ 61.7	$ 65.4	$ 235.0	$ 231.7	1.4%
Land sales			1.0		1.0		
Other			0.1	0.1	0.1	0.1	100.0%
Nonoperating revenues							
Property tax revenue			9.3	9.0	9.3	9.0	3.3%
Interest revenue	1.7	2.3	2.9	4.6	4.6	6.9	(33.3)%
PFC revenue	27.0	25.7			27.0	25.7	5.1%
Other nonoperating revenue			3.8		3.8		
Total revenues	202.0	194.3	78.8	79.1	280.8	273.4	2.7%
Expenses:							
Operating expenses	153.9	140.6	80.1	85.7	234.0	226.3	3.4%
Nonoperating expenses	35.3	26.7	5.5	15.8	40.8	42.5	(4.0)%
Total expenses	189.2	167.3	85.6	101.5	274.8	268.8	2.2%
Income (loss) before contributions and transfers	12.8	27.0	(6.8)	(22.4)	6.0	4.6	30.4%
Capital contributions	36.1	56.5	13.3	15.7	49.4	72.2	(31.6)%
Transfers (out) in	(0.1)	(4.0)	0.1	4.0			
Increase (decrease) in net assets	$ 48.8	$ 79.5	$ 6.6	$ (2.7)	$ 55.4	$ 76.8	(27.9)%

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

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

For Marine & Other, operating revenues decreased $2.7 million from the prior year, largely the result of lower dredging revenues. During the same time, operating expenses decreased $4.6 million versus 2010 primarily due to decreased longshore labor expense. Nonoperating expenses decreased $10.3 million versus the prior year, primarily due to the nonoperating loss on the sale of the Mulino Airport in fiscal 2010 and a $3.5 million service retention payment to Delta Airlines also in 2010.

Budgetary Highlights:

The Port's budget for fiscal 2011 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2010. Appropriations in the budget were adjusted upward during the year to reflect higher costs related to environmental expenditures in the Portland Harbor Superfund site and increased legal costs for general aviation in support of the Hillsboro airport third runway project. While legally a local government subject to governmental budgeting requirements, the Port operates much like a business, with expenditure levels driven by business needs. Revisions to reflect expenditure patterns are, therefore, common for an entity like the Port. As explained in Note 1 to the financial statements, Oregon budget laws differ, in certain situations, from accounting principles generally accepted in the United States of America.

On a budgetary basis, Airport capital expenditures were $108.0 million, 16.7 percent below the $129.7 million budget as the largest capital expansion program ever undertaken at the Airport begins to wind down. Operating expenditures tracked well against the budget, coming in just below the $73.8 million budget amount. Airport operating revenues were $173.0 million, 0.5 percent below the $174.0 million budget, primarily as a result of reduced airline and rental car revenues. Capital grants during the year were $35.7 million, well above the budget of $19.0 million.

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

Capital Assets:

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

Table 3
Capital Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Land	$ 68.0	$ 68.0	$ 75.5	$ 67.2	$ 143.5	$ 135.2	
Construction in progress	309.0	221.3	65.7	69.9	374.7	291.2	
Total capital assets not being depreciated	377.0	289.3	141.2	137.1	518.2	426.4	21.5%
Land improvements	569.3	559.6	236.5	233.2	805.8	792.8	
Buildings and equipment	1,106.8	1,086.6	224.3	239.3	1,331.1	1,325.9	
Total capital assets being depreciated	1,676.1	1,646.2	460.8	472.5	2,136.9	2,118.7	0.9%
Less: accumulated depreciation	(840.7)	(778.0)	(305.1)	(306.0)	(1,145.8)	(1,084.0)	5.7%
Total capital assets being depreciated, net	835.4	868.2	155.7	166.5	991.1	1,034.7	(4.2)%
Total capital assets, net	$ 1,212.4	$ 1,157.5	$ 296.9	$ 303.6	$ 1,509.3	$ 1,461.1	3.3%

This year's major capital asset spending included:

Airport:

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

Marine & Other:

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

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

The Port's 2012 capital budget estimates spending another $104 million on capital projects at the Airport and $65 million in Marine & Other. Spending at the Airport is primarily slated for rehabilitation of the south runway, pavement rehabilitation projects, and baggage screening improvements These projects are budgeted to be funded by Airport operating revenues, federal grants, bond proceeds, and PFC revenues. Capital spending for Marine & Other is budgeted principally for industrial land acquisition and improvements, repowering the dredge Oregon, general aviation runway and taxiway improvements, and rail and infrastructure improvements at marine terminal and South Rivergate facilitites. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:
At the end of 2011, the Port had approximately $749 million in bonds, contracts and loans payable outstanding. This is an increase from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
Pension bonds			$ 76.7	$ 77.4	$ 76.7	$ 77.4	(0.9)%
Revenue bonds	$ 504.4	$ 504.4			504.4	504.4	0.0%
PFC revenue bonds	104.6	109.5			104.6	109.5	(4.5)%
Contracts and loans payable	41.7		21.7	18.5	63.4	18.5	242.7%
	$ 650.7	$ 613.9	$ 98.4	$ 95.9	$ 749.1	$ 709.8	5.5%

The outstanding amount of Airport revenue bonds remained flat as decreases due to scheduled bond payments were offset by construction bonds issued during fiscal 2011. As of the end of fiscal 2011, the Airport revenue bonds were rated AA- by Standard & Poors, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds decreased by $4.9 million as a result of regularly scheduled bond payments. Airport contracts and loans payable increased by $41.7 million as the result of draws on a new $100 million non-revolving credit facility.

In fiscal 2007 the Port entered into pay-fixed, receive variable interest rate swaps as a synthetic fixed-rate refunding of the Port's PFC Series 1999A bonds. The Port received an up-front payment of $5,453,000, which represented the risk-adjusted, present value savings of a refunding as of July 1, 2009 without issuing refunding bonds in fiscal 2007. The up-front payment was based on a notional amount of $57,985,000 of PFC Series 2009 refunding bonds and was recorded as a swap borrowing on the Port's balance sheet in accordance with GASB Statement 53. The PFC Series 2009A bonds were issued in fiscal 2009 and used to defease the outstanding PFC Series 1999A bonds. The swaps commenced on July 1, 2009 – the first date the PFC Series 1999A bonds were subject to optional redemption at the option of the Port. Under the swaps, the Port pays counterparties fixed payments of 4.955 percent and 4.975 percent and receives a variable payment computed as 68 percent of the 1 month London Interbank Offered Rate (LIBOR). The actual savings ultimately realized by the swap will be affected by the relationship between the interest rate terms of the PFC Series 2009A refunding bonds versus the variable payment on the swaps.

In Marine & Other, the amount of outstanding long-term debt increased as a result of entering into $3.6 million in loans payable and from Series 2002A pension bonds deferred interest accrued but not paid until maturity, offset, in part by scheduled payments made on other pension bonds and contracts payable.

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

Economic Factors and Next Year's Budgets and Rates:
As part of the Port's strategic planning and business planning process, regional, national, and global economic trends and forecasts are reviewed and assumptions regarding passenger, cargo, and population growth are coupled with these trends and forecasts to produce the annual budget. The global economic recovery is slow with business lines expected to show moderate improvement in fiscal 2012. Fiscal 2012 airline passenger volumes are forecast to increase 6% over the fiscal 2011 budget. Mineral and liquid bulk, grain and auto volumes are expected to show slight increases as well. The lease of the Terminal 6 marine terminal container operations to a third party operator will lower Marine & Other container revenues and expenses while stabilizing lease revenues in fiscal 2012.

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

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

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

Contacting the Port's Financial Management:
This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional financial information, contact the Port of Portland's Controller's Office, PO Box 3529, Portland, OR 97208.

BASIC FINANCIAL STATEMENTS

THE PORT OF PORTLAND

BALANCE SHEET

as of June 30, 2011

with comparative totals as of June 30, 2010

	2011 Airport	2011 Marine & Other	2011 Total	2010 Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 63,440	$ 43,936,018	$ 43,999,458	$ 38,789,976
Equity in pooled investments (Note 3)	57,404,760	164,293,372	221,698,132	168,653,904
Receivables, net of allowance for doubtful accounts of $23,068 in 2010 and $105,050 in 2011 for Airport and $159,724 in 2010 and $75,168 in 2011 for Marine & Other (Note 4)	8,055,352	11,922,736	19,978,088	20,298,557
Prepaid insurance and other assets	2,970,349	1,752,238	4,722,587	4,211,776
Total current assets	68,493,901	221,904,364	290,398,265	231,954,213
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	148,612,667	8,292,044	156,904,711	134,533,139
Receivables (Note 4)	13,048,139		13,048,139	12,406,508
Total restricted assets	161,660,806	8,292,044	169,952,850	146,939,647
Land held for sale (Note 1)		16,163,732	16,163,732	16,634,231
Depreciable properties, net of accumulated depreciation (Note 5)	835,409,305	155,706,149	991,115,454	1,034,713,113
Nondepreciable properties (Note 5)	376,987,292	141,174,593	518,161,885	426,348,867
Unamortized bond issue costs	21,469,263	781,988	22,251,251	21,811,656
Pension assets (Note 8)	38,189,057	37,356,963	75,546,020	75,337,342
Due from Airport (Note 8)		34,449,893	*	*
Deferred outflows and other noncurrent assets (Note 6)	25,845,000	765,749	26,610,749	30,236,958
Total noncurrent assets	1,459,560,723	394,691,111	1,819,801,941	1,752,021,814
Total assets	$ 1,528,054,624	$ 616,595,475	$ 2,110,200,206	$ 1,983,976,027
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 6)		$ 2,092,396	$ 2,092,396	$ 1,637,711
Accounts payable	$ 16,585,023	19,100,209	35,685,232	16,870,697
Accrued wages, vacation and sick leave pay (Note 1)	5,995,954	7,671,216	13,667,170	11,422,495
Workers' compensation and other accrued liabilities (Notes 10 and 11)	3,620,011	8,408,090	12,028,101	10,606,360
Total current liabilities (payable from current assets)	26,200,988	37,271,911	63,472,899	40,537,263
Restricted liabilities (payable from restricted assets) (Note 1):				
Current portion of long-term debt and other (Note 6)	27,972,960		27,972,960	29,603,041
Accrued interest payable	10,501,186		10,501,186	11,775,221
Accounts payable	22,064,109	50,000	22,114,109	16,692,583
Contract retainage payable	154,575		154,575	146,723
Total restricted current liabilities (payable from restricted assets)	60,692,830	50,000	60,742,830	58,217,568
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 6, 9 and 11)	28,054,000	52,555,441	80,609,441	88,360,644
Long-term debt (Note 6)	635,171,142	96,277,593	731,448,735	679,983,003
Deferred revenue and other (Notes 1 and 6)	41,637,396	33,420,565	75,057,961	73,376,946
Due to Marine & Other (Note 8)	34,449,893		*	*
Total noncurrent liabilities	800,005,261	182,303,599	947,858,967	899,938,161
Total liabilities	826,206,249	219,575,510	1,011,331,866	940,475,424
Commitments and contingencies (Note 11)				
NET ASSETS				
Invested in capital assets, net of related debt	549,210,543	313,533,916	862,744,459	861,819,242
Restricted for capital and debt service	108,814,755	8,242,044	117,056,799	96,992,511
Unrestricted	43,823,077	75,244,005	119,067,082	84,688,850
Total net assets	701,848,375	397,019,965	1,098,868,340	1,043,500,603
Total liabilities and net assets	$ 1,528,054,624	$ 616,595,475	$ 2,110,200,206	$ 1,983,976,027

* 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 ASSETS
for the year ended June 30, 2011
with comparative totals for the year ended June 30, 2010

	2011			2010
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 173,343,355	$ 61,668,671	$ 235,012,026	$ 231,714,748
Land sales		973,835	973,835	1
Other	4,035	139,238	143,273	124,644
Total operating revenues	173,347,390	62,781,744	236,129,134	231,839,393
Operating expenses:				
Salaries, wages and fringe benefits	36,329,583	44,229,907	80,559,490	74,267,162
Longshore labor and fringe benefits		18,130,178	18,130,178	22,489,806
Contract, professional and consulting services	24,178,159	12,773,520	36,951,679	37,723,426
Materials and supplies	3,505,423	2,623,961	6,129,384	6,412,137
Utilities	6,396,810	2,682,633	9,079,443	9,213,432
Equipment rents, repair and fuel	972,800	2,557,799	3,530,599	4,093,637
Insurance	2,040,175	1,875,544	3,915,719	3,820,143
Rent	8,270	179,040	187,310	2,158,712
Travel and management expense	1,005,874	1,782,429	2,788,303	2,204,072
Intra-Port charges and expense allocations	15,674,397	(15,674,397)		
Cost of land sold		470,498	470,498	
Other	2,088,007	2,004,588	4,092,595	2,068,271
Less expenses for capital projects	(1,455,996)	(12,777,615)	(14,233,611)	(13,481,023)
Total operating expenses, excluding depreciation	90,743,502	60,858,085	151,601,587	150,969,775
Operating income before depreciation	82,603,888	1,923,659	84,527,547	80,869,618
Depreciation expense	63,152,017	19,278,376	82,430,393	75,343,916
Total operating expenses, including depreciation	153,895,519	80,136,461	234,031,980	226,313,691
Operating income (loss)	19,451,871	(17,354,717)	2,097,154	5,525,702
Nonoperating revenues (expenses):				
Property tax revenue		9,272,062	9,272,062	9,036,318
Interest expense, net of capitalized construction period interest of $2,350,564 in 2011 and $10,982,905 in 2010 for Airport and $418,400 in 2011 and $176,973 in 2010 for Marine & Other	(28,852,519)	(5,474,393)	(34,326,912)	(26,965,338)
Interest revenue	1,712,662	2,895,375	4,608,037	6,835,242
Other (expense) income, including loss on disposal of properties	(6,429,572)	3,753,138	(2,676,434)	(15,534,264)
Nonoperating expenses before passenger facility charges	(33,569,429)	10,446,182	(23,123,247)	(26,628,042)
Loss before passenger facility charges	(14,117,558)	(6,908,535)	(21,026,093)	(21,102,340)
Passenger facility charge revenue	26,987,640		26,987,640	25,696,717
Income (loss) before contributions and transfers	12,870,082	(6,908,535)	5,961,547	4,594,377
Capital contributions	36,068,826	13,337,364	49,406,190	72,241,692
Transfers (out) in	(132,371)	132,371		
Change in net assets	48,806,537	6,561,200	55,367,737	76,836,069
Total net assets - beginning of year	653,041,838	390,458,765	1,043,500,603	966,664,534
Total net assets - end of year	$ 701,848,375	$ 397,019,965	$ 1,098,868,340	$ 1,043,500,603

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

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

	2011			2010
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 172,627,239	$ 64,155,632	$ 236,782,871	$ 247,863,540
Cash payments to employees	(35,173,691)	(43,344,460)	(78,518,151)	(73,697,085)
Cash payments to suppliers and vendors	(23,678,998)	(32,602,654)	(56,281,652)	(79,757,755)
Cash payments (to) from other funds	(19,390,723)	19,390,723		
Net cash provided by operating activities	94,383,827	7,599,241	101,983,068	94,408,700
Cash flows from noncapital financing activities:				
Property taxes		9,302,354	9,302,354	9,014,088
Book cash overdraft				(709,226)
Net cash provided by noncapital financing activities		9,302,354	9,302,354	8,304,862
Cash flows from capital and related financing activities:				
Capital expenditures	(110,517,967)	(17,216,166)	(127,734,133)	(236,905,494)
Sale of properties		7,841,930	7,841,930	(1,214,198)
Net proceeds from issuance of long-term debt	264,969,981	3,686,702	268,656,683	10,787,414
Interest paid	(32,478,773)	(5,227,094)	(37,705,867)	(36,538,724)
Proceeds from passenger facility charges	27,080,736		27,080,736	25,461,318
Principal payments and redemptions on long-term debt	(218,665,000)	(1,437,711)	(220,102,711)	(26,633,817)
Contributions from governmental agencies	35,319,628	16,220,858	51,540,486	85,439,555
Cash transfers (to) from other Port divisions, net	(132,371)	132,371		
Other, primarily nonoperating expense	(6,260,754)	1,946,405	(4,314,349)	(8,201,940)
Net cash (used in) provided by capital and related financing activities	(40,684,520)	5,947,295	(34,737,225)	(187,805,886)
Cash flows from investing activities:				
Interest received	1,729,048	2,348,037	4,077,085	8,545,731
Investment activity:				
Purchases	(173,237,036)	(123,891,177)	(297,128,213)	(720,630,161)
Proceeds from sales or maturities	117,808,681	103,903,732	221,712,413	809,146,457
Net cash (used in) provided by investing activities	(53,699,307)	(17,639,408)	(71,338,715)	97,062,027
Net increase in cash and cash equivalents		5,209,482	5,209,482	11,969,703
Cash and cash equivalents - beginning of year	63,440	38,726,536	38,789,976	26,820,273
Cash and cash equivalents - end of year	$ 63,440	$ 43,936,018	$ 43,999,458	$ 38,789,976
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 19,451,871	$ (17,354,717)	$ 2,097,154	$ 5,525,702
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	63,152,017	19,278,376	82,430,393	75,343,916
Cost of land sales		470,498	470,498	
Amortization of deferred revenue	(601,359)	(1,602,258)	(2,203,617)	(3,835,123)
Change in assets and liabilities:				
Receivables and other current assets	(554,647)	(2,004,059)	(2,558,706)	20,035,745
Amortization of pension assets	(98,086)	(105,250)	(203,336)	(420,380)
Accounts payable and accruals	13,494,136	7,693,501	21,187,637	(4,497,027)
Long-term environmental and other accruals	(460,105)	(3,682,099)	(4,142,204)	1,551,855
Additions to deferred revenue		4,905,249	4,905,249	704,012
Net cash provided by operating activities	$ 94,383,827	$ 7,599,241	$ 101,983,068	$ 94,408,700
Noncash investing, capital, and related financing activities:				
Deferred bond interest		$ 1,071,771	$ 1,071,771	$ 1,070,437

The accompanying notes are an integral

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

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, seven industrial and business parks, and develops land principally to support, enhance, and expand its core transportation operations. Principal funding sources are charges to users, revenue bonds, grants, interest earnings, passenger facility charges, and, to a lesser extent, property tax levies. Its activities are carried out by a staff of approximately 751 full-time equivalent persons.

Basis of Accounting

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

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

Effective July 1, 2009, the Port adopted GASB Statement No.53 (GASB 53), “Accounting and Financial Reporting for Derivative Instruments,” as discussed in Note 6. The effect on the Airport’s financial statements for the year ended June 30, 2010 from the adoption of GASB 53 was to increase noncurrent liabilities by $29.495 million, increase noncurrent assets by $29.454 million, and decrease interest expense and net assets by $0.041 million.

Intra-Port Charges and Expense Allocations

Labor and associated costs for services performed by one functional area of the Port to another area, most commonly by administrative departments, are charged in the accounting records as an expense to the receiver of services and as a credit to expense to the provider of services. The amount charged includes labor, fringe benefits, and an allocated portion of other costs, including materials and supplies, utilities, contract services, insurance, rent and depreciation. All other administrative department costs not charged in this manner are allocated as overhead based on a formula involving full time equivalent positions, information technology users, purchase order lines, acreage, insurance premiums, and operating expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

Revenues and expenses that are earned or incurred during the course of normal business operations are classified as operating. Revenues and expenses that are earned or incurred outside of the course of normal operations, including interest income and expense, property tax revenue, and passenger facility charges, are classified as nonoperating.

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

Restricted Assets and Related Liabilities

Assets and related liabilities restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the balance sheet. These assets and liabilities are primarily restricted for construction and debt service purposes. When both restricted and unrestricted resources are available for use, it is the Port's policy to generally consider restricted assets to be used first over unrestricted assets. At June 30, 2011, all restricted assets are available to pay restricted liabilities due within one year except for approximately $77,800,000 and approximately $73,700,000 equity in pooled investments for the Port and Airport activity, respectively.

Land Held for Sale

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

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation, including capitalized interest. Interest income earned on investments from tax-exempt debt is offset against capitalized interest expense. Properties with an individual purchase cost exceeding $5,000 with a useful life exceeding one year are capitalized, and properties subject to depreciation are depreciated over their estimated useful lives on the straight-line basis. The useful lives generally range from 15 to 40 years for land improvements, 20 to 30 years for buildings and terminals, and 3 to 15 years for equipment. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure, and replacements are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense.

Amortization of Bond Issue Costs

Deferred bond issue costs are amortized using the interest method over the life of the related debt. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization is included in interest expense.

Accrued Vacation and Sick Leave Pay

Vacation and sick leave pay are accrued as earned for most employees, based on length of past service, up to a maximum number of hours per employee. Vacation and sick leave liabilities are reduced when leave is taken, and unused portions are paid off upon termination to the extent allowed for in Port policy.

Deferred Revenue

Deferred revenue typically represents prepaid lease financing related to real property development projects and transactions and is generally amortized over the life of the related lease. Lease terms generally range from 55 to 99 years.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as net assets when earned. Operating grants are recorded as revenue when earned. Lease improvements acquired upon termination of leases are included in properties and credited to net assets at estimated fair value at date of acquisition.

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

Property Taxes

Property taxes are used for capital purposes. Property taxes are recorded as nonoperating revenue in the year levied. Property taxes are levied and attached as an enforceable lien on property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15.

Cash and Cash Equivalents

Highly liquid investments (excluding restricted investments) with a maturity of three months or less when purchased are considered cash equivalents.

Environmental Remediation Liabilities

The Port records future pollution remediation costs that meet measurement criteria outlined in GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Those criteria require accrual of pollution remediation obligation amounts when a) one of certain obligating events occurs, and b) the amount can be reasonably estimated. Obligating events include imminent endangerment to public health or welfare or the environment; violation of a pollution prevention-related permit or license; evidence that the Port will be named as a responsible party, or potentially responsible party, for sharing costs; evidence that the Port will be named in a lawsuit to compel participation in remediation; and the Port commencing or legally obligating itself to commence pollution remediation. Costs for pollution remediation obligations are expensed unless expenditures meet specific criteria which allow them to be capitalized. Capitalization criteria include preparation of an asset for sale; preparation of property for use when the property was acquired with known or suspected pollution that was expected to be remediated; performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; and acquisition of property, plant and equipment that have a future alternative use.

Passenger Facility Charges

Passenger facility charges (PFCs) are imposed on enplaned passengers at the Airport. PFC revenue is recorded as nonoperating revenue and is required to be used to fund Federal Aviation Administration approved expenditures for capital projects or debt repayments eligible under federal legislation permitting the imposition of PFCs.

Cash and Investments

The Port pools the majority of its cash and investments and uses a controlled disbursement system in order to maximize earnings on available funds. Investments with a remaining life of one year or less at the time of purchase are stated at amortized cost. Investments with longer maturities are stated at fair value based upon quoted market prices. For investments stated at amortized cost, there is no material difference from fair value at June 30, 2011 and 2010. Oregon Revised Statutes, Chapter 294 or Port ordinances, if more restrictive, authorize the Port to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, and certain corporate indebtedness. In addition, the Marine & Other activity is authorized to invest in a State of Oregon local government investment pool and various interest bearing bonds of Oregon municipalities.

Budgets

The Port budgets all funds in accordance with the requirements of State of Oregon (State) law. The Port Commission authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. Total expenditures by department in the General Fund, operating expenditures in the Airport Revenue Fund, and capital outlay and debt service in the other funds are the levels of control for each fund. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

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

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets as to compliance with State law. After TSCC certification, such budgets are presented to the Port Commission for adoption. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Port Commission. The Port adopted no supplemental budget for the year ended June 30, 2011 and one supplemental budget for the year ended June 30, 2010.

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

Transfers Between Activities

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

Internal Receivables and Payables

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

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's report on audit of financial statements for the year ended June 30, 2010, from which the summarized information was derived.

New Accounting Pronouncements

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

In March 2009, the GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," effective immediately upon its issuance. The statement incorporates the hierarchy of generally accepted accounting principles for state and local governments into the GASB's authoritative literature. The adoption of this statement did not have a material effect on the Port's financial statements.

In March 2009, the GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards," effective immediately upon its issuance. The statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus," effective for the Port's fiscal year beginning July 1, 2010. The statement modifies financial reporting and disclosure requirements of certain financial instruments and external investment pools. The adoption of this statement did not have a material effect on the Port's financial statements.

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

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

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

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

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

In June 2011, the GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions," effective for the Port's fiscal year beginning July 1, 2011. The statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The statement also sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Port is currently evaluating the effects this statement will have on its financial statements.

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

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

2. Identifiable Activity Information, continued:

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2011 was as follows (in thousands):

	Marine Terminals	Property & Development Services	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 45,429	$ 4,108		$ 9,834	$ 3,183	$ 228	$ 62,782
Operating expenses	42,422	5,112	$ 5,602	8,644	3,212	(4,133)	60,859
Depreciation expense	11,028	123	17	1,009	2,740	4,361	19,278
Operating (loss) income	(8,021)	(1,127)	(5,619)	181	(2,769)		(17,355)
Capital contributions	8,007	2,127		106	3,092	5	13,337
Land held for sale and properties:							
Additions	14,171	317		1,006	2,622	249	18,365
Deletions	(5,832)	(471)		(141)			(6,444)

3. Cash and Investments:

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

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Agencies	$ 82,143,811	$ 21,067,559	$ 32,478,817	$ 4,161,031	$ 139,851,218
Corporate indebtedness	11,935,872	27,945,331	3,816,256	2,116,585	45,814,044
	$ 94,079,683	$ 49,012,890	$ 36,295,073	$ 6,277,616	185,665,262
Cash and deposits with financial institutions					20,415,605
					$ 206,080,867

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

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 4,149,355				$ 4,149,355
U.S. Agencies	37,921,099	$ 26,550,109	$ 40,930,994	$ 5,243,883	110,646,085
Corporate indebtedness	15,042,024	35,217,729	4,809,386	2,667,399	57,736,538
	$ 57,112,478	$ 61,767,838	$ 45,740,380	$ 7,911,282	172,531,978
State of Oregon local government investment pool					39,792,200
Cash and deposits with financial institutions					4,197,256
					$ 216,521,434

3. Cash and Investments, continued:

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

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

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2011, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

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

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $7,436,591. Of these deposits, $250,000 was covered by federal depository insurance and $7,186,591 was covered by collateral pledged by the Port's qualified depositories. In accordance with ORS 295, the collateral pledged is held by the agent of the qualified depositories; is designated as subject to the Pledge Agreement between the agent, the qualified depositories, and the Oregon Office of the State Treasurer (OST); and is held for the benefit of the OST on behalf of the Port.

Balance sheet classification:	2011			2010
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 63,440	$ 43,936,018	$ 43,999,458	$ 38,789,976
Unrestricted equity in pooled investments	57,404,760	164,293,372	221,698,132	168,653,904
Restricted cash and equity in pooled investments	148,612,667	8,292,044	156,904,711	134,533,139
	$ 206,080,867	$ 216,521,434	$ 422,602,301	$ 341,977,019

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $4,150,000 at June 30, 2011 and 2010, as collateral for certain accrued liabilities for workers' compensation (Note 10). Federal law requires these investments to be in only certain prescribed negotiable securities.

Certain investment earnings are paid to the Airport from the Port General Fund pooled investments when earned. At June 30, 2011 and 2010, approximately $130,345,000 and $75,793,000, respectively, of the Airport's investments represent a percentage allocation of the Port's total investments.

4. Receivables:

Port operations are concentrated within the aviation industry for the Airport and the marine shipping industry for Marine & Other. Principal customers in these industries are national airlines, an international marine container terminal management company, and international steamship lines/agents. Each of these principal customers is affected by changes in industry market and other economic conditions. The Port evaluates the financial capacity of prospective and current customers to determine their ability to pay amounts due on a timely basis. Various forms of collateral, including irrevocable standby

4. Receivables, continued:

letters of credit and pledges from other related industry customers under a joint agreement, are obtained from certain customers, mainly for the Airport, where these pledges encompass substantially all trade receivables. Accounts receivable are monitored on an ongoing basis, and allowances for doubtful accounts are established and maintained. Total trade receivables for the aviation industry were approximately $11,500,000 at June 30, 2011 and $9,100,000 at June 30, 2010. Total trade receivables for the marine shipping industry were approximately $5,000,000 at June 30, 2011 and $2,900,000 at June 30, 2010. Total grants receivable for the aviation industry were approximately $9,900,000 at June 30, 2011 and $10,000,000 at June 30, 2010. Total grant receivables for marine and other were approximately $1,500,000 at June 30, 2011 and $3,600,000 at June 30, 2010. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

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

	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Airport:					
Capital assets being depreciated:					
Land improvements	$ 559,576,798		$ (4,419)	$ 9,719,708	$ 569,292,087
Buildings and equipment	1,086,608,106		(256,662)	20,433,458	1,106,784,902
Total capital assets being depreciated	1,646,184,904		(261,081)	30,153,166	1,676,076,989
Less accumulated depreciation:					
Land improvements	317,356,071	$ 23,737,512	(4,419)		341,089,164
Buildings and equipment	460,619,727	39,414,505	(455,712)		499,578,520
Total accumulated depreciation	777,975,798	63,152,017	(460,131)		840,667,684
Total capital assets being depreciated, net	868,209,106	(63,152,017)	199,050	30,153,166	835,409,305
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	221,218,501	117,863,189	16,601	(30,153,166)	308,945,125
Total capital assets not being depreciated	289,260,668	117,863,189	16,601	(30,153,166)	376,987,292
Airport capital assets, net	$ 1,157,469,774	$ 54,711,172	$ 215,651	$	$ 1,212,396,597
Marine & Other:					
Capital assets being depreciated:					
Land improvements	$ 233,191,306		$ (1,084,326)	$ 4,373,931	$ 236,480,911
Buildings and equipment	239,278,554		(25,004,758)	10,018,677	224,292,473
Total capital assets being depreciated	472,469,860		(26,089,084)	14,392,608	460,773,384
Less accumulated depreciation:					
Land improvements	137,012,551	$ 9,578,232	(2,489,083)		144,101,700
Buildings and equipment	168,953,302	9,700,144	(17,687,911)		160,965,535
Total accumulated depreciation	305,965,853	19,278,376	(20,176,994)		305,067,235
Total capital assets being depreciated, net	166,504,007	(19,278,376)	(5,912,090)	14,392,608	155,706,149
Capital assets not being depreciated:					
Land	67,209,876		114,067	8,177,251	75,501,194
Construction in progress	69,878,323	18,364,935	-	(22,569,859)	65,673,399
Total capital assets not being depreciated	137,088,199	18,364,935	114,067	(14,392,608)	141,174,593
Marine & Other capital assets, net	$ 303,592,206	$ (913,441)	$ (5,798,023)	$	$ 296,880,742

The ordinances authorizing the issuance of Airport revenue and PFC revenue bonds do not convey title to or mortgage the Airport or any part thereof; however, the Port covenants not to encumber or dispose of Airport properties other than as specifically permitted in the ordinances and in certain grant agreements.

The Port leases to others certain land, buildings, and equipment at various locations for terms ranging from 2 to 99 years. All leases are accounted for as operating leases. Costs of properties leased at June 30, 2011 included above are:

	Airport	Marine & Other	Total Port
Land and improvements		$ 22,067,836	$ 22,067,836
Building & equipment	$ 560,368,097	40,101,829	600,469,926
	560,368,097	62,169,665	622,537,762
Accumulated depreciation	(313,356,180)	(25,292,093)	(338,648,273)
	$ 247,011,917	$ 36,877,572	$ 283,889,489

5. <u>Properties</u>, continued:

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

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

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

	Airport	Marine & Other	Total Port
2011	$ 62,200,000	$ 3,600,000	$ 65,800,000
2010	$ 62,400,000	$ 2,700,000	$ 65,100,000

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

	2011	2010
Equipment	$ 151,592	$ 943,240
Less: accumulated depreciation	(81,643)	(443,249)
	$ 69,949	$ 499,991

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

2012	$ 477,098
2013	465,848
2014	451,930
2015	451,930
2016	451,930
2017-2021	1,431,110
Total minimum lease payments	3,729,846
Less: amount representing interest	(850,830)
Present value of net minimum lease payments	$ 2,879,016

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

6. Long-Term Debt:

	Bonds Payable at June 30, 2011		
Limited Tax Pension bonds:	Pension	Revenue	Passenger Facility Charge Revenue
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
6.88% to 7.41%, due serially through fiscal 2020	$ 7,585,721		
6.85%, due serially from fiscal 2020 through fiscal 2028	37,320,000		
6.6%, due fiscal 2025	6,205,000		
2005 Series (issued in fiscal 2006, original issue $20,230,000):			
4.613% to 5.500%, due serially through fiscal 2014	1,305,000		
4.859%, due fiscal 2020	5,005,000		
5.004%, due fiscal 2028	12,995,000		
Portland International Airport revenue bonds:			
Series Fifteen (issued in fiscal 2001, original issue $173,410,000):			
5.00% to 5.375%, due serially through fiscal 2012		$ 4,040,000	
5.0%, due fiscal 2024		27,995,000	
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):			
currently 0.08%, due fiscal 2027		64,040,000	
currently 0.08%, due fiscal 2027		64,040,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
4.0% to 5.0%, due serially through fiscal 2018		17,690,000	
5.0%, due fiscal 2020		6,340,000	
5.0%, due fiscal 2022		6,990,000	
5.25%, due fiscal 2027		20,870,000	
5.0%, due fiscal 2030		15,310,000	
5.5%, due fiscal 2039		63,285,000	
Series Twenty (issued in fiscal 2011, original issue $157,050,000):			
4.0% to 5.0%, due serially through fiscal 2029		99,665,000	
2.0% to 5.0%, due serially through fiscal 2031		40,745,000	
4.25%, due fiscal 2041		16,640,000	
Series Twenty-One (issued in fiscal 2011, original issue $56,770,000):			
3.0% to 5.0%, due serially through fiscal 2016		5,490,000	
2.0% to 5.0%, due serially through fiscal 2019		51,280,000	
Passenger Facility Charge revenue bonds:			
Series 1999 (issued in fiscal 2000, original issue $132,110,000):			
5.375% to 5.75%, due serially through fiscal 2017			$ 34,990,000
5.5%, due fiscal 2019			11,755,000
Series 2009A (issued in fiscal 2009, original issue $57,985,000, variable interest rate):			
currently 0.11%, due fiscal 2025			28,955,000
currently 0.06%, due fiscal 2025			28,945,000
Totals, including $1,111,148, $21,430,000, and $5,145,000, respectively, due within one year	$ 70,415,721	$ 504,420,000	$ 104,645,000

6. Long-Term Debt, continued:

		Loans Payable at June 30, 2011
Portland Int'l Airport Wells Fargo Bank Line of Credit (isued in fiscal 2011, original amount available $100,000,000), .53% to .62%, principal and interest payable on November 24, 2012	$	41,720,614
City of Portland, local improvement district installment payment contract (issued in fiscal 2003, original amount $10,189,218), 5.32%, payable in monthly installments ranging from $36,879 due on July 1, 2011 to $55,887 due on April 1, 2023, including $455,516 due within one year		7,221,557
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2009, original amount available $2,000,000), 0.0%, payable in annual installments of $200,000 due March 31, 2012 through March 31, 2021, including $200,000 due within one year		2,000,000
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available $1,106,604), 0.0%, payable in annual installments of $110,660 due November 1, 2012 through November 1, 2021		1,106,604
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 2.00% to 4.00%, payable in annual installments ranging from $325,732 due December 1, 2011 to $573,262 due December 1, 2030, including $325,732 due within one year		8,460,588
State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2009, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through January 1, 2012, followed by semi-annual installments ranging from $21,935 due July 1, 2012 to $116,326 due July 1, 2031		1,500,000
State of Oregon Business Development Department, port revolving fund loan (issued in fiscal 2010, original amount available $1,500,000), 5.13%, payable in annual interest-only payments through July 1, 2012, followed by semi-annual installments ranging from $20,574 due January 1, 2013 to $109,108 due January 1, 2032		1,406,923
Total, including $981,248 due within one year	$	63,416,286

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

	Airport				Marine & Other	
	Revenue Bonds & Line of Credit		Passenger Facility Charge Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 21,430,000	$ 17,326,801	$ 5,145,000	$ 2,508,082	$ 2,092,396	$ 5,445,044
2013	66,105,614	17,632,669	5,440,000	2,208,718	2,415,130	5,595,661
2014	25,910,000	16,532,518	5,750,000	1,899,313	2,583,306	5,694,437
2015	25,760,000	15,674,881	6,070,000	1,579,540	2,719,191	5,834,161
2016	25,585,000	14,887,819	6,400,000	1,234,296	2,870,091	5,978,893
2017-2021	133,265,000	61,254,249	37,760,000	1,624,922	19,766,923	29,262,408
2022-2026	112,555,000	41,401,169	38,080,000	49,760	40,572,464	13,610,762
2027-2031	61,230,000	25,198,462			18,813,941	1,847,243
2032-2036	40,555,000	14,269,507			277,951	9,928
2037-2041	33,745,000	3,082,679				
	$ 546,140,614	$ 227,260,754	$ 104,645,000	$ 11,104,631	$ 92,111,393	$ 73,278,537

6. Long-Term Debt, continued:

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

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

In addition, at June 30, 2011 and 2010, the Port has accrued $6,258,596 and $6,038,312, respectively, within the Marine & Other activity, for interest payable in future years, which is included in long-term debt on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

Contracts and loans in Marine & Other are payable from revenues of the Port, including existing property tax levies.

Limited Tax Pension Bonds were issued to fund the Port's estimated unfunded actuarial accrued liability as of April 1, 2002 (Note 8). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. Bonds maturing on June 1, 2025 are redeemable at the option of the Port on or after June 1, 2007 at par, in whole or in part, by lot, on any date up to June 1, 2025. Bonds maturing on June 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning June 1, 2020, and on each June 1 thereafter. Interest for certain of the 2002 Limited Tax Pension Bonds is payable only at maturity.

Limited Tax Pension Bonds were also issued to fund the Port's estimated unfunded actuarial accrued liability as of October 1, 2005 (Note 8). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. These bonds are subject to optional redemption by the Port, in whole or in part, on any date, at a price equal to the greater of par or a discounted value, as defined. Bonds maturing on June 1, 2020 are subject to mandatory redemption, at par, prior to maturity, in part, beginning June 1, 2015, and on each June 1 thereafter. Bonds maturing on June 1, 2028 are subject to like mandatory redemption, beginning June 1, 2021, and on each June 1 thereafter.

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

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

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

6. Long-Term Debt, continued:

pledged thereto. The proceeds of all such revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, Airport purposes only.

These Ordinances require that Airport revenues and costs of operation and maintenance be accounted for in an Airport revenue fund. Any excess of revenues over costs other than depreciation is to be credited in the following order for uses specified in Ordinance No. 155:

- General account for payment to an Airport revenue bond fund to provide for the punctual payment of bond interest and principal.

- General account for all other permitted uses.

Proceeds from sales of bonds not expended for allowable acquisitions or construction shall be used for repayment of bonds.

These Ordinances established debt service reserve accounts in an Airport revenue bond fund to accumulate the maximum debt service requirements, as defined in the Ordinances, for any future fiscal year for all outstanding bonds. Debt service reserve insurance may be substituted for any portion of the bond reserve requirement. For all outstanding Airport revenue bonds, the bond reserve requirement has been met.

Section 16(ii) of Ordinance No. 155 and Section 5e of Ordinance No. 323 further stipulate that defined net revenues in each fiscal year must equal at least 130 percent of defined debt service requirements. The Airport has complied with this provision of the Ordinances for the years ended June 30, 2011 and 2010.

On July 1, 2010, contracts with major airline customers became effective in which the airlines have provided financial guarantees sufficient to meet the net revenues requirement for airline supported activities, primarily airfield and terminal operations. Net revenues of other activities, primarily parking, air cargo, and a portion of rental car operations are neither guaranteed nor limited to specified levels by these contracts. The contracts also contain an annual revenue sharing provision through June 30, 2015 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain 1) reductions, contingent on the Port managing operating expenses to a defined target level, and 2) increases, contingent on Airport coverage ratio thresholds. The discount was not adjusted for fiscal 2011, and reduced by $310,517 for fiscal 2010.

In prior years, the Port defeased $102,735,000 of Series Seven bonds by placing the proceeds in an irrevocable trust with an escrow agent to provide for all future debt service on the bonds. As a result, the trust account assets and the liability for the defeased or advance refunded bonds are not included in the financial statements. At June 30, 2011, $24,580,000 of Series Seven defeased debt was still outstanding.

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

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

6. Long-Term Debt, continued:

Series Nineteen bonds maturing on or after July 1, 2019 are redeemable at the option of the Port on or after July 1, 2018 at 100 percent of the principal amount plus accrued interest. Series Nineteen bonds maturing on or after July 1, 2019 are also subject to mandatory redemption at par, prior to maturity, in part, by lot, beginning July 1, 2018, and on each July 1 thereafter.

Series Eighteen variable rate bonds bear an interest rate that is generally reset weekly by remarketing agents, and cannot exceed 12 percent. Payments of principal and interest on the Series Eighteen bonds and the purchase price of Series Eighteen bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. Series Eighteen bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day. In the event that Series Eighteen bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of five years at a variable interest rate based on the greater of the bank's prime rate plus 1 percent, the federal funds rate plus 2 percent, or 7.5 percent.

Series Fifteen bonds maturing on or after July 1, 2012 are redeemable at the option of the Port on or after July 1, 2011 at 101 percent of the principal amount at such date and at decreasing rates thereafter. Series Fifteen bonds maturing July 1, 2023 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning July 1, 2019, and on each July 1 thereafter.

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

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

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

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

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

In fiscal 2009, the Port issued Series 2009A Passenger Facility Charge Variable Rate Refunding Bonds (PFC refunding bonds), the proceeds of which were deposited in an irrevocable trust with an escrow agent to refund $56,445,000 of PFC Series 1999A bonds, representing all of the outstanding portions maturing after July 1, 2009. As a result, those bonds were considered defeased and the trust account assets and the liability for those bonds are not included in the financial statements. The defeased bonds were redeemed on July 1, 2009 at 101 percent of the principal amount. The PFC refunding bonds are a direct result of pay-fixed, receive variable interest rate swaps which commenced on July 1, 2009. The interest rate on the PFC refunding bonds is generally reset weekly by remarketing agents and cannot exceed 12 percent. Payments of principal and interest on the PFC refunding bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. In the event that PFC refunding

6. Long-Term Debt, continued:

bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of three years at a variable interest rate based on the greater of the bank's prime rate plus 2 percent, the federal funds rate plus 3 percent, or 10 percent.

PFC Series 1999 bonds maturing on or after July 1, 2010 are redeemable at the option of the Port on or after July 1, 2009 at 101 percent of the principal amount at such date and at decreasing rates thereafter. PFC Series 1999 bonds maturing July 1, 2018 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, on July 1, 2017, and July 1, 2018.

PFC Series 2009A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day.

The Port has reserved the right to use at any time any legally available funds to purchase for retirement any of the outstanding PFC Series 1999 bonds offered to the Port at any price deemed reasonable.

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

DERIVATIVE INSTRUMENTS

At June 30, 2011, the Airport had the following hedging derivative instruments outstanding:

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

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling $9,293,538, and for derivative instruments E and F, the Airport received an up-front payment totaling $5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was $(25,845,000) at June 30, 2011 and is recorded on the Airport's balance sheet as a noncurrent liability and the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a noncurrent liability of $11,460,424 at June 30, 2011. Hedge

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

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

The fair values of the interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The Airport has three separate counterparties for its interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2011 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A, C, and E	AA- / Aa1
Derivative B and D	AAA / Aa1
Derivative F	A / A2

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2011, none of the Airports interest rate swaps were exposed to credit risk.

Interest rate risk. The Airport is exposed to interest rate risk on its pay-fixed, receive 68% of 1 month LIBOR interest rate swaps. As 1 month LIBOR decreases, the Airport's net payment on the swaps increases; this is offset substantially by decreases in the Airport’s interest payments on the bonds.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps are variable-rate demand obligation (VRDO) bonds that are remarketed weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedging the VRDO bonds, because the variable-rate payments received by the Airport on these derivative instruments are based on a rate or index other than the interest rates the Airport pays on the VRDO bonds. At June 30, the weighted-average interest rate on the Airport's VRDO bonds is 0.0816 percent, while 68 percent of 1 month LIBOR is approximately 0.1262 percent.

Termination risk. The Airport or its counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. In addition, the swap may be terminated if the Airport or a swap counterparty's rating drops below BBB- / Baa3. At termination, the Airport may owe a termination payment if there is a realized loss based on the fair value of the terminated interest rate swap.

Derivative instruments A, B, C and D require the Airport to post collateral in the event that its Standard & Poors credit rating drops below A-. The collateral posted is to be in the form of cash or U.S. Treasury securities in the amount of the negative fair value of the interest rate swap. The Airport's credit rating is AA- at June 30, 2011; therefore, no collateral has been posted for these derivative instruments. Derivative instrument E requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below A- or if the negative fair value of that derivative instrument exceeds $15 million. The Airport's credit rating is AA- at June 30, 2011, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for these derivative instruments. Derivative instrument F requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below BBB- or if there is a negative fair value of that derivative instrument. Derivative instrument F has a negative fair value at June 30, 2011; therefore, the Airport has posted $6,210,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport’s balance sheet).

6. Long-Term Debt, continued:

As rates vary, variable rate bond interest payments and net swap payments will vary. Although not a prediction by the Port of future interest cost of the variable rate bonds or of the impact of interest rate swaps, following are debt service requirements of the Airport's hedged variable rate debt and related net swap payments, using rates as of June 30, 2011:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2012	$ 5,800,000	$ 97,824	$ 5,615,341	$ 11,513,165
2013	5,820,000	93,168	5,349,638	11,262,806
2014	6,085,000	88,300	5,030,618	11,203,918
2015	7,970,000	81,924	4,622,338	12,674,262
2016	9,710,000	74,156	4,159,534	13,943,690
2017-2021	47,330,000	257,144	14,211,829	61,798,973
2022-2026	38,580,000	84,976	4,456,050	43,121,026
2027-2031	6,785,000			6,785,000
	$ 128,080,000	$ 777,492	$ 43,445,348	$ 172,302,840

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2012	$ 85,000	$ 49,144	$ 2,796,545	$ 2,930,689
2013	90,000	49,068	2,792,067	2,931,135
2014	95,000	48,988	2,787,348	2,931,336
2015	100,000	48,903	2,782,386	2,931,289
2016	105,000	48,815	2,777,182	2,930,997
2017-2021	19,345,000	215,446	11,590,148	31,150,594
2022-2026	38,080,000	49,760	2,422,228	40,551,988
	$ 57,900,000	$ 510,124	$ 27,947,904	$ 86,358,028

7. Industrial Revenue Bonds:

The Port facilitates the issuance of industrial revenue bonds by others to finance construction of industrial facilities within the Port district which it leases or sells on installment contracts to the industrial users. Such facilities and the related receipts from lease rentals and contract payments are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. Accordingly, the bond liability and related receivables are not reflected in the Port’s financial statements.

Following is a summary of industrial revenue bonds outstanding at June 30:

	2011	2010
Bonds issued for:		
Airport industrial facilities	$ 17,300,000	$ 25,338,000
Marine & Other facilities	109,100,000	109,100,000
Total bonds payable	$ 126,400,000	$ 134,438,000

8. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a defined benefit pension plan which has both agent multiple-employer and cost-sharing multiple-employer segments, administered by PERS, to which employees and employers both contribute. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are generally based on salary and length of service or retiree account balance, are calculated using a formula, and are payable in a lump sum or monthly using several payment options. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes. PERS issues a publicly available financial report, which may be obtained by writing to PERS, PO Box 23700, Tigard, Oregon 97281-3700.

The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rate was 6.65 percent of annual covered payroll for fiscal years 2011 and 2010, and 6.05 percent of annual covered payroll for fiscal year 2009. The Port also pays the required employee contribution. The Port, by electing to join the State and Local Government Rate Pool, effective January 1, 2002, is part of the cost-sharing multiple-employer segment of the pension plan. Limited tax pension bonds were issued to fund the Port's estimated unfunded actuarial accrued liability of $54,068,039 as of April 1, 2002, and $20,012,029 as of October 1, 2005. These amounts were recorded as pension assets on the Port balance sheet. Of these amounts, $25,550,920 and $11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as both assets and liabilities (due to Marine & Other). The assets are being amortized using methods and assumptions used in actuarial valuations. The actuarial amortization increased the balance of Port pension assets by $208,678, $415,581, and $597,431, for fiscal years 2011, 2010, and 2009, respectively, of which $148,339, $201,487, and $282,578, were applicable to the Airport. The Airport liability is reduced proportionately as the Marine & Other activity makes principal payments on the pension bonds. Principal payments on the pension bonds were made in the amounts of $1,005,744, $894,182, and $780,399, in fiscal 2011, 2010, and 2009, respectively, of which $502,105, $444,022, and $385,337, were applicable to the Airport.

For fiscal years 2011, 2010, and 2009 the Port's annual PERS contributions were $3,669,874, $3,633,617, and $5,431,144, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. Pension contributions of $1,751,452, $1,713,699, and $2,504,858, for fiscal years 2011, 2010, and 2009, respectively, were applicable to the Airport.

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

The Port's employer contribution rate to OPSRP, determined by an actuary using past PERS data, was 5.81 percent of annual covered payroll for general service members and 8.52 percent for police and fire members for fiscal years 2011 and 2010, and 7.31 percent of annual covered payroll for general service members and 10.58 percent for police and fire members for fiscal year 2009. The Port's fiscal 2011, 2010, and 2009 OPSRP contributions were $1,661,868, $1,510,905, and $1,537,527, respectively, which equaled the contractually required contributions. Actuarial determinations are not made solely as to Airport employees. OPSRP contributions of $650,439, $560,845, and $586,698, for fiscal years 2011, 2010, and 2009, respectively, were applicable to the Airport.

8. Pension Plans and Deferred Compensation Plan, continued:

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

9. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out, and will not be offered to any employees not meeting eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. Contributions to the plan are made on a pay-as-you-go basis.

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

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

	Airport	Marine & Other
Annual required contribution	$ 374,000	$ 322,000
Interest on net OPEB obligation	39,000	9,000
Adjustment to annual required contribution	(57,000)	(13,000)
Annual OPEB cost (expense)	356,000	318,000
Contributions made	(314,000)	(441,000)
Increase (decrease) in net OPEB obligation	42,000	(123,000)
Net OPEB obligation - beginning of year	992,000	219,000
Net OPEB obligation - end of year	$ 1,034,000	$ 96,000

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
Airport:			
2011	$ 356,000	88.2%	$ 1,034,000
2010	307,000	91.5%	992,000
2009	1,028,000	60.1%	966,000
Marine & Other:			
2011	$ 318,000	138.7%	$ 96,000
2010	303,000	134.7%	219,000
2009	840,000	82.0%	324,000

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:	7/1/2009	$ 0	$ 3,182,000	$ 3,182,000	0%	N/A	N/A
Marine & Other:	7/1/2009	0	3,394,000	3,394,000	0%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used.

The July 1, 2009 actuarial assumptions included a 4.0 percent investment rate of return, projected inflation at 4.0 percent, and an annual healthcare cost trend rate of 10.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eleven years. The Port's unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

10. <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, 2011	2010
Beginning liability	$ 1,570,702	$ 1,225,183
Current year claims and changes in estimates	930,362	1,094,236
Claim payments	(717,593)	(748,717)
Ending liability	$ 1,783,471	$ 1,570,702

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

11. Commitments and Contingencies:

At June 30, 2011, land acquisition and construction contract commitments aggregated approximately $44,500,000 for the Airport, $18,700,000 for Marine & Other, and $63,200,000 in total.

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

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

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other (PRPs) as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Order on Consent (AOC) to perform remedial investigation and evaluation activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately $7,600,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2011. Cleanup costs for the Portland Harbor are not yet estimable under GAAP, and the Port’s ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately $20,600,000 in estimated remaining costs for this cleanup at June 30, 2011. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2011. Both these sites are accounted for within the Marine & Other activity.

Operating expense and the corresponding liability measured at current value using the expected cash flow method have been recognized for certain pollution remediation obligations that may not have been previously required to be recognized. Certain other environmental contingencies may have limited measurable transactions and events at initial recognition, but

11. Commitments and Contingencies, continued:

estimates will increase over time as more components become reasonably estimable. Liabilities will also be remeasured when new information indicates increases or decreases in estimated outlays.

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

	2011			2010		
	Airport	Marine & Other	Total	Airport	Marine & Other	Total
Beginning liability	$ 1,175,000	$ 53,405,000	$ 54,580,000	$ 1,175,000	$ 54,540,900	$ 55,715,900
Accruals		(612,874)	(612,874)		(1,135,900)	(1,135,900)
Reclassifications (to) from current		(3,153,500)	(3,153,500)			
Ending liability	$ 1,175,000	$ 49,638,626	$ 50,813,626	$ 1,175,000	$ 53,405,000	$ 54,580,000

The Port leases from others, under operating leases, certain computer software, warehouse and office space, copiers, and submerged lands. These leases expire at varying times through fiscal 2016. Total rental expense (all minimum rentals) for operating leases approximated $152,000 and $2,727,000 for Marine & Other in 2011 and 2010, respectively, and $302,000 and $41,000 for the Airport in 2011 and 2010, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

	Airport	Marine & Other	Total Port
2012	$ 306,972	$ 178,166	$ 485,138
2013	302,312	168,446	470,758
2014	302,312	168,446	470,758
2015	261,392	165,160	426,552
2016	11,235	31,341	42,576
Total	$ 1,184,223	$ 711,559	$ 1,895,782

12. Net Assets Deficit and Budget Overexpenditures:

The Port has a net assets deficit of $87,443,931 in the Airport PFC Fund as of June 30, 2011. The deficit exists because bond proceeds are recorded in or reimbursed to construction funds and related long-term debt is recorded in this fund. In the PFC fund, the Port overexpended one budget appropriation for Other expenditures by $(151,096) for the year ended June 30, 2011 as a result of higher than anticipated variable rate bond costs.

13. Subsequent Event:

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

REQUIRED SUPPLEMENTARY INFORMATION

THE PORT OF PORTLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR DEFINED-BENEFIT HEALTHCARE PLAN

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

SUPPLEMENTARY INFORMATION

ORGANIZATION AND INTERNAL FUND DIVISIONS

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

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

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

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

General Fund

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

Bond Construction Fund

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

Airport Revenue Fund

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

Airport Revenue Bond Fund

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

Airport Construction Fund

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

PFC Fund

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

PFC Bond Fund

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

THE PORT OF PORTLAND

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

for the year ended June 30, 2011

	Budgetary (Accrual) Basis * Revenues	Budgetary (Accrual) Basis * Expenditures	Excess Revenues (Expenditures)
Port Funds:			
General Fund	$ 89,167,569	$ 103,297,500	$ (14,129,931)
Bond Construction Fund	13,517,082	14,879,067	(1,361,985)
Airport Revenue Fund	173,882,629	73,473,970	100,408,659
Airport Revenue Bond Fund	4,326,413	54,712,078	(50,385,665)
Airport Construction Fund	114,236,036	107,989,159	6,246,877
PFC Fund	27,038,023	1,051,096	25,986,927
PFC Bond Fund	60,856	10,666,158	(10,605,302)
Totals - budgetary reporting basis	$ 422,228,608	$ 366,069,028	56,159,580
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			122,868,226
Internal costs on capital projects			13,593,191
Interest expense capitalized			2,768,964
Depreciation and amortization expense			(82,430,393)
Expenses that will be expended in future years			3,847,374
Contributions from governmental agencies			(49,032,971)
Bond sale and loan proceeds			(86,229,500)
Bond and contract payable principal expenditures			35,476,677
Difference between property sale proceeds and loss on sales			(5,435,212)
Difference between income and proceeds from sales of land			(470,498)
Change in deferred revenues and certain rents, notes, and contracts receivable			(2,847,255)
Amortization of bond issuance costs			(1,692,456)
Expensed capital outlay expenditures			(2,858,466)
Other			2,244,286
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 5,961,547

* The Port budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND

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

for the year ended June 30, 2011

	Budgetary (Accrual) Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Funds:			
Airport Revenue Fund	$ 173,882,629	$ 73,473,970	$ 100,408,659
Airport Revenue Bond Fund	4,326,413	54,712,078	(50,385,665)
Airport Construction Fund	114,236,036	107,989,159	6,246,877
PFC Fund	27,038,023	1,051,096	25,986,927
PFC Bond Fund	60,856	10,666,158	(10,605,302)
Totals - budgetary reporting basis	$ 319,543,957	$ 247,892,461	71,651,496
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			107,989,159
Internal costs on capital projects			1,455,996
Interest expense capitalized			2,350,564
Depreciation and amortization expense			(63,152,017)
Contributions from governmental agencies			(35,700,776)
Bond sale proceeds			(82,347,798)
Bond principal expenditures			35,809,324
Change in deferred revenues and certain rents, notes, and contracts receivable			430,630
Amortization of bond issuance costs			(1,634,931)
Expensed capital outlay expenditures			(2,019,757)
Intra-Port services received, provided, and overhead			(19,402,997)
Other			(2,558,811)
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 12,870,082

* The Airport budgets all funds on the accrual basis of accounting.

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenues:			
Administration	$ 165,000	$ 227,836	$ 62,836
Marine and Industrial Development	54,703,162	52,795,885	(1,907,277)
Navigation	13,148,816	9,590,353	(3,558,463)
General Aviation	3,166,077	3,284,817	118,740
	71,183,055	65,898,891	(5,284,164)
Tax and tax items:			
Current property tax levy - net	9,024,690	9,272,062	247,372
Interest on taxes		33,072	33,072
	9,024,690	9,305,134	280,444
Interest	2,100,000	2,679,039	579,039
State loan proceeds		3,881,702	3,881,702
Fixed asset sales and other		7,402,803	7,402,803
Total revenues	82,307,745	89,167,569	6,859,824
TRANSFERS FROM OTHER FUNDS:			
Bond Construction Fund	5,549,908	3,893,904	(1,656,004)
Airport Construction Fund	7,717,231	8,301,560	584,329
Airport Revenue Fund	22,709,181	22,967,647	258,466
Total transfers	35,976,320	35,163,111	(813,209)
Total revenues and transfers	118,284,065	124,330,680	6,046,615
BEGINNING WORKING CAPITAL	131,914,744	149,945,858	18,031,114
Total resources	$ 250,198,809	$ 274,276,538	$ 24,077,729

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

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Administration	$ 39,987,063		$ 39,987,063	$ 38,400,181	$ 1,586,882
Marine and Industrial Development	47,984,098	$ 1,500,000	49,484,098	41,385,290	8,098,808
Navigation	10,275,132		10,275,132	7,907,883	2,367,249
General Aviation	2,035,862	150,000	2,185,862	2,132,508	53,354
Long-term debt payments	7,511,010		7,511,010	7,295,415	215,595
System development charges/other	5,000		5,000		5,000
Other environmental	5,074,000	3,000,000	8,074,000	6,176,223	1,897,777
Contingencies	134,947,347	(4,650,000)	130,297,347		130,297,347
Total expenditures	247,819,512		247,819,512	103,297,500	144,522,012
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	1,130,318		1,130,318		1,130,318
Airport Revenue Fund	1,248,979		1,248,979	291,130	957,849
Total transfers	2,379,297		2,379,297	291,130	2,088,167
Total expenditures and transfers	$ 250,198,809	$	$ 250,198,809	103,588,630	$ 146,610,179
ENDING WORKING CAPITAL				170,687,908	
Reclass of cash from current to restricted				(8,800)	
ENDING WORKING CAPITAL PER BALANCE SHEET				$ 170,679,108	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 159,996	$ 183,264	$ 23,268
Grants and other	26,413,056	13,333,818	(13,079,238)
Total revenues	26,573,052	13,517,082	(13,055,970)
TRANSFERS FROM OTHER FUNDS:			
General Fund	1,130,318		(1,130,318)
Total transfers	1,130,318		(1,130,318)
BEGINNING WORKING CAPITAL	19,318,938	19,300,362	(18,576)
Total resources	$ 47,022,308	32,817,444	$ (14,204,864)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 31,415,201	14,879,067	$ 16,536,134
Contingencies	10,000,000		10,000,000
Total expenditures	41,415,201	14,879,067	26,536,134
TRANSFERS TO OTHER FUNDS:			
General Fund	5,549,908	3,893,904	1,656,004
Airport Revenue Fund	57,199	91,128	(33,929)
Total transfers	5,607,107	3,985,032	1,622,075
Total expenditures and transfers	$ 47,022,308	18,864,099	$ 28,158,209
ENDING WORKING CAPITAL		$ 13,953,345	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Operating revenue - Portland International Airport	$ 173,953,411	$ 173,011,493	$ (941,918)
Interest and other	972,996	871,136	(101,860)
Total revenues	174,926,407	173,882,629	(1,043,778)
TRANSFERS FROM OTHER FUNDS:			
General Fund	1,248,978	291,130	(957,848)
Bond Construction Fund	57,200	91,128	33,928
Airport Construction Fund	1,399,550	1,443,722	44,172
Total transfers	2,705,728	1,825,980	(879,748)
Total revenues and transfers	177,632,135	175,708,609	(1,923,526)
BEGINNING WORKING CAPITAL	20,000,000	22,170,730	2,170,730
Total resources	$ 197,632,135	197,879,339	$ 247,204

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Operating expenditures	$ 73,835,916	73,473,970	$ 361,946
System development charges/other	5,000		5,000
Contingencies	20,000,000		20,000,000
Total expenditures	93,840,916	73,473,970	20,366,946
TRANSFERS TO OTHER FUNDS:			
General Fund	22,709,182	22,967,647	(258,465)
Airport Construction Fund	31,081,617	5,036,821	26,044,796
Airport Revenue Bond Fund	50,000,420	54,107,988	(4,107,568)
Total transfers	103,791,219	82,112,456	21,678,763
Total expenditures and transfers	$ 197,632,135	155,586,426	$ 42,045,709
ENDING WORKING CAPITAL		$ 42,292,913	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 150,000	$ 39,590	$ (110,410)
Bond sale proceeds	19,000,000	4,286,823	(14,713,177)
Total revenues	19,150,000	4,326,413	(14,823,587)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	50,000,421	54,107,988	4,107,567
Airport Construction Fund	12,000,000		(12,000,000)
Total transfers	62,000,421	54,107,988	(7,892,433)
Total revenues and transfers	81,150,421	58,434,401	(22,716,020)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	16,867,490	16,300,343	(567,147)
Total resources	$ 98,017,911	74,734,744	$ (23,283,167)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 62,150,421	54,712,078	$ 7,438,343
Total expenditures	62,150,421	54,712,078	$ 7,438,343
UNAPPROPRIATED BALANCE	35,867,490		
	$ 98,017,911		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 20,022,666	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2011

	Budget	Actual	Over (Under) Budget
REVENUES:			
Grants	$ 19,035,883	$ 35,700,776	$ 16,664,893
Interest and other	2,990,004	717,721	(2,272,283)
Bond sale and other debt proceeds	170,785,000	77,817,539	(92,967,461)
Total revenues	192,810,887	114,236,036	(78,574,851)
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	31,081,616	5,036,821	(26,044,795)
PFC Fund	13,521,618	10,000,000	(3,521,618)
Total transfers	44,603,234	15,036,821	(29,566,413)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	7,994,197	35,551,755	27,557,558
Total resources	$ 245,408,318	164,824,612	$ (80,583,706)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 129,707,749	107,989,159	$ 21,718,590
Contingencies	94,583,789		94,583,789
Total expenditures	224,291,538	107,989,159	116,302,379
TRANSFERS TO OTHER FUNDS:			
General Fund	7,717,231	8,301,560	(584,329)
Airport Revenue Fund	1,399,549	1,443,722	(44,173)
Airport Revenue Bond Fund	12,000,000		12,000,000
Total transfers	21,116,780	9,745,282	11,371,498
Total expenditures and transfers	$ 245,408,318	117,734,441	$ 127,673,877
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 47,090,171	

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

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

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Other	$ 900,000	1,051,096	$ (151,096)
Contingencies	8,948,753		8,948,753
Total expenditures	9,848,753	1,051,096	8,948,753
TRANSFERS TO OTHER FUNDS:			
PFC Bond Fund	10,861,860	10,633,777	228,083
Airport Construction Fund	13,521,619	10,000,000	3,521,619
Total transfers	24,383,479	20,633,777	3,749,702
Total expenditures and transfers	$ 34,232,232	21,684,873	$ 12,698,455
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 13,427,368	

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

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest	$ 324,996	$ 60,856	$ (264,140)
Total revenues	324,996	60,856	(264,140)
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	10,861,860	10,633,777	(228,083)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	10,770,975	10,774,038	3,063
Total resources	$ 21,957,831	21,468,671	$ (489,160)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 11,186,856	10,666,158	$ 520,698
Total expenditures	11,186,856	10,666,158	$ 520,698
UNAPPROPRIATED BALANCE	10,770,975		
	$ 21,957,831		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		$ 10,802,513	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2011

		Marine & Other			Airport					
ASSETS	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund
Current assets:										
Cash and cash equivalents	$ 43,999,458	$ 43,936,018	$ 43,936,018		$ 63,440	$ 63,440				
Equity in pooled investments	221,698,132	164,293,372	148,123,881	$ 16,169,491	57,404,760	57,404,760				
Receivables, net of allowance for doubtful accounts	19,978,088	11,922,736	10,388,738	1,533,998	8,055,352	8,055,352				
Prepaid insurance and other assets	4,722,587	1,752,238	1,752,238		2,970,349	2,970,349				
Total current assets	290,398,265	221,904,364	204,200,875	17,703,489	68,493,901	68,493,901				
Noncurrent assets:										
Restricted assets:										
Cash and equity in pooled investments	156,904,711	8,292,044	8,292,044		148,612,667	9,625,258	$ 51,249,335	$ 59,394,325	$ 10,857,265	$ 17,486,484
Receivables	13,048,139				13,048,139		6,486	9,759,544	3,279,527	2,582
Total restricted assets	169,952,850	8,292,044	8,292,044		161,660,806	9,625,258	51,255,821	69,153,869	14,136,792	17,489,066
Land held for sale	16,163,732	16,163,732	16,163,732							
Depreciable properties, net of accumulated depreciation	991,115,454	155,706,149	155,706,149		835,409,305	835,409,305				
Nondepreciable properties	518,161,885	141,174,593	75,501,194	65,673,399	376,987,292	68,042,167		308,945,125		
Unamortized bond issue costs	22,251,251	781,988	781,988		21,469,263	17,955,084			3,514,179	
Pension assets	75,546,020	37,356,963	37,356,963		38,189,057	38,189,057				
Due from other funds		34,449,893 *	34,449,893 *							
Deferred outflow and other noncurrent assets	26,610,749	765,749	765,749		25,845,000		17,739,000		8,106,000	
Total noncurrent assets	1,819,801,941	394,691,111	329,017,712	65,673,399	1,459,560,723	969,220,871	68,994,821	378,098,994	25,756,971	17,489,066
Total assets	$ 2,110,200,206	$ 616,595,475	$ 533,218,587	$ 83,376,888	$ 1,528,054,624	$ 1,037,714,772	$ 68,994,821	$ 378,098,994	$ 25,756,971	$ 17,489,066
LIABILITIES										
Current liabilities (payable from current assets):										
Current portion of long-term debt	$ 2,092,396	$ 2,092,396	$ 2,092,396							
Accounts payable	35,685,232	19,100,209	15,350,065	$ 3,750,144	$ 16,585,023	$ 16,585,023				
Accrued wages, vacation and sick leave pay	13,667,170	7,671,216	7,671,216		5,995,954	5,995,954				
Workers' compensation and other accrued liabilities	12,028,101	8,408,090	8,408,090		3,620,011	3,620,011				
Total current liabilities (payable from current assets)	63,472,899	37,271,911	33,521,767	3,750,144	26,200,988	26,200,988				
Restricted liabilities (payable from restricted assets):										
Current portion of long-term debt and other	27,972,960				27,972,960		$ 22,273,522		$ 554,438	$ 5,145,000
Accrued interest payable	10,501,186				10,501,186		8,959,633			1,541,553
Accounts payable	22,114,109	50,000	50,000		22,064,109			$ 21,909,123	154,986	
Contract retainage payable	154,575				154,575			154,575		
Total restricted current liabilities (payable from restricted assets)	60,742,830	50,000	50,000		60,692,830		31,233,155	22,063,698	709,424	6,686,553
Noncurrent liabilities:										
Long-term environmental and other accruals	80,609,441	52,555,441	52,555,441		28,054,000	2,209,000	17,739,000		8,106,000	
Long-term debt	731,448,735	96,277,593	96,277,593		635,171,142	535,671,142			99,500,000	
Deferred revenue and other	75,057,961	33,420,565	33,420,565		41,637,396	31,574,932	5,176,986		4,885,478	
Due to other funds					34,449,893 *	34,449,893 *				
Total noncurrent liabilities	947,858,967	182,303,599	182,303,599		800,005,261	603,904,967	54,149,141	22,063,698	113,200,902	6,686,553
Total liabilities	1,011,331,866	219,575,510	215,825,366	3,750,144	826,206,249	630,105,955	54,149,141	22,063,698	113,200,902	6,686,553
NET ASSETS										
Invested in capital assets, net of related debt	862,744,459	313,533,916	247,860,517	65,673,399	549,210,543	362,826,239	(21,430,000)	308,945,125	(95,985,821)	(5,145,000)
Restricted for capital and debt service	117,056,799	8,242,044	8,242,044		108,814,755	959,501	36,275,680	47,090,171	8,541,890	15,947,513
Unrestricted	119,067,082	75,244,005	61,290,660	13,953,345	43,823,077	43,823,077				
Total net assets	1,098,868,340	397,019,965	317,393,221	79,626,744	701,848,375	407,608,817	14,845,680	356,035,296	(87,443,931)	10,802,513
Total liabilities and net assets	$ 2,110,200,206	$ 616,595,475	$ 533,218,587	$ 83,376,888	$ 1,528,054,624	$ 1,037,714,772	$ 68,994,821	$ 378,098,994	$ 25,756,971	$ 17,489,066

* 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, 2011

Operating revenues:		
Airline revenues	$	87,114,833
Concessions and other rentals		84,575,218
Other		1,752,072
		173,442,123
Interest income - revenue fund and revenue bond fund		883,054
		174,325,177
Costs of operation and maintenance, excluding depreciation:		
Salaries, wages and fringe benefits		36,427,669
Contract, professional and consulting services		24,178,159
Materials and supplies		3,505,423
Utilities		6,396,810
Equipment rents, repair and fuel		972,800
Insurance		2,040,175
Rent		8,270
Travel and management expense		1,005,874
Allocation of general and administration expense of the Port of Portland		15,674,397
Other		3,456,821
		93,666,398
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$	80,658,779

* 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, 2011

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

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

Net revenues, per accompanying schedule of net revenues		$ 80,658,779
Debt service requirement:		
Interest and principal amount	$ 48,086,771	
	x 130%	
Total net revenues required		62,512,802
Excess of net revenues over 130% of debt service requirement		$ 18,145,977

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2011

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

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, 2011

Net revenues, per accompanying schedule of net revenues	$	80,658,779	
Less revenue bond fund interest income		(51,246)	
Applied to General Account, available to be applied to debt service of bonds	$	80,607,533	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	48,086,771	(2)
Ratio (1)/(2)		1.68	
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, 2011

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2010	$ 3,063	$ 10,770,975	$ 8,074,218
PFC revenues:			
PFC bond account	10,633,777		
Capital account			16,353,863
Interest earnings		60,856	49,001
Transfer from reserve account to bond account	60,856	(60,856)	
Bond payments to trustee	(10,666,158)		
Variable rate bond and interest rate swap costs			(1,038,168)
Costs of approved PFC projects			(10,000,000)
Other, net			(11,546)
Balances at June 30, 2011	$ 31,538	$ 10,770,975	$ 13,427,368

NOTE: This schedule is provided in compliance with Section 9(d) of Ordinance No. 395-B.

THE PORT OF PORTLAND
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
for the year ended June 30, 2011

Fiscal Year	Property Taxes Receivable June 30, 2010	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2011	Interest Collected
2010-11		$ 9,595,717	$ (9,032,486)	$ (239,237)	$ (60,270)	$ 263,724	$ 3,797
2009-10	$ 300,069		(168,650)		(14,668)	116,751	9,443
2008-09	125,154		(58,149)		(5,239)	61,766	8,825
2007-08	49,867		(29,880)		(1,355)	18,632	7,274
2006-07	16,575		(11,741)		(731)	4,103	3,343
2005-06 and prior	14,642		(1,448)		(2,155)	11,039	(105)
	$ 506,307	$ 9,595,717	$ (9,302,354)	$ (239,237)	$ (84,418)	$ 476,015	$ 32,577

Reconciliation to income from property taxes:

Current levy	$ 9,595,717
Deduct discounts allowed	(239,237)
Cancellations and adjustments	(84,418)
	$ 9,272,062

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2011

			2010-2011 Transactions			Outstanding June 30, 2011	
	Maturity Date	Outstanding at June 30, 2010	Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 8,291,465		$ 705,744	$ 705,744	$ 7,585,721	$ 751,148
Series 2002B, 6.60% to 6.85%	06/01/28	43,525,000				43,525,000	
Series 2005, 4.00% to 5.50%	06/01/28	19,605,000		300,000	300,000	19,305,000	360,000
Total Limited Tax Pension Bonds		71,421,465		1,005,744	1,005,744	70,415,721	1,111,148
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 12A, 4.00% to 5.25%	07/01/28	17,875,000		1,990,000	17,875,000		
Series 12B, 4.00% to 5.25%	07/01/18	8,960,000		1,555,000	8,960,000		
Series 12C, 4.00% to 5.25%	07/01/28	107,645,000		4,375,000	107,645,000		
Series 15A, 4.00% to 5.00%	07/01/15	8,970,000		1,565,000	7,340,000	1,630,000	1,630,000
Series 15B, 4.50% to 5.375%	07/01/18	32,100,000		3,645,000	30,525,000	1,575,000	1,575,000
Series 15D, 4.50% to 5.50%	07/01/23	63,230,000		3,140,000	34,400,000	28,830,000	835,000
Series 18A, 0.08% *	07/01/26	66,825,000		2,785,000	2,785,000	64,040,000	2,900,000
Series 18B, 0.08% *	07/01/26	66,825,000		2,785,000	2,785,000	64,040,000	2,900,000
Series 19, 4.00% to 5.50%	07/01/38	131,965,000		1,480,000	1,480,000	130,485,000	1,840,000
Series 20A, 3.00% to 5.00%	07/01/40		$ 35,765,000			35,765,000	4,085,000
Series 20B, 2.00% to 4.50%	07/01/40		21,620,000			21,620,000	30,000
Series 20C, 4.00% to 5.00%	07/01/28		99,665,000			99,665,000	5,635,000
Series 21A, 3:00% to 5.00%	07/01/15		5,490,000			5,490,000	
Series 21B, 2.00% to 5.00%	07/01/18		51,280,000			51,280,000	
Total Portland Int'l Airport Revenue Bonds		504,395,000	213,820,000	23,320,000	213,795,000	504,420,000	21,430,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 1999B, 5.00% to 5.75%	07/01/18	51,530,000		4,785,000	4,785,000	46,745,000	5,060,000
Series 2009A1, 0.11% *	07/01/24	29,000,000		45,000	45,000	28,955,000	45,000
Series 2009A2, 0.06% *	07/01/24	28,985,000		40,000	40,000	28,945,000	40,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		109,515,000		4,870,000	4,870,000	104,645,000	5,145,000
Total Port Bonds		$ 685,331,465	$ 213,820,000	$ 29,195,744	$ 219,670,744	$ 679,480,721	$ 27,686,148
CONTRACTS & LOANS PAYABLE:							
Portland Int'l Airport Wells Fargo Bank Line of Credit, .53% to .62%	11/12/10		$ 41,720,614			$ 41,720,614	
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 7,653,524		$ 431,967	$ 431,967	7,221,557	$ 455,516
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	574,820	1,425,180			2,000,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	11/01/22		1,106,604			1,106,604	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	8,116,653	343,935			8,460,588	325,732
Oregon Business Development Dept., 040-188, 5.13%	07/01/30	1,477,874	22,126			1,500,000	
Oregon Business Development Dept., 040-189, 5.13%	01/01/32	618,066	788,857			1,406,923	
Total Contracts & Loans Payable		$ 18,440,937	$ 45,407,316	$ 431,967	$ 431,967	$ 63,416,286	$ 981,248
TOTAL PORT LONG-TERM DEBT		$ 703,772,402	$ 259,227,316	$ 29,627,711	$ 220,102,711	$ 742,897,007	$ 28,667,396

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

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2011

		2010 - 11 Transactions				
	Outstanding at June 30, 2010	Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions	Outstanding at June 30, 2011	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 14,323,536		$ 594,256		$ 13,729,280	$ 743,852
Series 2002B, 6.60% to 6.85%	43,846,378		2,965,950		40,880,428	2,965,950
Series 2005, 4.00% to 5.50%	11,683,720		970,669		10,713,051	957,121
Total Limited Tax Pension Bonds	69,853,634		4,530,875		65,322,759	4,666,923
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 12A, 4.00% to 5.25%	5,436,706		734,630	$ 4,702,076		
Series 12B, 4.00% to 5.25%	1,313,137		363,314	949,823		
Series 12C, 4.00% to 5.25%	55,089,150		4,452,514	50,636,636		
Series 15A, 4.00% to 5.00%	1,211,131		478,902	691,479	40,750	40,750
Series 15B, 4.50% to 5.375%	7,163,642		1,926,795	5,194,519	42,328	42,328
Series 15D, 4.50% to 5.50%	25,594,636		3,641,132	7,098,460	14,855,044	1,421,669
Series 18A, 0.08% *	1,209,890		160,723	660,439	388,728	48,912
Series 18B, 0.08% *	1,154,994		162,128	604,102	388,764	48,912
Series 19, 4.00% to 5.50%	127,417,844		6,883,788		120,534,056	6,800,788
Series 20A, 3.125% to 5.00%		$ 14,750,816	254,488		14,496,328	1,471,106
Series 20B, 2.00% to 4.50%		16,184,123	141,760		16,042,363	864,675
Series 20C, 4.00% to 5.00%		49,508,451	788,576		48,719,875	4,698,950
Series 21A, 3.00% to 5.00%		482,967			482,967	140,167
Series 21B, 2.00% to 5.00%		10,954,769			10,954,769	1,748,544
Total Portland Int'l Airport Revenue Bonds	225,591,130	91,881,126	19,988,750	70,537,534	226,945,972	17,326,801
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 1999B, 5.00% to 5.75%	13,336,488		2,741,981		10,594,507	2,458,938
Series 2009A1, 0.11% *	989,993		75,079	583,765	331,149	31,801
Series 2009A2, 0.06% *	889,077		74,203	635,899	178,975	17,343
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	15,215,558		2,891,263	1,219,664	11,104,631	2,508,082
Total Port Bonds	$ 310,660,322	$ 91,881,126	$ 27,410,888	$ 71,757,198	$ 303,373,362	$ 24,501,806
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 2,899,595		$ 396,736		$ 2,502,859	$ 373,186
Oregon Business Development Dept., B08005, 2.00% to 4.00%	409,493	$ 3,574,001	220,247	$ 276,239	3,487,008	271,200
Oregon Business Development Dept., 040-188, 5.13%	1,011,212	42,943	77,694		976,461	61,560
Oregon Business Development Dept., 040-189, 5.13%	458,243	557,832	26,625		989,450	72,175
Total Contracts & Loans Payable	$ 4,778,543	$ 4,174,776	$ 721,302	$ 276,239	$ 7,955,778	$ 778,121
TOTAL PORT LONG-TERM DEBT	$ 315,438,865	$ 96,055,902	$ 28,132,190	$ 72,033,437	$ 311,329,140	$ 25,279,927

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

* Interest rate at June 30, 2011. Rate is variable, depending on weekly remarketings.

THE PORT OF PORTLAND

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

AS OF JUNE 30, 2011

		Date of Issue	Total Requirements	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Remaining Fiscal Years
LIMITED TAX PENSION BONDS:														
Series 2002A	-Principal	03/28/02	$ 7,585,721	$ 751,148	$ 792,268	$ 828,640	$ 846,100	$ 861,806	$ 877,546	$ 893,815	$ 901,618	$ 832,780		
2.00% to 7.41%	-Interest		13,729,280	743,852	907,732	1,086,360	1,288,900	1,503,194	1,727,454	1,961,185	2,218,383	2,292,220		
Series 2002B	-Principal	03/28/02	43,525,000									265,000	$ 3,695,000	$ 39,565,000
6.60% to 6.85%	-Interest		40,880,428	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,965,950	2,947,797	11,239,081
Series 2005	-Principal	09/23/05	19,305,000	360,000	435,000	510,000	590,000	680,000	775,000	875,000	985,000	1,100,000	1,230,000	11,765,000
4.00% to 5.50%	-Interest		10,713,051	957,121	937,321	917,254	893,463	864,795	831,753	794,096	751,580	703,719	650,270	2,411,679
Total Limited Tax Pension Bonds	-Principal		$ 70,415,721	$ 1,111,148	$ 1,227,268	$ 1,338,640	$ 1,436,100	$ 1,541,806	$ 1,652,546	$ 1,768,815	$ 1,886,618	$ 2,197,780	$ 4,925,000	$ 51,330,000
Total Limited Tax Pensions Bonds	-Interest		$ 65,322,759	$ 4,666,923	$ 4,811,003	$ 4,969,564	$ 5,148,313	$ 5,333,939	$ 5,525,157	$ 5,721,231	$ 5,935,913	$ 5,961,889	$ 3,598,067	$ 13,650,760
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:														
Series 15A	-Principal	04/03/01	$ 1,630,000	$ 1,630,000										
4.00% to 5.00%	-Interest		40,750	40,750										
Series 15B	-Principal	04/03/01	1,575,000	1,575,000										
4.50% to 5.375%	-Interest		42,328	42,328										
Series 15D	-Principal	04/03/01	28,830,000	835,000								$ 5,080,000	$ 5,295,000	$ 17,620,000
5.00%	-Interest		14,855,044	1,421,669	$ 1,399,750	$ 1,399,750	$ 1,399,750	$ 1,399,750	$ 1,399,750	$ 1,399,750	$ 1,399,750	1,272,750	1,013,375	1,349,000
Series 18A	-Principal	06/11/08	64,040,000	2,900,000	2,910,000	3,045,000	3,985,000	4,855,000	5,080,000	4,435,000	4,510,000	4,705,000	4,935,000	22,680,000
0.08% **	-Interest		388,728	48,912	46,584	44,148	40,960	37,076	33,012	29,464	25,856	22,092	18,144	42,480
Series 18B	-Principal	06/11/08	64,040,000	2,900,000	2,910,000	3,040,000	3,985,000	4,855,000	5,085,000	4,430,000	4,515,000	4,705,000	4,930,000	22,685,000
0.08% **	-Interest		388,764	48,912	46,584	44,152	40,964	37,080	33,012	29,468	25,856	22,092	18,148	42,496
Series 19	-Principal	11/13/08	130,485,000	1,840,000	2,350,000	2,465,000	2,585,000	2,695,000	2,810,000	2,945,000	3,095,000	3,245,000	3,410,000	103,045,000
4.00% to 5.50%	-Interest		120,534,056	6,800,788	6,696,038	6,575,663	6,462,338	6,353,369	6,225,850	6,081,975	5,930,975	5,772,475	5,606,100	58,028,485
Series 20A	-Principal	11/02/10	35,765,000	4,085,000	3,810,000	4,000,000	2,360,000	1,235,000	1,590,000	1,660,000	1,745,000	685,000	705,000	13,890,000
3.125% to 5.00%	-Interest		14,496,328	1,471,106	1,294,156	1,098,906	945,806	864,919	797,381	716,131	631,006	577,106	556,256	5,543,555
Series 20B	-Principal	11/02/10	21,620,000	30,000	415,000	435,000	445,000	460,000	485,000	505,000	525,000	545,000	570,000	17,205,000
2.00% to 4.50%	-Interest		16,042,363	864,675	858,150	845,399	828,863	808,500	788,450	768,650	748,050	726,650	702,925	8,102,051
Series 20C	-Principal	11/02/10	99,665,000	5,635,000	3,770,000	3,915,000	3,840,000	4,000,000	5,590,000	5,860,000	6,165,000	4,845,000	5,085,000	50,960,000
4.00% to 5.00%	-Interest		48,719,875	4,698,950	4,510,850	4,357,150	4,202,050	4,025,250	3,785,500	3,499,250	3,198,625	2,923,375	2,675,125	10,843,750
Series 21A	-Principal	04/05/11	5,490,000		1,635,000	1,720,000	1,770,000	365,000						
3.00% to 5.00%	-Interest		482,967	140,167	165,175	114,850	53,650	9,125						
Series 21B	-Principal	04/05/11	51,280,000		6,585,000	7,290,000	6,790,000	7,120,000	7,455,000	7,830,000	8,210,000			
2.00% to 5.00%	-Interest		10,954,769	1,748,544	2,300,600	2,052,500	1,700,500	1,352,750	988,375	606,250	205,250			
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 504,420,000	$ 21,430,000	$ 24,385,000	$ 25,910,000	$ 25,760,000	$ 25,585,000	$ 28,095,000	$ 27,665,000	$ 28,765,000	$ 23,810,000	$ 24,930,000	$ 248,085,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 226,945,972	$ 17,326,801	$ 17,317,887	$ 16,532,518	$ 15,674,881	$ 14,887,819	$ 14,051,330	$ 13,130,938	$ 12,165,368	$ 11,316,540	$ 10,590,073	$ 83,951,817
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:														
Series 1999B	-Principal	09/01/99	$ 46,745,000	$ 5,060,000	$ 5,350,000	$ 5,655,000	$ 5,970,000	$ 6,295,000	$ 6,660,000	$ 7,015,000	$ 4,740,000			
5.00% to 5.75%	-Interest		10,594,507	2,458,938	2,159,650	1,850,325	1,530,637	1,185,481	825,513	453,613	130,350			
Series 2009A1	-Principal	06/24/09	28,955,000	45,000	45,000	45,000	50,000	50,000	55,000	60,000	1,395,000	$ 3,980,000	$ 4,185,000	$ 19,045,000
0.11% **	-Interest		331,149	31,801	31,752	31,702	31,647	31,592	31,532	31,466	29,931	25,553	20,950	33,223
Series 2009A2	-Principal	06/24/09	28,945,000	40,000	45,000	50,000	50,000	55,000	55,000	60,000	1,395,000	3,975,000	4,185,000	19,035,000
0.06% **	-Interest		178,975	17,343	17,316	17,286	17,256	17,223	17,190	17,154	16,317	13,932	11,421	16,537
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 104,645,000	$ 5,145,000	$ 5,440,000	$ 5,750,000	$ 6,070,000	$ 6,400,000	$ 6,770,000	$ 7,135,000	$ 7,530,000	$ 7,955,000	$ 8,370,000	$ 38,080,000
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 11,104,631	$ 2,508,082	$ 2,208,718	$ 1,899,313	$ 1,579,540	$ 1,234,296	$ 874,235	$ 502,233	$ 176,598	$ 39,485	$ 32,371	$ 49,760
Total Port Bonds	-Principal		$ 679,480,721	$ 27,686,148	$ 31,052,268	$ 32,998,640	$ 33,266,100	$ 33,526,806	$ 36,517,546	$ 36,568,815	$ 38,181,618	$ 33,962,780	$ 38,225,000	$ 337,495,000
Total Port Bonds	-Interest		$ 303,373,362	$ 24,501,806	$ 24,337,608	$ 23,401,395	$ 22,402,734	$ 21,456,054	$ 20,450,722	$ 19,354,402	$ 18,277,879	$ 17,317,914	$ 14,220,511	$ 97,652,337

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2011

		Date of Issue	Total Requirements	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Remaining Fiscal Years
CONTRACTS PAYABLE:														
Portland Int'l Airport, Wells Fargo Bank Line of Credit	-Principal	11/12/10	$ 41,720,614		$ 41,720,614									
.53% to .62%	-Interest		314,782		314,782									
City of Portland LID	-Principal	04/01/03	7,221,557	$ 455,516	480,349	$ 506,536	$ 534,151	$ 563,271	$ 593,978	$ 626,360	$ 660,507	$ 696,515	$ 734,487	$ 1,369,887
5.32%	-Interest		2,502,859	373,186	348,353	322,166	294,552	265,432	234,724	202,342	168,195	132,187	94,215	67,507
Oregon Dept. of Transportation MMTF-0001, 0%	-Principal	05/10/09	2,000,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	
Oregon Dept. of Transportation MMTF-0003, 0%	-Principal	07/06/10	1,106,604		110,660	110,660	110,660	110,660	110,660	110,660	110,660	110,660	110,660	110,664
Oregon Business Development Dept. B08005	-Principal	08/31/10	8,460,588	325,732	331,846	337,983	344,143	355,326	361,532	367,763	379,332	386,262	398,250	4,872,419
2.00% to 4.00%	-Interest		3,487,008	271,200	264,686	258,049	251,289	244,406	237,300	230,069	220,875	209,495	197,907	1,101,732
Oregon Business Development Dept. 040-188	-Principal	03/19/09	1,500,000		44,433	46,742	49,171	51,725	54,413	57,241	60,214	63,343	66,634	1,006,084
5.13%	-Interest		976,461	61,560	76,387	74,079	71,650	69,095	66,408	63,579	60,606	57,478	54,187	321,432
Oregon Business Development Dept. 040-189	-Principal	09/10/09	1,406,923		20,574	42,745	44,966	47,303	49,760	52,346	55,065	57,926	60,936	975,302
5.13%	-Interest		989,450	72,175	95,232	70,579	68,357	66,021	63,564	60,978	58,258	55,397	52,387	326,502
Total	-Principal		$ 63,416,286	$ 981,248	$ 42,908,476	$ 1,244,666	$ 1,283,091	$ 1,328,285	$ 1,370,343	$ 1,414,370	$ 1,465,778	$ 1,514,706	$ 1,570,967	$ 8,334,356
Total	-Interest		$ 8,270,560	$ 778,121	$ 1,099,440	$ 724,873	$ 685,848	$ 644,954	$ 601,996	$ 556,968	$ 507,934	$ 454,557	$ 398,696	$ 1,817,173
TOTAL PORT LONG-TERM DEBT	-Principal		$ 742,897,007	$ 28,667,396	$ 73,960,744	$ 34,243,306	$ 34,549,191	$ 34,855,091	$ 37,887,889	$ 37,983,185	$ 39,647,396	$ 35,477,486	$ 39,795,967	$ 345,829,356
TOTAL PORT LONG-TERM DEBT	-Interest		$ 311,643,922	$ 25,279,927	$ 25,437,048	$ 24,126,268	$ 23,088,582	$ 22,101,008	$ 21,052,718	$ 19,911,370	$ 18,785,813	$ 17,772,471	$ 14,619,207	$ 99,469,510

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
** Interest rate at June 30, 2011. Rate is variable, depending on weekly remarketings.

INDUSTRIAL DEVELOPMENT REVENUE BONDS:

		Date of Issue	Total Requirements	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Remaining Fiscal Years
Public Grain Elevator Revenue Bonds:														
Columbia Grain, Inc. Project:	-Principal	12/19/84	$ 38,100,000				$ 38,100,000							
1984 Series, 0.2% *	-Interest		$ 266,700	$ 76,200	$ 76,200	$ 76,200	$ 38,100							
Other Industrial Development Revenue Bonds:														
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000											$ 17,300,000
1997 Series, 0.05% *	-Interest		137,679	$ 8,650	$ 8,650	$ 8,650	$ 8,650	$ 8,650	$ 8,650	$ 8,650	$ 8,650	$ 8,650	$ 8,650	51,179
Portland Bulk Terminals, L.L.C.:	-Principal	06/12/06	71,000,000											71,000,000
2006 Series, 0.12% *	-Interest		2,063,512	83,543	83,543	83,543	83,543	83,543	83,543	83,543	83,543	83,543	83,543	1,228,082
Total Other	-Principal		$ 88,300,000											$ 88,300,000
Total Other	-Interest		$ 2,201,191	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 1,279,261
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 126,400,000				$ 38,100,000							$ 88,300,000
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 2,467,891	$ 168,393	$ 168,393	$ 168,393	$ 130,293	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 92,193	$ 1,279,261

* Interest rate at June 30, 2011. Rate is variable, depending on prime.

THE PORT OF PORTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2011

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:			
AIP-3-41-0025-21	06/08/09 - 06/30/11	20.106	$ 82,896
AIP-3-41-0025-22	06/20/10 - 06/30/11	20.106	2,725,234
AIP-3-41-0048-53	07/10/06 - 06/30/11	20.106	402,124
AIP-3-41-0048-60	08/03/09 - 06/30/11	20.106	1,089,145
AIP-3-41-0048-61	09/02/09 - 06/30/11	20.106	3,071,511
AIP-3-41-0048-62	03/12/10 - 06/30/11	20.106	6,689,101
AIP-3-41-0048-63	08/20/10 - 06/30/11	20.106	8,279,848
AIP-3-41-0048-64	03/15/11 - 06/30/11	20.106	2,000,045
Maritime Administration			
American Recovery and Reinvestment Act of 2009 (M)	06/17/09 - 06/30/11	20.205	3,124,636
Federal Rail Administration			
Railroad Development	08/05/07 - 06/30/11	20.314	752,604
			28,217,144
U.S. Department of Homeland Security:			
Office of Domestic Preparedness			
Urban Area Security Initiative FY07	07/01/07 - 06/30/11	97.067	178,841
Urban Area Security Initiative FY08	07/01/08 - 06/30/11	97.067	36,460
Urban Area Security Initiative FY09	07/01/09 - 06/30/11	97.067	201,494
Transportation Security Administration			
National Explosives Detection Canine Team Program	10/01/04 - 06/30/11	97.072	21,396
Law Enforcement Officer Reimbursement Program	10/01/07 - 06/30/11	97.090	160,469
Airport Checked Baggage Screening Program (M)	10/07/07 - 06/30/11	97.100	9,883,701
			10,482,361
U.S. General Services Administration:			
Oregon Department of Administrative Services			
Federal Surplus Property	07/01/10-06/30/11	39.003	510
U.S. Army Corps of Engineers:			
Direct:			
ARRA - Contract Dredging	07/01/10 - 06/30/11	W9127N-05-C-0018	325,501
Contract Dredging	07/01/10 - 06/30/11	W9127N-05-C-0018	9,139,724
			9,465,225
Total Expenditures of Federal Awards			$ 48,165,240

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

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

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

To the Board of Commissioners of the
Port of Portland

We have audited the financial statements of the Airport and Marine & Other activities of the Port of Portland (the "Port"), as of and for the year ended June 30, 2011, which collectively comprise the Port's basic financial statements and have issued our report thereon dated October XX, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the basic financial statements are free of material misstatement.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance

As part of obtaining reasonable assurance about whether the Port's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative

Rules OAR 162-010-000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

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

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

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This report is intended solely for the information of the Board of Commissioners, management, and the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

By: ______________________________

Michael MacBryde, Partner

Portland, Oregon
October 26, 2011