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, 2017

with comparative totals for the year ended June 30, 2016

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2017

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

Curtis Robinhold, Executive Director

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

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THE PORT OF PORTLAND
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REPORT OF INDEPENDENT AUDITORS

MOSSADAMS

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Report on the Financial Statements

We have audited the accompanying individual balance sheets and the related statements of revenues, expenses, and changes in net position and of cash flows of the Airport and Marine & Other activities as of and for the year ended June 30, 2017, 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, 2017, 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

Prior-Year Comparative Information

Other auditors previously audited the Port's 2016 financial statements, and expressed unmodified audit opinions in their report dated October 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 funding progress for defined benefit healthcare plan, 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 24, 2017, 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 C. Lanzarotta, Partner for
Moss Adams LLP
Portland, Oregon
October 24, 2017

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, 2017. 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.

Financial Results:

The Port's total net position increased $95.3 million from the 2016 amount, or 8.0 percent. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – increased by $46.2 million, or 55.9 percent during that same time. In comparison, last year total net position increased by $64.4 million, or 5.7 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
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	$ 649.3	$ 413.3	$ 293.7	$ 245.2	$ 912.8 *	$ 627.4	45.5%
Capital assets	1,264.3	1,188.4	336.3	347.7	1,600.6	1,536.1	4.2%
Deferred outflows	58.7	45.6	29.4	4.1	88.1	49.7	77.3%
Total assets	1,972.3	1,647.3	659.4	597.0	2,601.5 *	2,213.2	17.5%
Long-term debt outstanding	873.7	648.5	93.3	99.3	967.0	747.8	29.3%
Other liabilities	210.9	161.1	158.2	127.0	338.9 *	257.1	31.8%
Deferred inflows	0.7	4.1	0.9	5.6	1.6	9.7	(83.5)%
Total liabilities	1,085.3	813.7	252.4	231.9	1,307.5 *	1,014.6	28.9%
Net position:							
Net investment in capital assets	578.7	573.4	312.7	321.6	891.4	895.0	(0.4)%
Restricted	271.0	217.7	2.7	3.3	273.7	221.0	23.8%
Unrestricted	37.3	42.5	91.6	40.2	128.9	82.7	55.9%
Total net position	$ 887.0	$ 833.6	$ 407.0	$ 365.1	$ 1,294.0	$ 1,198.7	8.0%

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

Total net position of the Airport increased by $53.4 million, or 6.4 percent, as a result of net income and capital grants. Net investment in capital assets increased $5.3 million, or 0.9 percent, as a result of increases in capital additions and construction spending. Restricted net position increased by $53.3 million, or 24.5 percent, primarily due to net income restricted for debt service and construction. Unrestricted net position decreased by $5.2 million, or 12.2 percent, primarily as a result of increased long-term pension liability required under GASB 68, partially offset by net operating income.

Total net position of Marine & Other increased from the 2016 balance by $41.9 million, or 11.5 percent, primarily due to net income and capital grants. Net investment in capital assets decreased $8.9 million, or 2.8 percent, largely as a result of higher sales of industrial property, offset in part by higher construction spending during the year. Unrestricted net position increased by $51.4 million or 127.9 percent, again primarily due to net income and capital grants.

Several factors caused changes in net position (Table 2, below) to increase $31.0 million from 2016.

Airport changes in net position remained basically flat when compared to the prior year. Marine & Other changes in net position increased $30.7 million primarily due to higher operating revenues in 2017, partially offset by decreased nonoperating revenue versus the prior year.

Table 2
Changes in Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues:							
Operating revenues							
Charges for services	$ 232.1	$ 232.3	$ 72.0	$ 49.0	$ 304.1	$ 281.3	8.1%
Land sales			37.4	13.7	37.4	13.7	173.0%
Other			0.2	0.1	0.2	0.1	100.0%
Nonoperating revenues							
Property tax revenue			11.6	11.1	11.6	11.1	4.5%
Interest revenue	4.9	2.2	2.9	3.7	7.8	5.9	32.2%
PFC revenue	37.7	34.9			37.7	34.9	8.0%
CFC revenue	16.1	15.4			16.1	15.4	4.5%
Other nonoperating revenue			3.2	12.6	3.2	12.6	(74.6)%
Total revenues	290.8	284.8	127.3	90.2	418.1	375.0	11.5%
Expenses:							
Operating expenses	215.5	226.3	89.2	85.4	304.7	311.7	(2.2)%
Nonoperating expenses	31.4	26.1	5.6	5.9	37.0	32.0	15.6%
Total expenses	246.9	252.4	94.8	91.3	341.7	343.7	(0.6)%
Income (loss) before contributions and transfers	43.9	32.4	32.5	(1.1)	76.4	31.3	144.1%
Capital contributions and reversions	9.9	24.4	9.0	8.6	18.9	33.0	(42.7)%
Transfers (out) in	(0.4)	(3.7)	0.4	3.7			
Increase (decrease) in net position	$ 53.4	$ 53.1	$ 41.9	$ 11.2	$ 95.3	$ 64.3	48.2%

Total revenues for the Port increased by approximately $43.1 million from the prior year. Total expenses decreased approximately $2.0 million from the prior year amount.

At the Airport, operating revenues remained flat when compared to the prior year; this was due to higher revenues in 2016 resulting from a one-time billing for expensed project design costs, offset in 2017 by increases in airline, concessions, rental car and parking revenues. The decrease of about $10.8 million in operating expenses was primarily attributable to the impacts of decreased GASB 68 pension expense versus the prior year, as well as the prior year expensing of design costs associated with an airport terminal project that underwent a significant scope change during fiscal 2016; this was partially offset by increased depreciation and salaries expenses. Capital contributions and reversions decreased $14.5 million as a result of leased assets whose ownership reverted to the Airport during the prior year, as well as from incurring fewer grant-eligible costs in 2017.

For Marine & Other, charges for services operating revenues increased $23.0 million from the prior year, primarily the result of nearly $19.0 million in revenue recorded from a lease termination at the marine container terminal as well as increased Navigation division dredging revenues. Land sales revenue increased $23.7 million from the prior year as a result of industrial property sales. Other nonoperating revenue decreased $9.4 million primarily as a result of one-time revenue recorded in fiscal 2016 pursuant to a lease restructuring. During the same time, operating expenses increased $3.8 million due to the impacts of higher cost of land sold expense, salaries expense, and fewer costs charged to capital projects; these increases were offset in part by reduced GASB 68 pension expense and lower depreciation expense. Transfers from the Airport decreased by $3.3 million primarily as a result of lower construction at general aviation airports included in Marine & Other.

Budgetary Highlights:
The Port's budget for fiscal 2017 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2016. Budget appropriations at the Airport were adjusted upwards during the year to reflect higher than anticipated costs associated with reimbursement of a tenant for demolition and site preparation associated with development, increased expenditures for snow and ice removal activity at the Airport during the winter, increased capital outlay associated with the timing of work on Airport terminal projects, and non-cash budgetary impact of a tenant rent credit for demolition and site preparation. Appropriations in the budget for Marine & Other were adjusted to reflect unanticipated costs associated with a recruitment incentive for new air cargo service to the Airport, increased General Aviation costs associated with emergency runway repair costs at Hillsboro, higher service reimbursement costs for additional services provided to General Aviation by Airport maintenance, and to provide for non-cash budgetary impacts of accounting accruals for 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 $135.6 million, 1.8 percent below the $138.3 million budget, tracking well as the newest capital expansion program at the Airport begins to get underway. Operating expenditures of $100.0 million also tracked tightly against budget. Airport operating revenues were $231.9 million, coming in 1.6 percent above the $228.2 million budget as a result of record passenger counts, which drove the higher revenues. Passenger facility charges of $37.7 million exceeded budget by about $3.3 million as a result of record enplanements. Capital grants during the year were $9.9 million, 26.7 percent below the budget of $13.5 million as a result of incurring fewer grant eligible costs than anticipated. Other significant budgetary resource variances include a new construction bond issuance to help fund capital expansion at the Airport.

Fiscal 2017 budgetary capital expenditures for Marine & Other were $20.8 million, 51.5 percent below the budget of $42.9 million, largely due to timing delays and project deferrals. Capital grants for the year were $9.0 million, exceeding the budget of $5.9 million, primarily due to an unbudgeted grant received for marine Terminal 6 auto infrastructure development, as well as incurring more grant eligible development costs in Troutdale Reynolds Industrial Park. Budgetary operating revenues were $13.5 million over budget for marine primarily due to receipt of a one-time lease termination payment from a container terminal operator. Industrial development revenues were $10.0 million above budget as a result of higher industrial property sales. Budgetary operating expenditures were $4.9 million below budget for administration, primarily due to lower than anticipated outside service costs resulting from delays in timing of projects and initiatives, including the Portland Harbor superfund site, as well as cost reductions undertaken as part of an organizational financial sustainability initiative. Budgetary operating expenditures for marine were below budget approximately $5.0 million due to reduced container terminal activity, as well as lower outside service expenses related to the timing of costs associated with environmental liabilities in the Portland Harbor. Other environmental budgetary operating expenditures were $15.2 million under budget, also 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 2017, the Port had over $1.5 billion invested in a broad range of capital assets. This amount represents an increase (essentially additions offset by depreciation expense) of $75.3 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Land	$ 68.0	$ 68.0	$ 83.4	$ 83.4	$ 151.4	$ 151.4	
Construction in progress	125.8	87.6	25.7	25.2	151.5	112.8	
Total capital assets not being depreciated	193.8	155.6	109.1	108.6	302.9	264.2	14.6%
Land improvements	790.1	748.5	281.2	278.6	1,071.3	1,027.1	
Buildings and equipment	1,404.1	1,335.3	260.2	248.6	1,664.3	1,583.9	
Total capital assets being depreciated	2,194.2	2,083.8	541.4	527.2	2,735.6	2,611.0	4.8%
Less: accumulated depreciation	(1,123.7)	(1,051.0)	(375.8)	(361.1)	(1,499.5)	(1,412.1)	6.2%
Total capital assets being depreciated, net	1,070.5	1,032.8	165.6	166.1	1,236.1	1,198.9	3.1%
Total capital assets, net	$ 1,264.3	$ 1,188.4	$ 274.7	$ 274.7	$ 1,539.0	$ 1,463.1	5.2%

This year's major capital asset spending included:

Airport:
- Terminal improvements - $46.0 million
- Rental car facility improvements - $32.5 million
- Access control system replacement - $12.5 million
- Taxiway rehabilitation and improvements - $8.7 million
- Aircraft gate and loading bridge improvements - $7.1 million

Marine & Other:
- Terminal 6 auto staging facility - $2.0 million
- Marine crane improvements - $1.5 million
- Navigation equipment to support dredging operation - $1.4 million
- Information technology equipment upgrades - $1.4 million

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

The Port's 2018 capital budget estimates spending another $355 million on capital projects at the Airport and nearly $48 million in Marine & Other. Spending at the Airport is primarily slated for terminal improvements; rental car facility improvements; additional public parking; pavement rehabilitation projects; and aircraft gate and loading bridge improvements. 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 industrial land improvements, infrastructure improvements at marine terminal and Rivergate facilities, and new Navigation equipment to support the dredging operation. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Long-Term Debt:
At the end of 2017, the Port had nearly $902 million in bonds, contracts and loans payable outstanding. This is an increase from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Pension bonds			$ 65.4	$ 68.3	$ 65.4	$ 68.3	(4.2)%
Revenue bonds	$ 672.9	$ 467.7			672.9	467.7	43.9%
PFC revenue bonds	135.3	142.0			135.3	142.0	(4.7)%
Contracts and loans payable			27.9	31.0	27.9	31.0	(10.0)%
	$ 808.2	$ 609.7	$ 93.3	$ 99.3	$ 901.5	$ 709.0	27.2%

The outstanding amount of Airport long-term debt increased due to issuance of new construction bonds, offset partially by scheduled bond payments. As of the end of fiscal 2017, the Airport revenue bonds were rated AA- by Standard & Poor's, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds decreased as a result of regularly scheduled bond payments.

In Marine & Other, the amount of outstanding long-term debt decreased as a result of scheduled payments made on pension bonds and contracts payable.

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

Economic Factors and Next Year's Budgets and Rates:
As part of the Port's strategic planning and business planning process, regional, national, and global economic trends and forecasts are reviewed and assumptions regarding passenger, cargo, and population growth are coupled with these trends and forecasts to produce the annual budget. The global economy continues to move in a positive direction, with most business lines projected to show growth in fiscal 2018. Fiscal 2018 airline passenger volumes are forecast to increase 5.4 percent over the fiscal 2017 budget. At the Port's Marine & Other facilities and business parks, we see strong growth for our auto business, strong demand for our industrial properties, and many of our 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 2018 adopted budget, total Port operating revenue is budgeted to decrease about 10.1 percent over 2017 results to approximately $307.2 million largely as a result of revenues associated with the terminated Terminal 6 lease and decreased land sales, offset in part by increased airline 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 3.4 percent to approximately $194.7 million, reflecting higher outside services costs, offset in part by lower costs related to decreased land sales.

Operating revenues for the Airport are budgeted to increase 3.7 percent to $240.7 million in the fiscal 2018 budget due primarily to higher airline and parking revenues resulting from increased passenger volumes in 2018. Airport operating expenses (excluding depreciation and the non-cash impacts of GASB 68 on pension expense) are budgeted to increase about 4.1 percent to $127.3 million as a result of increased personnel services, outside service, maintenance, and central services costs.

In Marine & Other, operating revenues are budgeted to decrease by 39.3 percent to $66.5 million, primarily due to revenues associated with the terminated Terminal 6 lease as well as lower land sales revenue budgeted in fiscal 2018. Operating expenses (excluding depreciation and the non-cash impacts of GASB 68 on pension expense) are budgeted to increase by 2.1 percent to $67.4 million due to higher outside services costs for the Portland Harbor, higher utility costs, lower costs of property sold resulting from decreased budgeted land sales, and higher central services costs. 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, 2017
with comparative totals as of June 30, 2016

	2017			2016
	Airport	Marine & Other	Total	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	$ 48,280	$ 36,343,244	$ 36,391,524	$ 49,304,180
Equity in pooled investments (Note 3)	106,130,894	207,638,447	313,769,341	243,845,751
Restricted cash and equity in pooled investments (Note 3)	76,145,788		76,145,788	58,825,697
Receivables, net of allowance for doubtful accounts of $212,000 in 2017 and $66,000 in 2016 for Airport and $349,000 in 2017 and $331,000 in 2016 for Marine & Other (Note 4)	11,668,387	13,608,212	25,276,599	22,766,875
Prepaid insurance and other assets	4,408,131	2,250,919	6,659,050	6,406,533
Total current assets	198,401,480	259,840,822	458,242,302	381,149,036
Noncurrent assets:				
Restricted assets (Note 1):				
Cash and equity in pooled investments (Note 3)	433,542,921	2,713,449	436,256,370	232,234,157
Receivables (Note 4)	13,568,343		13,568,343	7,930,061
Total restricted assets	447,111,264	2,713,449	449,824,713	240,164,218
Land held for sale (Note 1)		61,661,577	61,661,577	72,962,308
Depreciable properties, net of accumulated depreciation (Note 5)	1,070,494,128	165,553,135	1,236,047,263	1,198,856,727
Nondepreciable properties (Note 5)	193,787,144	109,095,584	302,882,728	264,235,756
Unamortized bond issue costs (Note 1)	980,258	167,855	1,148,113	1,362,787
Due from Airport (Note 8)		30,224,609	*	*
Other noncurrent assets	2,763,883	731,446	3,495,329	4,868,657
Total noncurrent assets	1,715,136,677	370,147,655	2,055,059,723	1,782,450,453
Deferred outflows of resources:				
Deferred charges on refunding bonds (Note 6)	25,220,991		25,220,991	27,937,885
Deferred charges on pensions (Note 8)	24,274,558	29,413,255	53,687,813	7,492,630
Cumulative decrease in fair value of hedging derivative (Note 6)	9,202,000		9,202,000	14,246,000
Total deferred outflows of resources	58,697,549	29,413,255	88,110,804	49,676,515
Total assets	$ 1,972,235,706	$ 659,401,732	$ 2,601,412,829	$ 2,213,276,004
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt (Note 6)		$ 4,231,403	$ 4,231,403	$ 4,027,227
Accounts payable	$ 19,050,112	13,958,025	33,008,137	27,338,335
Accrued wages, vacation and sick leave pay (Note 1)	6,080,740	7,288,637	13,369,377	14,554,154
Workers' compensation and other accrued liabilities (Notes 10 and 11)	2,452,410	4,930,560	7,382,970	7,898,623
Total current liabilities (payable from current assets)	27,583,262	30,408,625	57,991,887	53,818,339
Restricted liabilities (payable from restricted assets) (Note 1):				
Current portion of long-term debt and other (Note 6)	36,290,686		36,290,686	36,092,806
Accrued interest payable	16,360,939		16,360,939	11,966,414
Accounts payable	21,648,700		21,648,700	9,362,855
Contract retainage payable	1,845,463		1,845,463	1,403,622
Total restricted current liabilities (payable from restricted assets)	76,145,788		76,145,788	58,825,697
Total current liabilities	103,729,050	30,408,625	134,137,675	112,644,036
Noncurrent liabilities:				
Long-term environmental and other accruals (Notes 6, 9 and 11)	22,325,907	47,843,442	70,169,349	79,702,193
Long-term debt (Note 6)	837,412,448	89,063,347	926,475,795	707,648,913
Unearned revenue and other (Notes 1 and 6)	44,353,979	27,500,048	71,854,027	68,885,943
Net pension liability (Note 8)	46,540,609	56,652,515	103,193,124	36,036,033
Due to Marine & Other (Note 8)	30,224,609		*	*
Total noncurrent liabilities	980,857,552	221,059,352	1,171,692,295	892,273,082
Deferred inflows of resources:				
Deferred pension inflows (Note 8)	725,477	891,958	1,617,435	9,690,851
Total deferred inflows of resources	725,477	891,958	1,617,435	9,690,851
Total liabilities	1,085,312,079	252,359,935	1,307,447,405	1,014,607,969
Commitments and contingencies (Note 11)				
NET POSITION				
Net investment in capital assets	578,662,226	312,707,644	891,369,870	894,942,206
Restricted for capital and debt service	270,999,132	2,713,449	273,712,581	221,008,591
Unrestricted	37,262,269	91,620,704	128,882,973	82,717,238
Total net position	886,923,627	407,041,797	1,293,965,424	1,198,668,035
Total liabilities and net position	$ 1,972,235,706	$ 659,401,732	$ 2,601,412,829	$ 2,213,276,004

* 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, 2017
with comparative totals for the year ended June 30, 2016

	2017			2016
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 232,071,182	$ 72,004,254	$ 304,075,436	$ 281,315,135
Land sales		37,429,282	37,429,282	13,665,528
Other		163,699	163,699	52,294
Total operating revenues	232,071,182	109,597,235	341,668,417	295,032,957
Operating expenses:				
Salaries, wages and fringe benefits	52,089,713	64,420,144	116,509,857	129,943,514
Longshore labor and fringe benefits		779,744	779,744	1,397,394
Contract, professional and consulting services	29,736,489	8,726,014	38,462,503	41,409,613
Materials and supplies	6,703,707	2,456,269	9,159,976	8,000,787
Utilities	11,081,779	2,370,355	13,452,134	12,136,206
Equipment rents, repair and fuel	1,079,253	1,905,228	2,984,481	2,887,573
Insurance	2,160,259	1,791,713	3,951,972	3,833,490
Rent		168,862	168,862	166,868
Travel and management expense	3,310,356	1,888,984	5,199,340	3,674,048
Intra-Port charges and expense allocations	23,360,636	(23,360,636)		
Cost of land sold		24,197,983	24,197,983	9,609,894
Other	2,174,052	2,812,017	4,986,069	14,520,598
Less expenses for capital projects	(1,383,356)	(17,241,741)	(18,625,097)	(20,242,847)
Total operating expenses, excluding depreciation	130,312,888	70,914,936	201,227,824	207,337,138
Operating income before depreciation	101,758,294	38,682,299	140,440,593	87,695,819
Depreciation expense	85,231,994	18,315,975	103,547,969	104,335,050
Total operating expenses, including depreciation	215,544,882	89,230,911	304,775,793	311,672,188
Operating income (loss)	16,526,300	20,366,324	36,892,624	(16,639,231)
Nonoperating revenues (expenses):				
Property tax revenue		11,585,839	11,585,839	11,101,596
Interest expense, net of capitalized construction period interest of $10,530,085 in 2017 and $5,692,508 in 2016 for Airport	(21,132,749)	(5,592,749)	(26,725,498)	(28,651,084)
Interest revenue	4,879,091	2,949,134	7,828,225	5,886,572
Other (expense) income, including loss on disposal of properties	(10,233,194)	3,259,409	(6,973,785)	9,396,641
Nonoperating (expenses) revenues before facility charges	(26,486,852)	12,201,633	(14,285,219)	(2,266,275)
(Loss) income before passenger facility and customer facility charges	(9,960,552)	32,567,957	22,607,405	(18,905,506)
Passenger facility charge revenue	37,683,868		37,683,868	34,890,161
Customer facility charge revenue	16,147,364		16,147,364	15,357,155
Income (loss) before contributions and transfers	43,870,680	32,567,957	76,438,637	31,341,810
Capital contributions and reversions	9,868,361	8,990,391	18,858,752	32,958,269
Transfers (out) in	(409,031)	409,031		
Change in net position	53,330,010	41,967,379	95,297,389	64,300,079
Total net position - beginning of year	833,593,617	365,074,418	1,198,668,035	1,134,367,956
Total net position - end of year	$ 886,923,627	$ 407,041,797	$ 1,293,965,424	$ 1,198,668,035

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, 2017
with comparative totals for the year ended June 30, 2016

	2017			2016
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 235,840,150	$ 101,878,399	$ 337,718,549	$ 290,867,835
Cash payments to employees	(47,585,002)	(58,378,129)	(105,963,131)	(104,162,731)
Cash payments to suppliers and vendors	(45,625,001)	(22,886,593)	(68,511,594)	(79,834,395)
Cash payments (to) from other funds	(24,561,990)	24,561,990		
Net cash provided by operating activities	118,068,157	45,175,667	163,243,824	106,870,709
Cash flows from noncapital financing activities:				
Property taxes		11,547,907	11,547,907	11,057,092
Net cash provided by noncapital financing activities		11,547,907	11,547,907	11,057,092
Cash flows from capital and related financing activities:				
Capital expenditures	(136,989,938)	(12,204,481)	(149,194,419)	(103,716,187)
Sale of properties	64,043	117,268	181,311	2,624,464
Net proceeds from issuance of long-term debt	264,284,067		264,284,067	
Interest paid	(29,537,796)	(6,813,599)	(36,351,395)	(36,339,401)
Proceeds from passenger facility charges	36,183,847		36,183,847	34,265,226
Proceeds from customer facility charges	15,542,977		15,542,977	15,750,192
Principal payments and redemptions on long-term debt	(34,865,000)	(4,769,927)	(39,634,927)	(38,929,369)
Contributions from governmental agencies	6,334,452	9,165,219	15,499,671	19,000,825
Cash transfers (to) from other Port divisions, net	(409,031)	409,031		
Other, primarily nonoperating expense	(10,145,894)	3,624,783	(6,521,111)	8,757,206
Net cash provided by (used in) capital and related financing activities	110,461,727	(10,471,706)	99,990,021	(98,587,044)
Cash flows from investing activities:				
Interest received	1,449,065	2,122,421	3,571,486	6,625,880
Investment activity:				
Purchases	(397,165,543)	(164,337,336)	(561,502,879)	(228,585,132)
Proceeds from sales or maturities	167,176,594	103,060,391	270,236,985	203,723,916
Net cash (used in) investing activities	(228,539,884)	(59,154,524)	(287,694,408)	(18,235,336)
Net (decrease) increase in cash and cash equivalents	(10,000)	(12,902,656)	(12,912,656)	1,105,421
Cash and cash equivalents - beginning of year	58,280	49,245,900	49,304,180	48,198,759
Cash and cash equivalents - end of year	$ 48,280	$ 36,343,244	$ 36,391,524	$ 49,304,180
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 16,526,300	$ 20,366,324	$ 36,892,624	$ (16,639,231)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	85,231,994	18,315,975	103,547,969	104,335,050
Cost of land sales		24,197,983	24,197,983	9,609,894
Non cash GASB 68 pension expense	4,685,782	7,045,721	11,731,503	26,714,367
Amortization of unearned revenue	(859,918)	(6,574,573)	(7,434,491)	(7,303,965)
Non cash project write-off expense				3,930,000
Non cash revenue for fixed assets received		(7,401,100)	(7,401,100)	
Change in assets and liabilities:				
Receivables and other current assets	(479,258)	(291,813)	(771,071)	(4,966,956)
Land held for sale		(12,594,849)	(12,594,849)	(17,460,057)
Accounts payable and accruals	6,986,413	(2,256,589)	4,729,824	5,486,456
Long-term environmental and other accruals	1,072,447	(2,131,292)	(1,058,845)	(4,459,453)
Additions to unearned revenue	4,904,397	6,499,880	11,404,277	7,624,604
Net cash provided by operating activities	$ 118,068,157	$ 45,175,667	$ 163,243,824	$ 106,870,709
Noncash investing, capital, and related financing activities:				
Interest payable in future years		$ 717,495	$ 717,495	$ 831,661

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

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

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, six industrial and business parks, and develops land principally to support, enhance, and expand its core transportation operations. Principal funding sources are charges to users, revenue bonds, grants, interest earnings, passenger facility charges, and, to a lesser extent, property tax levies. Its activities are carried out by a staff of approximately 783 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 92 years. Unearned revenue is reported as a noncurrent liability on the balance sheet.

Accounting for Contributions from Federal Government and Other

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

Property Taxes

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

Cash and Cash Equivalents

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

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

<u>Environmental Remediation Liabilities</u>

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.

<u>Passenger Facility Charges</u>

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.

<u>Customer Facility Charges</u>

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.

<u>Cash and Investments</u>

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.

<u>Budgets</u>

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

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets as to compliance with State law. After TSCC certification, such budgets are presented to the Port Commission for adoption. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Port Commission. The Port adopted no supplemental budgets for the years ended June 30, 2017 and June 30, 2016.

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

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

Transfers Between Activities

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

Internal Receivables and Payables

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

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's report on audit of financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassification

Certain 2016 amounts have been reclassified to conform to current year classification. These reclassifications have no effect on previously reported net income, net assets, or cash flows.

New Accounting Pronouncements

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

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," effective for the Port's fiscal year beginning July 1, 2016. The statement establishes financial reporting standards to improve the usefulness of information about postemployment benefits other than pensions included in the financial reports of state and local government benefit plans for making decisions and assessing accountability. The adoption of this statement did not have a material effect on the Port's financial statements.

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

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures," effective for the Port's fiscal year beginning July 1, 2016. The statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The adoption of this statement did not have a material effect on the Port's financial statements.

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

In December 2015, the GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” effective for the Port’s fiscal year beginning July 1, 2016. The statement establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting certain criteria. The adoption of this statement did not have a material effect on the Port’s financial statements.

In January 2016, the GASB issued Statement No. 80, “Blending Requirements for Certain Component Units,” effective for the Port’s fiscal year beginning July 1, 2016. The statement establishes an additional blending requirement for the financial statement presentation of component units. The adoption of this statement did not have a material effect on the Port’s financial statements.

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

In March 2016, the GASB issued Statement No. 82, “Pension Issues,” effective for the Port’s fiscal year beginning July 1, 2016. This statement establishes accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employer. It also establishes financial reporting requirements for pension plans administered through certain trusts. The 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 Port is currently evaluating the effects this statement will have on its 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.

2. Identifiable Activity Information:

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

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, 2017 was as follows (in thousands):

	Marine Terminals	Industrial Development	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 47,094	$ 42,875		$ 15,474	$ 4,089	$ 65	$ 109,597
Operating expenses	20,268	32,137	$ 1,099	14,086	4,871	(1,546)	70,915
Depreciation expense	9,563	793		2,490	3,859	1,611	18,316
Operating (loss) income	$ 17,263	$ 9,945	$ (1,099)	$ (1,102)	$ (4,641)	$	$ 20,366
Capital contributions	$ 2,738	$ 6,055			$ 197		$ 8,990
Properties activity:							
Additions	$ 6,162	$ 13,286	$ (197)	$ 2,086	$ 667	$ 1,792	$ 23,796
Deletions	(348)	(39)		(328)		(2,390)	(3,105)

3. Cash and Investments:

At June 30, 2017, 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	$ 39,937,500	$ 17,945,560	$ 13,435,222	$ 2,413,083	$ 73,731,365
U.S. Agencies	114,330,430	100,123,890	76,804,207	65,270,834	356,529,361
Municipal debt	1,478,811	3,652,885	619,240	2,900,620	8,651,556
Corporate indebtedness	29,803,707	17,096,238	10,913,003	11,646,923	69,459,871
	$ 185,550,448	$ 138,818,573	$ 101,771,672	$ 82,231,460	508,372,153
Cash and deposits with financial institutions					107,495,730
					$ 615,867,883

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2017:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 2,533,935		$ 2,389,068	$ 1,615,837	$ 6,538,840
U.S. Agencies	32,826,876	$ 39,560,210	41,436,068	43,706,350	157,529,504
Municipal debt	990,234	2,446,027	414,653	1,942,300	5,793,214
Corporate indebtedness	13,935,965	11,447,902	7,307,513	7,798,958	40,490,338
	$ 50,287,010	$ 53,454,139	$ 51,547,302	$ 55,063,445	210,351,896
State of Oregon local government investment pool					26,885,690
Cash and deposits with financial institutions					9,457,554
					$ 246,695,140

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

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

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

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

Not leveled – Cash and cash equivalents are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The Port's investments are valued using evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. All of the Port's investments at June 30, 2017 are considered level 2.

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

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

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2017, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

3. Cash and Investments, continued:

Oregon Revised Statutes (ORS) limit investments in municipal debt to those lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a national recognized statistical rating organization. In addition, lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho and Washington and political subdivisions of those states are authorized if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a national recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2017, 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.

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $13,694,429. Of these deposits, $250,000 was covered by federal depository insurance and $13,444,429 was covered by collateral pledged by the Port's qualified depositories. In accordance with ORS 295, the collateral pledged is held by the agent of the qualified depositories; is designated as subject to the Pledge Agreement between the agent, the qualified depositories, and the Oregon Office of the State Treasurer (OST); and is held for the benefit of the OST on behalf of the Port.

Balance sheet classification:	2017			2016
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 48,280	$ 36,343,244	$ 36,391,524	$ 49,304,180
Unrestricted equity in pooled investments	106,130,894	207,638,447	313,769,341	243,845,751
Restricted cash and equity in pooled investments	509,688,709	2,713,449	512,402,158	291,059,854
	$ 615,867,883	$ 246,695,140	$ 862,563,023	$ 584,209,785

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $2,550,000 at June 30, 2017 and $3,150,000 at June 30, 2016, 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, 2017 and 2016, approximately $310,354,000 and $253,636,000, 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 $21,100,000 at June 30, 2017 and

4. Receivables, continued:

$26,300,000 at June 30, 2016. Total trade receivables for the marine shipping industry were approximately $1,600,000 at June 30, 2017 and $1,600,000 at June 30, 2016. Total grants receivable for the Airport were approximately $5,700,000 at June 30, 2017 and $2,100,000 at June 30, 2016. Total grant receivables for marine and other were approximately $4,800,000 at June 30, 2017 and $4,900,000 at June 30, 2016. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2017 was as follows:

Airport:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital Assets being depreciated:					
Land improvements	$ 748,533,407		$ (1,741,729)	$ 43,329,070	$ 790,120,748
Buildings and equipment	1,335,254,660		(10,859,871)	79,732,901	1,404,127,690
Total capital assets being depreciated	2,083,788,067		(12,601,600)	123,061,971	2,194,248,438
Less accumulated depreciation:					
Land improvements	389,246,418	$ 32,841,163	(1,741,729)		420,345,852
Buildings & equipment	661,776,114	52,390,831	(10,758,487)		703,408,458
Total accumulated depreciation	1,051,022,532	85,231,994	(12,500,216)		1,123,754,310
Total capital assets being depreciated, net	1,032,765,535	(85,231,994)	(101,384)	123,061,971	1,070,494,128
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	87,553,647	161,253,300		(123,061,970)	125,744,977
Total capital assets not being depreciated	155,595,814	161,253,300		(123,061,970)	193,787,144
Airport capital assets,net	$ 1,188,361,349	$ 76,021,306	$ (101,384)	$	$ 1,264,281,272
Marine & Other:					
Capital Assets being depreciated:					
Land improvements	$ 278,555,996		$ (900,472)	$ 3,564,894	$ 281,220,418
Buildings and equipment	248,621,446	7,401,100	(3,041,289)	7,178,331	260,159,588
Total capital assets being depreciated	527,177,442	7,401,100	(3,941,761)	10,743,225	541,380,006
Less accumulated depreciation:					
Land improvements	176,983,284	$ 9,994,706	(483,205)		186,494,785
Buildings & equipment	184,102,966	8,321,269	(3,092,149)		189,332,086
Total accumulated depreciation	361,086,250	18,315,975	(3,575,354)		375,826,871
Total capital assets being depreciated, net	166,091,192	(10,914,875)	(366,407)	10,743,225	165,553,135
Capital assets not being depreciated:					
Land	83,417,484				83,417,484
Construction in progress	25,791,292	10,630,033		(10,743,225)	25,678,100
Total capital assets not being depreciated	109,208,776	10,630,033		(10,743,225)	109,095,584
Marine & Other capital assets,net	$ 275,299,968	$ (284,842)	$ (366,407)	$	$ 274,648,719

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.

5. Properties, continued:

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, 2017 included above are:

	Airport	Marine & Other	Total Port
Land and improvements	$ 4,446,566	$ 31,420,645	$ 35,867,211
Building & equipment	663,459,390	39,047,162	702,506,552
	667,905,956	70,467,807	738,373,763
Accumulated depreciation	(414,390,796)	(32,604,362)	(446,995,158)
	$ 253,515,160	$ 37,863,445	$ 291,378,605

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

	Airport	Marine & Other	Total Port
2018	$ 44,660,000	$ 15,732,000	$ 60,392,000
2019	41,685,000	14,473,000	56,158,000
2020	40,073,000	11,401,000	51,474,000
2021	21,574,000	11,311,000	32,885,000
2022	17,244,000	8,730,000	25,974,000
Thereafter	82,219,000	79,090,000	161,309,000
Total	$ 247,455,000	$ 140,737,000	$ 388,192,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2017 and 2016:

	Airport	Marine & Other	Total Port
2017	$ 72,400,000	$ 4,600,000	$ 77,000,000
2016	$ 75,100,000	$ 3,600,000	$ 78,700,000

6. Long-Term Debt:

At June 30, 2017, long-term debt consisted of the following:

	Bonds Payable at June 30, 2017		
Limited Tax Pension bonds:	Pension	Airport Revenue	Passenger Facility Charge Revenue
2002 Series (issued in fiscal 2002, original issue $54,952,959):			
7.31% to 7.41%, due serially through fiscal 2020	$ 2,628,213		
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	2,960,000		
5.004%, due fiscal 2028	12,995,000		
Portland International Airport revenue bonds:			
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):			
currently 0.96%, due fiscal 2027		$ 41,265,000	
currently 0.95%, due fiscal 2027		41,265,000	
Series Nineteen (issued in fiscal 2009, original issue $131,965,000):			
5.0%, due serially through fiscal 2018		2,945,000	
Series Twenty (issued in fiscal 2011, original issue $157,050,000):			
5.0%, due serially through fiscal 2029		72,915,000	
3.0% to 5.0%, due serially through fiscal 2031		21,395,000	
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		16,040,000	
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			$ 68,950,000
Series 2012A (issued in fiscal 2013, original issue $57,725,000 variable interest rate):			
currently 1.4917%, due fiscal 2025			57,315,000
Series 2012B (issued in fiscal 2013, original issue $25,070,000):			
5.0%, due serially through fiscal 2019			9,005,000
Totals, including $1,768,815, $27,665,000, and $7,445,000 respectively, due within one year	$ 62,108,213	$ 672,880,000	$ 135,270,000

6. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2017
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 $50,711 due on July 1, 2017 to $55,887 due on April 1, 2023, including $626,360 due within one year	$ 4,087,757
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, 2018 through March 31, 2021, including $200,000 due within one year	800,000
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, 2018 through July 1, 2022	3,713,500
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 2.50% to 4.00%, payable in annual installments ranging from $367,763 due December 1, 2017 to $573,262 due December 1, 2030, including $367,763 due within one year	6,404,026
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount $15,100,000), 4.5%, payable in monthly installments ranging from $70,699 due August 1, 2017 to $115,011 due June 1, 2028, including $866,112 due within one year	11,931,367
Banc of America Leasing & Capital, LLC, (issued in fiscal 2014, original amount $2,303,000), 2.84%, payable in monthly installments ranging from $33,095 due August 1, 2017 to $35,193, due October 1, 2019, including $402,353 due within one year	921,613
Total, including $2,462,588 due within one year	$ 27,858,263

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

	Airport				Marine & Other	
	Revenue Bonds		Passenger Facility Charge Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 27,665,000	$ 22,698,602	$ 7,445,000	$ 4,667,849	$ 4,231,403	$ 6,693,798
2019	29,445,000	28,263,280	7,830,000	4,325,357	5,188,988	6,813,773
2020	26,265,000	27,263,516	8,105,000	4,078,446	5,276,106	6,741,857
2021	30,670,000	26,335,254	8,505,000	3,949,320	7,991,484	4,284,447
2022	32,175,000	25,209,872	8,930,000	3,813,925	8,574,443	3,870,282
2023-2027	141,145,000	109,285,881	45,825,000	16,479,991	50,116,355	11,731,167
2028-2032	93,420,000	83,958,938	48,630,000	6,707,362	8,587,697	579,450
2033-2037	91,645,000	61,675,550				
2038-2042	104,425,000	36,287,824				
2043-2047	81,205,000	14,946,875				
2048-2052	14,820,000	741,000				
	$ 672,880,000	$ 436,666,592	$ 135,270,000	$ 44,022,250	$ 89,966,476	$ 40,714,774

6. Long-Term Debt, continued:

Changes in long-term debt on the balance sheet for the year ended June 30, 2017 were as follows:

		Beginning Balances		Increases		Decreases		Ending Balances
Airport:								
Long-term debt outstanding	$	609,775,000	$	233,240,000	$	(34,865,000)	$	808,150,000
less: current portion		(34,865,000)		(35,110,000)		34,865,000		(35,110,000)
Unamortized bond issue premium		37,457,773		31,044,067		(4,129,392)		64,372,448
Long-term portion outstanding	$	612,367,773	$	229,174,067	$	(4,129,392)	$	837,412,448
Marine & Other:								
Long-term debt outstanding	$	94,736,404			$	(4,769,928)	$	89,966,476
less: current portion		(4,027,227)	$	(4,231,403)		4,027,227		(4,231,403)
Long-term bond interest payable		4,571,963		717,496		(1,961,185)		3,328,274
Long-term portion outstanding	$	95,281,140	$	(3,513,907)	$	(2,703,886)	$	89,063,347

In addition, at June 30, 2017 and 2016, the Port has recorded $17,303,181 and $18,888,959, 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, 2017 and 2016.

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 $4,463,809 for fiscal 2017 and by $4,534,560 for fiscal 2016.

In fiscal 2017, the Port issued Series Twenty-Four bonds to pay, or to reimburse the Port for the payment of, costs of construction, renovation, acquisition, equipping and installation of capital improvements at the Airport, to capitalize a portion of the interest on the Series Twenty-Four bonds, to cash fund $10,943,256 in debt service reserve, and to pay costs of issuing the Series Twenty-Four bonds. The bonds have a 5 percent coupon rate with maturities ranging from 2018 to 2047. 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 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. Long-Term Debt, 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, 2017, $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.

DERIVATIVE INSTRUMENTS

At June 30, 2017, the Airport had the following hedging derivative instruments outstanding:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 4,105,000	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (452,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 4,105,000	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (452,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$36,515,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (4,149,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$36,515,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (4,149,000)

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 $9,202,000 at June 30, 2017 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 $558,012 and a noncurrent liability of $1,857,202 at June 30, 2017. 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 $9,202,000, which is a decrease of $5,044,000 from the June 30, 2016 amount.

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

Credit risk. The Airport has two separate counterparties for these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2017 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, 2017, none of the Airport’s interest rate swaps were exposed to credit risk.

6. Long-Term Debt, continued:

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 0.955 percent, while 68 percent of 1 month LIBOR is approximately 0.721 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, 2017; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2017, 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	$ 34,389,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (3,721,000)
F	Pay-fixed interest rate swap	$ 22,926,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (2,445,000)

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 $6,166,000 at June 30, 2017 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 $622,674 and a noncurrent liability of $1,857,202 at June 30, 2017. In fiscal 2013, the 2009A PFC variable rate bonds hedged by derivative instruments E and F were refunded; therefore, for accounting and financial reporting purposes, these derivatives are considered investment derivative instruments. Accordingly, the decrease in fair value of the swaps of $3,430,000 during fiscal 2017 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, 2017 credit rating for each of the counterparties is as follows:

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

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

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, 2017, 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 1.4917 percent, while 68 percent of 1 month LIBOR is approximately 0.7801 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, 2017, 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, 2017; therefore, the Airport has posted $3,840,000 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, 2017:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2018	$ 8,865,000	$ 703,501	$ 2,893,144	$ 12,461,645
2019	9,025,000	617,312	2,512,824	12,155,136
2020	9,410,000	527,447	2,112,818	12,050,265
2021	9,865,000	433,236	1,691,952	11,990,188
2022	10,310,000	334,775	1,338,676	11,983,451
2023-2027	35,055,000	679,627	2,571,360	38,305,987
	$ 82,530,000	$ 3,295,898	$ 13,120,774	$ 98,946,672

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2018	$ 120,000	$ 853,149	$ 2,336,307	$ 3,309,456
2019	2,790,000	811,532	2,111,364	5,712,896
2020	7,955,000	692,871	1,769,606	10,417,477
2021	8,370,000	568,020	1,410,053	10,348,073
2022	8,805,000	436,681	1,031,764	10,273,445
2023-2027	29,275,000	451,522	1,063,271	30,789,793
	$ 57,315,000	$ 3,813,775	$ 9,722,365	$ 70,851,140

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, 2017 and 2016.

8. Pension Plans and Deferred Compensation Plan:

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

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

The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rate was 13.40 percent of annual covered payroll for fiscal years 2017 and 2016. 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 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 $1,652,546 and $1,541,806 in fiscal 2017 and 2016, respectively, of which $850,201 and $789,382 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

8. Pension Plans and Deferred Compensation Plan, continued:

percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation. The Port's employer contribution rate to OPSRP, set periodically by PERS based on actuarial valuations, was 7.33 percent of annual covered payroll for general service members and 11.44 percent for police and fire members for fiscal 2017 and 2016; the Port also pays the required employee contributions of 6 percent of annual covered salary.

The Port's fiscal 2017 and 2016 contributions recognized by PERS were $5,549,206 and $5,549,385. Actuarial determinations are not made solely as to Airport employees. PERS contributions of $2,545,409 and $2,561,401 were applicable to the Airport for fiscal years 2017 and 2016, 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. Prior to implementing GASB 68, employers participating in cost-sharing plans recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB 68, employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology.

The Port recognizes its proportion of the PERS NPL or NPA, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense. The TPL at June 30, 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 TPL at June 30, 2016 was determined based on an actuarial valuation as of December 31, 2013 and rolled forward to the measurement date of June 30, 2015. The 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, 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. For the year ended June 30, 2016, the Port's proportionate share of the collective NPL of PERS is $36,036,033, or 0.627646 percent of the total, and the Port recognized pension expense of $34,952,095 as its proportionate share of PERS pension expense. Actuarial determinations are not made solely as to Airport employees. 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. For the year ended June 30, 2016, $16,641,905 of the NPL, and $15,823,383 of pension expense, was applicable to the Airport.

Actuarial assumptions used 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.

8. Pension Plans and Deferred Compensation Plan, continued:

Actuarial assumptions used in the 2013 valuation rolled forward to the measurement date of June 30, 2015 were as follows:

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

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

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

To develop an analytical basis for the selection of the long-term expected rate of return assumption used in the calculation of the TPL at June 30, 2017 and 2016, 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 and 2013, respectively. 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. Assumed asset allocations and estimates of arithmetic and geometric real rates of return for each major asset class in the target asset allocation are included in PERS' publicly available comprehensive annual financial report, which may be obtained at www.oregon.gov/pers or by writing to PERS, PO Box 23700, Tigard, Oregon 97281.

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.

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

The discount rate used to measure the TPL of PERS was 7.50 percent for the measurement date of June 30, 2016, and 7.75 percent for the measurement date of June 30, 2015. 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 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. For fiscal 2016, the Port's $36,036,033 proportionate share of the NPL was calculated using the discount rate of 7.75 percent as of the measurement date of June 30, 2015. If a discount rate 1 percentage point lower (6.75%) were used in the calculation, it would result in a NPL for the Port of $86,971,626. If a discount rate 1 percentage point higher (8.75%) were used in the calculation, it would result in a NPA for the Port of $6,889,289.

Deferred items are calculated at the PERS level and allocated to the Port based upon its proportionate share. For the measurement date of June 30, 2016, there was:

- A difference of $3,414,080 between expected and actual experience, which is being amortized as a deferred outflow of resources over the remaining service lives of all plan participants, including retirees.
- A difference of $22,008,614 due to changes of assumptions, which is being amortized as a deferred outflow of resources over the remaining service lives of all plan participants, including retirees.
- A net difference of $20,386,632 between projected and actual earnings which is being amortized as a deferred outflow of resources over a closed five-year period.
- Changes in employer proportionate share of $3,216,269, which is being amortized as a deferred outflow of resources over the remaining service lives of all plan participants, including retirees.
- Changes in employer proportionate share of $111,129, which is being amortized as a deferred inflow of resources over the remaining service lives of all plan participants, including retirees.
- A difference of $2,393,294 between employer contributions and proportionate share of contributions, which is being amortized as a deferred inflow of resources over the remaining service lives of all plan participants.

For the measurement date of June 30, 2015, there was:

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

Port employer contributions for PERS made after the measurement date are reported as deferred outflows on the balance sheet at June 30, 2017 and 2016 in the amount of $5,549,206 and $5,549,385, respectively; these contributions are recognized as a reduction in the Port's NPL in the ensuing year. $2,545,409 and $2,561,401 of the deferred outflows were applicable to the Airport at June 30, 2017 and 2016, respectively.

8. Pension Plans and Deferred Compensation Plan, continued:

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
2018	$ 3,732,232	$ 4,534,246	$ 8,266,478
2019	3,732,232	4,534,246	8,266,478
2020	7,159,346	8,697,806	15,857,152
2021	5,557,667	6,751,945	12,309,612
2022	822,367	999,084	1,821,451
Total	$ 21,003,844	$ 25,517,327	$ 46,521,171

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 not offered to any employees that did not meet eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. Contributions to the plan are made on a pay-as-you-go basis.

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

The Port's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Port's annual OPEB cost for fiscal 2017, the amount contributed to the plan, and changes in the Port's net OPEB obligation:

9. Postemployment Healthcare Benefits, continued:

	Airport	Marine & Other
Annual required contribution	$ 282,490	$ 219,637
Interest on net OPEB obligation	47,829	(9,234)
Adjustment to annual required contribution	(67,806)	13,091
Annual OPEB cost (expense)	262,513	223,494
Contributions made	(213,750)	(157,825)
Increase in net OPEB obligation	48,763	65,669
Net OPEB obligation (asset) - beginning of year	1,195,720	(230,849)
Net OPEB obligation (asset) - end of year	$ 1,244,483	$ (165,180)

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
Airport:			
2017	$ 262,513	81.4%	$ 1,244,483
2016	224,952	94.6%	1,195,720
2015	222,464	88.5%	1,183,495
Marine & Other:			
2017	$ 223,494	70.6%	$ (165,180)
2016	194,158	132.6%	(230,849)
2015	195,819	121.7%	(167,559)

A schedule of the funding progress of the plan appears below:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport:	7/1/2017	$ 0	$ 3,227,600	$ 3,227,600	0%	N/A	N/A
Marine & Other:	7/1/2017	0	2,546,232	2,546,232	0%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2017 actuarial valuation, the entry age normal actuarial cost method was used.

The July 1, 2017 actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Healthcare cost trends are also modified to reflect the expected impact of the Affordable Care Act excise tax starting in 2020. The Port's unfunded actuarial accrued liability is being amortized over 30 years as a flat dollar amount.

10. Risk Management:

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

10. Risk Management, continued:

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,	
	2017	2016
Beginning liability	$ 1,217,014	$ 1,109,005
Current year claims and changes in estimates	470,983	605,686
Claim payments	(378,343)	(497,677)
Ending liability	$ 1,309,654	$ 1,217,014

Approximately $998,420 and $786,730 of the liability was applicable to the Airport at June 30, 2017 and 2016, respectively.

11. Commitments and Contingencies:

At June 30, 2017, land acquisition and construction contract commitments aggregated approximately $109,200,000 for the Airport, $10,900,000 for Marine & Other, and $120,100,000 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 $850,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2017. 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. The Port has accrued approximately $1,600,000 of estimated costs in support of post-ROD activities at June 30, 2017. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or

11. Commitments and Contingencies, continued:

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 $21,000,000 in estimated remaining costs for this cleanup at June 30, 2017. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2017. 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	$ 4,865,000		$ (86,000)	$ 4,779,000
less: current portion	(790,000)	$ (1,269,532)	335,532	(1,724,000)
Long-term liability	$ 4,075,000	$ (1,269,532)	$ 249,532	$ 3,055,000
Marine & Other:				
Environmental liabilities	$ 56,737,545	$ 5,614,920	$ (10,242,678)	$ 52,109,787
less: current portion	(6,149,239)	(1,854,278)	3,500,543	(4,502,974)
Long-term liability	$ 50,588,306	$ 3,760,642	$ (6,742,135)	$ 47,606,813

The Port leases from others, under operating leases, warehouse and office space, office equipment, and submerged lands. These leases expire at varying times through fiscal 2021. Total rental expense (all minimum rentals) for operating leases approximated $199,000 and $184,000 for Marine & Other in 2017 and 2016, respectively, and $212,000 and $269,000 for the Airport in 2017 and 2016, 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
2018	$ 168,027	$ 199,294	$ 367,321
2019	165,444	89,613	255,057
2020	165,444	37,584	203,028
2021	6,878	7,721	14,599
2022			
Total	$ 505,793	$ 334,212	$ 840,005

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 $165,000 under agreements entered into by Multnomah County, $333,000 under agreements entered into by Clackamas County, and $947,000 under agreements entered into by Washington County.

13. Net Position Deficit and Budget Overexpenditure:

The Port has a net position deficit of $33,086,085 in the Airport PFC Fund (a fund within the Airport activity) as of June 30, 2017. The deficit exists because bond proceeds are recorded in or reimbursed to construction funds and related long-term debt is recorded in this fund. In the General Fund, the Port overexpended one budget appropriation item for Industrial Development. The overexpenditure of $96,966 resulted from the non-cash budgetary impact of accounting expense accruals that took place after final appropriations were made for the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR DEFINED-BENEFIT HEALTHCARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal - Actuarial Accrued Liability (UAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a / b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b - a) / c)
Airport						
7/1/2013	$0	$2,739,000	$2,739,000	0%	N/A	N/A
7/1/2015	$0	$3,001,205	$3,001,205	0%	N/A	N/A
7/1/2017	$0	$3,227,600	$3,227,600	0%	N/A	N/A
Marine & Other						
7/1/2013	$0	$2,705,000	$2,705,000	0%	N/A	N/A
7/1/2015	$0	$2,392,840	$2,392,840	0%	N/A	N/A
7/1/2017	$0	$2,546,232	$2,546,232	0%	N/A	N/A

THE PORT OF PORTLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (ASSET)

Measurement date as-of June 30,	**2016**	**2015**	**2014**	**2013**
Port share of Net Pension Liability (Asset) - percentage	0.687390%	0.627646%	0.636022%	0.636022%
Port share of Net Pension Liability (Asset) - amount [A]	$ 103,193,124	$ 36,036,033	$ (14,416,804)	$ 32,457,134
Port covered-employee payroll [B]	$ 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]	155.0%	54.1%	(23.5%)	53.3%
PERS fiduciary net position as a percentage of TPL	80.5%	91.9%	103.6%	92.0%

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO PERS ($000)

Fiscal Year:	2017	2016 [1]	2015	2014	2013	2012	2011	2010	2009	2008 [2]
Actuarially Determined Contribution	$ 5,549	$ 5,549	$ 5,332	$ 4,831	$ 5,030	$ 4,966	$ 1,902	$ 1,764	$ 3,614	$ 3,411
Contribution in relation to Actuarially Determined Contribution	5,549	5,549	5,332	4,831	5,030	4,966	1,902	1,764	3,614	3,411
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$	$	$
Covered Employee Payroll	$ 70,942	$ 66,585	$ 66,637	$ 61,267	$ 60,855	$ 60,447	$ 56,138	$ 54,943	$ 55,905	$ 53,775
Contribution as a percentage of Covered Employee Payroll	7.8%	8.3%	8.0%	7.9%	8.3%	8.2%	3.4%	3.2%	6.5%	6.3%

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

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

SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS

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

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

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

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

General Fund

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

Bond Construction Fund

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

Airport Revenue Fund

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

Airport Revenue Bond Fund

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

Airport Construction Fund

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

PFC Fund

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

PFC Bond Fund

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

CFC Fund

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

THE PORT OF PORTLAND

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

for the year ended June 30, 2017

	Budgetary Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Port Funds:			
General Fund	$ 105,937,317	$ 98,785,815	$ 7,151,502
Bond Construction Fund	21,423,763	20,809,137	614,626
Airport Revenue Fund	232,244,007	101,903,485	130,340,522
Airport Revenue Bond Fund	11,196,188	54,329,602	(43,133,414)
Airport Construction Fund	263,685,594	136,761,551	126,924,043
PFC Fund	37,956,220	13,283	37,942,937
PFC Bond Fund	95,852	14,654,918	(14,559,066)
CFC Fund	16,251,784		16,251,784
Totals - budgetary reporting basis	$ 688,790,725	$ 427,257,791	261,532,934
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			156,725,885
Internal costs on capital projects			18,336,314
Interest expense capitalized			10,530,085
Depreciation and amortization expense			(103,547,969)
Expenses that will be expended in future years			1,176,428
Contributions from governmental agencies			(18,858,752)
Bond sale proceeds			(264,284,067)
Bond and contract payable principal expenditures			44,213,496
Change in unearned revenues and certain noncurrent receivables			3,042,895
Difference between income and proceeds from sales of land			(24,197,983)
Noncash GASB 68 pension expense			(12,888,492)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,931,568)
Revenue recorded for fixed assets received			7,401,100
Other			188,331
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 76,438,637

* 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, 2017

	Budgetary Basis *		Excess
	Revenues	Expenditures	Revenues (Expenditures)
Airport Funds:			
Airport Revenue Fund	$ 232,244,007	$ 101,903,485	$ 130,340,522
Airport Revenue Bond Fund	11,196,188	54,329,602	(43,133,414)
Airport Construction Fund	263,685,594	136,761,551	126,924,043
PFC Fund	37,956,220	13,283	37,942,937
PFC Bond Fund	95,852	14,654,918	(14,559,066)
CFC Fund	16,251,784		16,251,784
Totals - budgetary reporting basis	$ 561,429,645	$ 307,662,839	253,766,806
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			135,916,748
Internal costs on capital projects			1,378,811
Interest expense capitalized			10,530,085
Depreciation and amortization expense			(85,231,994)
Expenses that will be expended in future years			(1,739,396)
Contributions from governmental agencies			(9,868,361)
Bond sale proceeds			(264,284,067)
Bond principal expenditures			39,239,393
Change in unearned revenues and certain noncurrent receivables			2,947,067
Noncash GASB 68 pension expense			(5,701,030)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,908,728)
Intra-Port services received, provided, and overhead			(26,884,137)
Allocation of pension debt service			(3,535,665)
Other			245,148
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 43,870,680

* 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, 2017

	Resources				Over
	Original	Transfers In (Out)	Budget	Actual	(Under) Budget
REVENUES:					
Operating revenues:					
Administration	$ 75,000		$ 75,000	$ 65,215	$ (9,785)
Marine	26,106,790		26,106,790	39,591,680	13,484,890
Industrial Development	32,416,162		32,416,162	42,449,049	10,032,887
Navigation	16,980,516		16,980,516	15,922,905	(1,057,611)
General Aviation	3,889,586		3,889,586	3,957,478	67,892
	79,468,054		79,468,054	101,986,327	22,518,273
Interest	2,829,326	$ 250,000	3,079,326	2,828,893	(250,433)
Fixed asset sales and other				1,122,097	1,122,097
Total revenues	82,297,380	250,000	82,547,380	105,937,317	23,389,937
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	4,175,321		4,175,321	3,316,953	(858,368)
Airport Construction Fund	11,986,353		11,986,353	13,640,548	1,654,195
Airport Revenue Fund	30,692,579		30,692,579	32,294,206	1,601,627
Total transfers	46,854,253		46,854,253	49,251,707	2,397,454
Total revenues and transfers	129,151,633	250,000	129,401,633	155,189,024	25,787,391
BEGINNING WORKING CAPITAL	97,152,163		97,152,163	164,402,825	67,250,662
Total resources	$ 226,303,796	$ 250,000	$ 226,553,796	$ 319,591,849	$ 93,038,053

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS), Continued
for the year ended June 30, 2017

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Administration	$ 55,136,262		$ 55,136,262	$ 50,232,791	$ 4,903,471
Marine	19,138,085		19,138,085	14,133,786	5,004,299
Industrial Development	5,071,061		5,071,061	5,168,027	(96,966)
Navigation	11,687,029		11,687,029	10,959,752	727,277
General Aviation	2,851,836	$ 800,000	3,651,836	3,435,802	216,034
Long-term debt payments	12,068,243		12,068,243	11,787,702	280,541
System development charges/other	5,000	500,000	505,000	500,000	5,000
Other environmental	9,237,784	8,500,000	17,737,784	2,567,955	15,169,829
Contingencies	97,573,913	(9,700,000)	87,873,913		87,873,913
Total expenditures	212,769,213	100,000	212,869,213	98,785,815	114,083,398
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	13,147,316		13,147,316	7,000,000	6,147,316
Airport Revenue Fund	387,267	150,000	537,267	443,144	94,123
Total transfers	13,534,583	150,000	13,684,583	7,443,144	6,241,439
Total expenditures and transfers	$ 226,303,796	$ 250,000	$ 226,553,796	106,228,959	$ 120,324,837
ENDING WORKING CAPITAL				$ 213,362,890	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 207,553	$ 791,772	$ 584,219
Grants	5,945,913	8,990,391	3,044,478
	6,153,466	9,782,163	3,628,697
Tax and tax items:			
Current property tax levy - net	11,430,000	11,585,839	155,839
Interest on taxes		55,761	55,761
	11,430,000	11,641,600	211,600
Total revenues	17,583,466	21,423,763	3,840,297
TRANSFERS FROM OTHER FUNDS:			
General Fund	13,147,316	7,000,000	(6,147,316)
Airport Revenue Fund	16,373,000	64,095	(16,308,905)
Total transfers	29,520,316	7,064,095	(22,456,221)
BEGINNING WORKING CAPITAL	10,000,000	12,156,554	2,156,554
Total resources	$ 57,103,782	40,644,412	$ (16,459,370)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 42,897,227	20,809,137	$ 22,088,090
Contingencies	10,000,000		10,000,000
Total expenditures	52,897,227	20,809,137	32,088,090
TRANSFERS TO OTHER FUNDS:			
General Fund	4,175,321	3,316,953	858,368
Airport Revenue Fund	31,234	449,015	(417,781)
Total transfers	4,206,555	3,765,968	440,587
Total expenditures and transfers	$ 57,103,782	24,575,105	$ 32,528,677
ENDING WORKING CAPITAL		$ 16,069,307	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2017

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Operating revenue - Portland International Airport	$ 228,230,931		$ 228,230,931	$ 231,893,763	$ 3,662,832
Interest and other	938,177		938,177	350,244	(587,933)
Total revenues	229,169,108		229,169,108	232,244,007	3,074,899
TRANSFERS FROM OTHER FUNDS:					
General Fund	387,267		387,267	443,144	55,877
Bond Construction Fund	31,234		31,234	449,015	417,781
Airport Construction Fund	1,475,088		1,475,088	1,795,383	320,295
CFC Fund	150,000		150,000	186,070	36,070
Total transfers	2,043,589		2,043,589	2,873,612	830,023
Total revenues and transfers	231,212,697		231,212,697	235,117,619	3,904,922
BEGINNING WORKING CAPITAL	88,098,918		88,098,918	91,945,621	3,846,703
Total resources	$ 319,311,615		$ 319,311,615	327,063,240	$ 7,751,625

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Operating expenditures	$ 98,087,414	$ 2,000,000	$ 100,087,414	100,047,639	$ 39,775
Other	5,000	3,100,000	3,105,000	1,855,846	1,249,154
Contingencies	94,740,917	(5,100,000)	89,640,917		89,640,917
Total expenditures	192,833,331		192,833,331	101,903,485	90,929,846
TRANSFERS TO OTHER FUNDS:					
General Fund	30,692,579		30,692,579	32,294,206	(1,601,627)
Bond Construction Fund	16,373,000		16,373,000	64,095	16,308,905
Airport Construction Fund	29,874,537		29,874,537	48,761,302	(18,886,765)
Airport Revenue Bond Fund	49,538,168		49,538,168	49,367,722	170,446
Total transfers	126,478,284		126,478,284	130,487,325	(4,009,041)
Total expenditures and transfers	$ 319,311,615	$	$ 319,311,615	232,390,810	$ 86,920,805
ENDING WORKING CAPITAL				$ 94,672,430	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 45,849	$ 252,932	$ 207,083
Bond sale proceeds	7,500,000	10,943,256	3,443,256
Total revenues	7,545,849	11,196,188	3,650,339
TRANSFERS FROM OTHER FUNDS:			
Airport Revenue Fund	49,538,168	49,367,722	(170,446)
Airport Construction Fund	5,500,000	4,789,526	(710,474)
Total transfers	55,038,168	54,157,248	(880,920)
Total revenues and transfers	62,584,017	65,353,436	2,769,419
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	29,927,943	26,049,752	(3,878,191)
Total resources	$ 92,511,960	91,403,188	$ (1,108,772)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 55,084,017	54,329,602	$ 754,415
Total expenditures	55,084,017	54,329,602	$ 754,415
UNAPPROPRIATED BALANCE	37,427,943		
	$ 92,511,960		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE		$ 37,073,586	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS

AIRPORT CONSTRUCTION FUND

(BUDGETARY BASIS)

for the year ended June 30, 2017

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Grants	$ 13,468,126		$ 13,468,126	$ 9,868,361	$ (3,599,765)
Interest and other	879,993		879,993	1,340,062	460,069
Bond sale proceeds	100,000,000		100,000,000	252,477,171	152,477,171
Total revenues	114,348,119		114,348,119	263,685,594	149,337,475
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	29,874,537		29,874,537	48,761,302	18,886,765
CFC Fund	26,700,000		26,700,000	32,507,360	5,807,360
PFC Fund	10,015,023		10,015,023	72,203	(9,942,820)
Total transfers	66,589,560		66,589,560	81,340,865	14,751,305
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	73,165,919		73,165,919	77,624,627	4,458,708
Total resources	$ 254,103,598		$ 254,103,598	422,651,086	$ 168,547,488

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Capital outlay	$ 128,346,198	$ 10,000,000	$ 138,346,198	135,916,748	$ 2,429,450
Bond issue costs/other	1,500,000		1,500,000	844,803	655,197
Contingencies	105,295,959	(10,000,000)	95,295,959		95,295,959
Total expenditures	235,142,157		235,142,157	136,761,551	98,380,606
TRANSFERS TO OTHER FUNDS:					
General Fund	11,986,353		11,986,353	13,640,548	(1,654,195)
Airport Revenue Fund	1,475,088		1,475,088	1,795,383	(320,295)
Airport Revenue Bond Fund	5,500,000		5,500,000	4,789,526	710,474
Total transfers	18,961,441		18,961,441	20,225,457	(1,264,016)
Total expenditures and transfers	$ 254,103,598	$	$ 254,103,598	156,987,008	$ 97,116,590
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 265,664,078	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 56,263	$ 272,352	$ 216,089
Passenger facility charges	34,354,746	37,683,868	3,329,122
Total revenues	34,411,009	37,956,220	3,545,211
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	62,879,641	74,981,409	12,101,768
Total resources	$ 97,290,650	112,937,629	$ 15,646,979

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Other	$ 50,225	13,283	$ 36,942
Contingencies	72,309,007		72,309,007
Total expenditures	72,359,232	13,283	72,345,949
TRANSFERS TO OTHER FUNDS:			
PFC Bond Fund	14,916,395	14,610,228	306,167
Airport Construction Fund	10,015,023	72,203	9,942,820
Total transfers	24,931,418	14,682,431	10,248,987
Total expenditures and transfers	$ 97,290,650	14,695,714	$ 82,594,936
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 98,241,915	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 62,611	$ 95,852	$ 33,241
Total revenues	62,611	95,852	33,241
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	14,916,395	14,610,228	(306,167)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	14,350,601	14,399,016	48,415
Total resources	$ 29,329,607	29,105,096	$ (224,511)

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 14,979,006	14,654,918	$ 324,088
Total expenditures	14,979,006	14,654,918	$ 324,088
UNAPPROPRIATED BALANCE	14,350,601		
	$ 29,329,607		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		$ 14,450,178	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
CFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2017

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 135,000	$ 104,420	$ (30,580)
Customer facility charges	16,404,262	16,147,364	(256,898)
Total revenues	16,539,262	16,251,784	(287,478)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	21,859,953	28,243,414	6,383,461
Total resources	$ 38,399,215	44,495,198	$ 6,095,983

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Bank fees and other	$ 115,000		$ 115,000
Contingencies	11,434,215		11,434,215
Total expenditures	11,549,215		11,549,215
TRANSFERS TO OTHER FUNDS:			
Airport Revenue Fund	150,000	186,070	(36,070)
Airport Construction Fund	26,700,000	32,507,360	(5,807,360)
Total transfers	26,850,000	32,693,430	(5,843,430)
Total expenditures and transfers	$ 38,399,215	32,693,430	$ 5,705,785
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 11,801,768	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2017

		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	$ 36,391,524	$ 36,343,244	$ 36,290,016	$ 53,228	$ 48,280	$ 48,280					
Equity in pooled investments	313,769,341	207,638,447	195,469,422	12,169,025	106,130,894	106,130,894					
Restricted Cash and equity in pooled investments	76,145,788				76,145,788		$ 42,323,400	$ 23,492,913	$ 623,924	$ 9,705,551	
Receivables, net of allowance for doubtful accounts	25,276,599	13,608,212	7,980,730	5,627,482	11,668,387	11,668,387					
Prepaid insurance and other assets	6,659,050	2,250,919	2,250,919		4,408,131	4,408,131					
Total current assets	458,242,302	259,840,822	241,991,087	17,849,735	198,401,480	122,255,692	42,323,400	23,492,913	623,924	9,705,551	
Noncurrent assets:											
Restricted assets:											
Cash and equity in pooled investments	436,256,370	2,713,449	2,713,449		433,542,921	19,879,739	37,073,586	260,071,138	92,181,472	14,450,178	$ 9,886,808
Receivables	13,568,343				13,568,343			5,592,940	6,060,443		1,914,960
Total restricted assets	449,824,713	2,713,449	2,713,449		447,111,264	19,879,739	37,073,586	265,664,078	98,241,915	14,450,178	11,801,768
Land held for sale	62,230,184	62,230,184	25,732,324	36,497,860							
Depreciable properties, net of accumulated depreciation	1,236,047,263	165,553,135	165,553,135		1,070,494,128	1,070,494,128					
Nondepreciable properties	302,314,121	108,526,977	83,447,833	25,079,144	193,787,144	68,042,167		125,744,977			
Unamortized bond issue costs	1,148,113	167,855	167,855		980,258	813,143			167,115		
Due from other funds		30,224,609 *	30,224,609 *								
Other noncurrent assets	3,495,329	731,446	731,446		2,763,883	2,763,883					
Total noncurrent assets	2,055,059,723	370,147,655	308,570,651	61,577,004	1,715,136,677	1,161,993,060	37,073,586	391,409,055	98,409,030	14,450,178	11,801,768
Deferred outflows of resources:											
Deferred charges on refunding bonds	25,220,991				25,220,991	16,638,325			8,582,666		
Deferred charges on pensions (GASB 68)	53,687,813	29,413,255	29,413,255		24,274,558	24,274,558					
Cumulative decrease in fair value of hedging derivative	9,202,000				9,202,000		9,202,000				
Total deferred outflows of resources	88,110,804	29,413,255	29,413,255		58,697,549	40,912,883	9,202,000		8,582,666		
Total assets	$ 2,601,412,829	$ 659,401,732	$ 579,974,993	$ 79,426,739	$ 1,972,235,706	$ 1,325,161,635	$ 88,598,986	$ 414,901,968	$ 107,615,620	$ 24,155,729	$ 11,801,768
LIABILITIES											
Current liabilities (payable from current assets):											
Current portion of long-term debt	$ 4,231,403	$ 4,231,403	$ 4,231,403								
Accounts payable	33,008,137	13,958,025	12,177,597	$ 1,780,428	$ 19,050,112	$ 19,050,112					
Accrued wages, vacation and sick leave pay	13,369,377	7,288,637	7,288,637		6,080,740	6,080,740					
Workers' compensation and other accrued liabilities	7,382,970	4,930,560	4,930,560		2,452,410	2,452,410					
Total current liabilities (payable from current assets)	57,991,887	30,408,625	28,628,197	1,780,428	27,583,262	27,583,262					
Restricted liabilities (payable from restricted assets):											
Current portion of long-term debt and other	36,290,686				36,290,686		$ 28,223,012		$ 622,674	$ 7,445,000	
Accrued interest payable	16,360,939				16,360,939		14,100,388			2,260,551	
Accounts payable	21,648,700				21,648,700			$ 21,647,450	1,250		
Contract retainage payable	1,845,463				1,845,463			1,845,463			
Total restricted current liabilities (payable from restricted assets)	76,145,788				76,145,788		42,323,400	23,492,913	623,924	9,705,551	
Total current liabilities	134,137,675	30,408,625	28,628,197	1,780,428	103,729,050	27,583,262	42,323,400	23,492,913	623,924	9,705,551	
Noncurrent liabilities:											
Long-term environmental and other accruals	70,169,349	47,843,442	47,843,442		22,325,907	6,957,907	9,202,000		6,166,000		
Long-term debt	926,475,795	89,063,347	89,063,347		837,412,448	705,510,119			131,902,329		
Unearned revenue and other	71,854,027	27,500,048	27,500,048		44,353,979	40,487,325	1,857,202		2,009,452		
Net pension liability (GASB 68)	103,193,124	56,652,515	56,652,515		46,540,609	46,540,609					
Due to other funds					30,224,609 *	30,224,609 *					
Total noncurrent liabilities	1,171,692,295	221,059,352	221,059,352		980,857,552	829,720,569	11,059,202		140,077,781		
Deferred inflows of resources:											
Deferred pension inflows (GASB 68)	1,617,435	891,958	891,958		725,477	725,477					
Total deferred inflows of resources	1,617,435	891,958	891,958		725,477	725,477					
Total liabilities	1,307,447,405	252,359,935	250,579,507	1,780,428	1,085,312,079	858,029,308	53,382,602	23,492,913	140,701,705	9,705,551	
NET POSITION											
Net investment in capital assets	891,369,870	312,707,644	251,130,640	61,577,004	578,662,226	429,551,717	(27,665,000)	313,539,057	(129,318,548)	(7,445,000)	
Restricted for capital and debt service	273,712,581	2,713,449	2,713,449		270,999,132	318,341	62,881,384	77,869,998	96,232,463	21,895,178	$ 11,801,768
Unrestricted	128,882,973	91,620,704	75,551,397	16,069,307	37,262,269	37,262,269					
Total net position	1,293,965,424	407,041,797	329,395,486	77,646,311	886,923,627	467,132,327	35,216,384	391,409,055	(33,086,085)	14,450,178	11,801,768
Total liabilities and net position	$ 2,601,412,829	$ 659,401,732	$ 579,974,993	$ 79,426,739	$ 1,972,235,706	$ 1,325,161,635	$ 88,598,986	$ 414,901,968	$ 107,615,620	$ 24,155,729	$ 11,801,768

* 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, 2017

Operating revenues:	
Airline revenues	$ 100,242,813
Concessions and other rentals	129,763,520
Other	2,217,976
	232,224,309
Interest income - revenue fund and revenue bond fund	489,362
	232,713,671
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	46,388,683
Contract, professional and consulting services	29,736,489
Materials and supplies	6,703,707
Utilities	11,081,779
Equipment rents, repair and fuel	1,079,253
Insurance	2,160,259
Travel and management expense	3,310,356
Allocation of general and administration expense of the Port of Portland	20,856,037
Other	4,479,483
	125,796,046
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$ 106,917,625

* 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, 2017

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		$ 106,917,625
SLB debt service requirement:		
Interest and principal amount	$ 49,597,877	
	x 130%	
Total net revenues required		64,477,240
Excess of net revenues over 130% of SLB debt service requirement		$ 42,440,385

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		$ 42,440,385
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		$ 42,440,385

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		$ 42,440,385
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		42,440,385
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		$ 42,440,385

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND
CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2017

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2016	$ 35,263,311	$
Bond sale proceeds	224,959,969	27,517,203
Excess Issuance Costs	1,980	
Interest income	928,437	107,619
	261,153,697	27,624,822
Construction expenditures	96,194,914	
Transfers to revenue bond fund		4,789,525
Construction account, June 30, 2017	$ 164,958,783	$ 22,835,297

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, 2017

Net revenues, per accompanying schedule of net revenues	$	106,917,625	
Less revenue bond fund interest income		(252,931)	
Applied to General Account, available to be applied to debt service of bonds	$	106,664,694	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$	49,597,877	(2)
Ratio (1)/(2)		2.15	
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, 2017

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2016	$ 88,315	$ 14,310,701	$ 74,981,409
PFC revenues:			
PFC bond account	14,610,228		
Capital account			23,073,640
Interest earnings		95,851	283,033
Transfer from reserve account to bond account	95,851	(95,851)	
Bond payments to trustee	(14,654,917)		
Costs of approved PFC projects			(72,203)
Other, net			(23,964)
Balances at June 30, 2017	$ 139,477	$ 14,310,701	$ 98,241,915

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, 2017

Fiscal Year	Property Taxes Receivable June 30, 2016	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2017	Interest Collected
2016-17		$ 11,945,205	$ (11,382,373)	$ (314,246)	$ (31,334)	$ 217,252	$ 3,887
2015-16	$ 229,470		(97,419)		(9,846)	122,205	5,289
2014-15	123,811		(30,417)		(1,172)	92,222	4,536
2013-14	89,990		(24,060)		(924)	65,006	5,823
2012-13	60,215		(10,742)		(340)	49,133	3,078
2011-12 and prior	127,335		(2,896)		(1,504)	122,935	1,456
	$ 630,821	$ 11,945,205	$ (11,547,907)	$ (314,246)	$ (45,120)	$ 668,753	$ 24,069

Reconciliation to income from property taxes:

Current levy	$ 11,945,205
Deduct discounts allowed	(314,246)
Cancellations and adjustments	(45,120)
	$ 11,585,839

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2017

	Maturity Date	Outstanding at June 30, 2016	2016-2017 Transactions: Issued	2016-2017 Transactions: Matured	2016-2017 Transactions: Redeemed	Outstanding June 30, 2017: Total	Outstanding June 30, 2017: Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 3,505,759		$ 877,546	$ 877,546	$ 2,628,213	$ 893,815
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	16,730,000		775,000	775,000	15,955,000	875,000
Total Limited Tax Pension Bonds		63,760,759		1,652,546	1,652,546	62,108,213	1,768,815
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 18A, 0.96% *	07/01/26	46,345,000		5,080,000	5,080,000	41,265,000	4,435,000
Series 18B, 0.95% *	07/01/26	46,350,000		5,085,000	5,085,000	41,265,000	4,430,000
Series 19, 4.00% to 5.50%	07/01/38	5,755,000		2,810,000	2,810,000	2,945,000	2,945,000
Series 20A, 3.00% to 5.00%	07/01/40	20,275,000		1,590,000	1,590,000	18,685,000	1,660,000
Series 20B, 2.00% to 4.50%	07/01/40	19,835,000		485,000	485,000	19,350,000	505,000
Series 20C, 4.00% to 5.00%	07/01/28	78,505,000		5,590,000	5,590,000	72,915,000	5,860,000
Series 21B, 2.00% to 5.00%	07/01/18	23,495,000		7,455,000	7,455,000	16,040,000	7,830,000
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	
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	
Total Portland Int'l Airport Revenue Bonds		467,735,000	233,240,000	28,095,000	28,095,000	672,880,000	27,665,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 2011A, 2.50% to 5.50%	07/01/31	70,510,000		1,560,000	1,560,000	68,950,000	1,650,000
Series 2012A, 1.49% *	07/01/24	57,425,000		110,000	110,000	57,315,000	120,000
Series 2012B, 5.00% to 5.75%	07/01/18	14,105,000		5,100,000	5,100,000	9,005,000	5,675,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		142,040,000		6,770,000	6,770,000	135,270,000	7,445,000
Total Port Bonds		$ 673,535,759	$ 233,240,000	$ 36,517,546	$ 36,517,546	$ 870,258,213	$ 36,878,815
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 4,681,735		$ 593,978	$ 593,978	$ 4,087,757	$ 626,360
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	1,000,000		200,000	200,000	800,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	07/01/23	4,456,200		742,700	742,700	3,713,500	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	6,765,558		361,532	361,532	6,404,026	367,763
Banc of America Leasing & Capital, LLC, 2.84%	10/01/19	1,312,714		391,101	391,101	921,613	402,353
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28	12,759,437		828,070	828,070	11,931,367	866,112
Total Contracts & Loans Payable		$ 30,975,644		$ 3,117,381	$ 3,117,381	$ 27,858,263	$ 2,462,588
TOTAL PORT LONG-TERM DEBT		$ 704,511,403	$ 233,240,000	$ 39,634,927	$ 39,634,927	$ 898,116,476	$ 39,341,403

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2017. 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, 2017

	Outstanding at June 30, 2016	2016 - 17 Transactions: Issued	2016 - 17 Transactions: Interest Matured and Paid	2016 - 17 Transactions: Interest Fluctuations and Redemptions	Outstanding at June 30, 2017	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 8,199,242		$ 1,727,454		$ 6,471,788	$ 1,961,185
Series 2002B, 6.60% to 6.85%	26,050,678		2,965,950		23,084,728	2,965,950
Series 2005, 4.00% to 5.50%	6,143,097		831,753		5,311,344	794,096
Total Limited Tax Pension Bonds	40,393,017		5,525,157		34,867,860	5,721,231
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 18A, 0.96% *	1,047,671		306,155	$ (914,916)	1,656,432	353,568
Series 18B, 0.95% *	962,284		303,296	(980,478)	1,639,466	349,933
Series 19, 4.00% to 5.50%	291,125		217,500		73,625	73,625
Series 20A, 3.125% to 5.00%	8,821,435		797,381		8,024,054	716,131
Series 20B, 2.00% to 4.50%	11,836,776		788,450		11,048,326	768,650
Series 20C, 4.00% to 5.00%	26,925,625		3,785,500		23,140,125	3,499,250
Series 21B, 2.00% to 5.00%	1,799,875		988,375		811,500	606,250
Series 21C, 4.375% to 5.00%	7,350,993		1,320,962		6,030,031	1,320,962
Series 22, 4.00% to 5.00%	83,996,200		4,484,700		79,511,500	4,484,700
Series 23, 5.00%	78,025,000		5,472,000		72,553,000	5,472,000
Series 24A, 5.00%		$ 31,333,658			31,333,658	475,908
Series 24B, 5.00%		200,844,875			200,844,875	4,577,625
Total Portland Int'l Airport Revenue Bonds	221,056,984	232,178,533	18,464,319	(1,895,394)	436,666,592	22,698,602
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 2011, 2.50% to 5.50%	43,395,175		3,578,325		39,816,850	3,506,325
Series 2012A, 1.49% *	2,995,972		645,337	(1,463,140)	3,813,775	853,149
Series 2012B, 5.00% to 5.75%	969,375		577,750		391,625	308,375
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	47,360,522		4,801,412	(1,463,140)	44,022,250	4,667,849
Total Port Bonds	$ 308,810,523	$ 232,178,533	$ 28,790,888	$ (3,358,534)	$ 515,556,702	$ 33,087,682
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 899,170		$ 234,724		$ 664,446	$ 202,342
Oregon Business Development Dept., B08005, 2.00% to 4.00%	2,197,378		237,300		1,960,078	230,069
Banc of America Leasing & Capital, LLC, 2.84%	63,064		32,216		30,848	20,963
Banc of America Leasing & Capital, LLC, 4.5%	3,748,776		557,234		3,191,542	519,193
Total Contracts & Loans Payable	$ 6,908,388		$ 1,061,474		$ 5,846,914	$ 972,567
TOTAL PORT LONG-TERM DEBT	$ 315,718,911	$ 232,178,533	$ 29,852,362	$ (3,358,534)	$ 521,403,616	$ 34,060,249

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2017. 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, 2017

		Date of Issue	Total Requirements	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 to 2026-27	2027-28 to 2031-32	2032-33 to 2036-37	2037-38 to 2041-42	2042-43 to 2046-47	2047-48 to 2051-52
LIMITED TAX PENSION BONDS:														
Series 2002A	-Principal	03/28/02	$ 2,628,213	$ 893,815	$ 901,618	$ 832,780								
2.00% to 7.41%	-Interest		6,471,788	1,961,185	2,218,383	2,292,220								
Series 2002B	-Principal	03/28/02	43,525,000			265,000	$ 3,695,000	$ 4,240,000	$ 31,315,000	$ 4,010,000				
6.60% to 6.85%	-Interest		23,084,728	2,965,950	2,965,950	2,965,950	2,947,797	2,694,690	8,269,706	274,685				
Series 2005	-Principal	09/23/05	15,955,000	875,000	985,000	1,100,000	1,230,000	1,365,000	9,235,000	1,165,000				
4.00% to 5.50%	-Interest		5,311,344	794,096	751,580	703,719	650,270	588,721	1,764,661	58,297				
Total Limited Tax Pension Bonds	-Principal		$ 62,108,213	$ 1,768,815	$ 1,886,618	$ 2,197,780	$ 4,925,000	$ 5,605,000	$ 40,550,000	$ 5,175,000				
Total Limited Tax Pension Bonds	-Interest		$ 34,867,860	$ 5,721,231	$ 5,935,913	$ 5,961,889	$ 3,598,067	$ 3,283,411	$ 10,034,367	$ 332,982				
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:														
Series 18A	-Principal	06/11/08	$ 41,265,000	$ 4,435,000	$ 4,510,000	$ 4,705,000	$ 4,935,000	$ 5,155,000	$ 17,525,000					
0.96% **	-Interest		1,656,432	353,568	310,272	265,104	217,728	168,240	341,520					
Series 18B	-Principal	06/11/08	41,265,000	4,430,000	4,515,000	4,705,000	4,930,000	5,155,000	17,530,000					
0.95% **	-Interest		1,639,466	349,933	307,040	262,343	215,508	166,535	338,107					
Series 19	-Principal	11/13/08	2,945,000	2,945,000										
4.00% to 5.50%	-Interest		73,625	73,625										
Series 20A	-Principal	11/02/10	18,685,000	1,660,000	1,745,000	685,000	705,000	725,000	3,995,000	$ 3,325,000	$ 2,975,000	$ 2,870,000		
3.125% to 5.00%	-Interest		8,024,054	716,131	631,006	577,106	556,256	534,353	2,288,039	1,534,669	936,594	249,900		
Series 20B	-Principal	11/02/10	19,350,000	505,000	525,000	545,000	570,000	590,000	3,275,000	3,915,000	4,795,000	4,630,000		
2.00% to 4.50%	-Interest		11,048,326	768,650	748,050	726,650	702,925	680,881	3,091,271	2,416,019	1,509,706	404,174		
Series 20C	-Principal	11/02/10	72,915,000	5,860,000	6,165,000	4,845,000	5,085,000	5,335,000	30,960,000	14,665,000				
4.00% to 5.00%	-Interest		23,140,125	3,499,250	3,198,625	2,923,375	2,675,125	2,414,625	7,687,000	742,125				
Series 21B	-Principal	04/05/11	16,040,000	7,830,000	8,210,000									
2.00% to 5.00%	-Interest		811,500	606,250	205,250									
Series 21C	-Principal	08/10/11	27,685,000			5,040,000	5,250,000	5,560,000	11,835,000					
4.375% to 5.00%	-Interest		6,030,031	1,320,962	1,320,962	1,194,963	937,712	681,363	574,069					
Series 22	-Principal	09/25/14	90,050,000			1,780,000	1,850,000	1,940,000	11,270,000	14,390,000	18,345,000	23,420,000	$ 17,055,000	
4.00% to 5.00%	-Interest		79,511,500	4,484,700	4,484,700	4,449,100	4,367,250	4,272,500	19,766,250	16,573,750	12,501,375	7,305,000	1,306,875	
Series 23	-Principal	03/31/15	109,440,000		3,065,000	3,215,000	3,380,000	3,545,000	20,575,000	26,265,000	26,145,000	23,250,000		
5.00%	-Interest		72,553,000	5,472,000	5,395,375	5,238,375	5,073,500	4,900,375	21,587,375	15,760,625	8,322,375	803,000		
Series 24A	-Principal	01/25/17	21,965,000										17,135,000	$ 4,830,000
5.00%	-Interest		31,333,658	475,908	1,098,250	1,098,250	1,098,250	1,098,250	5,491,250	5,491,250	5,491,250	5,491,250	4,258,250	241,500
Series 24B	-Principal	01/25/17	211,275,000		710,000	745,000	3,965,000	4,170,000	24,180,000	30,860,000	39,385,000	50,255,000	47,015,000	9,990,000
5.00%	-Interest		200,844,875	4,577,625	10,563,750	10,528,250	10,491,000	10,292,750	48,121,000	41,440,500	32,914,250	22,034,500	9,381,750	499,500
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 672,880,000	$ 27,665,000	$ 29,445,000	$ 26,265,000	$ 30,670,000	$ 32,175,000	$ 141,145,000	$ 93,420,000	$ 91,645,000	$ 104,425,000	$ 81,205,000	$ 14,820,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 436,666,592	$ 22,698,602	$ 28,263,280	$ 27,263,516	$ 26,335,254	$ 25,209,872	$ 109,285,881	$ 83,958,938	$ 61,675,550	$ 36,287,824	$ 14,946,875	$ 741,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:														
Series 2011A	-Principal	11/10/11	$ 68,950,000	$ 1,650,000	$ 1,710,000	$ 150,000	$ 135,000	$ 125,000	$ 16,550,000	$ 48,630,000				
2.50% to 5.50%	-Interest		39,816,850	3,506,325	3,430,575	3,385,575	3,381,300	3,377,244	16,028,469	6,707,362				
Series 2012A	-Principal	08/15/12	57,315,000	120,000	2,790,000	7,955,000	8,370,000	8,805,000	29,275,000					
1.49%**	-Interest		3,813,775	853,149	811,532	692,871	568,020	436,681	451,522					
Series 2012B	-Principal	10/31/12	9,005,000	5,675,000	3,330,000									
5.00% to 5.75%	-Interest		391,625	308,375	83,250									
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 135,270,000	$ 7,445,000	$ 7,830,000	$ 8,105,000	$ 8,505,000	$ 8,930,000	$ 45,825,000	$ 48,630,000				
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 44,022,250	$ 4,667,849	$ 4,325,357	$ 4,078,446	$ 3,949,320	$ 3,813,925	$ 16,479,991	$ 6,707,362				
Total Port Bonds	-Principal		$ 870,258,213	$ 36,878,815	$ 39,161,618	$ 36,567,780	$ 44,100,000	$ 46,710,000	$ 227,520,000	$ 147,225,000	$ 91,645,000	$ 104,425,000	$ 81,205,000	$ 14,820,000
Total Port Bonds	-Interest		$ 515,556,702	$ 33,087,682	$ 38,524,550	$ 37,303,851	$ 33,882,641	$ 32,307,208	$ 135,800,239	$ 90,999,282	$ 61,675,550	$ 36,287,824	$ 14,946,875	$ 741,000

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES
AS OF JUNE 30, 2017, Continued

		Date of Issue	Total Requirements	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 to 2026-27	2027-28 to 2031-32	2032-33 to 2036-37	2037-38 to 2041-42	2042-43 to 2046-47	2047-48 to 2051-52
CONTRACTS & LOANS PAYABLE:														
City of Portland LID	-Principal	04/01/03	$ 4,087,757	$ 626,360	$ 660,507	$ 696,516	$ 734,487	$ 774,529	$ 595,358					
5.32%	-Interest		664,446	202,342	168,195	132,187	94,215	54,173	13,334					
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	800,000	200,000	200,000	200,000	200,000							
Oregon Department of Transportation MMTF-0003	-Principal	07/06/10	3,713,500		742,700	742,700	742,700	742,700	742,700					
Oregon Business Development Dept. B08005	-Principal	08/31/10	6,404,026	367,763	379,332	386,262	398,250	415,639	2,285,832	$ 2,170,948				
2.00% to 4.00%	-Interest		1,960,078	230,069	220,875	209,495	197,907	183,968	699,410	218,354				
Banc of America Leasing & Capital, LLC	-Principal	11/01/13	921,613	402,353	413,930	105,330								
2.84%	-Interest		30,848	20,963	9,386	499								
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	11,931,367	866,112	905,901	947,518	991,047	1,036,575	5,942,465	1,241,749				
4.5%	-Interest		3,191,542	519,193	479,404	437,787	394,258	348,730	984,056	28,114				
Total Contracts & Loans Payable	-Principal		$ 27,858,263	$ 2,462,588	$ 3,302,370	$ 3,078,326	$ 3,066,484	$ 2,969,443	$ 9,566,355	$ 3,412,697				
Total Contracts & Loans Payable	-Interest		$ 5,846,914	$ 972,567	$ 877,860	$ 779,968	$ 686,380	$ 586,871	$ 1,696,800	$ 246,468				
TOTAL PORT LONG-TERM DEBT	-Principal		$ 898,116,476	$ 39,341,403	$ 42,463,988	$ 39,646,106	$ 47,166,484	$ 49,679,443	$ 237,086,355	$ 150,637,697	$ 91,645,000	$ 104,425,000	$ 81,205,000	$ 14,820,000
TOTAL PORT LONG-TERM DEBT	-Interest		$ 521,403,616	$ 34,060,249	$ 39,402,410	$ 38,083,819	$ 34,569,021	$ 32,894,079	$ 137,497,039	$ 91,245,750	$ 61,675,550	$ 36,287,824	$ 14,946,875	$ 741,000

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

** Interest rate at June 30, 2017. Rate is variable, depending on weekly resets.

		Date of Issue	Total Requirements	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 to 2026-27	2027-28 to 2031-32	2032-33 to 2036-37	2037-38 to 2041-42	2042-43 to 2046-47	2047-48 to 2051-52
INDUSTRIAL DEVELOPMENT REVENUE BONDS:														
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000						$ 17,300,000					
1997 Series, 1.053%*	-Interest		1,801,363	$ 181,804	$ 181,804	$ 181,804	$ 181,804	$ 181,804	892,343					
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 17,300,000											
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 1,801,363	$ 181,804	$ 181,804	$ 181,804	$ 181,804		$ 892,343					

* Interest rate at June 30, 2017. 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, 2017, and have issued our report thereon dated October 24, 2017. 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 24, 2017