THE PORT OF PORTLAND

(A Municipal Corporation)

REPORT ON AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2018

with comparative totals for the year ended June 30, 2017

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2018

Name	Term Expires
Alice Cuprill-Comas, President 3181 SW Sam Jackson Park Road Portland, Oregon 97239	September 30, 2019
Tom Chamberlain, Vice President 2110 State Street Salem, Oregon 97303	May 9, 2019
Robert L. Levy, Secretary 822 S Hwy 395, No. 423 Hermiston, Oregon 97838	April 30, 2021
Linda M. Pearce, Treasurer 4185 Highway 101 North Tillamook, Oregon 97141	September 30, 2020
Michael C. Alexander 7200 NE Airport Way Portland, Oregon 97218	May 31, 2020
Pat McDonald 3100 NE Shute Road Hillsboro, Oregon 97229	February 16, 2020
Sean O'Hollaren One Bowerman Drive Beaverton, OR 97005	May 22, 2022
Tom Tsuruta P.O. Box 261 Marylhurst, Oregon 97036	December 12, 2020
Gary Young 15937 NE Airport Way Portland, Oregon 97230	September 30, 2019

Curtis Robinhold, Executive Director

REGISTERED AGENT AND OFFICE
Daniel Blaufus
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Portland, Oregon 97218

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REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

The Board of Commissioners
Port of Portland

Report on the Financial Statements

We have audited the accompanying balance sheets and the related statements of revenues, expenses, and changes in net position and cash flows of the Airport and Marine & Other activities as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Port of Portland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport and Marine & Other activities of the Port of Portland as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Port of Portland's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of PERS net pension liability (asset), and schedule of contributions to PERS be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Portland'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. These schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 22, 2018, on our consideration of the Port's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

James C. Lanzarotta

James Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
October 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

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, 2018. Please read it in conjunction with the Port's financial statements, which follow this section.

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

During fiscal 2018, the Port applied new reporting standards for postemployment benefits other than pension (OPEB) as required by GASB Statement No. 75 (GASB 75). GASB 75 had an impact on the Port's balance sheet and the statement of revenues, expenses, and changes in net position. Accounting changes were applied retroactively to conform with the provisions of GASB 75, and fiscal 2017 has been restated. Further discussion of the impacts of the implementation of GASB 75 can be found in Notes 1 and 9 to the financial statements.

Financial Results:
The Port's total net position increased $51.1 million from the 2017 amount, or 4.0 percent. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – increased slightly by $0.6 million, or 0.5 percent during that same time. In comparison, last year total net position increased by $95.3 million, or 8.0 percent. The analysis in Table 1 (below) focuses on the net position of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Current and other assets	$ 617.8	$ 649.3	$ 301.3	$ 293.6	$ 889.9 *	$ 912.7	(2.5)%
Capital assets	1,348.2	1,264.3	325.0	336.3	1,673.2	1,600.6	4.5%
Deferred outflows	42.6	58.9	17.1	29.6	59.7	88.5	(32.5)%
Total assets	2,008.6	1,972.5	643.4	659.5	2,622.7 *	2,601.8	0.8%
Long-term debt outstanding	862.4	873.7	86.7	93.3	949.1	967.0	(1.9)%
Other liabilities	196.2	213.2	161.7	161.1	328.6 *	344.1	(4.5)%
Deferred inflows	2.2	0.7	2.6	0.9	4.8	1.6	200.0%
Total liabilities	1,060.8	1,087.6	251.0	255.3	1,282.5 *	1,312.7	(2.3)%
Net position:							
Net investment in capital assets	598.1	578.7	303.9	312.7	902.0	891.4	1.2%
Restricted	310.9	271.0	2.7	2.7	313.6	273.7	14.6%
Unrestricted	38.8	35.2	85.8	88.8	124.6	124.0	0.5%
Total net position	$ 947.8	$ 884.9	$ 392.4	$ 404.2	$ 1,340.2	$ 1,289.1	4.0%

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

Total net position of the Airport increased by $62.9 million, or 7.1 percent, as a result of net income and capital grants. Net investment in capital assets increased $19.4 million, or 3.4 percent, as a result of increases in capital additions and construction spending. Restricted net position increased by $39.9 million, or 14.7 percent, primarily due to net income restricted for debt service and construction. Unrestricted net position increased by $3.6 million, or 10.2 percent, primarily as a result of net operating income.

Total net position of Marine & Other decreased from the 2017 balance by $11.8 million, or 2.9 percent, primarily the result of a net loss for the year, offset in part by capital grants. Net investment in capital assets decreased $8.8 million, or 2.8 percent, primarily as a result of normal capital asset depreciation. Unrestricted net position decreased by $3.0 million or 3.4 percent, again primarily due to a net loss for the year.

Several factors caused changes in net position (Table 2, below) to decrease $44.4 million from 2017.

Airport changes in net position increased $9.5 million when compared to the prior year due mainly to increased operating revenues in 2018. Marine & Other changes in net position decreased $53.9 million primarily due to lower operating revenues, higher operating expenses, and lower capital contributions versus the prior year, partially offset by increased nonoperating revenues.

Table 2
Changes in Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Revenues:							
Operating revenues							
Charges for services	$ 242.0	$ 232.1	$ 50.8	$ 72.0	$ 292.8	$ 304.1	(3.7)%
Land sales			7.8	37.4	7.8	37.4	(79.1)%
Other			1.2	0.2	1.2	0.2	500.0%
Nonoperating revenues							
Property tax revenue			12.1	11.6	12.1	11.6	4.3%
Interest revenue	4.8	4.9	3.4	2.9	8.2	7.8	5.1%
PFC revenue	38.1	37.7			38.1	37.7	1.1%
CFC revenue	15.6	16.1			15.6	16.1	(3.1)%
Other nonoperating revenue			9.9	3.3	9.9	3.3	200.0%
Total revenues	300.5	290.8	85.2	127.4	385.7	418.2	(7.8)%
Expenses:							
Operating expenses	224.7	215.5	93.9	89.1	318.6	304.6	4.6%
Nonoperating expenses	22.6	31.4	5.3	5.6	27.9	37.0	(24.6)%
Total expenses	247.3	246.9	99.2	94.7	346.5	341.6	1.4%
Income (loss) before contributions and transfers	53.2	43.9	(14.0)	32.7	39.2	76.6	(48.8)%
Capital contributions	10.3	9.9	1.6	9.0	11.9	18.9	(37.0)%
Transfers (out) in	(0.6)	(0.4)	0.6	0.4			
Increase (decrease) in net position	$ 62.9	$ 53.4	$ (11.8)	$ 42.1	$ 51.1	$ 95.5	(46.5)%

Total revenues for the Port decreased by approximately $32.5 million from the prior year. Total expenses increased approximately $4.9 million during the same timeframe.

At the Airport, operating revenues increased by $9.9 million, or 4.3 percent, when compared to the prior year; this was primarily due to increases in airline and concessions revenues. The increase of about $9.2 million in operating expenses was primarily attributable to higher depreciation and outside services expense versus the prior year; this was partially offset by decreased central services costs. Nonoperating expenses decreased $8.8 million, or 28.0 percent, as a result of higher capitalized interest in 2018 (which offsets/ reduces interest expense), and costs related to asset demolition recorded in 2017, offset partially by higher revenue bond interest expense in 2018.

For Marine & Other, charges for services operating revenues decreased $21.2 million from the prior year, primarily the result of $23.0 million in revenue recorded from a terminated lease at the marine container terminal in 2017, offset partially by higher intermodal rail shuttle revenues at Terminal 6 in 2018. Land sales revenue decreased $29.6 million from the prior year as a result of reduced industrial property sales. During 2018, operating expenses increased $4.8 million due to the impacts of higher environmental accrual expenses, longshore labor expense, and central services costs; these increases were offset in large part by lower cost of land sold expense.

Budgetary Highlights:

The Port's budget for fiscal 2018 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2017. Budget appropriations at the Airport were adjusted during the year to reflect establishment of a commercial paper program and to pay related fees, to remove two budgeted Airport bond issues as a result of the new commercial paper program, for increased expenditures for snow and ice removal activity at the Airport during the winter, and for costs associated with the write-off of noncapitalized design costs in the terminal. Appropriations in the budget for Marine & Other resources were adjusted to reflect increased revenues associated with new service at Terminal 6, proceeds from settlement of an environmental insurance recovery claim, and to account for reimbursement revenue from the US Army Corps of Engineers for equipment financings. Marine & Other appropriations for expenditures were increased for higher costs associated with the new service at Terminal 6, to allow for payment of a contingent fee associated with an environmental insurance recovery claim, for unforeseen General Aviation repair and project cancellation costs at Hillsboro, and to provide for non-cash budgetary impacts of accounting accruals for environmental liabilities, including natural resources restoration. While legally a local government subject to governmental budgeting requirements, the Port operates much like a business, with expenditure levels driven by business needs, and utilizes the accrual basis of accounting. 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 $143.6 million, 57.8 percent below the $340.3 million budget, as the latest capital expansion program at the Airport got underway more slowly than budgeted. Capital grants during the year were $10.3 million, 30.8 percent below the budget of $14.9 million as a result of incurring fewer grant eligible costs than anticipated. Both operating revenues and operating expenditures tracked tightly against the budget. Airport operating revenues of $241.9 million were 0.5 percent above the $240.7 million budget. Operating expenditures of $108.2 million were 0.5 percent above the $107.6 million budgeted amount. Other significant budgetary resource variances included issuances under the Airport's new commercial paper program, which were lower than anticipated as a result of lower capital expenditures.

Fiscal 2018 budgetary capital expenditures for Marine & Other were $13.3 million, 69.8 percent below the budget of $44.1 million, largely due to timing delays and project deferrals. Capital grants for the year were $1.6 million, less than the budget of $4.4 million, due to incurring fewer grant eligible costs. Budgetary operating revenues for industrial development were $13.9 million, or 52.0 percent, below the budget of $26.7 million due to delays in the timing of industrial property sales. Budgetary operating expenditures were $5.3 million below budget for administration, primarily due to lower than anticipated outside service costs resulting from delays in timing of projects and initiatives, as well as cost controls undertaken as part of an organizational financial sustainability initiative. Other environmental budgetary operating expenditures were $7.4 million under budget, largely as a result of delays in the timing of costs associated with environmental liabilities in the Portland Harbor superfund site.

Capital Assets:

At the end of fiscal 2018, the Port had over $1.6 billion invested in a broad range of capital assets. This amount represents an increase (essentially additions offset by depreciation expense) of $76.8 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Land	$ 68.0	$ 68.0	$ 83.4	$ 83.4	$ 151.4	$ 151.4	
Construction in progress	174.2	125.8	23.9	25.7	198.1	151.5	
Total capital assets not being depreciated	242.2	193.8	107.3	109.1	349.5	302.9	15.4%
Land improvements	853.8	790.1	288.6	281.2	1,142.4	1,071.3	
Buildings and equipment	1,455.9	1,404.1	249.7	260.2	1,705.6	1,664.3	
Total capital assets being depreciated	2,309.7	2,194.2	538.3	541.4	2,848.0	2,735.6	4.1%
Less: accumulated depreciation	(1,203.8)	(1,123.7)	(377.9)	(375.8)	(1,581.7)	(1,499.5)	5.5%
Total capital assets being depreciated, net	1,105.9	1,070.5	160.4	165.6	1,266.3	1,236.1	2.4%
Total capital assets, net	$ 1,348.1	$ 1,264.3	$ 267.7	$ 274.7	$ 1,615.8	$ 1,539.0	5.0%

This year's major capital asset spending included:

Airport:

- Terminal improvements - $59.9 million
- Rental car facility construction - $24.0 million
- Public parking and consolidated rental car facility - $22.0 million
- Taxiway and runway rehabilitation and improvements - $21.2 million

Marine & Other:

- Terminal 4 berth rehabilitation and improvements - $2.8 million
- Industrial property improvements - $2.4 million
- Crane and crane improvements - $1.3 million
- Terminal 6 auto staging facility - $1.0 million

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

The Port's 2019 capital budget estimates spending another $259 million on capital projects at the Airport and nearly $27 million in Marine & Other. Spending at the Airport is primarily slated for terminal improvements; a new public parking and consolidated rental car facility; pavement rehabilitation projects; and aircraft loading bridge replacements. These projects are budgeted to be funded by Airport operating revenues, federal grants, debt proceeds, PFC revenues, and CFC revenues. Capital spending for Marine & Other is budgeted principally for dry docking the dredge Oregon, infrastructure improvements at marine terminal and Rivergate facilities, industrial land improvements, and general aviation airport runway reconstruction. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Debt Administration:
At the end of 2018, the Port had over $888 million in bonds, commercial paper, contracts and loans payable outstanding. This is a decrease from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Pension bonds			$ 62.0	$ 65.4	$ 62.0	$ 65.4	(5.2)%
Revenue bonds	$ 645.2	$ 672.9			645.2	672.9	(4.1)%
PFC revenue bonds	127.8	135.3			127.8	135.3	(5.5)%
Contracts and loans payable			24.7	27.9	24.7	27.9	(11.6)%
	$ 773.0	$ 808.2	$ 86.7	$ 93.3	$ 859.7	$ 901.5	(4.6)%

The outstanding amount of Airport long-term debt decreased due to scheduled bond payments, offset partially by issuances under a new Airport commercial paper program. As of the end of fiscal 2018, the Airport revenue bonds were rated AA- by Standard & Poor's, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds also decreased as a result of regularly scheduled bond payments.

In Marine & Other, the amount of outstanding long-term debt decreased as a result of scheduled payments made on pension bonds, contracts and loans 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. As our region continues to grow, most business lines are projected to show growth in fiscal 2019. Fiscal 2019 airline passenger volumes are forecast to increase 2.7 percent over the fiscal 2018 budget to a new historic high of 19.9 million passengers. At the Port's Marine & Other facilities and business parks, we see strong growth for our auto business, strong demand for our industrial properties, new business activity at Terminal 6, and our mineral bulk (soda ash and potash) tenants have made significant investments to position them to take advantage of trade growth resulting from economic growth in the region.

In the Port's 2019 adopted budget, total Port operating revenue is budgeted to increase about 9.0 percent over 2018 results to approximately $329.1 million largely as a result of revenues associated with increased land sales, throughput revenue at Terminal 6, and parking revenues. Total operating expenses (excluding depreciation and the non-cash impacts of GASB 68 on pension expense) are budgeted to increase by about 5.8 percent to approximately $205.0 million, reflecting higher costs related to increased land sales, longshore labor costs at Terminal 6, and increased salary and benefits costs, offset in part by lower environmental expense accruals in 2019.

Operating revenues for the Airport are budgeted to increase 2.2 percent to $247.4 million in the fiscal 2019 budget due primarily to parking and transportation network company revenues resulting from increased passenger volumes in 2019. Airport operating expenses (excluding depreciation and GASB 68 non-cash pension expense) are budgeted to increase about 5.8 percent to $132.9 million as a result of increased salary and benefits costs, outside services costs, and internal central services costs.

In Marine & Other, operating revenues are budgeted to increase by 36.6 percent to $81.7 million, primarily due to higher revenues for industrial land sales, Navigation division dredging, and throughput at Terminal 6 budgeted in fiscal 2019. Operating expenses (excluding depreciation and GASB 68 non-cash pension expense) are budgeted to increase by 5.7 percent to $72.1 million due to higher costs of property sold resulting from more budgeted land sales, longshore labor costs associated with increased activity at Terminal 6, higher salary and benefits costs, and higher insurance costs, offset in part by lower accrued environmental expenses in 2019. Property taxes are budgeted to comprise less than 1.0 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, 2018

with comparative totals as of June 30, 2017

	2018 Airport	2018 Marine & Other	2018 Total	2017 Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 38,080	$ 47,462,291	$ 47,500,371	$ 36,391,524
Equity in pooled investments	110,152,416	206,857,337	317,009,753	313,769,341
Restricted cash and equity in pooled investments	73,839,620		73,839,620	76,145,788
Receivables, net of allowance for doubtful accounts of $485,000 in 2018 and $212,000 in 2017 for Airport and $180,000 in 2018 and $349,000 in 2017 for Marine & Other	16,583,620	11,828,525	28,412,145	25,276,599
Prepaid insurance and other assets	4,321,219	2,499,127	6,820,346	6,659,050
Total current assets	204,934,955	268,647,280	473,582,235	458,242,302
Noncurrent assets:				
Restricted assets:				
Cash and equity in pooled investments	399,835,985	2,728,553	402,564,538	436,256,370
Receivables	10,578,731		10,578,731	13,568,343
Total restricted assets	410,414,716	2,728,553	413,143,269	449,824,713
Land held for sale		57,280,912	57,280,912	61,661,577
Depreciable properties, net of accumulated depreciation	1,105,863,635	160,412,841	1,266,276,476	1,236,047,263
Nondepreciable properties	242,284,909	107,255,070	349,539,979	302,882,728
Unamortized bond issue costs	788,424	145,015	933,439	1,148,113
Due from Airport		29,310,530	*	*
Other noncurrent assets	1,686,228	517,454	2,203,682	3,330,149
Total noncurrent assets	1,761,037,912	357,650,375	2,089,377,757	2,054,894,543
Deferred outflows of resources:				
Deferred charges on refunding bonds	22,571,834		22,571,834	25,220,991
Deferred charges on pensions and OPEB	14,146,018	17,091,584	31,237,602	54,059,388
Cumulative decrease in fair value of hedging derivative	5,864,000		5,864,000	9,202,000
Total deferred outflows of resources	42,581,852	17,091,584	59,673,436	88,482,379
Total assets	$ 2,008,554,719	$ 643,389,239	$ 2,622,633,428	$ 2,601,619,224
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt	$ 28,500,000	$ 4,446,288	$ 32,946,288	$ 4,231,403
Accounts payable and other accrued liabilities	22,142,502	27,151,818	49,294,320	33,008,137
Accrued wages, vacation and sick leave pay	5,554,245	5,266,566	10,820,811	13,369,377
Workers' compensation and other accrued liabilities	3,124,104	4,524,424	7,648,528	7,382,970
Total current liabilities (payable from current assets)	59,320,851	41,389,096	100,709,947	57,991,887
Restricted liabilities (payable from restricted assets)				
Current portion of long-term debt and other	38,370,768		38,370,768	36,290,686
Accrued interest payable	16,476,516		16,476,516	16,360,939
Accounts payable	16,563,717		16,563,717	21,648,700
Contract retainage payable	2,428,619		2,428,619	1,845,463
Total restricted current liabilities (payable from restricted assets)	73,839,620		73,839,620	76,145,788
Total current liabilities	133,160,471	41,389,096	174,549,567	134,137,675
Noncurrent liabilities:				
Long-term environmental and other accruals	12,698,087	47,605,532	60,303,619	75,243,133
Long-term debt	795,499,965	82,232,012	877,731,977	926,475,795
Unearned revenue and other	45,345,708	26,673,422	72,019,130	71,854,027
Net pension and OPEB liability	42,547,957	50,508,217	93,056,174	103,193,124
Due to Marine & Other	29,310,530		*	*
Total noncurrent liabilities	925,402,247	207,019,183	1,103,110,900	1,176,766,079
Deferred inflows of resources:				
Deferred pension inflows	2,203,826	2,606,781	4,810,607	1,617,435
Total deferred inflows of resources	2,203,826	2,606,781	4,810,607	1,617,435
Total liabilities	1,060,766,544	251,015,060	1,282,471,074	1,312,521,189
NET POSITION				
Net investment in capital assets	598,048,797	303,902,259	901,951,056	891,369,870
Restricted for capital and debt service	310,911,048	2,728,553	313,639,601	273,712,581
Unrestricted	38,828,330	85,743,367	124,571,697	124,015,584
Total net position	947,788,175	392,374,179	1,340,162,354	1,289,098,035
Total liabilities and net position	$ 2,008,554,719	$ 643,389,239	$ 2,622,633,428	$ 2,601,619,224

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

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

THE PORT OF PORTLAND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended June 30, 2018
with comparative totals for the year ended June 30, 2017

	2018			2017
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 241,977,057	$ 50,761,895	$ 292,738,952	$ 304,075,436
Land sales		7,830,309	7,830,309	37,429,282
Other	10,119	1,204,411	1,214,530	163,699
Total operating revenues	241,987,176	59,796,615	301,783,791	341,668,417
Operating expenses:				
Salaries, wages and fringe benefits	53,006,225	43,974,574	96,980,799	96,330,712
Longshore labor and fringe benefits		4,106,598	4,106,598	779,744
Contract, professional and consulting services	34,259,947	22,634,772	56,894,719	35,583,353
Materials and supplies	6,005,588	1,688,128	7,693,716	9,110,754
Utilities	11,566,831	3,570,010	15,136,841	13,348,615
Equipment rents, repair and fuel	1,434,655	2,020,989	3,455,644	2,721,649
Insurance	1,841,819	955,815	2,797,634	3,826,226
Rent		2,634,380	2,634,380	2,308,778
Travel and management expense	3,702,878	1,214,229	4,917,107	4,553,943
Intra-Port charges and expense allocations	20,385,321		20,385,321	23,360,636
Cost of land sold		6,885,637	6,885,637	24,197,983
Other	1,574,701	1,230,059	2,804,760	3,575,769
Less expenses for capital projects	(1,520,900)	(17,164,151)	(18,685,051)	(18,625,097)
Total operating expenses, excluding depreciation	132,257,065	73,751,040	206,008,105	201,073,065
Operating income before depreciation	109,730,111	(13,954,425)	95,775,686	140,595,352
Depreciation expense	92,410,076	20,183,339	112,593,415	103,547,969
Total operating expenses, including depreciation	224,667,141	93,934,379	318,601,520	304,621,034
Operating income (loss)	17,320,035	(34,137,764)	(16,817,729)	37,047,383
Nonoperating revenues (expenses):				
Property tax revenue		12,055,459	12,055,459	11,585,839
Passenger facility charge revenue	38,140,595		38,140,595	37,683,868
Customer facility charge revenue	15,551,097		15,551,097	16,147,364
Interest expense, net of capitalized construction period interest of $17,301,142 in 2018 and $10,530,085 in 2017 for Airport	(18,863,735)	(5,322,583)	(24,186,318)	(26,725,498)
Interest revenue	4,856,547	3,367,831	8,224,378	7,828,225
Other (expense) income, including loss on disposal of properties	(3,791,903)	9,934,565	6,142,662	(6,973,785)
Nonoperating revenues	35,892,601	20,035,272	55,927,873	39,546,013
Income (loss) before contributions and transfers	53,212,636	(14,102,492)	39,110,144	76,593,396
Capital contributions and reversions	10,338,147	1,616,028	11,954,175	18,858,752
Transfers (out) in	(609,043)	609,043		
Change in net position	62,941,740	(11,877,421)	51,064,319	95,452,148
Total net position - beginning of year	884,846,435	404,251,600	1,289,098,035	1,193,645,887
Total net position - end of year	$ 947,788,175	$ 392,374,179	$ 1,340,162,354	$ 1,289,098,035

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, 2018
with comparative totals for the year ended June 30, 2017

	2018			2017
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 240,091,576	$ 57,871,435	$ 297,963,011	$ 337,718,549
Cash payments to employees	(50,040,250)	(40,792,881)	(90,833,131)	(105,963,131)
Cash payments to suppliers and vendors	(56,250,304)	(31,744,970)	(87,995,274)	(68,511,594)
Cash payments (to) from other funds	(22,560,955)	22,560,955		
Net cash provided by operating activities	111,240,067	7,894,539	119,134,606	163,243,824
Cash flows from noncapital financing activities:				
Property taxes		12,071,897	12,071,897	11,547,907
Net cash provided by noncapital financing activities		12,071,897	12,071,897	11,547,907
Cash flows from capital and related financing activities:				
Capital expenditures	(162,669,385)	(16,158,336)	(178,827,721)	(149,194,419)
Sale of properties	(29,019)	103,261	74,242	181,311
Net proceeds from issuance of debt	28,500,000		28,500,000	264,284,067
Interest paid	(38,896,321)	(6,942,090)	(45,838,411)	(36,351,395)
Proceeds from passenger facility charges	37,900,189		37,900,189	36,183,847
Proceeds from customer facility charges	16,116,008		16,116,008	15,542,977
Principal payments and redemptions on long-term debt	(35,110,000)	(4,974,103)	(40,084,103)	(39,634,927)
Contributions from governmental agencies	13,003,885	4,900,715	17,904,600	15,499,671
Cash transfers (to) from other Port divisions, net	(609,043)	609,043		
Other, primarily nonoperating expense	(3,754,463)	9,903,167	6,148,704	(6,521,111)
Net cash (used in) provided by capital and related financing activities	(145,548,149)	(12,558,343)	(158,106,492)	99,990,021
Cash flows from investing activities:				
Interest received	2,306,300	2,944,948	5,251,248	3,571,486
Investment activity:				
Purchases	(197,127,201)	(87,023,141)	(284,150,342)	(561,502,879)
Proceeds from sales or maturities	229,118,783	87,789,147	316,907,930	270,236,985
Net cash provided by (used in) investing activities	34,297,882	3,710,954	38,008,836	(287,694,408)
Net (decrease) increase in cash and cash equivalents	(10,200)	11,119,047	11,108,847	(12,912,656)
Cash and cash equivalents - beginning of year	48,280	36,343,244	36,391,524	49,304,180
Cash and cash equivalents - end of year	$ 38,080	$ 47,462,291	$ 47,500,371	$ 36,391,524
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 17,320,035	$ (34,137,764)	$ (16,817,729)	$ 37,047,383
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	92,410,076	20,183,339	112,593,415	103,547,969
Cost of land sales		6,885,637	6,885,637	24,197,983
Non cash pension and OPEB expense	3,492,470	5,203,764	8,696,234	11,576,744
Amortization of unearned revenue	(866,155)	(2,119,754)	(2,985,909)	(7,434,491)
Non cash revenue for fixed assets received				(7,401,100)
Change in assets and liabilities:				
Receivables and other current assets	(3,749,050)	(1,346,763)	(5,095,813)	(771,071)
Land held for sale				(12,594,849)
Accounts payable and accruals	3,237,589	11,256,782	14,494,371	4,729,824
Long-term environmental and other accruals	(3,411,415)	676,169	(2,735,246)	(1,058,845)
Additions to unearned revenue	2,806,517	1,293,129	4,099,646	11,404,277
Net cash provided by operating activities	$ 111,240,067	$ 7,894,539	$ 119,134,606	$ 163,243,824
Noncash investing, capital, and related financing activities:				
Interest payable in future years		$ 576,035	$ 576,035	$ 717,495

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

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

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, six industrial and business parks, and develops land principally to support, enhance, and expand its core transportation operations. Principal funding sources are charges to users, revenue bonds, grants, interest earnings, passenger facility charges, customer facility charges, and, to a lesser extent, property tax levies. Its activities are carried out by a staff of approximately 772 full-time equivalent persons.

Basis of Accounting

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

Intra-Port Charges and Expense Allocations

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

Use of Estimates

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

Operating Revenues and Expenses

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

Restricted Assets and Related Liabilities

Assets and related liabilities restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the balance sheet. These assets and liabilities are primarily restricted for construction and debt service purposes. When both restricted and unrestricted resources are available for use, it is the Port’s policy to generally consider restricted assets to be used first over unrestricted assets.

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

Land Held for Sale

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

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation, including capitalized interest. Interest income earned on investments from tax-exempt debt is offset against capitalized interest expense. Properties with an individual purchase cost exceeding $5,000 with a useful life exceeding one year are capitalized, and depreciable properties are depreciated over their estimated useful lives on a straight-line basis. The useful lives generally range from 5 to 40 years for land improvements; 5 to 40 years for buildings, building components, and terminals; and 2 to 15 years for equipment. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure, and replacements are capitalized. The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense.

Amortization of Bond Issue Costs

Bond issue costs related to prepaid insurance costs are amortized over the life of the related debt and reported as a noncurrent asset on the balance sheet. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance and refunding transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is reported as a deferred outflow of resources on the balance sheet. Amortization is included in interest expense. All other bond issuance costs are expensed as incurred.

Accrued Vacation and Sick Leave Pay

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

Unearned Revenue

Unearned revenue typically represents prepaid lease financing related to real property development projects and transactions and is generally amortized over the life of the related lease. Lease terms generally range from 5 to 55 years. Unearned revenue is reported as a noncurrent liability on the balance sheet.

Accounting for Contributions from Federal Government and Other

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

Property Taxes

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

Cash and Cash Equivalents

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

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

Environmental Remediation Liabilities

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

Passenger Facility Charges

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

Customer Facility Charges

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

Cash and Investments

The Port pools the majority of its cash and investments and uses a controlled disbursement system in order to maximize earnings on available funds. Investments are stated at fair value based upon evaluated quotes from independent pricing vendors. Oregon Revised Statutes, Chapter 294 or Port ordinances, if more restrictive, authorize the Port to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, and certain corporate indebtedness. In addition, the Marine & Other activity is authorized to invest in a State of Oregon local government investment pool and various interest bearing municipal bonds.

Budgets

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

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets to comply 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 one supplemental budget for the year ended June 30, 2018 and no supplemental budgets for the year ended June 30, 2017.

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

The Port budgets all funds on an accrual basis. 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) requirements from the Airport activity. Amounts funded in this manner are reported as transfers on the statement of revenues, expenses, and changes in net assets.

Internal Receivables and Payables

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

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain 2017 amounts have been reclassified to conform to current year classification. These reclassifications have no effect on previously reported net income, net position, or cash flows.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," (GASB 75) effective for the Port's fiscal year beginning July 1, 2017. The statement establishes standards for governmental employer recognition, measurement, and presentation of information about postemployment benefits other than pensions (OPEB), and also establishes requirements for reporting information about financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities. Accounting changes adopted to conform to the provisions of GASB 75 have been applied retroactively, and fiscal 2017 has been restated. The impacts of the restatement are summarized in the following table (in thousands):

Balance Sheet	As previously reported	As restated
Noncurrent assets:		
Other noncurrent assets	$ 3,495	$ 3,330
Deferred outflows of resources:		
Deferred charges on pensions and OPEB	53,688	54,059
Noncurrent liabilities:		
Long-term environmental and other accruals	70,169	75,243
Net position:		
Unrestricted	128,883	124,016
Statement of Revenues, Expenses, and Changes in Net Position		
Operating expenses:		
Salaries, wages, and fringe benefits	116,510	116,355
Change in net position:		
Total net position - beginning of year (July 1, 2016)	1,198,668	1,193,646

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

In March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the Port's fiscal year beginning July 1, 2017. The statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The adoption of this statement did not have a material effect on the Port's financial statements.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the Port's fiscal year beginning July 1, 2018. This statement establishes standards of accounting and financial reporting for certain asset retirement obligations. The statement establishes criteria for determining the timing and pattern of recognition for a liability and a corresponding deferred outflow of resources for asset retirement obligations. The Port is currently evaluating the effects this statement will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities," effective for the Port's fiscal year beginning July 1, 2019. The statement establishes standards of accounting and financial reporting for fiduciary activities. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017," effective for the Port's fiscal year beginning July 1, 2018. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits. The Port is currently evaluating the effects this statement will have on its financial statements.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the Port's fiscal year beginning July 1, 2017. The statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. The statement also requires that any prepaid insurance associated with the debt be included in the net carrying amount of that debt and establishes additional disclosure requirements. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2017, the GASB issued Statement No. 87, "Leases," effective for the Port's fiscal year beginning July 1, 2020. The statement establishes standards of accounting and financial reporting for leases by lessees and lessors, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements," effective for the Port's fiscal year beginning July 1, 2018. The statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement disclosure requirements related to debt obligations of governments. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," effective for the Port's fiscal year beginning July 1, 2020. The statement establishes accounting requirements for interest cost incurred before the end of a construction period. 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; industrial development, which is responsible for real estate development and related services; environmental, which includes costs and recoveries associated with environmental cleanup not directly attributable to specific Port facilities, or which pertain to facilities for which operations have been discontinued; navigation, which performs maintenance dredging for the Columbia River channel and maintains a river level reporting system; general aviation, which provides general aviation relief services; engineering,

2. Identifiable Activity Information, continued:

which provides drafting, environmental planning, permit coordination, and engineering support for the Port; and administrative departments (admin), which provide support and services to the Port's operating departments.

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2018 was as follows (in thousands):

	Marine Terminals	Industrial Development	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 26,051	$ 13,257		$ 15,700	$ 4,626	$ 163	$ 59,797
Operating expenses	31,932	13,317	$ 12,052	13,212	4,741	(1,502)	73,752
Depreciation expense	11,084	793		2,690	3,951	1,665	20,183
Operating (loss) income	$ (16,965)	$ (853)	$ (12,052)	$ (202)	$ (4,066)	$	$ (34,138)
Capital contributions	$ 323	$ 1,594			$ (301)		$ 1,616
Properties activity:							
Additions	$ 6,315	$ 2,912		$ 3,308	$ 1,408	$ 1,746	$ 15,689
Deletions	(9,590)			(6,371)	(30)	(2,446)	(18,437)

3. Cash and Investments:

Following are the Port's balance sheet classifications for cash and investments:

Balance sheet classification:	2018			2017
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 38,080	$ 47,462,291	$ 47,500,371	$ 36,391,524
Unrestricted equity in pooled investments	110,152,416	206,857,337	317,009,753	313,769,341
Restricted cash and equity in pooled investments	473,675,605	2,728,553	476,404,158	512,402,158
	$ 583,866,101	$ 257,048,181	$ 840,914,282	$ 862,563,023

At June 30, 2018, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 31,453,385	$ 13,535,674	$ 5,526,994	$ 11,761,548	$ 62,277,601
U.S. Agencies	113,441,196	91,701,827	66,021,259	34,298,762	305,463,044
Municipal debt	4,662,251	2,617,746	1,383,041	1,416,302	10,079,340
Corporate indebtedness	48,304,154	21,860,803	15,691,647	11,083,102	96,939,706
	$ 197,860,986	$ 129,716,050	$ 88,622,941	$ 58,559,714	474,759,691
Cash and cash equivalents					38,080
Restricted deposits held in trust accounts					109,068,330
					$ 583,866,101

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2018:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 3,458,000	$ 2,173,306	$ 3,237,806	$ 6,890,112	$ 15,759,224
U.S. Agencies	38,960,319	45,064,201	38,676,356	20,092,788	142,793,664
Municipal debt	2,731,224	1,533,519	810,208	829,693	5,904,644
Corporate indebtedness	16,636,839	12,806,423	9,192,429	6,492,667	45,128,358
	$ 61,786,382	$ 61,577,449	$ 51,916,799	$ 34,305,260	209,585,890
State of Oregon local government investment pool					40,413,046
Cash and deposits with financial institutions					7,049,245
					$ 257,048,181

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $14,447,167. Of these deposits, $250,000 was covered by federal depository insurance and $14,197,167 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.

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

Level 1 – Unadjusted quoted prices in active markets for identical instruments.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Not leveled – Cash and cash equivalents and the Oregon Short-Term Fund investment pool are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The Port's investments are valued using evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. All of the Port's investments at June 30, 2018 are considered level 2.

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

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

3. Cash and Investments, continued:

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, 2018, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

Oregon Revised Statutes (ORS) limit investments in municipal debt to those lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. In addition, lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho and Washington and political subdivisions of those states are authorized if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2018, all municipal debt in the Port's investment portfolio met or exceeded these ratings requirements.

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

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $2,550,000 at June 30, 2018 and 2017, 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, 2018 and 2017, approximately $353,468,000 and $310,354,000, respectively, of the Airport's investments represent a share of the Port's total investments.

4. Receivables:

Port operations are concentrated within the aviation industry for the Airport and the industrial property market and marine shipping industry for Marine & Other. Principal customers in these industries are national airlines, tenants of large Port industrial properties, and international steamship lines/agents. Each of these principal customers is affected by changes in industry market and other economic conditions. The Port evaluates the financial capacity of prospective and current customers to determine their ability to pay amounts due on a timely basis. Various forms of collateral, including irrevocable standby letters of credit and pledges from other related industry customers under a joint agreement, are obtained from certain customers, mainly for the Airport, where these pledges encompass substantially all trade receivables. Accounts receivable are monitored on an ongoing basis, and allowances for doubtful accounts are established and maintained. Total trade receivables for the aviation industry were approximately $24,400,000 at June 30, 2018 and $21,100,000 at June 30, 2017. Total trade receivables for the marine shipping industry were approximately $2,500,000 at June 30, 2018 and $1,600,000 at June 30, 2017. Total grants receivable for the Airport were approximately $3,100,000 at June 30, 2018 and $5,700,000 at June 30, 2017. Total grant receivables for marine and other were approximately $1,400,000 at June 30, 2018 and $4,800,000 at June 30, 2017. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2018 was as follows:

Airport:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital Assets being depreciated:					
Land improvements	$ 790,120,748		$ (1,730,438)	$ 65,500,796	$ 853,891,106
Buildings and equipment	1,404,127,690		(10,471,946)	62,194,721	1,455,850,465
Total capital assets being depreciated	2,194,248,438		(12,202,384)	127,695,517	2,309,741,571
Less accumulated depreciation:					
Land improvements	420,345,852	$ 33,766,381	(1,730,438)		452,381,795
Buildings and equipment	703,408,458	58,643,695	(10,556,012)		751,496,141
Total accumulated depreciation	1,123,754,310	92,410,076	(12,286,450)		1,203,877,936
Total capital assets being depreciated, net	1,070,494,128	(92,410,076)	84,066	127,695,517	1,105,863,635
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	125,744,977	176,176,305	16,977	(127,695,517)	174,242,742
Total capital assets not being depreciated	193,787,144	176,176,305	16,977	(127,695,517)	242,284,909
Airport capital assets, net	$ 1,264,281,272	$ 83,766,229	$ 101,043	$	$ 1,348,148,544
Marine & Other:					
Capital Assets being depreciated:					
Land improvements	$ 281,220,418		$ (984,449)	$ 8,304,139	$ 288,540,108
Buildings and equipment	260,159,588		(17,147,295)	6,720,819	249,733,112
Total capital assets being depreciated	541,380,006		(18,131,744)	15,024,958	538,273,220
Less accumulated depreciation:					
Land improvements	186,494,785	$ 10,195,747	(984,450)		195,706,082
Buildings and equipment	189,332,086	9,987,592	(17,165,381)		182,154,297
Total accumulated depreciation	375,826,871	20,183,339	(18,149,831)		377,860,379
Total capital assets being depreciated, net	165,553,135	(20,183,339)	18,087	15,024,958	160,412,841
Capital assets not being depreciated:					
Land	83,417,483				83,417,483
Construction in progress	25,678,100	13,361,862	(177,417)	(15,024,958)	23,837,587
Total capital assets not being depreciated	109,095,583	13,361,862	(177,417)	(15,024,958)	107,255,070
Marine & Other capital assets, net	$ 274,648,718	$ (6,821,477)	$ (159,330)	$	$ 267,667,911

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

The Port leases to others certain land, buildings, and equipment at various locations for terms ranging from 2 to 92 years. All leases are accounted for as operating leases. Costs of properties leased at June 30, 2018 included above are:

	Airport	Marine & Other	Total Port
Land and improvements	$ 4,446,566	$ 31,420,645	$ 35,867,211
Building & equipment	695,052,835	41,798,523	736,851,358
	699,499,401	73,219,168	772,718,569
Accumulated depreciation	(439,705,653)	(33,393,283)	(473,098,936)
	$ 259,793,748	$ 39,825,885	$ 299,619,633

5. Properties, continued:

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

	Airport	Marine & Other	Total Port
2019	$ 49,728,000	$ 16,694,000	$ 66,422,000
2020	46,653,000	13,703,000	60,356,000
2021	24,700,000	13,363,000	38,063,000
2022	19,015,000	10,677,000	29,692,000
2023	13,720,000	9,447,000	23,167,000
Thereafter	69,404,000	135,132,000	204,536,000
Total	$ 223,220,000	$ 199,016,000	$ 422,236,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2018 and 2017:

	Airport	Marine & Other	Total Port
2018	$ 75,500,000	$ 4,200,000	$ 79,700,000
2017	$ 72,400,000	$ 4,600,000	$ 77,000,000

6. Long-Term Debt:

At June 30, 2018, long-term debt consisted of the following:

	Pension	Airport Revenue	Passenger Facility Charge Revenue	Commercial Paper
Limited Tax Pension bonds:				
2002 Series (issued in fiscal 2002, original issue $54,952,959):				
7.36% to 7.41%, due serially through fiscal 2020	$ 1,734,398			
6.85%, due serially from fiscal 2020 through fiscal 2028	37,320,000			
6.6%, due fiscal 2025	6,205,000			
2005 Series (issued in fiscal 2006, original issue $20,230,000):				
4.859%, due fiscal 2020	2,085,000			
5.004%, due fiscal 2028	12,995,000			
Portland International Airport revenue bonds:				
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):				
currently 1.60%, due fiscal 2027		$ 36,830,000		
currently 1.58%, due fiscal 2027		36,835,000		
Series Twenty (issued in fiscal 2011, original issue $157,050,000):				
5.0%, due serially through fiscal 2029		67,055,000		
3.0% to 5.0%, due serially through fiscal 2031		19,230,000		
4.25%, due fiscal 2041		16,640,000		
Series Twenty-One A and B (issued in fiscal 2011, original issue $56,770,000):				
5.0%, due serially through fiscal 2019		8,210,000		
Series Twenty-One C (issued in fiscal 2012, original issue $27,685,000):				
4.375% to 5.0%, due serially through fiscal 2024		27,685,000		
Series Twenty-Two (issued in fiscal 2015, original issue $90,050,000):				
4.0% to 5.0%, due serially through fiscal 2035		41,695,000		
5.0%, due fiscal 2040		21,245,000		
5.0%, due fiscal 2045		27,110,000		
Series Twenty-Three (issued in fiscal 2015, original issue $109,440,000):				
5.0%, due serially through fiscal 2036		86,190,000		
5.0%, due fiscal 2039		23,250,000		
Series Twenty-Four (issued in fiscal 2017, original issue $233,240,000):				
5.0%, due serially through fiscal 2038		113,110,000		
5.0%, due fiscal 2043		52,770,000		
5.0%, due fiscal 2048		67,360,000		
Passenger Facility Charge revenue bonds:				
Series 2011A (issued in fiscal 2012, original issue $75,670,000):				
3.0% to 5.5%, due serially through fiscal 2032			$ 67,300,000	
Series 2012A (issued in fiscal 2013, original issue $57,725,000 variable interest rate):				
currently 2.56%, due fiscal 2025			57,195,000	
Series 2012B (issued in fiscal 2013, original issue $25,070,000):				
5.0%, due serially through fiscal 2019			3,330,000	
Portland International Airport commercial paper:				
Series B (issued in fiscal 2018)				$ 14,800,000
1.60%, due fiscal 2019				
Series C (issued in fiscal 2018)				13,700,000
2.20%, due fiscal 2019				
Totals, including $1,886,618, $29,445,000, $7,830,000, and $28,500,000 respectively, due within one year	$ 60,339,398	$ 645,215,000	$ 127,825,000	$ 28,500,000

6. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2018
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 $53,476 due on July 1, 2018 to $55,887 due on April 1, 2023, including $660,507 due within one year	$ 3,461,397
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, 2019 through March 31, 2021, including $200,000 due within one year	600,000
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available $7,427,000), 0.0%, payable in annual installments of $742,700 due July 1, 2019 through July 1, 2022	2,970,800
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 3.00% to 4.00%, payable in annual installments ranging from $379,332 due December 1, 2018 to $573,262 due December 1, 2030, including $379,332 due within one year	6,036,263
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount $15,100,000), 4.5%, payable in monthly installments ranging from $73,947 due August 1, 2018 to $115,011 due June 1, 2028, including $905,901 due within one year	11,065,255
Banc of America Leasing & Capital, LLC, (issued in fiscal 2014, original amount $2,303,000), 2.84%, payable in monthly installments ranging from $34,047 due August 1, 2018 to $35,193, due October 1, 2019, including $413,930 due within one year	519,260
Total, including $2,559,670 due within one year	$ 24,652,975

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

	Airport							
	Revenue Bonds		Passenger Facility Charge Revenue Bonds		Commercial Paper		Marine & Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 29,445,000	$ 28,817,241	$ 7,830,000	$ 4,978,006	$ 28,500,000	$ 59,458	$ 4,446,288	$ 6,813,773
2020	26,265,000	27,763,845	8,105,000	4,778,332			5,276,106	6,741,857
2021	30,670,000	26,780,175	8,505,000	4,570,411			7,991,484	4,284,447
2022	32,175,000	25,596,400	8,930,000	4,352,084			8,574,443	3,870,282
2023	29,470,000	24,371,562	9,370,000	4,122,940			9,200,364	3,408,530
2024-2028	133,380,000	104,620,888	45,250,000	15,716,030			47,845,094	8,769,854
2029-2033	89,660,000	79,486,850	39,835,000	4,421,201			1,658,594	132,233
2034-2038	88,795,000	56,710,562						
2039-2043	106,350,000	31,693,600						
2044-2048	79,005,000	11,021,875						
	$ 645,215,000	$ 416,862,998	$ 127,825,000	$ 42,939,004	$ 28,500,000	$ 59,458	$ 84,992,373	$ 34,020,976

6. Long-Term Debt, continued:

Changes in long-term debt on the balance sheet for the year ended June 30, 2018 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 808,150,000		$ (35,110,000)	$ 773,040,000
less: current portion of long-term debt	(35,110,000)	$ (37,275,000)	35,110,000	(37,275,000)
Unamortized bond issue premium	64,372,448		(4,637,483)	59,734,965
Long-term debt	$ 837,412,448	$ (37,275,000)	$ (4,637,483)	$ 795,499,965
Marine & Other:				
Long-term debt outstanding	$ 89,966,476		$ (4,974,103)	$ 84,992,373
less: current portion of long-term debt	(4,231,403)	$ (4,446,288)	4,231,403	(4,446,288)
Long-term bond interest payable	3,328,274	576,035	(2,218,382)	1,685,927
Long-term portion outstanding	$ 89,063,347	$ (3,870,253)	$ (2,961,082)	$ 82,232,012

In addition, at June 30, 2018 and 2017, the Port has recorded $15,785,140 and $17,303,181 respectively, within the Airport activity, for the difference between the reacquisition price and the net carrying amount of refunded bonds, which is recorded as a deferred outflow of resources on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

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

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

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

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

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

6. Long-Term Debt, continued:

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

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

- General account for all other permitted uses.

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

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

Section 16(ii) of Ordinance No. 155 and Section 5f of Ordinance No. 323 further stipulate that defined net revenues in each fiscal year must equal at least 130 percent of defined debt service requirements. The Airport has complied with this provision of the Ordinances for the years ended June 30, 2018 and 2017.

On July 1, 2015, ten year contracts with major airline customers became effective in which the airlines have provided financial guarantees sufficient to meet the net revenues requirement for airline supported activities, primarily airfield and terminal operations. Net revenues of other activities, primarily parking, air cargo, and a portion of rental car operations are neither guaranteed nor limited to specified levels by these contracts. The contracts also contain an annual revenue sharing provision through June 30, 2025 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain 1) reductions, contingent on the Port managing operating expenses to a defined target level, and 2) increases, contingent on Airport coverage ratio thresholds. The discount amount was increased by $4,754,434 for fiscal 2018 and by $4,463,809 for fiscal 2017.

Series Twenty-Four bonds maturing on or before July 1, 2027 are not subject to optional redemption prior to maturity. Series Twenty-Four bonds maturing on or after July 1, 2028 are redeemable at the option of the Port on or after July 1, 2027 at 100 percent of the principal amount plus accrued interest.

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

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

Series Twenty-One C bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series Twenty-One C bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

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

Series Twenty bonds maturing on or before July 1, 2020 are not subject to redemption prior to maturity. Series Twenty bonds maturing on or after July 1, 2021 are redeemable at the option of the Port, at par, in part, by lot, on or after July 1, 2020.

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

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

Series Eighteen variable rate demand bonds bear an interest rate that is generally reset weekly by remarketing agents, and cannot exceed 12.0 percent. Payments of principal and interest on the Series Eighteen bonds and the purchase price of Series Eighteen bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. Series Eighteen bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day. In the event that Series Eighteen bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of three years at a variable rate of interest that increases over time, reaching a maximum rate of the greater of the federal funds rate plus 2.5 percent, or the bank’s prime rate plus 2.0 percent.

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

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

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

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

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

The Series 2012A variable rate bonds were issued in the form of index bonds bearing an interest rate that is generally reset weekly based on an applicable spread of 63.5 basis points plus 70 percent of 1 month LIBOR, and cannot exceed 12.0 percent. The Series 2012A bonds have a maturity date of July 1, 2024 and are subject to mandatory sinking account payments prior to maturity. The Series 2012A bonds were directly purchased by a single buyer for an initial purchase period ending June 1, 2020. Series 2012A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part. At the end of the initial purchase period, the Port may repurchase the outstanding bonds at par, or redeem the bonds in installments over a three year period with an interest rate based on the greater of the prime rate plus 1.0 percent, the federal funds rate plus 2.0 percent, or 7.0 percent.

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

6. Long-Term Debt, continued:

Series 2011A bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series 2011A bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

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

PORTLAND INTERNATIONAL AIRPORT COMMERCIAL PAPER

Port Ordinance No. 463-CP, enacted November 8, 2017, authorized the issuance of Portland International Airport Third Lien Commercial Paper Notes (commercial paper) of up to $300 million aggregate principal amount outstanding at any one time to pay, refinance, or reimburse the Port for the payment of costs of constructing, renovating, acquiring, equipping and installing improvements at the Airport, to pay costs of issuing commercial paper, and for any other lawful purposes of the Port. Commercial paper is issued pursuant to Section 6B of Port Ordinance 323 and is payable solely from the defined net revenues of the Airport that are available in the Third Lien Obligation Fund.

In fiscal 2018, the Port issued Series B and Series C commercial paper to fund the costs of constructing improvements at the Airport and to pay interest on maturing commercial paper. Commercial paper outstanding totaled $28,500,000 at June 30, 2018. Commercial paper is included in current portion of long-term debt on the balance sheet.

DERIVATIVE INSTRUMENTS

At June 30, 2018, 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	$ 3,737,500	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (275,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 3,737,500	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (275,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$32,595,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (2,567,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$32,595,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (2,567,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling $9,293,538. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was negative $5,864,000 at June 30, 2018 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of $496,838 and a noncurrent liability of $1,439,704 at June 30, 2018. Hedge accounting is applied to the derivatives, and accordingly, the cumulative change in fair value of the derivatives (at-market interest rate swaps) were recorded as deferred outflows of $5,864,000, which is a decrease of $3,338,000 from the June 30, 2017 amount.

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

6. Long-Term Debt, continued:

Credit risk. The Airport has two separate counterparties for these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2018 credit rating for each of the counterparties is as follows:

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

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2018, none of the Airport's interest rate swaps were exposed to credit risk.

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

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps A, B, C, and D are variable rate demand obligation (VRDO) bonds that are remarketed weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedging the VRDO bonds, because the variable rate payments received by the Airport on these derivative instruments are based on a rate or index other than the interest rates the Airport pays on the VRDO bonds. At June 30, the weighted-average interest rate on the Airport's VRDO bonds is 1.590 percent, while 68 percent of 1 month LIBOR is approximately 1.360 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, 2018; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2018, the Airport had the following investment derivative instruments outstanding:

Item	Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
E	Pay-fixed interest rate swap	$ 34,317,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (2,187,000)
F	Pay-fixed interest rate swap	$ 22,878,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (1,431,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments E and F, the Airport received an up-front payment totaling $5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was negative $3,618,000 at June 30, 2018 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of $598,930 and a noncurrent liability of $1,478,316 at June 30, 2018. In fiscal 2013, the 2009A PFC variable rate bonds hedged by derivative instruments E

6. Long-Term Debt, continued:

and F were refunded; therefore, for accounting and financial reporting purposes, these derivatives are considered investment derivative instruments. Accordingly, the decrease in fair value of the swaps of $2,548,000 during fiscal 2018 was recorded in interest revenue on the statement of revenues, expenses, and changes in net position.

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

Credit risk. The Airport has two separate counterparties for these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2018 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative E	A+ / Aa3
Derivative F	A- / A3

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, 2018, none of the Airport's interest rate swaps were exposed to credit risk.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps E and F are index rate bonds with rates that are reset weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedged to the index rate bonds, because the variable rate payments received by the Airport on these derivative instruments are based on a rate other than the interest rate the Airport pays on the index rate bonds. At June 30, the weighted–average interest rate on the Airport's index rate bonds is approximately 2.560 percent, while 68 percent of 1 month LIBOR is approximately 1.395 percent.

Derivative instrument E requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below A- or if the negative fair value of that derivative instrument exceeds $15 million. The Airport's credit rating is AA- at June 30, 2018, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for this derivative instrument. Derivative instrument F requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below BBB- or if there is a negative fair value of that derivative instrument. Derivative instrument F has a negative fair value at June 30, 2018; therefore, the Airport has posted $2,440,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport's balance sheet).

As rates vary, variable rate bond interest payments and net swap payments will vary. Although not a prediction by the Port of future interest cost of the variable rate bonds or of the impact of interest rate swaps, following are debt service requirements of the Airport's hedged variable rate debt and related net swap payments, using rates as of June 30, 2018:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2019	$ 9,025,000	$ 1,171,273	$ 2,133,629	$ 12,329,902
2020	9,410,000	1,027,776	1,794,036	12,231,812
2021	9,865,000	878,157	1,436,731	12,179,888
2022	10,310,000	721,303	1,136,753	12,168,056
2023	6,590,000	557,374	896,780	8,044,154
2024-2028	28,465,000	1,131,522	1,286,258	30,882,780
	$ 73,665,000	$ 5,487,405	$ 8,684,187	$ 87,836,592

6. Long-Term Debt, continued:

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2019	$ 2,790,000	$ 1,464,181	$ 1,801,507	$ 6,055,688
2020	7,955,000	1,392,757	1,509,904	10,857,661
2021	8,370,000	1,189,111	1,203,119	10,762,230
2022	8,805,000	974,840	880,346	10,660,186
2023	9,265,000	749,434	540,693	10,555,127
2024-2028	20,010,000	774,906	366,535	21,151,441
	$ 57,195,000	$ 6,545,229	$ 6,302,104	$ 70,042,333

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.

Industrial revenue bonds for Airport industrial facilities were outstanding in the amount of $17,300,000 at both June 30, 2018 and 2017.

8. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan (Plan), administered by PERS, to which employees and employers both contribute. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are generally based on salary and length of service or retiree account balance, are calculated using a formula, and are payable in a lump sum or monthly using several payment options. Monthly benefits are adjusted annually through cost-of-living adjustments (COLA). A prospective cap on the COLA which took effect in fiscal 2015 and beyond varies based upon the amount of the annual benefit. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

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

The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rates were 15.57 percent and 13.40 percent of annual covered payroll for fiscal years 2018 and 2017, respectively. The Port also pays the required employee contribution. The Port, by electing to join the State and Local Government Rate Pool, effective January 1, 2002, is part of the cost-sharing multiple-employer segment of the pension plan. Limited tax pension bonds were issued to fund the Port's estimated unfunded actuarial accrued liability of $54,068,039 as of April 1, 2002, and $20,012,029 as of October 1, 2005. The proceeds from these bond issues are held by PERS in side accounts specific to the Port, and are factors in the calculation of the Port's employer contribution rates and the Port's proportionate share of the

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

collective Net Pension Liability (NPL) or Net Pension Asset (NPA). Of these bond issue amounts, $25,550,920 and $11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as liabilities (due to Marine & Other). The Airport liability is reduced proportionately as the Marine & Other activity makes principal payments on the pension bonds. Principal payments on the pension bonds were made in the amounts of $1,768,815 and $1,652,546 in fiscal 2018 and 2017, respectively, of which $914,079 and $850,201 were applicable to the Airport.

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components, the Pension Program (a defined benefit program) and the Individual Account Program (IAP) (a defined contribution program), and is administered by PERS, the agency. The Pension Program is funded by employer contributions. For general service members, normal retirement age is 65 or age 58 with 30 years of service, and for police and fire members, normal retirement age is 60 or age 53 with 25 years of service. Retirement benefits under the Pension Program are calculated using a formula based on final average salary, as defined, and years of service. The IAP is funded by a 6 percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation. The Port's employer contribution rate to OPSRP, set periodically by PERS based on actuarial valuations, was 8.02 percent of annual covered payroll for general service members and 12.79 percent for police and fire members for fiscal 2018, and 7.33 percent of annual covered payroll for general service members and 11.44 percent for police and fire members for fiscal 2017; the Port also pays the required employee contributions of 6 percent of annual covered salary.

The Port's fiscal 2018 and 2017 contributions recognized by PERS were $8,143,225 and $5,549,206. Actuarial determinations are not made solely as to Airport employees. PERS contributions of $3,854,851 and $2,545,409 were applicable to the Airport for fiscal years 2018 and 2017, respectively, based upon payroll expense.

GASB Statement No. 68 (GASB 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires the liability of employers to employees for defined benefit plans (NPL or NPA) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (Total Pension Liability (TPL) or Total Pension Asset (TPA)), less the amount of the pension plan's fiduciary net position. Employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology.

The Port recognizes its proportion of the PERS NPL or NPA, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense. The TPL at June 30, 2018 was determined based on an actuarial valuation as of December 31, 2015 and rolled forward to the measurement date of June 30, 2017; the TPL at June 30, 2017 was determined based on an actuarial valuation as of December 31, 2014 and rolled forward to the measurement date of June 30, 2016. The basis for the Port's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers.

For the year ended June 30, 2018, the Port's proportionate share of the collective NPL of PERS is $86,772,304, or 0.64370965 percent of the total, and the Port recognized pension expense of $17,866,439 as its proportionate share of PERS pension expense. For the year ended June 30, 2017, the Port's proportionate share of the collective NPL of PERS is $103,193,124, or 0.687390 percent of the total, and the Port recognized pension expense of $18,513,130 as its proportionate share of PERS pension expense. Actuarial determinations are not made solely as to Airport employees. For the year ended June 30, 2018, $39,036,170 of the NPL, and $8,233,507 of pension expense, was applicable to the Airport. For the year ended June 30, 2017, $46,540,609 of the NPL, and $8,281,256 of pension expense, was applicable to the Airport.

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

Actuarial assumptions used in the 2015 valuation rolled forward to the measurement date of June 30, 2017, and in the 2014 valuation rolled forward to the measurement date of June 30, 2016, were as follows:

- Investment Rate of Return: 7.50 percent per annum
- Projected Salary Increases: 3.50 percent overall payroll growth
- Inflation Rate: 2.50 percent per annum

Mortality assumptions for healthy retirees and beneficiaries are based on RP-2000 sex-distinct, generational per Scale BB. Active members' mortality rates are a percentage of healthy retiree rates that vary by group. Disabled retirees mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

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

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

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

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

The discount rate used to measure the TPL of PERS was 7.50 percent for the measurement dates of June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, PERS' fiduciary net position was projected to be available to make all projected future benefit payments of current PERS members. Therefore, the long-term expected rate of return on PERS investments was applied to all periods of projected benefit payments to determine the TPL.

For fiscal 2018, the Port's $86,772,304 proportionate share of the NPL was calculated using the discount rate of 7.50 percent as of the measurement date of June 30, 2017. If a discount rate 1 percentage point lower (6.50%) were used in the calculation, it would result in a NPL for the Port of $147,875,850. If a discount rate 1 percentage point higher (8.50%)

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

were used in the calculation, it would result in a NPL for the Port of $35,678,425. For fiscal 2017, the Port's $103,193,124 proportionate share of the NPL was calculated using the discount rate of 7.50 percent as of the measurement date of June 30, 2016. If a discount rate 1 percentage point lower (6.50%) were used in the calculation, it would result in a NPL for the Port of $166,622,488. If a discount rate 1 percentage point higher (8.50%) were used in the calculation, it would result in a NPL for the Port of $50,177,274.

To develop an analytical basis for the selection of the long-term expected rate of return assumption used in the calculation of the TPL at June 30, 2018 and 2017, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors in July 2015. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset class	2017 Target allocation*	2017 Compound annual (geometric) return
Core fixed income	8.00%	4.00%
Short-term bonds	8.00%	3.61%
Bank/leveraged loans	3.00%	5.42%
High yield bonds	1.00%	6.20%
Large/mid cap U.S. equities	15.75%	6.70%
Small cap U.S. equities	1.31%	6.99%
Micro cap U.S. equities	1.31%	7.01%
Developed foreign equities	13.13%	6.73%
Emerging market foreign equities	4.12%	7.25%
Non-U.S. small cap equities	1.88%	7.22%
Private equity	17.50%	7.97%
Real estate (property)	10.00%	5.84%
Real estate (REITs)	2.50%	6.69%
Hedge fund of funds - diversified	2.50%	4.64%
Hedge fund - event driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed inflation - mean	n/a	2.50%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

Deferred items are calculated at the PERS level and allocated to the Port based upon its proportionate share. For the measurement dates of June 30, 2017 and 2016, there were deferred outflows and inflows of resources related to the following sources:

8. Pension Plans and Deferred Compensation Plan, continued:

	Deferred outflow of resources		Deferred inflow of resources	
Measurement date of June 30,	2017	2016	2017	2016
Differences between expected and actual experience	$ 4,196,345	$ 3,414,080		
Changes of assumptions	15,817,043	22,008,614		
Net difference between projected and actual earnings on plan investments	893,958	20,386,632		
Changes in proportionate share	2,468,300	3,216,269	3,036,866	111,129
Differences between contributions and Port's proportionate share of system contributions			2,454,453	2,393,294
Total deferred outflow (inflow) of resources	$ 23,375,646	$ 49,025,595	$ 5,491,319	$ 2,504,423

Port employer contributions for PERS made after the measurement date are reported as deferred outflows on the balance sheet at June 30, 2018 and 2017 in the amount of $8,143,225 and $5,549,206, respectively; these contributions are recognized as a reduction in the Port's NPL in the ensuing year. $3,854,851 and $2,545,409 of the deferred outflows were applicable to the Airport at June 30, 2018 and 2017, respectively.

Cumulative deferred inflows and outflows related to PERS will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflow/ (Inflow) of Resources - Airport	Deferred Outflow/ (Inflow) of Resources - Marine & Other	Deferred Outflow/ (Inflow) of Resources - Total
2019	$ 1,440,854	$ 1,838,626	$ 3,279,480
2020	4,566,006	5,826,526	10,392,532
2021	3,115,122	3,975,101	7,090,223
2022	(1,206,946)	(1,540,143)	(2,747,089)
2023	(57,476)	(73,343)	(130,819)
Total	$ 7,857,560	$ 10,026,767	$ 17,884,327

Subsequent to the measurement date, the PERS Board adopted a new long-term rate of return assumption of 7.2%. This change will be reflected in the next year's actuarial valuations. The effect of this decision is expected to be significant to the plan liabilities.

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

9. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out and is closed to any employees that did not meet age and length-of-service eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75, and contributions to the plan are made on a pay-as-you-go basis.

Under Oregon State law, employees retiring under PERS or OPSRP may make a one-time election at retirement to 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.

At June 30, 2017, the following employees were covered by the benefits terms of the plan:

Inactive employees currently receiving benefit payments	54
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	723
	777

For the year ended June 30, 2018, the Port's total other postemployment benefit (OPEB) liability of $6,283,870 was determined based upon a July 1, 2017 actuarial valuation, measured as of June 30, 2017, rolled forward to a reporting date of June 30, 2018. The Port recognized OPEB expense of $337,178 in fiscal 2018, with $190,112 of OPEB expense applicable to the Airport. For the year ended June 30, 2017, the Port's total other postemployment benefit (OPEB) liability of $6,318,267 was determined based upon a July 1, 2017 actuarial valuation, measured as of June 30, 2017. The Port recognized OPEB expense of $331,248 in fiscal 2017, with $186,852 of OPEB expense applicable to the Airport. The OPEB liability in the July 1, 2017 actuarial valuation measured as of June 30, 2017 was determined using the following actuarial assumptions:

- A discount rate of 3.13 percent based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2017
- A healthcare cost trend rate of 7.5 percent graded uniformly to 5.0 percent over a 10-year period
- Mortality rates were based on the RP-2014 Mortality Table adjusted to 2006 with generational mortality improvement under Projection Scale MP-2016

Changes in the total OPEB liability during fiscal 2018 are shown in the following table:

Balance at 6/30/2017	$	6,318,267
Service cost		146,462
Interest		190,716
Benefit payments		(371,575)
Net change		(34,397)
Balance at 6/30/2018	$	6,283,870

The following table presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would have been if it were calculated using a health care trend rate assumption that is 1-percentage-point lower or 1-percentage-point higher than the current health care trend rate assumption:

9. Postemployment Healthcare Benefits, continued:

	1% Decrease decreasing to 4%)	Healthcare Cost Trend Rate decreasing to 5%)	1% increase decreasing to 6%)
Total OPEB liability, 6/30/2018	$ 5,713,925	$ 6,283,870	$ 6,952,692
Total OPEB liability, 6/30/2017	$ 5,792,516	$ 6,318,267	$ 6,934,597

The following table presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% increase (4.13%)
Total OPEB liability, 6/30/2018	$ 6,819,834	$ 6,283,870	$ 5,800,690
Total OPEB liability, 6/30/2017	$ 6,871,933	$ 6,318,267	$ 5,821,323

Port benefits payments made after the measurement date are reported as deferred outflows on the balance sheet at June 30, 2018 and 2017 in the amount of $399,443 and $371,575, respectively. These payments are recognized as a reduction in the Port's total OPEB liability in the ensuing year. $229,781 and $213,750 of the deferred outflows were applicable to the Airport at June 30, 2018 and 2017, respectively.

10. Risk Management:

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

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

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

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

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

	Fiscal Year Ended June 30, 2018	2017
Beginning liability	$ 1,309,654	$ 1,217,014
Current year claims and changes in estimates	205,678	470,983
Claim payments	(434,566)	(378,343)
Ending liability	$ 1,080,766	$ 1,309,654

Approximately $711,332 and $998,420 of the liability was applicable to the Airport at June 30, 2018 and 2017, respectively.

11. Commitments and Contingencies:

At June 30, 2018, land acquisition and construction contract commitments aggregated approximately $288,700,000 for the Airport, $17,700,000 for Marine & Other, and $306,400,000 in total.

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

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

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other PRPs as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Order on Consent (AOC) to perform remedial investigation and evaluation activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately $560,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2018. In January 2017, the EPA released a Record of Decision (ROD) for the Portland Harbor. Cleanup costs for the Portland Harbor remain uncertain under the ROD and 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 $24,900,000 in estimated costs for this cleanup at June 30, 2018. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2018. Both these sites are accounted for within the Marine & Other activity.

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

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

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Environmental liabilities	$ 4,779,000		$ 226,000	$ 5,005,000
less: current portion	(1,724,000)	$ (1,897,809)	444,309	(3,177,500)
Long-term liability	$ 3,055,000	$ (1,897,809)	$ 670,309	$ 1,827,500
Marine & Other:				
Environmental liabilities	$ 52,109,787	$ 17,882,226	$ (5,807,027)	$ 64,184,986
less: current portion	(4,502,974)	(14,415,107)	2,101,998	(16,816,083)
Long-term liability	$ 47,606,813	$ 3,467,119	$ (3,705,029)	$ 47,368,903

11. Commitments and Contingencies, continued:

The Port leases from others, under operating leases, warehouse and office space, office equipment, and submerged lands. These leases expire at varying times through fiscal 2023. Total rental expense (all minimum rentals) for operating leases approximated $196,000 and $199,000 for Marine & Other in 2018 and 2017, respectively, and $206,000 and $212,000 for the Airport in 2018 and 2017, 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
2019	$ 204,647	$ 84,281	$ 288,928
2020	203,786	28,379	232,165
2021	11,541	5,303	16,844
2022	8,510	5,303	13,813
2023		442	442
Total	$ 428,484	$ 123,708	$ 552,192

12. Tax Abatements:

The Port is subject to property tax abatements granted by counties within the Port District pursuant to State statute. Tax abatements granted within the Port District reduce the amount of property taxes collected under the Port's property tax levy in each county. Port property tax revenues were reduced by approximately $178,000 under agreements entered into by Multnomah County, $279,000 under agreements entered into by Clackamas County, and $1,034,000 under agreements entered into by Washington County.

13. Budget Overexpenditure:

In the Airport Revenue Fund, the Port overexpended one budget appropriation item for operating expenditures. The overexpenditure of $564,256 was caused by revision of an estimated accrued environmental liability after final appropriations were made for the fiscal year, and does not represent a cash overexpenditure.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	2018	2017
Total OPEB liability - beginning	$ 6,318,267	$ 6,332,670
Service cost	146,462	139,488
Interest	190,716	191,760
Benefit payments	(371,575)	(345,651)
Net change	(34,397)	(14,403)
Total OPEB liability - ending	$ 6,283,870	$ 6,318,267
Covered-employee payroll	$ 62,444,085	$ 62,444,085
Total OPEB liability as a percentage of covered-employee payroll	10.1%	10.1%

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75.

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

Measurement date as-of June 30,	**2017**	**2016**	**2015**	**2014**	**2013**
Port share of Net Pension Liability (Asset) - percentage	0.643710%	0.687390%	0.627646%	0.636022%	0.636022%
Port share of Net Pension Liability (Asset) - amount [A]	$ 86,772,304	$ 103,193,124	$ 36,036,033	$ (14,416,804)	$ 32,457,134
Port covered-employee payroll [B]	$ 70,942,000	$ 66,585,000	$ 66,637,000	$ 61,267,000	$ 60,855,267
Port share of Net Pension Liability (Asset) as a percentage of Port covered-employee payroll [A/B]	122.3%	155.0%	54.1%	(23.5)%	53.3%
PERS fiduciary net position as a percentage of TPL	83.1%	80.5%	91.9%	103.6%	92.0%

THE PORT OF PORTLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO PERS ($000)

Fiscal Year:	**2018**	**2017**	**2016** [1]	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Actuarially Determined Contribution	$ 8,143	$ 5,549	$ 5,549	$ 5,332	$ 4,831	$ 5,030	$ 4,966	$ 1,902	$ 1,764	$ 3,614
Contribution in relation to Actuarially Determined Contribution	8,143	5,549	5,549	5,332	4,831	5,030	4,966	1,902	1,764	3,614
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$	$	$
Covered Employee Payroll	$ 71,239	$ 70,942	$ 66,585	$ 66,637	$ 61,267	$ 60,855	$ 60,447	$ 56,138	$ 54,943	$ 55,905
Contribution as a percentage of Covered Employee Payroll	11.4%	7.8%	8.3%	8.0%	7.9%	8.3%	8.2%	3.4%	3.2%	6.5%

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

SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS

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

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

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

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

General Fund

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

Bond Construction Fund

This fund finances the acquisition, construction, expansion, and improvement of new and existing structures and facilities. Resources are from transfers from the General Fund, grants, interest on investments, and a property tax levy for Port improvements.

Airport Revenue Fund

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

Airport Revenue Bond Fund

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

Airport Construction Fund

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

PFC Fund

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

PFC Bond Fund

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

CFC Fund

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

CFC Bond Fund

This fund, created in anticipation of future issuance of Portland International Airport Customer Facility Charge Revenue Bonds (CFC revenue bonds), will be administered by a trustee for the payment of principal and interest on CFC revenue bonds. Principal resources are anticipated to be transfers from the CFC 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, 2018

	Budgetary Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Port Funds:			
General Fund	$ 70,590,020	$ 116,889,845	$ (46,299,825)
Bond Construction Fund	14,161,092	13,346,733	814,359
Airport Revenue Fund	271,476,537	136,802,406	134,674,131
Airport Revenue Bond Fund	690,580	61,264,797	(60,574,217)
Airport Construction Fund	11,626,926	143,587,262	(131,960,336)
PFC Fund	38,252,374	29,651	38,222,723
PFC Bond Fund	226,584	14,814,257	(14,587,673)
CFC Fund	15,671,427		15,671,427
Totals - budgetary reporting basis	$ 422,695,540	$ 486,734,951	(64,039,411)
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			156,800,812
Internal costs on capital projects			18,316,108
Interest expense capitalized			17,301,142
Depreciation and amortization expense			(112,593,415)
Expenses that will be expended in future years			2,270,210
Contributions from governmental agencies			(11,954,175)
Bond and contract payable principal expenditures			47,101,475
Change in unearned revenues and certain noncurrent receivables			3,036,373
Difference between income and proceeds from sales of land			(6,885,637)
Noncash pension and OPEB expense			(9,559,741)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,863,831)
Other			2,180,234
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 39,110,144

* 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, 2018

	Budgetary Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Airport Funds:			
Airport Revenue Fund	$ 271,476,537	$ 136,802,406	$ 134,674,131
Airport Revenue Bond Fund	690,580	61,264,797	(60,574,217)
Airport Construction Fund	11,626,926	143,587,262	(131,960,336)
PFC Fund	38,252,374	29,651	38,222,723
PFC Bond Fund	226,584	14,814,257	(14,587,673)
CFC Fund	15,671,427		15,671,427
Totals - budgetary reporting basis	$ 337,944,428	$ 356,498,373	(18,553,945)
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			143,454,079
Internal costs on capital projects			1,520,900
Interest expense capitalized			17,301,142
Depreciation and amortization expense			(92,410,076)
Expenses that will be expended in future years			2,032,300
Contributions from governmental agencies			(10,338,147)
Bond principal expenditures			41,912,483
Change in unearned revenues and certain noncurrent receivables			2,194,640
Noncash pension and OPEB expense			(4,292,562)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,840,991)
Intra-Port services received, provided, and overhead			(24,177,325)
Allocation of pension debt service			(3,688,846)
Other			1,098,984
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 53,212,636

* 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, 2018

	Resources				Over
	Original	Transfers In (Out)	Budget	Actual	(Under) Budget
REVENUES:					
Operating revenues:					
Administration	$ 160,000		$ 160,000	$ 162,521	$ 2,521
Marine	20,973,106	$ 4,300,000	25,273,106	25,878,628	605,522
Industrial Development	26,714,735		26,714,735	12,809,815	(13,904,920)
Navigation	14,336,130		14,336,130	15,492,974	1,156,844
General Aviation	4,334,478		4,334,478	4,583,381	248,903
	66,518,449	4,300,000	70,818,449	58,927,319	(11,891,130)
Interest	2,922,700	500,000	3,422,700	3,306,633	(116,067)
Fixed asset sales and other		8,500,000	8,500,000	8,356,068	(143,932)
Total revenues	69,441,149	13,300,000	82,741,149	70,590,020	(12,151,129)
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	3,532,182		3,532,182	2,855,477	(676,705)
Airport Construction Fund	12,685,554		12,685,554	13,939,733	1,254,179
Airport Revenue Fund	29,642,884		29,642,884	29,099,438	(543,446)
Total transfers	45,860,620		45,860,620	45,894,648	34,028
Total revenues and transfers	115,301,769	13,300,000	128,601,769	116,484,668	(12,117,101)
BEGINNING WORKING CAPITAL	156,457,245		156,457,245	213,362,890	56,905,645
Total resources	$ 271,759,014	$ 13,300,000	$ 285,059,014	$ 329,847,558	$ 44,788,544

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), Continued
for the year ended June 30, 2018

	Appropriations				(Over)
		Transfers			Under
	Original	In (Out)	Revised	Actual	Budget
EXPENDITURES:					
Administration	$ 53,818,390		$ 53,818,390	$ 48,544,286	$ 5,274,104
Marine	19,794,072	$ 6,100,000	25,894,072	25,556,817	337,255
Industrial Development	5,099,705		5,099,705	4,245,731	853,974
Navigation	11,095,474		11,095,474	10,531,426	564,048
General Aviation	3,358,955	500,000	3,858,955	3,654,574	204,381
Long-term debt payments	12,411,555		12,411,555	12,131,082	280,473
System development charges/other	250,000	2,000,000	2,250,000	1,931,522	318,478
Other environmental	3,204,812	14,500,000	17,704,812	10,294,407	7,410,405
Contingencies	133,140,614	(9,800,000)	123,340,614		123,340,614
Total expenditures	242,173,577	13,300,000	255,473,577	116,889,845	138,583,732
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	29,201,305		29,201,305		29,201,305
Airport Revenue Fund	384,132		384,132	204,080	180,052
Total transfers	29,585,437		29,585,437	204,080	29,381,357
Total expenditures and transfers	$ 271,759,014	$ 13,300,000	$ 285,059,014	117,093,925	$ 167,965,089
ENDING WORKING CAPITAL				$ 212,753,633	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 244,000	$ 468,439	$ 224,439
Grants	4,363,312	1,616,028	(2,747,284)
	4,607,312	2,084,467	(2,522,845)
Tax and tax items:			
Current property tax levy - net	11,919,999	12,055,459	135,460
Interest on taxes		21,166	21,166
	11,919,999	12,076,625	156,626
Total revenues	16,527,311	14,161,092	(2,366,219)
TRANSFERS FROM OTHER FUNDS:			
General Fund	29,201,305		(29,201,305)
Airport Revenue Fund	1,974,906	498,934	(1,475,972)
Total transfers	31,176,211	498,934	(30,677,277)
BEGINNING WORKING CAPITAL	10,000,000	16,069,307	6,069,307
Total resources	$ 57,703,522	30,729,333	$ (26,974,189)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 44,116,255	13,346,733	$ 30,769,522
Contingencies	10,000,000		10,000,000
Total expenditures	54,116,255	13,346,733	40,769,522
TRANSFERS TO OTHER FUNDS:			
General Fund	3,532,182	2,855,477	676,705
Airport Revenue Fund	55,085	22,572	32,513
Total transfers	3,587,267	2,878,049	709,218
Total expenditures and transfers	$ 57,703,522	16,224,782	$ 41,478,740
ENDING WORKING CAPITAL		$ 14,504,551	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Operating revenue - Portland International Airport	$ 240,729,359		$ 240,729,359	$ 241,933,884	$ 1,204,525
Interest and other	2,268,700		2,268,700	1,042,653	(1,226,047)
Commercial paper proceeds		$ 200,000,000	200,000,000	28,500,000	(171,500,000)
Total revenues	242,998,059	200,000,000	442,998,059	271,476,537	(171,521,522)
TRANSFERS FROM OTHER FUNDS:					
General Fund	384,132		384,132	204,080	(180,052)
Bond Construction Fund	55,085		55,085	22,572	(32,513)
Airport Construction Fund	2,081,643		2,081,643	3,105,443	1,023,800
CFC Fund	200,000		200,000	169,611	(30,389)
Total transfers	2,720,860		2,720,860	3,501,706	780,846
Total revenues and transfers	245,718,919	200,000,000	445,718,919	274,978,243	(170,740,676)
BEGINNING WORKING CAPITAL	94,740,916		94,740,916	94,672,430	(68,486)
Total resources	$ 340,459,835	$ 200,000,000	$ 540,459,835	369,650,673	$ (170,809,162)

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Operating expenditures	$ 105,105,896	$ 2,500,000	$ 107,605,896	108,170,152	$ (564,256)
Commercial paper debt service payments		100,950,000	100,950,000	28,629,693	72,320,307
Other	605,000		605,000	2,561	602,439
Contingencies	104,460,000	(1,500,000)	102,960,000		102,960,000
Total expenditures	210,170,896	101,950,000	312,120,896	136,802,406	175,318,490
TRANSFERS TO OTHER FUNDS:					
General Fund	29,642,884		29,642,884	29,099,438	543,446
Bond Construction Fund	1,974,906		1,974,906	498,934	1,475,972
Airport Construction Fund	41,011,815	60,050,000	101,061,815	63,551,523	37,510,292
Airport Revenue Bond Fund	57,659,334		57,659,334	54,308,411	3,350,923
CFC Fund		38,000,000	38,000,000	13,615,477	24,384,523
Total transfers	130,288,939	98,050,000	228,338,939	161,073,783	67,265,156
Total expenditures and transfers	$ 340,459,835	$ 200,000,000	$ 540,459,835	297,876,189	$ 242,583,646
ENDING WORKING CAPITAL				$ 71,774,484	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources				Over
	Original	Transfers In (Out)	Revised	Actual	(Under) Budget
REVENUES:					
Interest and other	$ 121,760		$ 121,760	$ 690,580	$ 568,820
Bond sale proceeds	9,000,000	$ (9,000,000)			
Total revenues	9,121,760	(9,000,000)	121,760	690,580	568,820
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	57,659,334		57,659,334	54,308,411	(3,350,923)
Airport Construction Fund	8,500,000	(4,500,000)	4,000,000	6,891,937	2,891,937
Total transfers	66,159,334	(4,500,000)	61,659,334	61,200,348	(458,986)
Total revenues and transfers	75,281,094	(13,500,000)	61,781,094	61,890,928	109,834
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	36,994,752		36,994,752	37,073,586	78,834
Total resources	$ 112,275,846	$ (13,500,000)	$ 98,775,846	98,964,514	$ 188,668

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Long-term debt payments	$ 66,281,094	$ (4,500,000)	$ 61,781,094	61,264,797	$ 516,297
Total expenditures	66,281,094	(4,500,000)	61,781,094	61,264,797	$ 516,297
UNAPPROPRIATED BALANCE	45,994,752	(9,000,000)	36,994,752		
	$ 112,275,846	$ (13,500,000)	$ 98,775,846		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE				$ 37,699,717	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources				Over
	Original	Transfers In (Out)	Revised	Actual	(Under) Budget
REVENUES:					
Grants	$ 14,945,759		$ 14,945,759	$ 10,338,147	$ (4,607,612)
Interest and other	1,601,800	$ (1,000,000)	601,800	1,288,779	686,979
Bond sale proceeds	120,000,000	(120,000,000)			
Total revenues	136,547,559	(121,000,000)	15,547,559	11,626,926	(3,920,633)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	41,011,815	60,050,000	101,061,815	63,551,523	(37,510,292)
CFC Fund	80,000,000	(14,000,000)	66,000,000	35,594,911	(30,405,089)
PFC Fund	38,000,000		38,000,000	29,274	(37,970,726)
Total transfers	159,011,815	46,050,000	205,061,815	99,175,708	(105,886,107)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	270,174,532		270,174,532	265,664,078	(4,510,454)
Total resources	$ 565,733,906	$ (74,950,000)	$ 490,783,906	376,466,712	$ (114,317,194)

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Capital outlay	$ 340,341,864		$ 340,341,864	143,587,262	$ 196,754,602
Bond issue costs/other	1,000,000		1,000,000		1,000,000
Contingencies	201,124,845	$ (70,450,000)	130,674,845		130,674,845
Total expenditures	542,466,709	(70,450,000)	472,016,709	143,587,262	328,429,447
TRANSFERS TO OTHER FUNDS:					
General Fund	12,685,554		12,685,554	13,939,733	(1,254,179)
Airport Revenue Fund	2,081,643		2,081,643	3,105,443	(1,023,800)
Airport Revenue Bond Fund	8,500,000	(4,500,000)	4,000,000	6,891,937	(2,891,937)
Total transfers	23,267,197	(4,500,000)	18,767,197	23,937,113	(5,169,916)
Total expenditures and transfers	$ 565,733,906	$ (74,950,000)	$ 490,783,906	167,524,375	$ 323,259,531
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 208,942,337	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 1,172,700	$ 111,779	$ (1,060,921)
Passenger facility charges	37,567,107	38,140,595	573,488
Total revenues	38,739,807	38,252,374	(487,433)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	85,077,809	98,241,915	13,164,106
Total resources	$ 123,817,616	136,494,289	$ 12,676,673

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Other	$ 50,750	29,651	$ 21,099
Contingencies	70,962,041		70,962,041
Total expenditures	71,012,791	29,651	70,983,140
TRANSFERS TO OTHER FUNDS:			
PFC Bond Fund	14,804,825	14,733,582	71,243
Airport Construction Fund	38,000,000	29,274	37,970,726
Total transfers	52,804,825	14,762,856	38,041,969
Total expenditures and transfers	$ 123,817,616	14,792,507	$ 109,025,109
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 121,701,782	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 65,000	$ 226,584	$ 161,584
Total revenues	65,000	226,584	161,584
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	14,804,825	14,733,582	(71,243)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	14,399,016	14,450,178	51,162
Total resources	$ 29,268,841	29,410,344	$ 141,503

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 14,869,825	14,814,257	$ 55,568
Total expenditures	14,869,825	14,814,257	$ 55,568
UNAPPROPRIATED BALANCE	14,399,016		
	$ 29,268,841		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		$ 14,596,087	

THE PORT OF PORTLAND
CFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Interest and other	$ 18,500		$ 18,500	$ 120,330	$ 101,830
Bond sale and other debt proceeds	160,000,000	$ (160,000,000)			
Customer facility charges	16,239,214		16,239,214	15,551,097	(688,117)
Total revenues	176,257,714	(160,000,000)	16,257,714	15,671,427	(586,287)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund		38,000,000	38,000,000	13,615,477	(24,384,523)
Total transfers		38,000,000	38,000,000	13,615,477	(24,384,523)
Total revenues and transfers	176,257,714	(122,000,000)	54,257,714	29,286,904	(24,970,810)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	17,730,166		17,730,166	11,801,768	(5,928,398)
Total resources	$ 193,987,880	$ (122,000,000)	$ 71,987,880	41,088,672	$ (30,899,208)

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Bank fees and other	$ 1,000,000	$ (900,000)	$ 100,000		$ 100,000
Contingencies	106,787,880	(101,100,000)	5,687,880		5,687,880
Total expenditures	107,787,880	(102,000,000)	5,787,880		5,787,880
TRANSFERS TO OTHER FUNDS:					
Airport Revenue Fund	200,000		200,000	169,611	30,389
Airport Construction Fund	80,000,000	(14,000,000)	66,000,000	35,594,911	30,405,089
CFC Bond Fund	6,000,000	(6,000,000)			
Total transfers	86,200,000	(20,000,000)	66,200,000	35,764,522	30,435,478
UNAPPROPRIATED BALANCE					
Total expenditures and transfers	$ 193,987,880	$ (122,000,000)	$ 71,987,880	35,764,522	$ 36,223,358
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 5,324,150	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
CFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Bond sale and other debt proceeds	$ 12,000,000	$ (12,000,000)	$	$	$
Total revenues	12,000,000	(12,000,000)			
TRANSFERS FROM OTHER FUNDS:					
CFC Fund	6,000,000	(6,000,000)			
Total transfers	6,000,000	(6,000,000)			
Total revenues and transfers	18,000,000	(18,000,000)			
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION					
Total resources	$ 18,000,000	$ (18,000,000)	$		$

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Long-term debt payments	$ 6,000,000	$ (6,000,000)	$		$
Total expenditures	6,000,000	(6,000,000)			
UNAPPROPRIATED BALANCE	12,000,000	(12,000,000)			
Total expenditures and transfers	$ 18,000,000	$ (18,000,000)	$		$
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2018

		Marine & Other			Airport						
ASSETS	Combined All Funds	Total Marine & Other	General Fund	Bond Construction Fund	Total Airport	Revenue Fund	Revenue Bond Fund	Construction Fund	PFC Fund	PFC Bond Fund	CFC Fund
Current assets:											
Cash and cash equivalents	$ 47,500,371	$ 47,462,291	$ 47,416,844	$ 45,447	$ 38,080	$ 38,080					
Equity in pooled investments	317,009,753	206,857,337	193,408,180	13,449,157	110,152,416	110,152,416					
Restricted cash and equity in pooled investments	73,839,620				73,839,620		$ 44,307,894	$ 18,991,086	$ 600,180	$ 9,940,460	
Receivables, net of allowance for doubtful accounts	28,412,145	11,828,525	9,529,345	2,299,180	16,583,620	16,583,620					
Prepaid insurance and other assets	6,820,346	2,499,127	2,499,127		4,321,219	4,321,219					
Total current assets	473,582,235	268,647,280	252,853,496	15,793,784	204,934,955	131,095,335	44,307,894	18,991,086	600,180	9,940,460	
Noncurrent assets:											
Restricted assets:											
Cash and equity in pooled investments	402,564,538	2,728,553	2,728,553		399,835,985	22,150,643	37,699,717	206,015,135	115,400,933	14,596,087	$ 3,973,470
Receivables	10,578,731				10,578,731			2,927,202	6,300,849		1,350,680
Total restricted assets	413,143,269	2,728,553	2,728,553		410,414,716	22,150,643	37,699,717	208,942,337	121,701,782	14,596,087	5,324,150
Land held for sale	57,280,912	57,280,912	23,025,200	34,255,712							
Depreciable properties, net of accumulated depreciation	1,266,276,476	160,412,841	160,412,841		1,105,863,635	1,105,863,635					
Nondepreciable properties	349,539,979	107,255,070	83,447,833	23,807,237	242,284,909	68,042,167		174,242,742			
Unamortized bond issue costs	933,439	145,015	145,015		788,424	674,116			114,308		
Due from other funds		29,310,530 *	29,310,530 *								
Other noncurrent assets	2,203,682	517,454	517,454		1,686,228	1,686,228					
Total noncurrent assets	2,089,377,757	357,650,375	299,587,426	58,062,949	1,761,037,912	1,198,416,789	37,699,717	383,185,079	121,816,090	14,596,087	5,324,150
Deferred outflows of resources:											
Deferred charges on refunding bonds	22,571,834				22,571,834	15,261,969			7,309,865		
Deferred charges on pensions and OPEB	31,237,602	17,091,584	17,091,584		14,146,018	14,146,018					
Cumulative decrease in fair value of hedging derivative	5,864,000				5,864,000		5,864,000				
Total deferred outflows of resources	59,673,436	17,091,584	17,091,584		42,581,852	29,407,987	5,864,000		7,309,865		
Total assets	$ 2,622,633,428	$ 643,389,239	$ 569,532,506	$ 73,856,733	$ 2,008,554,719	$ 1,358,920,111	$ 87,871,611	$ 402,176,165	$ 129,726,135	$ 24,536,547	$ 5,324,150
LIABILITIES											
Current liabilities (payable from current assets):											
Current portion of long-term debt	$ 32,946,288	$ 4,446,288	$ 4,446,288		$ 28,500,000	$ 28,500,000					
Accounts payable	49,294,320	27,151,818	25,862,585	$ 1,289,233	22,142,502	22,142,502					
Accrued wages, vacation and sick leave pay	10,820,811	5,266,566	5,266,566		5,554,245	5,554,245					
Workers' compensation and other accrued liabilities	7,648,528	4,524,424	4,524,424		3,124,104	3,124,104					
Total current liabilities (payable from current assets)	100,709,947	41,389,096	40,099,863	1,289,233	59,320,851	59,320,851					
Restricted liabilities (payable from restricted assets):											
Current portion of long-term debt and other	38,370,768				38,370,768		$ 29,941,838		$ 598,930	$ 7,830,000	
Accrued interest payable	16,476,516				16,476,516		14,366,056			2,110,460	
Accounts payable	16,563,717				16,563,717			$ 16,562,467	1,250		
Contract retainage payable	2,428,619				2,428,619			2,428,619			
Total restricted current liabilities (payable from restricted assets)	73,839,620				73,839,620		44,307,894	18,991,086	600,180	9,940,460	
Total current liabilities	174,549,567	41,389,096	40,099,863	1,289,233	133,160,471	59,320,851	44,307,894	18,991,086	600,180	9,940,460	
Noncurrent liabilities:											
Long-term environmental and other accruals	60,303,619	47,605,532	47,605,532		12,698,087	3,216,087	5,864,000		3,618,000		
Long-term debt	877,731,977	82,232,012	82,232,012		795,499,965	671,907,681			123,592,284		
Unearned revenue and other	72,019,130	26,673,422	26,673,422		45,345,708	42,427,688	1,439,704		1,478,316		
Net pension and OPEB liability	93,056,174	50,508,217	50,508,217		42,547,957	42,547,957					
Due to other funds					29,310,530 *	29,310,530 *					
Total noncurrent liabilities	1,103,110,900	207,019,183	207,019,183		925,402,247	789,409,943	7,303,704		128,688,600		
Deferred inflows of resources:											
Deferred pension inflows	4,810,607	2,606,781	2,606,781		2,203,826	2,203,826					
Total deferred inflows of resources	4,810,607	2,606,781	2,606,781		2,203,826	2,203,826					
Total liabilities	1,282,471,074	251,015,060	249,725,827	1,289,233	1,060,766,544	850,934,620	51,611,598	18,991,086	129,288,780	9,940,460	
NET POSITION											
Net investment in capital assets	901,951,056	303,902,259	245,839,310	58,062,949	598,048,797	468,838,820	(29,445,000)	286,271,088	(119,786,111)	(7,830,000)	
Restricted for capital and debt service	313,639,601	2,728,553	2,728,553		310,911,048	318,341	65,705,013	96,913,991	120,223,466	22,426,087	$ 5,324,150
Unrestricted	124,571,697	85,743,367	71,238,816	14,504,551	38,828,330	38,828,330					
Total net position	1,340,162,354	392,374,179	319,806,679	72,567,500	947,788,175	507,985,491	36,260,013	383,185,079	437,355	14,596,087	5,324,150
Total liabilities and net position	$ 2,622,633,428	$ 643,389,239	$ 569,532,506	$ 73,856,733	$ 2,008,554,719	$ 1,358,920,111	$ 87,871,611	$ 402,176,165	$ 129,726,135	$ 24,536,547	$ 5,324,150

* 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, 2018

Operating revenues:	
Airline revenues	$ 104,680,072
Concessions and other rentals	135,184,377
Other	2,399,976
	242,264,425
Interest income - revenue fund and revenue bond fund	584,820
	242,849,245
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	48,713,662
Contract, professional and consulting services	34,259,947
Materials and supplies	6,005,588
Utilities	11,566,831
Equipment rents, repair and fuel	1,434,655
Insurance	1,841,819
Travel and management expense	3,702,878
Allocation of general and administration expense of the Port of Portland	18,662,051
Other	4,019,896
	130,207,327
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$ 112,641,918

* 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, 2018

Section 16(ii) of Ordinance No. 155 and Section 5f of Ordinance No. 323 authorizing the issuance of Portland International Airport revenue bonds require that net revenues, as defined by Ordinance No. 155, in each fiscal year must equal at least 130 percent of the prior lien bond (PLB) and subordinate lien bond (SLB) debt service requirements, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds. The Airport paid off the last of the PLBs in 1993, and has covenanted not to issue any further PLBs.

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

Net revenues, per accompanying schedule of net revenues		$ 112,641,918
SLB debt service requirement:		
Interest and principal amount	$ 52,827,050	
	x 130%	
Total net revenues required		68,675,165
Excess of net revenues over 130% of SLB debt service requirement		$ 43,966,753

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

Excess of net revenues over 130% of SLB debt service requirement		$ 43,966,753
Excess principal amount	$	
	x 100%	
Total additional net revenues required		
Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 43,966,753

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

Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 43,966,753
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		43,966,753
Other swap obligations	$	
Junior lien obligations		
Total Other Obligations		
Excess amount over 130% of SLB debt service requirement, 100% of excess principal requirement, and Other Obligations		$ 43,966,753

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2018

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2017	$ 164,958,783	$ 22,835,297
Excess issuance cost proceeds	17,697	
Interest income	1,668,259	224,510
	166,644,739	23,059,807
Construction expenditures	69,177,148	
Transfers to revenue bond fund		8,499,052
Construction account, June 30, 2018	$ 97,467,591	$ 14,560,755

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, 2018

Net revenues, per accompanying schedule of net revenues	$ 112,641,918	
Less revenue bond fund interest income	(690,580)	
Applied to General Account, available to be applied to debt service of bonds	$ 111,951,338	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$ 52,827,050	(2)
Ratio (1)/(2)	2.12	
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, 2018

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2017	$ 139,477	$ 14,310,701	$ 98,241,915
PFC revenues:			
PFC bond account	14,733,582		
Capital account			23,407,013
Interest earnings		226,584	88,035
Transfer from reserve account to bond account	226,584	(226,584)	
Bond payments to trustee	(14,814,257)		
Costs of approved PFC projects			(29,274)
Other, net			(5,907)
Balances at June 30, 2018	$ 285,386	$ 14,310,701	$ 121,701,782

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, 2018

Fiscal Year	Property Taxes Receivable June 30, 2017	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2018	Interest Collected
2017-18		$ 12,524,063	$ (11,928,726)	$ (333,003)	$ (77,156)	$ 185,178	$ (20,671)
2016-17	$ 217,252		(81,919)		(28,204)	107,129	8,618
2015-16	122,205		(26,679)		(19,145)	76,381	3,954
2014-15	92,222		(21,506)		(4,524)	66,192	5,117
2013-14	65,006		(10,416)		(2,426)	52,164	2,899
2012-13 and prior	172,068		(2,651)		(4,146)	165,271	810
	$ 668,753	$ 12,524,063	$ (12,071,897)	$ (333,003)	$ (135,601)	$ 652,315	$ 727

Reconciliation to income from property taxes:

Current levy	$ 12,524,063
Deduct discounts allowed	(333,003)
Cancellations and adjustments	(135,601)
	$ 12,055,459

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2018

	Maturity Date	Outstanding at June 30, 2017	2017-2018 Transactions: Issued	2017-2018 Transactions: Matured	2017-2018 Transactions: Redeemed	Outstanding June 30, 2018: Total	Outstanding June 30, 2018: Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 2,628,213		$ 893,815	$ 893,815	$ 1,734,398	$ 901,618
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	15,955,000		875,000	875,000	15,080,000	985,000
Total Limited Tax Pension Bonds		62,108,213		1,768,815	1,768,815	60,339,398	1,886,618
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 18A, 1.60% *	07/01/26	41,265,000		4,435,000	4,435,000	36,830,000	4,510,000
Series 18B, 1.58% *	07/01/26	41,265,000		4,430,000	4,430,000	36,835,000	4,515,000
Series 19, 4.00% to 5.50%	07/01/38	2,945,000		2,945,000	2,945,000		
Series 20A, 3.00% to 5.00%	07/01/40	18,685,000		1,660,000	1,660,000	17,025,000	1,745,000
Series 20B, 2.00% to 4.50%	07/01/40	19,350,000		505,000	505,000	18,845,000	525,000
Series 20C, 4.00% to 5.00%	07/01/28	72,915,000		5,860,000	5,860,000	67,055,000	6,165,000
Series 21B, 2.00% to 5.00%	07/01/18	16,040,000		7,830,000	7,830,000	8,210,000	8,210,000
Series 21C, 4.375% to 5.00%	07/01/23	27,685,000				27,685,000	
Series 22, 4.00% to 5.00%	07/01/44	90,050,000				90,050,000	
Series 23, 5.00%	07/01/38	109,440,000				109,440,000	3,065,000
Series 24A, 5.00%	07/01/47	21,965,000				21,965,000	
Series 24B, 5.00%	07/01/47	211,275,000				211,275,000	710,000
Total Portland Int'l Airport Revenue Bonds		672,880,000		27,665,000	27,665,000	645,215,000	29,445,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 2011A, 2.50% to 5.50%	07/01/31	68,950,000		1,650,000	1,650,000	67,300,000	1,710,000
Series 2012A, 2.56% *	07/01/24	57,315,000		120,000	120,000	57,195,000	2,790,000
Series 2012B, 5.00% to 5.75%	07/01/18	9,005,000		5,675,000	5,675,000	3,330,000	3,330,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		135,270,000		7,445,000	7,445,000	127,825,000	7,830,000
Total Port Bonds		$ 870,258,213		$ 36,878,815	$ 36,878,815	$ 833,379,398	$ 39,161,618
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 4,087,757		$ 626,360	$ 626,360	$ 3,461,397	$ 660,507
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	800,000		200,000	200,000	600,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	07/01/22	3,713,500		742,700	742,700	2,970,800	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	6,404,026		367,763	367,763	6,036,263	379,332
Banc of America Leasing & Capital, LLC, 2.84%	10/01/19	921,613		402,353	402,353	519,260	413,930
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28	11,931,367		866,112	866,112	11,065,255	905,901
Total Contracts & Loans Payable		$ 27,858,263		$ 3,205,288	$ 3,205,288	$ 24,652,975	$ 2,559,670
TOTAL PORT LONG-TERM DEBT		$ 898,116,476		$ 40,084,103	$ 40,084,103	$ 858,032,373	$ 41,721,288

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2018. Rate is variable, depending on weekly resets.

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES

FOR THE YEAR ENDED JUNE 30, 2018

	Outstanding at June 30, 2017	2017 - 18 Transactions Issued	Interest Matured and Paid	Interest Fluctuations and Redemptions	Outstanding at June 30, 2018	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 6,471,788		$ 1,961,185		$ 4,510,603	$ 2,218,383
Series 2002B, 6.60% to 6.85%	23,084,728		2,965,950		20,118,778	2,965,950
Series 2005, 4.00% to 5.50%	5,311,344		794,096		4,517,248	751,580
Total Limited Tax Pension Bonds	34,867,860		5,721,231		29,146,629	5,935,913
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 18A, 1.60% *	1,656,432		436,749	$ (1,541,037)	2,760,720	589,280
Series 18B, 1.58% *	1,639,466		436,874	(1,524,093)	2,726,685	581,993
Series 19, 4.00% to 5.50%	73,625		73,625			
Series 20A, 3.125% to 5.00%	8,024,054		716,131		7,307,923	631,006
Series 20B, 2.00% to 4.50%	11,048,326		768,650		10,279,676	748,050
Series 20C, 4.00% to 5.00%	23,140,125		3,499,250		19,640,875	3,198,625
Series 21B, 2.00% to 5.00%	811,500		606,250		205,250	205,250
Series 21C, 4.375% to 5.00%	6,030,031		1,320,962		4,709,069	1,320,962
Series 22, 4.00% to 5.00%	79,511,500		4,484,700		75,026,800	4,484,700
Series 23, 5.00%	72,553,000		5,472,000		67,081,000	5,395,375
Series 24A, 5.00%	31,333,658		475,908		30,857,750	1,098,250
Series 24B, 5.00%	200,844,875		4,577,625		196,267,250	10,563,750
Total Portland Int'l Airport Revenue Bonds	436,666,592		22,868,724	(3,065,130)	416,862,998	28,817,241
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 2011, 2.50% to 5.50%	39,816,850		3,506,325		36,310,525	3,430,575
Series 2012A, 2.56% *	3,813,775		559,503	(3,290,957)	6,545,229	1,464,181
Series 2012B, 5.00% to 5.75%	391,625		308,375		83,250	83,250
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	44,022,250		4,374,203	(3,290,957)	42,939,004	4,978,006
Total Port Bonds	$ 515,556,702		$ 32,964,158	$ (6,356,087)	$ 488,948,631	$ 39,731,160
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 664,446		$ 202,342		$ 462,104	$ 168,195
Oregon Business Development Dept., B08005, 2.00% to 4.00%	1,960,078		230,069		1,730,009	220,875
Banc of America Leasing & Capital, LLC, 2.84%	30,848		20,963		9,885	9,386
Banc of America Leasing & Capital, LLC, 4.5%	3,191,542		519,193		2,672,349	479,404
Total Contracts & Loans Payable	$ 5,846,914		$ 972,567		$ 4,874,347	$ 877,860
TOTAL PORT LONG-TERM DEBT	$ 521,403,616		$ 33,936,725	$ (6,356,087)	$ 493,822,978	$ 40,609,020

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

* Interest rate at June 30, 2018. Rate is variable, depending on weekly resets.

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2018

		Date of Issue	Total Requirements	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38	2038-39 to 2042-43	2043-44 to 2047-48
LIMITED TAX PENSION BONDS:													
Series 2002A	-Principal	03/28/02	$ 1,734,398	$ 901,618	$ 832,780								
2.00% to 7.41%	-Interest		4,510,603	2,218,383	2,292,220								
Series 2002B	-Principal	03/28/02	43,525,000		265,000	$ 3,695,000	$ 4,240,000	$ 4,840,000	$ 30,485,000				
6.60% to 6.85%	-Interest		20,118,778	2,965,950	2,965,950	2,947,797	2,694,690	2,404,250	6,140,141				
Series 2005	-Principal	09/23/05	15,080,000	985,000	1,100,000	1,230,000	1,365,000	1,510,000	8,890,000				
4.00% to 5.50%	-Interest		4,517,248	751,580	703,719	650,270	588,721	520,416	1,302,542				
Total Limited Tax Pension Bonds	-Principal		$ 60,339,398	$ 1,886,618	$ 2,197,780	$ 4,925,000	$ 5,605,000	$ 6,350,000	$ 39,375,000				
Total Limited Tax Pension Bonds	-Interest		$ 29,146,629	$ 5,935,913	$ 5,961,889	$ 3,598,067	$ 3,283,411	$ 2,924,666	$ 7,442,683				
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:													
Series 18A	-Principal	06/11/08	$ 36,830,000	$ 4,510,000	$ 4,705,000	$ 4,935,000	$ 5,155,000	$ 3,295,000	$ 14,230,000				
1.60% **	-Interest		2,760,720	589,280	517,120	441,840	362,880	280,400	569,200				
Series 18B	-Principal	06/11/08	36,835,000	4,515,000	4,705,000	4,930,000	5,155,000	3,295,000	14,235,000				
1.58% **	-Interest		2,726,685	581,993	510,656	436,317	358,423	276,974	562,322				
Series 20A	-Principal	11/02/10	17,025,000	1,745,000	685,000	705,000	725,000	745,000	4,140,000	$ 2,980,000	$ 3,105,000	$ 2,195,000	
3.125% to 5.00%	-Interest		7,307,923	631,006	577,106	556,256	534,353	510,919	2,142,045	1,406,575	807,394	142,269	
Series 20B	-Principal	11/02/10	18,845,000	525,000	545,000	570,000	590,000	615,000	3,380,000	4,080,000	4,995,000	3,545,000	
2.00% to 4.50%	-Interest		10,279,676	748,050	726,650	702,925	680,881	661,669	2,974,477	2,252,900	1,301,668	230,456	
Series 20C	-Principal	11/02/10	67,055,000	6,165,000	4,845,000	5,085,000	5,335,000	5,600,000	32,515,000	7,510,000			
4.00% to 5.00%	-Interest		19,640,875	3,198,625	2,923,375	2,675,125	2,414,625	2,141,250	6,100,125	187,750			
Series 21B	-Principal	04/05/11	8,210,000	8,210,000									
2.00% to 5.00%	-Interest		205,250	205,250									
Series 21C	-Principal	08/10/11	27,685,000		5,040,000	5,250,000	5,560,000	5,785,000	6,050,000				
4.375% to 5.00%	-Interest		4,709,069	1,320,962	1,194,963	937,712	681,363	426,100	147,969				
Series 22	-Principal	09/25/14	90,050,000		1,780,000	1,850,000	1,940,000	2,040,000	11,835,000	15,105,000	19,265,000	24,590,000	$ 11,645,000
4.00% to 5.00%	-Interest		75,026,800	4,484,700	4,449,100	4,367,250	4,272,500	4,173,000	19,188,625	15,836,375	11,561,125	6,104,750	589,375
Series 23	-Principal	03/31/15	109,440,000	3,065,000	3,215,000	3,380,000	3,545,000	3,720,000	21,605,000	27,580,000	20,080,000	23,250,000	
5.00%	-Interest		67,081,000	5,395,375	5,238,375	5,073,500	4,900,375	4,718,750	20,532,875	14,414,500	6,604,125	203,125	
Series 24A	-Principal	01/25/17	21,965,000										21,965,000
5.00%	-Interest		30,857,750	1,098,250	1,098,250	1,098,250	1,098,250	1,098,250	5,491,250	5,491,250	5,491,250	5,491,250	3,401,500
Series 24B	-Principal	01/25/17	211,275,000	710,000	745,000	3,965,000	4,170,000	4,375,000	25,390,000	32,405,000	41,350,000	52,770,000	45,395,000
5.00%	-Interest		196,267,250	10,563,750	10,528,250	10,491,000	10,292,750	10,084,250	46,912,000	39,897,500	30,945,000	19,521,750	7,031,000
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 645,215,000	$ 29,445,000	$ 26,265,000	$ 30,670,000	$ 32,175,000	$ 29,470,000	$ 133,380,000	$ 89,660,000	$ 88,795,000	$ 106,350,000	$ 79,005,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 416,862,998	$ 28,817,241	$ 27,763,845	$ 26,780,175	$ 25,596,400	$ 24,371,562	$ 104,620,888	$ 79,486,850	$ 56,710,562	$ 31,693,600	$ 11,021,875
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:													
Series 2011A	-Principal	11/10/11	$ 67,300,000	$ 1,710,000	$ 150,000	$ 135,000	$ 125,000	$ 105,000	$ 25,240,000	$ 39,835,000			
2.50% to 5.50%	-Interest		36,310,525	3,430,575	3,385,575	3,381,300	3,377,244	3,373,506	14,941,124	4,421,201			
Series 2012A	-Principal	08/15/12	57,195,000	2,790,000	7,955,000	8,370,000	8,805,000	9,265,000	20,010,000				
2.56%**	-Interest		6,545,229	1,464,181	1,392,757	1,189,111	974,840	749,434	774,906				
Series 2012B	-Principal	10/31/12	3,330,000	3,330,000									
5.00% to 5.75%	-Interest		83,250	83,250									
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 127,825,000	$ 7,830,000	$ 8,105,000	$ 8,505,000	$ 8,930,000	$ 9,370,000	$ 45,250,000	$ 39,835,000			
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 42,939,004	$ 4,978,006	$ 4,778,332	$ 4,570,411	$ 4,352,084	$ 4,122,940	$ 15,716,030	$ 4,421,201			
Total Port Bonds	-Principal		$ 833,379,398	$ 39,161,618	$ 36,567,780	$ 44,100,000	$ 46,710,000	$ 45,190,000	$ 218,005,000	$ 129,495,000	$ 88,795,000	$ 106,350,000	$ 79,005,000
Total Port Bonds	-Interest		$ 488,948,631	$ 39,731,160	$ 38,504,066	$ 34,948,653	$ 33,231,895	$ 31,419,168	$ 127,779,601	$ 83,908,051	$ 56,710,562	$ 31,693,600	$ 11,021,875

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2018, Continued

		Date of Issue	Total Requirements	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38	2038-39 to 2042-43	2043-44 to 2047-48
CONTRACTS & LOANS PAYABLE:													
City of Portland LID	-Principal	04/01/03	$ 3,461,397	$ 660,507	$ 696,516	$ 734,487	$ 774,529	$ 595,358					
5.32%	-Interest		462,104	168,195	132,187	94,215	54,173	13,334					
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	600,000	200,000	200,000	200,000							
Oregon Department of Transportation MMTF-0003	-Principal	07/06/10	2,970,800		742,700	742,700	742,700	742,700					
Oregon Business Development Dept. B08005	-Principal	08/31/10	6,036,263	379,332	386,262	398,250	415,639	428,111	$ 2,370,075	$ 1,658,594			
2.00% to 4.00%	-Interest		1,730,009	220,875	209,495	197,907	183,968	169,421	616,110	132,233			
Banc of America Leasing & Capital, LLC	-Principal	11/01/13	519,260	413,930	105,330								
2.84%	-Interest		9,885	9,386	499								
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	11,065,255	905,901	947,518	991,047	1,036,575	1,084,195	6,100,019				
4.5%	-Interest		2,672,349	479,404	437,787	394,258	348,730	301,109	711,061				
Total Contracts & Loans Payable	-Principal		$ 24,652,975	$ 2,559,670	$ 3,078,326	$ 3,066,484	$ 2,969,443	$ 2,850,364	$ 8,470,094	$ 1,658,594			
Total Contracts & Loans Payable	-Interest		$ 4,874,347	$ 877,860	$ 779,968	$ 686,380	$ 586,871	$ 483,864	$ 1,327,171	$ 132,233			
TOTAL PORT LONG-TERM DEBT	-Principal		$ 858,032,373	$ 41,721,288	$ 39,646,106	$ 47,166,484	$ 49,679,443	$ 48,040,364	$ 226,475,094	$ 131,153,594	$ 88,795,000	$ 106,350,000	$ 79,005,000
TOTAL PORT LONG-TERM DEBT	-Interest		$ 493,822,978	$ 40,609,020	$ 39,284,034	$ 35,635,033	$ 33,818,766	$ 31,903,032	$ 129,106,772	$ 84,040,284	$ 56,710,562	$ 31,693,600	$ 11,021,875

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
** Interest rate at June 30, 2018. Rate is variable, depending on weekly resets.

		Date of Issue	Total Requirements	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 to 2027-28
INDUSTRIAL DEVELOPMENT REVENUE BONDS:									
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000						$ 17,300,000
1997 Series, 1.633%*	-Interest		2,514,411	$ 281,990	$ 281,990	$ 281,990	$ 281,990	$ 281,990	1,104,461
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 17,300,000						
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 2,514,411	$ 281,990	$ 281,990	$ 281,990	$ 281,990	$ 281,990	$ 1,104,461

* Interest rate at June 30, 2018. Rate is variable, depending on prime.
Note: Interest rates relate to original issue. Certain coupons are no longer outstanding. This schedule is provided for information purposes only. Industrial development revenue bonds are not a liability or contingent liability of the Port.

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

MOSSADAMS

Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Municipal Auditing Standards*

The Board of Commissioners
Port of Portland

We have audited the basic financial statements of the Port of Portland (the Port), as of and for the year ended June 30, 2018, and have issued our report thereon dated October 22, 2018. 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 about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Port's basic financial statements are free of material misstatement, 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 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

OAR	Section	Instances of Non-Compliance Identified?
162-010-0000	Preface	None Noted
162-010-0010	Definitions	None Noted
162-010-0020	Introduction	None Noted
162-010-0030	General Requirements	None Noted
162-010-0050	Financial Statements	None Noted
162-010-0115	Required Supplementary Information (RSI)	None Noted
162-010-0120	Other Supplementary Information	None Noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances, / Net Position, Budget and Actual (Each Fund)	None Noted
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	None Noted
162-010-0160	Schedule of Bonded or Long-Term Debt Transactions	None Noted
162-010-0170	Schedule of Future Requirements for Retirement of Bonded or Long-Term Debt	None Noted
162-010-0190	Other Financial or Statistical Information	None Noted
162-010-0200	Required Disclosures and Independent Auditors Comments	None Noted
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	None Noted
162-010-0260	Budget	Yes
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	None Noted
162-010-0295	Highway Funds	Not applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not applicable
162-010-0316	Public Charter Schools	Not applicable
162-010-0320	Other Comments and Disclosures	None Noted
162-010-0330	Extensions of Time to Deliver Audit Reports	Not applicable

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 an instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. The Port experienced a budgetary over-expenditure in one fund which is disclosed in the notes to the financial statements.

Internal Control over Financial Reporting

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

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

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

This report is intended solely for the information of the Board of Commissioners, management, and the State of Oregon, and is not intended to be and should not be used by anyone other than those specified parties.

James Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
October 22, 2018