Comprehensive Annual
Financial Report

As of December 31, 2014 and 2013, and for the years ended December 31, 2014, 2013 and 2012

Port of Seattle®

WASHINGTON STATE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of December 31, 2014 and 2013, and

for the years ended December 31, 2014, 2013 and 2012

This report was prepared by the

Accounting and Financial Reporting Department

Port of Seattle®

Washington State

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PORT OF SEATTLE

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LETTER FROM THE COMMISSION CO-PRESIDENTS

Commissioner Stephanie Bowman and Commissioner Courtney Gregoire

In 1911, King County citizens created the public Port of Seattle – ensuring that harbor facilities were managed for the benefit of all citizens not just a privileged few. Today, that responsibility extends from Fishermen's Terminal to Seattle-Tacoma International Airport.

In 2014, our leading role as an economic development agency for the region was clear. The Port of Seattle generated:

- 216,271 jobs, including 129,744 direct jobs
- $9.6 billion in personal income
- $19.8 billion in business revenue
- $894.4 million in taxes

Innovation and Collaboration: Seaport Alliance

The year 2014 marked the formation of the historic Seaport Alliance with the Port of Tacoma. Shipping alliances are deploying megaships at an increasingly greater rate. The terminals that handle these larger vessels need larger cranes, stronger berths, more backlands for containers and the road and rail infrastructure to handle the larger influxes of cargo.

To strengthen our competitive position, enhance our region's container gateway, and ensure efficient and effective infrastructure investments, we are working with the Port of Tacoma to unify the management of our marine cargo facilities and business. Together, we can more efficiently deploy the significant investments each port has devoted to infrastructure and speak with a stronger voice on pressing regional and industry-related issues.

Quality Jobs Initiative

In early 2014, the Commission introduced the Quality Jobs Initiative. As a crucial component of our region's economy, Sea-Tac Airport must have a stable, well-trained workforce. In the first phase of this initiative, the Commission passed a resolution to establish minimum hiring, training, wage, and compensation requirements for aeronautical workers at our airport, enhancing safe and secure operations of the facility.

During the initiative's second phase, we addressed policies for concessions employees. We outlined our support of opportunities that foster economic prosperity, entrepreneurial initiative, increased job availability and job security. The Commission adopted a motion regarding quality jobs, service and employment continuity assurances for the Airport Dining and Retail Program. This policy indicates our commitment to fair wages and other benefits that allow employees to thrive.

The Green Gateway

2014 marked exciting developments in our continuous effort to be more sustainable and energy efficient. Sea-Tac Airport became the first airport in North America certified under the Airports Council International Airport Carbon Accreditation Program. With our key partners, we affirmed our ongoing efforts and investment in the Duwamish River cleanup at the announcement of the Environmental Protection Agency's Record of Decision. In partnership with Puget Sound Clean Air Agency, we launched a new truck scrapping and replacement program aimed at reducing air emissions from port-related activities.

A New CEO

Last year, we conducted a nationwide search for our next CEO, looking for a leader with the breadth of experience and skills crucial to guiding our organization through the many opportunities and challenges ahead. We found that in Ted J. Fick.

Ted's wealth of experience includes his success in guiding organizations through changing competitive landscapes, his expertise in manufacturing, his reputation as a dynamic leader who thrives on working across disciplines, and his deep commitment to the Pacific Northwest. From his first days on the job, Ted has been focused on strengthening our organization through sound management and talent development.

Port Staff
It is the investment of every single employee that is core to our success, and we are grateful for the work that staff does every day to make the Port of Seattle successful for King County and beyond.

Stephanie Bowman
Commission Co-President

Courtney Gregoire
Commission Co-President

LETTER FROM THE CEO
Ted J. Fick

As I stepped into the role of chief executive officer in October 2014, the Port of Seattle was immersed in an impressive list of projects and activities for the year. Today, I'd like to take this opportunity to share highlights from among the many things that were achieved.

- Seattle-Tacoma International Airport had a fourth consecutive record-breaking year with 37.5 million passengers, up 7.7 percent from 2013. This makes Sea-Tac the fastest growing large hub airport in the country. We welcomed new overseas services by Delta Air Lines to Hong Kong, Seoul and London. Alaska Airlines added flights to two previously unserved domestic destinations. Air cargo saw an increase of more than 9 percent.

- The airport also made significant progress on the Sustainable Airport Master Plan. This will be a blueprint for meeting long-term needs, and includes concepts for the airfield, terminal, roadways and cargo facilities. Projects already on the horizon are a new International Arrivals Hall, north satellite renovation, baggage system upgrade and center runway replacement.

- The Port of Seattle Commission approved design funding to modernize Terminal 5 for the bigger ships that are changing the scale of international shipping. To improve safety and congestion at Terminal 46, the port received a $20 million Transportation Investment Generating Economic Recovery (TIGER) Grant from the U.S. Department of Transportation.

- The U.S. Army Corps of Engineers completed a reconnaissance study for our harbor deepening project in 2014, and we now are in the feasibility study phase. We are one of the first ports in the nation to participate in the Corps' new, streamlined process for deepening studies. Ours is the only study that remains on schedule for completion within the prescribed three-year target. This is significant because traditionally studies at other ports took much longer, 10 years or more in some cases.

- The cruise business had another robust year with 179 vessel calls and 824,000 revenue passengers visiting Seattle, the leader in the Alaska cruise market. Each home-port vessel is estimated to contribute $2.4 million to the local economy.

- Fishermen's Terminal, the port's first facility and headquarters for the North Pacific fishing fleet, celebrated its centennial with a number of special events and community gatherings.

- Occupancy rates at port commercial properties were above the Seattle market average and above target. Work began on the Des Moines Creek Business Park, leased to a developer by the port. Up to two million square feet of light industrial and commercial development is planned for this site south of the airport, creating both construction and permanent jobs.

Let me close with acknowledging how the leadership of my predecessor, Tay Yoshitani, is reflected in last year's milestones. This proud tradition of accomplishment makes me excited to be here as we strive to boost our economic impact and organizational success even more, in service to the citizens of our region and state.

Ted J. Fick

Theodore J. Fick
Chief Executive Officer

April 24, 2015

To the Port of Seattle Commission:

The Comprehensive Annual Financial Report ("CAFR") of the Port of Seattle (the "Port") as of and for the year ended December 31, 2014 is enclosed. This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, organizational chart, and list of principal officials. The Financial Section, beginning with the independent auditor's report, contains management's discussion and analysis ("MD&A"), Enterprise Fund and Warehousemen's Pension Trust Fund financial statements, and notes to the financial statements. The Statistical Section includes selected financial, economic, and demographic data. All amounts are rounded to the nearest million dollars in the MD&A and thousand dollars in the notes to the financial statements for presentation purposes within this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, in this report rests with management of the Port. On the basis that the cost of internal controls should not outweigh their benefits, the Port has established a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

A firm of independent auditors is engaged each year to conduct an audit of the Port's financial statements in accordance with auditing standards generally accepted in the United States of America. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting principles used and significant estimates made by management, as well as the overall presentation of the financial statements. In planning and performing their audit, the independent auditors give consideration to the Port's comprehensive framework of internal controls in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The independent auditor's report is presented as the first component in the Financial Section following this letter.

The independent audit of the financial statements of the Port included a broader federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, involving the administration of Federal awards. These reports are available in the Port's separately issued Single Audit Report.

This letter of transmittal is designed to complement the MD&A, which provides a narrative introduction, overview, and analysis to the basic financial statements, and should be read in conjunction with it.

Profile of the Port

The Port is a municipal corporation of the State of Washington (the “State”), organized on September 5, 1911, under the State statute RCW 53.04.010 et seq. In 1942, the local governments in King County, Washington (the “County”) selected the Port to operate the Seattle-Tacoma International Airport (the “Airport”).

Port policies are established by a five-member Commission elected at-large by the voters of the County for four-year terms. The Commission appoints the Chief Executive Officer (“CEO”), who oversees daily operations of the organization. Through resolutions and directives, the Commission sets policy for the Port. These policies are then implemented by the CEO and his executive staff.

The Port is comprised of three operating divisions: Aviation, which manages all operations at the Airport, including landside operations such as the parking garage; Seaport, which manages maritime cargo and cruise passenger marine terminals as well as industrial property connected with maritime businesses; and Real Estate, which manages recreational and commercial moorage facilities, leases commercial and industrial properties, and plans and facilitates the development of selected real estate assets.

A Capital Development Division and a number of corporate service departments support the operating divisions and the broad mission of the Port. Capital Development houses departments responsible for engineering, project management and construction functions, and the Central Procurement Office, which consolidates contracting and procurement functions. Other port-wide departments include Accounting and Financial Reporting, Commission Office, Executive, Finance and Budget, Health and Safety, Human Resources and Development, Information and Communications Technology, Labor Relations, Legal, Police, Public Affairs, Office of Social Responsibility, and Risk Management.

In February 2015, CEO Ted J. Fick, announced an organizational realignment intended to flatten the reporting structure. Some of the organizational changes include the creation of an Office of Strategic Initiatives that will provide a launch pad for ideas and an internal focus on Operational Excellence including LEAN/Continuous Process Improvement initiatives. Also new will be the Economic Development Division, which will function as the primary economic growth driver for the Port, and will encompass a number of existing functions including some of the current Real Estate Division, along with the Office of Social Responsibility, Tourism Development, and a new small business ‘incubator”. Operation of the Port’s main cargo business is expected to be transferred to the Seaport Alliance, a joint venture with the Port of Tacoma, while the remaining Seaport businesses will become part of a new Maritime Division. These changes will be implemented over the remainder of 2015.

The operating budget is an essential component of the management planning and control process. It quantifies business group or departmental plans for future periods in strategic, operational and monetary terms. The budget process includes a series of Commission briefings with the operating divisions as well as corporate departments during the year; these briefings inform Commissioners about key issues facing the business groups so that Commissioners can provide guidance on necessary changes in strategies and objectives.

Divisional business plans and budgets are often revised to reflect Commission input. On an annual basis, each division presents preliminary budgets to the Commission and the Commission reviews the budget and votes on its adoption. Once the annual budget is in place, variances from the budget are analyzed monthly (with a more extensive analysis conducted quarterly) to determine if corrective action is needed. Progress in achieving budget targets is a short-term measure of progress in achieving strategic business plan targets.

Local Economy and Outlook

The United States (“U.S.”) economy continues to recover at a moderate pace while the U.S. real gross domestic product continues its strong growth. Both consumer spending and job growth have risen;

unemployment has dropped below 6.0% for the first time since 2008 and the housing market continues to improve. However, there are still uncertainties over the U.S. economic outlook—wage growth is modest; full-time employment is elusive for many who are unemployed or under-employed; the Federal Reserve's policy for quantitative easing ended in October 2014 and interest rates are expected to rise in 2015. Growth in Europe, Japan, and many emerging and developing countries are slow. The unrest in the Middle East and Ukraine only adds uncertainty to the overall world economy. These factors could slow the economic recovery and could have a direct impact on business in 2015.

Like the U.S. economy, Washington State's economy continues to expand at a moderate pace. The unemployment rate in Washington State has improved, declining from an average of 7.0% in 2013 to an average of 6.0% in 2014. During 2014, jobs in both private sector and government increased 2.9% and 1.7%, respectively. The largest urban center, the Seattle metropolitan area, represented 50.7% of the workforce of Washington State and added about 48,800 jobs in 2014 from 2013. The strongest performing industries in Seattle were professional and business services, construction, and retail trade, totaling approximately 26,100 new jobs in 2014.

The Port's 2014 performance reflected the recovery of the local economy. At the Airport, 37.5 million passengers passed through in 2014, exceeding the all-time record for the fourth consecutive year. International passenger traffic increased 6.8% while overall traffic grew 7.7% over 2013 levels. At the Seaport, the 2014 cruise season hosted 179 vessel calls and 824,000 passengers, a decrease of 5.4% in passengers from 2013. Container volumes were 1.4 million TEUs (twenty-foot equivalent units —a measure of container volume), a decrease of 11.3% from 2013. Grain volumes were 3.6 million metric tons, an increase of 167.8% from 2013 due to improved market conditions. For the Real Estate Division, occupancy levels at commercial properties were at 93%, slightly above the 92% Seattle market average.

As the overall economic recovery unfolds, Washington's economy is expected to outpace the nation. Positive growth includes housing, construction and automobile sales; retail trade, professional and business services, and state and local government spending. Revenue growth is expected to continue at a steady pace consistent with economic activities.

Long-Term Financial Planning

As the Port begins its second century, the Commissioners adopted the Century Agenda, a strategic plan that sets aspirational goals for the Port over the next twenty five years—starting with an overarching goal of generating 100,000 new jobs in the region by 2036. The Port continues to budget prudently while striving to retain and attract customers, create jobs, and help position the Port for future growth.

In 2015, the Aviation Division expects aeronautical revenues to remain relatively flat compared to 2014 with increase in recovered capital and operating costs offset by increases in anticipated revenue sharing with the airlines. Non-aeronautical revenues are expected to be 4.2% above 2014, with growth in all business units, particularly in public parking, airport dining and retail, and rental cars. The Airport continues to strive for a competitive cost per enplanement ("CPE"). The 2015 CPE is budgeted at $11.78, which reflects the Port's ongoing commitment to manage costs without compromising operational and capital needs. The Aviation Division anticipates continued passenger growth of 4.0% in 2015 which is higher than the 2.9% long-term growth forecast. To achieve long-term cost management, the Airport will continue to increase the number of continuous improvement projects and also lead the U.S. airport industry in environmental innovation.

The most significant change in the 2015 budget for the Seaport Division compared to 2014 is in the container business where revenues are down due to closing Terminal 5 for redevelopment. The container business is going through unprecedented changes with consolidation into three new "mega" alliances, deployment of large ships, terminal automation, and increasing competition from Canadian and east coast ports. Shipping lines are focused on cost reduction. Terminals are being rationalized and the future will favor larger, more cost effective operations, with high productivity rates to handle large ships and large volumes. These are long-term structural challenges the Port must address strategically. The

Seaport Division also expects the cruise business to remain strong in 2015. The 2015 vessel schedule for Seattle adds one additional homeport ship sailing on Mondays and three larger, newer ships to serve the Alaskan market. Cruise passengers are expected to increase 8.6% from 2014.

The Real Estate Division expects the local real estate market to continue to recover from the "Great Recession". This is encouraging news for the broader market in a macro sense although specific submarket pressures will still adversely affect the Port's Real Estate Division property portfolio. The overlap of the seawall construction, the removal of the Alaskan Way viaduct, the uncertainty of the redevelopment of the Colman Dock, the construction of the proposed waterfront park and public spaces all have a detrimental effect on the leasing of much of the commercial space owned by the Port since it is located in proximity to these public construction projects. The Port anticipates that, while the broader market improves, its ability to lease will rely on greater capital investments in the form of tenant improvement allowances.

For 2015, the Port budgeted total operating revenues of $551.8 million, a 3.2% increase from 2014. Total operating expenses are budgeted at $332.9 million, an 8.1% increase from 2014. Net Operating Income ("NOI") before Depreciation is budgeted at $218.9 million, a 3.6% decrease from 2014. Depreciation expense is budgeted at $162.1 million, a slight decrease from 2014. NOI after Depreciation is budgeted at $56.8 million, a 6.4% decrease from 2014. The total capital budget for 2015 is $373.8 million and the five-year capital improvement program is $2.2 billion, which reflects the Port's continuing commitment to promote regional economic activity through investment in the development, expansion, and renewal of Port facilities that supports both business planning and environmental initiatives.

Major Initiatives

As the Port pursues its Century Agenda, the following major initiatives were accomplished in 2014. The Seattle and Tacoma Port Commissions approved an Interlocal Agreement outlining the framework of the Seaport Alliance which was approved by the Federal Maritime Commission in December 2014. Seattle-Tacoma International Airport is the first airport in North America certified as reducing carbon emission by a worldwide independent program. Major projects completed in 2014 were: preparation of the former United States Postal Service site for the construction of hardstands as a Remain Overnight parking of aircraft at the Cargo 5 area with additional improvements at Cargo 2 and Cargo 6; gate improvements which brought all Port owned loading bridges up to the same standards in terms of ground power and potable water supply in addition to providing a centralized pre-conditioned air plant, with associated heating and cooling piping systems as well as passenger loading bridge air handling units to serve aircraft with cabin heating and cooling needs, and replacement of several passenger loading bridges with new Jetway Passenger Boarding bridges. Emirates Airlines added second daily non-stop service to Dubai starting July 1, 2015. Emirates Airlines is the world's largest international carrier (measured by international traffic) and fastest growing airline. Emirates Airlines connects to more than 140 destinations in over 70 countries.

The Port will continue to invest in new facilities that support job growth and economic vitality of the region. The Aviation Division's initiatives for 2015 include: continuing the design for the North Satellite renovation ("NorthSTAR") and related improvements; starting the progressive design build team procurement for the International Arrival Facility program; construction for baggage system renovations and Concourse C vertical circulation improvements, and reconstruction of Runway 16C/34C. The Sustainable Airport Master Plan ("SAMP") is expected to be completed in 2015.

The Seaport and Real Estate Divisions' initiative for 2015 include: continuing the Terminal 5 Berth Modernization Project; redevelopment at Terminal 46, dredging, and other asset stewardship programs. These and other capital investments will enable the Port to serve customers and the general public better, provide jobs and economic opportunities to the local communities, and improve the environment in the Pacific Northwest.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Port of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of the Port's Finance and Budget teams, and the Accounting & Financial Reporting Department. We wish to express our appreciation to all who assisted and contributed to the preparation of this report. Credit also must be given to the Commissioners and Executive Officers for their unfailing support to ensure fiscal transparency and accountability, and to maintain the Port's financial statements in conformance with the highest professional standards.

Respectfully submitted,

Ted J. Fick

Chief Executive Officer

Dan Thomas

Chief Financial and Administrative Officer

Rudy Caluza

Director, Accounting & Financial Reporting (AFR)

Debbi Browning

AFR Assistant Director, General Accounting & Business Technology

Lisa Lam

AFR Assistant Director, Revenue Services & Financial Reporting/Controls

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

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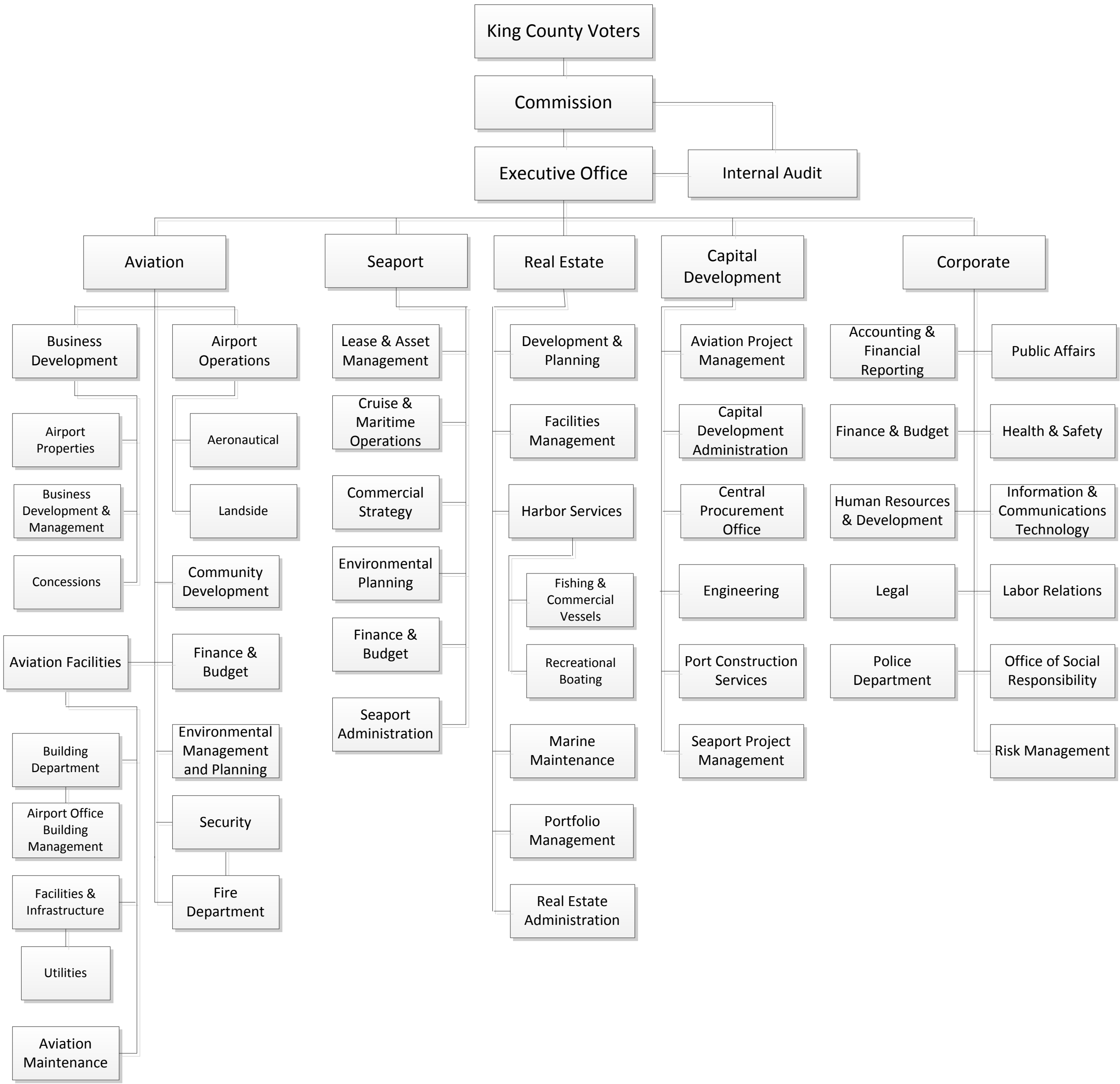
Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

ORGANIZATIONAL CHART FOR 2014



List of Elected and Appointed Officials in 2014

Elected Board of Commissioners

Name	Office	Term Expires
Stephanie Bowman	Co-President	December 31, 2017
Courtney Gregoire	Co-President	December 31, 2015
Bill Bryant	Vice President	December 31, 2015
Tom Albro	Secretary	December 31, 2017
John Creighton	Assistant Secretary	December 31, 2017

Appointed Executive Officer and Staff

Ted J. Fick	Chief Executive Officer
Kurt Beckett	Deputy Chief Executive Officer
Dan Thomas	Chief Financial and Administrative Officer
Craig Watson	General Counsel
Mark Reis	Managing Director, Aviation Division
Ralph Graves	Managing Director, Capital Development Division
Joe McWilliams	Managing Director, Real Estate Division
Linda Styrk	Managing Director, Seaport Division
Colleen Wilson	Chief of Police

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

To the Port Commission
Port of Seattle
Seattle, Washington

Report on Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle (the "Port") as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Port's 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle as of December 31, 2014 and 2013, and the respective changes in net position and cash flows for the Enterprise Fund, and the changes in net position for the Warehousemen's Pension Trust Fund for the years ended December 31, 2014, 2013 and 2012 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying management discussion and analysis is not part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Moss Adams LLP

Seattle, Washington
April 24, 2015

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of the Port of Seattle's (the "Port") activities and financial performance provides an introduction to the financial statements of the Port for the fiscal year ended December 31, 2014, including the Port operations within the Enterprise Fund and the Warehousemen's Pension Trust Fund, with selected comparative information for the years ended December 31, 2014 and 2013.

The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust Fund. This includes the Port's major business activities, which are comprised of the Aviation, Seaport, and Real Estate divisions. Enterprise Funds are used to account for operations and activities that are financed at least in part by fees or charges to external users. The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. The Port became the sole administrator for the Warehousemen's Pension Plan and Trust effective May 25, 2004.

The MD&A presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section. The notes are essential to thoroughly understand the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The report includes the following three basic financial statements for the Port Enterprise Fund: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The report also includes the following two basic financial statements for the Warehousemen's Pension Trust Fund: Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

LOCAL ECONOMY AND FACTOR

Washington State's economy continues to expand at a moderate pace. The unemployment rate declined from an average of 7.0% in 2013 to an average of 6.0% in 2014. During 2014, jobs in both private sector and government increased 2.9% and 1.7%, respectively. The Seattle metropolitan area, added about 48,800 jobs in 2014 from 2013. Over 20,000 of the new jobs added were in the professional and business services, construction as well as retail trade in 2014.

The Port's 2014 performance reflected the recovery of the local economy. At the Airport, 37.5 million passengers passed through in 2014, exceeding the all-time record for the fourth consecutive year. At the Seaport, the 2014 cruise season hosted 179 vessel calls and 824,000 passengers, a decrease of 5.4% in passengers from 2013. Containers volumes decreased 11.3% from 2013 due to the closure of Terminal 5 for redevelopment. Grain volumes were 3.6 million metric tons, an increase of 167.8% from 2013 due to market conditions. For the Real Estate Division, occupancy levels at commercial properties were at 93%, slightly above the 92% Seattle market average.

ENTERPRISE FUND

Financial Position Summary

The Statement of Net Position presents the financial position of the Enterprise Fund of the Port at the end of the fiscal year. The statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Enterprise Fund. Net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is an indicator of the current fiscal health of the organization and the enterprise's financial position over time. A summarized comparison of the Enterprise Fund assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at December 31 is as follows (in millions):

	2014	2013	2012 (Restated)
ASSETS:			
Current, long-term, and other assets	$ 1,018.8	$ 1,091.0	$ 1,049.7
Capital assets	5,501.4	5,508.8	5,542.9
Total assets	$ 6,520.2	$ 6,599.8	$ 6,592.6
DEFERRED OUTFLOWS OF RESOURCES	$ 22.2	$ 24.5	$ 25.4
LIABILITIES:			
Current liabilities	$ 349.5	$ 414.5	$ 351.6
Noncurrent liabilities	3,012.9	3,157.1	3,325.8
Total liabilities	$ 3,362.4	$ 3,571.6	$ 3,677.4
DEFERRED INFLOWS OF RESOURCES	$ 3.7	$ 4.1	$ 3.5
NET POSITION:			
Net investment in capital assets	$ 2,424.1	$ 2,299.8	$ 2,264.0
Restricted	245.8	236.5	208.8
Unrestricted	506.4	512.3	464.3
Total net position	$ 3,176.3	$ 3,048.6	$ 2,937.1

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $3.2 billion and $3.0 billion as of December 31, 2014 and 2013, respectively. Total net position increased $127.7 million from 2013 to 2014 and $111.5 million from 2012 to 2013, respectively.

In 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, retroactively by restating the financial statements for all periods presented. As a result, deferred outflows of resources and deferred inflows of resources were recorded for refunding debt transactions. These balances represent the difference between the reacquisition price and the net carrying amount of the old debt and are amortized as interest expense on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter.

For each year presented, the largest portion of the Enterprise Fund's net position represents its net investment in capital assets. The Port uses these capital assets to provide services to its tenants, passengers, and customers of the Aviation, Seaport and Real Estate divisions; consequently, these assets are not available for future spending. Although the Port's net investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities. From 2013 to 2014 and from 2012 to 2013, there was an increase of $124.3 million and $35.8 million, respectively, in net investment in capital assets. An early extinguishment of debt of $17.3 million in 2014 and the scheduled principal payments of debt over the years primarily accounted for the changes in this category since total capital assets net of accumulated depreciation including construction work in progress remained relatively constant between years.

As of December 31, 2014 and 2013, the restricted net position of $245.8 million and $236.5 million, respectively, was comprised mainly of unspent revenue bonds proceeds restricted for debt service reserves in accordance with bond covenants, Passenger Facility Charges ("PFC") subject to Federal regulations, and Customer Facility Charges ("CFC") subject to State regulations. From 2013 to 2014 and from 2012 to 2013, there was an increase of $9.3 million and $27.7 million, respectively. The increase in restricted net position was primarily due to the timing of PFC and CFC related expenditures.

As of December 31, 2014 and 2013, the unrestricted net position of $506.4 million and $512.3 million, respectively, may be used to satisfy the Port's ongoing obligations. However, amounts from Airport operations must be used solely for the Aviation Division's ongoing obligations. Cash and cash equivalents, and investments balances related to Airport operations decreased from 2013 to 2014 from $270.5 million to $256.2 million, respectively. This was largely due to timing of capital project spending during the periods. From 2012 to 2013, Aviation cash and cash equivalents along with investment balances remained relatively constant between years.

Statement of Revenues, Expenses, and Changes in Net Position

The change in net position is an indicator of whether the overall fiscal condition of the Enterprise Fund has improved or worsened during the year. Following is a summary of the Statement of Revenues, Expenses, and Changes in Net Position (in millions) for the years ended December 31:

	2014	2013	2012 (Restated)
Operating revenues	$ 534.9	$ 545.0	$ 521.7
Operating expenses	309.3	307.0	298.2
Operating income before depreciation	225.6	238.0	223.5
Depreciation	166.3	171.4	167.3
Operating income	59.3	66.6	56.2
Nonoperating income (expense)—net	51.7	23.5	(35.6)
Capital contributions	16.7	21.4	30.7
Increase in net position	127.7	111.5	51.3
Net position—beginning of year, as restated (Note 1)	3,048.6	2,937.1	2,885.8
Net position—end of year	$ 3,176.3	$ 3,048.6	$ 2,937.1

The beginning balance of net position for 2012 was restated resulting from the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The restated amount primarily reflected the write-off of deferred finance costs as of January 1, 2012, except for a portion related to prepaid insurance costs and surety costs.

Financial Operation Highlights

A summary of operating revenues is as follows (in millions):

		2014		2013		2012
OPERATING REVENUES:						
Services	$	195.4	$	190.6	$	195.8
Property rentals		325.2		342.1		312.8
Customer facility charge revenues		13.6		11.4		9.7
Operating grants and contract revenues		0.7		0.9		3.4
Total	$	534.9	$	545.0	$	521.7

During 2014, operating revenues decreased 1.9% from $545.0 million in 2013 to $534.9 million in 2014. Aviation Division operating revenues decreased $7.9 million largely due to (1) the removal of the $17.9 million security fund liability upon the expiration of the Signatory Lease and Operating Agreement (“SLOA”) II on December 31, 2012 which was recognized as operating revenues in 2013, and (2) higher revenue sharing in 2014 from the SLOA III. These decreases were partially offset by higher non-aeronautical revenues driven by strong performance and increased revenues from rental cars, public parking and airport dining and retail concessions. Seaport Division operating revenues decreased $3.5 million from 2013 driven by (1) lower container revenues of $6.2 million resulting from the closure of Terminal 5 for redevelopment, and (2) lower usage of cranes and intermodal yard prior to closure amounting to $6.8 million. These amounts were partially offset by an increase in space rental due to the increase in the minimum annual guarantee per acre rate. Cruise revenues decreased due to a slight decrease in vessel calls and passengers while maritime operations revenues decreased largely due to lower activity at Terminal 91. Lower revenues in these areas were partially offset by (1) higher grain revenues of $2.2 million resulting from higher volumes in 2014, (2) higher industrial properties revenues of $1.1 million resulting from higher occupancies and year over year rate increases, and (3) increased volumes from the Terminal 18 Bulk Terminal. In October 2014, the Port entered into an Interlocal Agreement (“ILA”) with the Port of Tacoma for the creation of a joint Seaport Alliance. The ILA, which was approved by the Federal Maritime Commission (“FMC”) in December, provides a framework to advance the discussions to examine business objectives, strategic marine terminal investments, financial returns, performance metrics, organizational structure, communications and public engagement. Following the due diligence period, the two port commissions intend to submit to the FMC by Spring 2015 a more detailed agreement to form the Seaport Alliance. Real Estate Division operating revenues increased by $1.5 million due to higher revenues from the conference and event centers (Bell Harbor International Conference Center and World Trade Center Seattle) of $1.0 million resulting from higher activity partially due to a new sales team. Higher occupancies and rates for commercial fishing and recreational marinas increased revenues as well as having new tenants at the Terminal 91 uplands.

During 2013, operating revenues increased 4.5% from $521.7 million in 2012 to $545.0 million in 2013. Aviation Division operating revenues increased $28.0 million largely due to the removal of the $17.9 million security fund liability upon the expiration of the SLOA II on December 31, 2012 which was recognized as operating revenues in 2013. This increase was partially offset by the amortization of the lease incentive given under the successor agreement, SLOA III, on a straight-line basis. Aeronautical revenues increased in 2013, reflecting the new provisions of SLOA III which were retroactive to the first of the year, compared to 2012 which were based on the SLOA II provisions. Increased non-aeronautical revenues were due to (1) higher continued growth in airport dining and retail concession and commercial property revenues, (2) higher parking garage transactions, and (3) higher CFC operating revenues due to increased volume. Seaport Division operating revenues decreased $4.3 million from 2012 due to (1) a $2.2 million decrease in security revenues from the completion/expiration of grants in 2012, (2) a $2.1 million decrease in grain terminal revenues resulting from a decline in grain volume in 2013, and (3) a $1.8 million decrease in container terminals revenues resulting from (i) lower crane rent of $5.4 million caused by lower cargo volumes at Terminal 5 and Terminal 18 along with the sale of Terminal 46 cranes to the terminal operator, (ii) the restructure of terminal rent lease agreement of $1.6 million, and (iii) in

2012, a full year of straight-line rent adjustment of $4.9 million. These decreases were largely offset by the nonrecurring 2012 write-off of the cumulative straight-line rent of $10.5 million related to future years due to a change in the structure and escalation provisions of container terminal lease payments starting in 2013. Reductions in revenues were partially offset by an increase in industrial properties and maritime operations revenues due to higher occupancy and higher rates. Real Estate Division operating revenues declined slightly from 2012 resulting from less activities at the conference and event centers due to significant competitive challenges in the market and perceived impact of waterfront transportation projects partially offset by higher occupancy at the recreational boating marinas and at Fishermen's Terminal.

A summary of operating expenses before depreciation is as follows (in millions):

	2014	2013	2012
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	$ 229.3	$ 227.6	$ 222.6
Administration	56.8	56.0	53.0
Law enforcement	23.2	23.4	22.6
Total	$ 309.3	$ 307.0	$ 298.2

During 2014, operating expenses increased from $307.0 million in 2013 to $309.3 million in 2014. Aviation Division operating expenses increased $4.8 million primarily due to higher expenses of $10.7 million particularly in payroll and outside services, higher capital to expense charges in 2014 of $2.6 million and higher charges from the Corporate and Capital Development Divisions of $7.2 million largely due to a change in methodology on how such costs are allocated to the operating divisions starting in 2014. These were partially offset by higher costs in 2013 for airline realignment of $10.8 million and environmental expense of $4.9 million. Seaport Division operating expenses decreased $6.9 million as a result of a decrease in Corporate expenses of $3.3 million related to the change in allocation methodology, as referred to above, along with lower expenses from Capital Development of $1.7 million due to the Terminal 115 Waterline and Pavement Repair, Terminal 5 Maintenance Dredge and Viaduct related expenses in 2013. Operating environmental expense decreased by $1.6 million due to amounts established for the Terminal 5 and Terminal 91 Maintenance Dredge projects in 2013. Real Estate Division expenses increased by $4.5 million due to a net increase in the contingent liability of $2.2 million for the Eastside Rail Corridor as a result of lawsuits filed against the Port by property owners. The Fishermen's Terminal Net Shed Code Compliance Improvement project also contributed to an increase in costs of $1.0 million. Conference and event center expenses had a net increase of $0.9 million due to increased activity related to increased revenues. Expenses also increased as a result of higher utility expenses and higher outside service costs relating to broker fees, tenant improvements and space planning.

During 2013, operating expenses increased 3.0% from $298.2 million in 2012 to $307.0 million in 2013. Aviation Division operating expenses increased $9.4 million primarily due to (1) higher Terminal Realignment project costs, (2) higher environmental expense, and (3) increased payroll costs. Seaport Division operating expenses decreased slightly due to lower security grants expenses from completion/expiration of grants in 2012 and lower litigation expenses. This decrease was partially offset by (1) higher environmental expense, (2) increased outside service costs associated with the Terminal 5 Phase II Maintenance Dredge program, and (3) higher storm water utility expenses. Real Estate Division operating expenses decreased slightly due to lower conference and event centers expenses resulting from a decline in activities.

As a result of the above, operating income before depreciation decreased $12.4 million from 2013 to 2014, compared to a $14.5 million increase from 2012 to 2013.

Depreciation expense decreased by $5.1 million from 2013 to 2014 while increasing $4.1 million from 2012 to 2013.

A summary of nonoperating income (expense)—net and capital contributions is as follows (in millions):

	2014	2013	2012 (Restated)
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenues	$ 72.8	$ 72.7	$ 72.7
Passenger facility charge revenues	69.8	64.7	62.4
Customer facility charge revenues	19.9	20.4	20.6
Noncapital grants and donations	10.2	3.8	3.3
Fuel hydrant facility revenues	6.9	7.4	8.1
Investment income (loss)—net	11.2	(1.1)	8.2
Revenue and capital appreciation bonds interest expense	(108.9)	(115.3)	(123.3)
Passenger facility charge revenue bonds interest expense	(5.9)	(6.2)	(6.5)
General obligation bonds interest expense	(9.5)	(11.5)	(14.1)
Public expense	(6.9)	(6.2)	(22.9)
Environmental expense—net	(9.1)	(4.8)	(14.4)
Other income (expense)—net	1.2	(0.4)	(29.7)
Total	$ 51.7	$ 23.5	$ (35.6)
CAPITAL CONTRIBUTIONS	$ 16.7	$ 21.4	$ 30.7

During 2014, nonoperating income—net was $51.7 million, a $28.2 million increase from 2013 nonoperating income—net. This was largely due to (1) an increase in unrealized gains on the investment portfolio, (2) a $10.8 million settlement from a bankruptcy claim against an asbestos insulation manufacturer received in 2014, and (3) an increase in noncapital grants from the Department of Ecology and the Clean Truck Program. These increases were offset by (1) an increase in environmental expense relating to Terminal 117 and Terminal 30, and (2) a net loss on the sale/demolition of Port assets of $9.7 million for the year of which the single largest item related to a $2.7 million impairment loss on six cranes at Terminal 5 since they were no longer in use from the closure of Terminal 5 for redevelopment.

During 2013, nonoperating income—net was $23.5 million, a $59.1 million increase from 2012 nonoperating expense—net. This was largely due to several nonrecurring expenses in 2012 including (1) the recognition of an impairment loss of $17.7 million on the segment of the Eastside Rail Corridor sold to King County for $13.9 million in early 2013 below its carrying value of $31.6 million, and (2) $13.2 million public expenses for roadway improvements being transferred to various government agencies, to own, operate and maintain these assets. There was also a decrease in environmental expense and lower bond interest expense primarily due to the refunding to lower interest rate bonds over the years. This decrease was partially offset by an increase in unrealized losses on the investment portfolio.

During 2014, capital contributions decreased $4.7 million primarily due to a $3.7 million Department of Energy American Recovery and Reinvestment Act (“ARRA”) grant received in 2013 along with a decline in noncash donations between years. Tenant funded projects at Terminal 86 and Pier 66 improving Port assets in 2014 were lower than prior year activity which included the Port recording the Downie building at Fishermen’s Terminal for $1.0 million when the title reverted back to the Port upon lease expiration.

During 2013, capital contributions decreased $9.3 million primarily due to a decline in contributions towards Terminal 46 infrastructure assets that were constructed by the Washington State Department of Transportation as part of the Alaskan Way Viaduct Project on Port property from $7.4 million in 2012 to $2.2 million in 2013. The Port also had lower grant receipts in 2013 compared to 2012 with the larger decline in Federal Aviation Administration receipts. These decreases were partially offset by a $1.0 million contribution from the Port recording the Downie building at Fishermen’s Terminal when the title reverted back to the Port upon lease expiration.

The increase in net position in 2014 and 2013 was $127.7 million and $111.5 million, respectively. Operating income before depreciation declined due to lower operating revenues, but was offset by lower depreciation expense for the year and higher nonoperating income.

WAREHOUSEMEN'S PENSION TRUST FUND

The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. Effective May 25, 2004, the Port became the sole administrator of the Warehousemen's Pension Plan and Trust (the "Plan"). This plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. The Plan provides that only service credited and compensation earned prior to April 1, 2004 shall be utilized to calculate benefits under the Plan, and the Port agrees to maintain the frozen Plan and to contribute funds to the Plan in such amounts that may be necessary to enable the Plan to pay vested accrued benefits as they become due and payable to participants and beneficiaries of the Plan. A summarized comparison of the assets, liabilities, and fiduciary net position of the Warehousemen's Pension Trust Fund as of December 31, and changes in fiduciary net position for the years ended December 31 (in millions) is as follows:

	2014	2013	2012
Total assets	$ 10.0	$ 10.3	$ 9.8
Total liabilities			
Total fiduciary net position	$ 10.0	$ 10.3	$ 9.8
Total additions	$ 1.9	$ 2.7	$ 2.5
Total deductions	(2.2)	(2.2)	(2.2)
(Decrease) increase in fiduciary net position	(0.3)	0.5	0.3
Fiduciary net position—beginning of year	10.3	9.8	9.5
Fiduciary net position—end of year	$ 10.0	$ 10.3	$ 9.8

Total fiduciary net position as of December 31, 2014 decreased by $0.3 million from December 31, 2013 mainly due to an increase in retirement benefits expenses.

Total fiduciary net position as of December 31, 2013 increased by $0.5 million from December 31, 2012 mainly due to an increase in the fair value of investments and a slight decrease in retirement benefits expenses.

Additional information on the Port's Warehousemen's Pension Trust Fund can be found in Note 14 in the accompanying notes to the financial statements.

CAPITAL ASSETS

The Port's capital assets as of December 31, 2014, amounted to $5.5 billion (net of accumulated depreciation). This investment in capital assets includes land, air rights, facilities and improvements, equipment, furniture and fixtures, and construction work in progress. The Port's investment in capital assets after accumulated depreciation remained relatively constant between years. In 2014, the Seaport Division recognized an impairment loss of $2.7 million on six cranes at Terminal 5 since they were no longer in use from the closure of Terminal 5 for redevelopment.

In 2014, the Port's expenditures for capital construction projects totaled $171.5 million. Major projects in the Aviation Division spending included the expansion of aircraft parking positions area, baggage screening, common use areas, insulation and acquisition, the rental car facility, gates and terminal facilities totaling $127.8 million. Larger project spending in the Seaport Division included $7.2 million on Terminal 91 and Terminal 46 upgrades. The Real Estate Division had $5.7 million in spending relating to Fishermen's Terminal Improvements.

During 2014, capital construction projects totaling $149.8 million were completed and placed in service as capital assets. The most significant completed projects related to the expansion of aircraft parking position area totaling $30.7 million which primarily included preparing the former United States Postal Service site for the construction of hardstands as a Remain Overnight parking of aircraft at the Cargo 5 area with additional improvements at Cargo 2 and Cargo 6. While the Rental Car Facility opened in 2012, there were additional closeout and resolution of final construction related claims totaling to $19.0 million in 2014. $16.0 million was closed relating to Gate Improvements which brought all Port owned loading bridges up to the same standards in terms of ground power and potable water supply in addition to providing a centralized pre-conditioned air plant, with associated heating and cooling piping systems as well as passenger loading bridge air handling units to serve aircraft with cabin heating and cooling needs. Additionally, several passenger loading bridges were replaced with new Jetway Passenger Boarding bridges.

During 2014, the Port collected $72.9 million in property taxes through a King County ad valorem tax levy. The Port funds its capital assets from multiple sources, including but not limited to, ad valorem tax levy, PFCs, Federal and State grants, and issuing debt. All capital assets are accounted for within the Enterprise Fund.

In July 2014, the Port entered into a Purchase and Sale Agreement to sell a portion of the Freight Segment to the City of Woodinville for $1.1 million. Given the due diligence period terminated in December 2014, the capital assets of $1.1 million was classified as an asset held for sale as of December 31, 2014. The closing date was extended to July 31, 2015.

In January 2015, the Port agreed to sell three cranes and the related spare parts to SSA Terminals, LLC and SSA Containers, Inc., the current tenant at Terminal 18. The Port estimates a loss of $3.5 million that will be reported on the sale of these capital assets in 2015 along with the Port's 50% share of the associated sales tax.

Additional information on the Port's capital assets can be found in Note 3 in the accompanying notes to the financial statements.

DEBT ADMINISTRATION

As of December 31, 2014, the Port had outstanding revenue bonds and notes of $2.5 billion, a $100.7 million decrease from 2013 primarily due to scheduled principal payments and $2.0 million in early partial extinguishment of the Series 2007B First Lien Revenue bonds. The Port had outstanding subordinate lien revenue notes (commercial paper) of $42.7 million as of December 31, 2014 and 2013.

As of December 31, 2014, the Port had outstanding general obligation ("GO") bonds of $225.4 million, a $58.4 million decrease from 2013 primarily due to scheduled principal payments and $15.3 million in early partial extinguishment of Series 2011 Taxable GO bonds.

As of December 31, 2014, the Port had outstanding PFC revenue bonds of $135.1 million, an $11.3 million decrease from 2013 due to scheduled principal payment.

As of December 31, 2014, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of $85.7 million, a $3.0 million decrease from 2013 due to a scheduled principal payment.

The fuel facilities are leased to SeaTac Fuel Facilities LLC ("Lessee") beginning in May, 2003 for 40 years (including two five-year option periods). The Port owns the fuel system and the Lessee is obligated to collect the fuel system fees and to make monthly rent payments, which include a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association (“Trustee”). Facilities rent is established at an amount sufficient to pay semiannual debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. No ad valorem tax levy revenues or other revenues of the Port (other than fuel facilities lease revenues) are pledged to pay the debt service on the Fuel Hydrant Special Facility Revenue Bonds.

Below are the underlying ratings for the Port of Seattle bonds as of December 31, 2014. Some of the Port’s bond issues include bond insurance or letters of credit; the credit rating for those issues may be the ratings of the bond insurer or letter of credit provider.

	Fitch	**Moody’s**	**S&P**
General obligation bonds	AAA	Aa1	AAA
First lien revenue bonds	AA	Aa2	AA-
Intermediate lien revenue bonds	A+	A1	A+
Subordinate lien revenue bonds	A	A2	A
Passenger facility charge revenue bonds	A	A1	A+
Fuel hydrant special facility revenue bonds		A2	A-

In March 2015, the Port issued $157.0 million in Series 2015 Limited Tax GO Bonds. The Series 2015 GO Bonds were used to fund the Port’s first of the two contractual payments, $120.0 million, to the State of Washington for the Alaskan Way viaduct replacement program no later than May 1, 2015, to partially refund the Series 2006 GO Bonds, and to pay the costs of issuing the bonds.

Additional information on the Port’s debt and conduit debt activities can be found in Note 5 and Note 6, respectively, in the accompanying notes to the financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 56,512	$ 49,063
Restricted cash and cash equivalents:		
Bond funds and other	19,371	20,010
Fuel hydrant assets held in trust	3,389	3,296
Short-term investments	67,423	150,001
Restricted short-term investments: Bond funds and other	26,843	65,238
Accounts receivable, less allowance for doubtful accounts of $168 and $152	39,260	55,432
Grants-in-aid receivable	9,609	11,373
Taxes receivable	1,515	1,640
Materials and supplies	6,845	6,687
Assets held for sale	1,100	
Prepayments and other current assets	16,397	4,863
Total current assets	248,264	367,603
NONCURRENT ASSETS:		
Long-term investments	525,316	464,227
Restricted long-term investments:		
Bond funds and other	212,785	204,181
Fuel hydrant assets held in trust	5,908	6,149
Long-term receivable	12,305	37,358
Other long-term assets	14,294	11,529
CAPITAL ASSETS:		
Land and air rights	2,023,040	2,021,340
Facilities and improvements	4,930,366	4,831,793
Equipment, furniture, and fixtures	424,710	446,080
Total capital assets	7,378,116	7,299,213
Less accumulated depreciation	(1,981,954)	(1,874,082)
Construction work in progress	105,238	83,604
Total capital assets—net	5,501,400	5,508,735
Total noncurrent assets	6,272,008	6,232,179
Total assets	6,520,272	6,599,782
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges on refunding bonds	22,226	24,487
Total deferred outflows of resources	22,226	24,487
TOTAL	$ 6,542,498	$ 6,624,269

See notes to financial statements.

	2014	2013
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 87,669	$ 114,637
Payroll and taxes payable	38,759	41,473
Bonds interest payable	36,410	34,779
Lease securities and customer advances	21,787	24,941
Current maturities of long-term debt	164,920	198,700
Total current liabilities	349,545	414,530
LONG-TERM LIABILITIES:		
Other postemployment benefits obligation	9,478	9,055
Environmental remediation liability	42,117	36,216
Bonds interest payable	10,715	8,422
Accrued long-term expenses	3,572	1,534
Total long-term liabilities	65,882	55,227
LONG-TERM DEBT:		
Revenue and capital appreciation bonds	2,512,500	2,613,795
General obligation bonds	215,664	252,055
Passenger facility charge revenue bonds	128,980	142,331
Fuel hydrant special facility revenue bonds	89,917	93,690
Total long-term debt	2,947,061	3,101,871
Total noncurrent liabilities	3,012,943	3,157,098
Total liabilities	3,362,488	3,571,628
DEFERRED INFLOWS OF RESOURCES:		
Deferred credits on refunding bonds	3,688	4,106
Total deferred inflows of resources	3,688	4,106
NET POSITION:		
Net investment in capital assets	2,424,133	2,299,824
Restricted for:		
Debt service reserves	150,344	150,206
Passenger facility charges	82,300	68,640
Customer facility charges	11,240	15,742
Grants and other	1,883	1,920
Unrestricted	506,422	512,203
Total net position	3,176,322	3,048,535
TOTAL	$ 6,542,498	$ 6,624,269

See notes to financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(In thousands)

	2014	2013	2012 (Restated)
OPERATING REVENUES:			
Services	$ 195,364	$ 190,662	$ 195,816
Property rentals	325,219	342,093	312,739
Customer facility charge revenues	13,608	11,367	9,745
Operating grants and contract revenues	747	856	3,406
Total operating revenues	534,938	544,978	521,706
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	229,323	227,611	222,535
Administration	56,794	55,962	53,018
Law enforcement	23,217	23,416	22,616
Total operating expenses before depreciation	309,334	306,989	298,169
NET OPERATING INCOME BEFORE DEPRECIATION	225,604	237,989	223,537
DEPRECIATION	166,337	171,374	167,279
OPERATING INCOME	59,267	66,615	56,258
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenues	72,801	72,738	72,678
Passenger facility charge revenues	69,803	64,661	62,385
Customer facility charge revenues	19,889	20,389	20,577
Noncapital grants and donations	10,159	3,771	3,348
Fuel hydrant facility revenues	6,935	7,417	8,123
Investment income (loss)—net	11,202	(1,107)	8,172
Revenue and capital appreciation bonds interest expense	(108,910)	(115,340)	(123,327)
Passenger facility charge revenue bonds interest expense	(5,906)	(6,212)	(6,503)
General obligation bonds interest expense	(9,475)	(11,479)	(14,078)
Public expense	(6,854)	(6,226)	(22,876)
Environmental expense—net	(9,142)	(4,765)	(14,358)
Other income (expense)—net	1,272	(411)	(29,721)
Total nonoperating income (expense)—net	51,774	23,436	(35,580)
INCOME BEFORE CAPITAL CONTRIBUTIONS	111,041	90,051	20,678
CAPITAL CONTRIBUTIONS	16,746	21,381	30,714
INCREASE IN NET POSITION	127,787	111,432	51,392
TOTAL NET POSITION:			
Beginning of year, as restated (Note 1)	3,048,535	2,937,103	2,885,711
End of year	$ 3,176,322	$ 3,048,535	$ 2,937,103

See notes to financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(In thousands)

	2014	2013	2012
OPERATING ACTIVITIES:			
Cash received from customers	$ 549,055	$ 496,860	$ 483,625
Customer facility charge receipts	13,608	11,367	9,745
Cash paid to suppliers for goods and services	(132,749)	(111,859)	(115,092)
Cash paid to employees for salaries, wages and benefits	(187,439)	(180,695)	(171,886)
Operating grants and contract revenues	747	856	3,406
Other	(1,611)	3,019	(253)
Net cash provided by operating activities	241,611	219,548	209,545
NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Ad valorem tax levy receipts	72,926	72,893	72,805
Litigation settlement receipt	10,847		
Noncapital grants and contract revenues	10,159	3,771	3,348
Proceeds from assets held for sale		1,449	18,752
Principal payments on GO bonds	(15,275)		
Interest payments on GO bonds	(571)	(805)	(805)
Cash paid for environmental remediation liability	(19,627)	(12,904)	(9,124)
Public expense disbursements	(4,049)	(7,868)	(7,084)
Environmental recovery receipts	11,923	6,241	4,429
Net cash provided by noncapital and related financing activities	66,333	62,777	82,321
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance and sale of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper		350,379	681,103
Proceeds used for refunding of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, and PFC bonds		(343,922)	(651,864)
Principal payments on revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	(158,246)	(129,030)	(121,535)
Interest payments on revenue bonds, GO bonds, PFC bonds, fuel hydrant special facility revenue bonds, and commercial paper	(135,310)	(146,972)	(155,545)
Acquisition and construction of capital assets	(185,853)	(134,891)	(119,279)
Deposits and proceeds from sale of capital assets	4,432	15,889	366
Receipts from capital contributions	15,111	13,302	18,506
Passenger facility charge receipts	69,140	64,686	62,388
Customer facility charge receipts	19,925	20,182	20,235
Fuel hydrant facility revenues	6,935	7,417	8,123
Net cash used in capital and related financing activities	$ (363,866)	$ (282,960)	$ (257,502)

See notes to financial statements.

(Continued)

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(In thousands)

	2014	2013	2012
INVESTING ACTIVITIES:			
Purchases of investment securities	$ (732,616)	$ (711,589)	$ (758,287)
Proceeds from sales and maturities of investments	782,305	611,669	641,026
Interest received on investments	7,895	6,546	9,574
Net cash provided by (used in) investing activities	57,584	(93,374)	(107,687)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (including $909, $6,150, and $3,443 restricted cash and cash equivalents of fuel hydrant assets held in trust reported as restricted long-term investments, respectively)	1,662	(94,009)	(73,323)
CASH AND CASH EQUIVALENTS:			
Beginning of year	78,519	172,528	245,851
End of year	$ 80,181	$ 78,519	$ 172,528
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:			
Operating income	$ 59,267	$ 66,615	$ 56,258
Miscellaneous nonoperating (expense) income	(1,611)	3,019	(253)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	166,337	171,374	167,279
Decrease (increase) in assets:			
Accounts receivable	16,406	(26,947)	2,388
Materials and supplies, prepayments and other	12,717	(17,891)	(5,158)
(Decrease) increase in liabilities:			
Accounts payable and accrued expenses	(11,873)	14,807	1,939
Payroll and taxes payable	(2,487)	2,025	3,228
Environmental remediation liability	(1,951)	4,023	2,488
Lease securities and customer advances	4,383	2,612	(18,662)
Other postemployment benefits obligation	423	(89)	38
Net cash provided by operating activities	$ 241,611	$ 219,548	$ 209,545
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Impairment loss on Eastside Rail Corridor	$	$	$ 17,730
Assets transferred to other governmental agencies as public expense			13,206
Donated capital assets at Terminal 46 from Washington State Department of Transportation			7,446
Avigation easement received from Highline School District		11,360	

See notes to financial statements. (Concluded)

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
ASSETS:		
Cash and cash equivalents	$ 180	$ 393
Investments in mutual fund—fair value:		
Fixed income	3,953	3,846
Domestic equities	3,029	2,964
International equities	2,675	2,926
Total investments	9,657	9,736
Other assets	151	153
Total assets	9,988	10,282
LIABILITIES:		
Accounts payable	4	4
NET POSITION RESTRICTED FOR PENSIONS	$ 9,984	$ 10,278

See notes to financial statements.

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(In thousands)

	2014	2013	2012
ADDITIONS:			
Employer contributions	$ 1,500	$ 1,500	$ 1,500
Investment income:			
Net appreciation in fair value of investments	202	976	820
Dividends	251	231	246
Less investment expenses	(45)	(45)	(45)
Net investment income	408	1,162	1,021
Total additions	1,908	2,662	2,521
DEDUCTIONS:			
Benefits	2,091	2,076	2,137
Administrative expenses	45	46	45
Professional fees	66	54	50
Total deductions	2,202	2,176	2,232
Net (decrease) increase in net position	(294)	486	289
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	10,278	9,792	9,503
End of year	$ 9,984	$ 10,278	$ 9,792

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Port of Seattle (the "Port") is a municipal corporation organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County selected the Port to operate the Seattle-Tacoma International Airport (the "Airport"). The Port is considered a special purpose government with a separately elected commission of five members. The Port is legally separate and fiscally independent of other state or local governments. The Port has no stockholders or equity holders. All revenues or other receipts must be disbursed in accordance with provisions of various statutes, applicable grants, and agreements with the holders of the Port's bonds.

Reporting Entity—The Port reports the following funds: the Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust Fund.

The Enterprise Fund is used to account for operations and activities that are financed at least in part by fees or charges to external users. The Enterprise Fund comprises three operating divisions. The Aviation Division ("Aviation") serves the predominant air travel needs of a five-county area. The Airport has 14 United States ("U.S.") flag passenger air carriers (including regional and commuter air carriers) and 11 foreign-flag passenger air carriers providing nonstop service from the Airport to 94 cities, including 20 foreign cities. The Seaport Division ("Seaport") focuses primarily on containerized cargo and passenger marine terminals as well as industrial property connected with maritime businesses. International containerized cargo arriving by ship is transferred to various modes of land transportation destined for other regions of the country. Domestic containerized cargo arriving by various modes of land transportation is transferred to outbound ships for distribution to other countries around the world. The Real Estate Division ("Real Estate") manages moorage facilities, leases commercial and industrial buildings/properties, and plans and facilitates the development of selected real estate assets. The Port has labor workforces subject to various collective bargaining agreements. These workforces support the operations and maintenance of the divisions.

The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. On May 25, 2004, the Port became the sole administrator for the Warehousemen's Pension Plan and Trust (the "Plan"). This Plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. As of May 25, 2004, the Plan is a governmental plan maintained and operated solely by the Port.

For financial reporting purposes, component units are entities which are legally separate organizations for which the Port is financially accountable, and other organizations for which the nature and significance of their relationship with the Port are such that exclusion would cause the Port's financial statements to be misleading or incomplete. Based on these criteria, the following is considered as a component unit of the Port's reporting entity.

The Industrial Development Corporation ("IDC") is a blended component unit of the Port and is included within the accompanying financial statements. The IDC is a special purpose government with limited powers and is governed by a Board of Directors, which is comprised of the same members of the Port's Commission. The Port's management has operational responsibility for the

IDC. The IDC has issued tax-exempt nonrecourse revenue bonds to finance industrial development for acquiring, constructing, and renovating transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are solely payable by and secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements of the Port, as the Port has no obligation for the outstanding bonds. A copy of the separate financial statements for the IDC may be obtained at:

Port of Seattle
Pier 69
P.O. Box 1209
Seattle, WA 98111

Basis of Accounting—The Port is accounted for on a flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by Financial Accounting Standards Board ("FASB") pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.The more significant Port's accounting policies are described below.

Use of Estimates—The preparation of the Port's financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates and assumptions are used to record environmental remediation liabilities, litigated and non-litigated loss contingencies, insurance recoveries, allowances for doubtful accounts, grants-in-aid receivables, arbitrage rebate liabilities, healthcare benefit claims liabilities, and other postemployment benefits obligations. Actual results could differ from those estimates.

Significant Risks and Uncertainties—The Port is subject to certain business and casualty risks that could have a material impact on future operations and financial performance. Business risks include economic conditions, collective bargaining disputes, security, litigation, Federal, State, and local government regulations, and changes in law. Casualty risks include natural or manmade events that may cause injury or other damages at Port facilities. The Port has a comprehensive risk management program that protects the Port against loss from various adverse casualty events to its property, operations, third-party liabilities, and employees. The Port carries excess commercial insurance to provide a financial means to recover from many of these potential events or losses. The excess commercial insurance coverage is above a self-insured retention that the Port maintains. The Port is a qualified workers compensation self-insurer in the State and administers its own workers compensation claims. Claims, litigation and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

As of January 1, 2011, the majority of the Port sponsored healthcare plans were converted from fully insured to self-insured plans. Employees covered by these plans continue to pay a portion of the premiums for their coverage. The Port purchased a stop-loss insurance policy for the self-insured healthcare plan to limit the Port's individual claims liability up to $200,000 per year in 2014 and 2013 while $150,000 per year in 2012, and to 125% of expected claims in aggregate. Healthcare benefit claims liabilities are not discounted to present value as nearly all healthcare claims are current in nature. The estimated liability is based upon actual claims that have been submitted and authorized for payment as well as actuarially determined claims incurred but not reported. The estimated liability is included in payroll and taxes payable on the Statement of Net Position.

The table below reflects the changes in the claim liabilities for the years ended December 31 (in thousands). Claim payments made during the current year include associated incremental costs such as administration expenses and stop-loss insurance policy premiums. Non-incremental claim adjustment expenses were not included as part of the healthcare benefit claim liabilities. Employees' cost sharing portion of the healthcare plan and retirees' payments for participating in the Port's healthcare plan made during the current year are included as "Other" in the table below. Retirees' participation in the Port's healthcare plan is not implicitly or explicitly subsidized.

Years Ending December 31,	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Other	Ending Balance
2014	$ 1,423	$ 11,724	$ (13,800)	$ 1,723	$ 1,070
2013	1,540	13,274	(15,336)	1,945	1,423
2012	1,241	11,740	(13,338)	1,897	1,540

Employee Benefits—Eligible Port employees accrue paid time off and extended illness. The paid time off accrual rates increase based on length of service. A stipulated maximum of paid time off may be accumulated by employees while there is no maximum limit to the amount of extended illness accrual that can be accumulated. Terminated employees are entitled to be paid for unused paid time off. Under certain conditions, terminated employees are entitled to be paid for a portion of unused extended illness accrual.

The Port also offers its eligible union and non-union employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the "457 Plan"). Employees are able to direct the 457 funds to any investment options available under the 457 Plan. The Port placed its deferred compensation plan assets in a separate trust as required under the Small Business Job Protection Act of 1996 and as such, the related assets and liabilities are not included in the Port's financial statements.

On an annual basis, the Port has the option of offering a 401(a) supplemental savings plan (the "401(a) Plan") for non-union employees. The 401(a) Plan establishes a 401(a) tax-deferred savings account for each eligible employee. The Port matches employee contributions to their 457 plan with a dollar-for-dollar contribution to the 401(a) Plan up to a fixed maximum of $2,200. This matching contribution increases with tenure. Employees are able to direct the 401(a) funds to any investment options available under the 401(a) Plan. The Port placed its supplemental savings plan assets in a separate trust as required under the Small Business Job Protection Act of 1996 and as such, the related assets and liabilities are not included in the Port's financial statements.

Investments and Cash Equivalents—All short-term investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents except for the restricted portion of the Fuel Hydrant assets held in trust that is not used to pay the current maturities of Fuel Hydrant Special Revenue Bonds plus accrued interest is reported as restricted long-term investments on the Statement of Net Position. Investments are carried at fair value plus accrued interest receivable. Fair values are determined based on quoted market rates. Unrealized gains or losses due to market valuation changes are recognized in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable and Allowance for Doubtful Accounts—Accounts receivable are recorded for invoices issued to customers in accordance with the contractual arrangements. Unbilled receivables are recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Finance charges and late fees are recognized on accounts receivable in accordance with contractual arrangements. Interest income on finance charges and late fees are minimal. The Port's policy defines delinquent receivable as 90 days or more past due. The allowance for doubtful accounts is based on specific identification of troubled accounts and delinquent receivables. Accrual of accounts receivable, related finance charges and late fees are suspended once the accounts receivable is sent to a third party collection agency, placed in dispute or litigation, or the customer has filed for bankruptcy. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

Grants-in-Aid Receivable—The Port receives Federal and State grants-in-aid funds on a reimbursement basis for all divisions, mostly related to construction of Airport and Seaport facilities and other capital activities, along with operating and nonoperating grants to perform enhancements in both Airport and Seaport security as well as environmental prevention/remediation programs.

Materials and Supplies—Materials and supplies are recorded at the lower of cost or market. The Port's policy is to expense materials and supplies when used in operations and to capitalize amounts used in capital projects as construction work in progress.

Capital Assets—Capital assets are stated at cost, less accumulated depreciation. Costs applicable to noise damage remedies, together with the cost of litigation, in exchange for air rights are generally recorded as intangible capital assets. The Port's policy is to capitalize all asset additions equal to or greater than $20,000 and with an estimated life of three years or more. The Port capitalizes interest during construction until the asset is placed into service, based on average construction expenditures and average actual debt service rates for bond funded construction, excluding externally restricted acquisition of specified qualified assets financed with grants or proceeds from tax-exempt debt. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years. The Port periodically reviews its long-lived assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Operating and Nonoperating Revenues—Fees for services, rents, charges for the use of Port facilities, Airport landing fees, operating grants, a portion of the customer facility charge ("CFC") revenues, and other revenues generated from operations are reported as operating revenues. Ad valorem tax levy revenues, nonoperating grants and contributions, passenger facility charge ("PFC") revenues, the remaining portion of CFCs, fuel hydrant facility revenues, and other revenues generated from nonoperating sources are classified as nonoperating revenues.

Operating and Nonoperating Expenses—Expenditures related to the Port's principal ongoing operations are reported as operating expenses. Operating expenses include operations and maintenance expenses, administrative expenses and law enforcement expenses. All other expenses not meeting this definition are reported as nonoperating expenses. Nonoperating expenses include interest expenses, environmental expenses, and public expenses.

Nonexchange Transactions—GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, establishes uniform revenue and expense recognition criteria and financial reporting standards regarding when (i.e., in which fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. When the Port receives value without directly giving equal value in return, these transactions, which include taxes, intergovernmental grants, entitlements, other financial assistance, and nongovernmental contractual agreements are reported as revenues.

- For derived revenue transactions, such as PFC and CFC, the Port recognizes receivables in the period when the exchange transaction on which the fee/charge is imposed occurs or records cash when received, whichever occurs first. Revenue is recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the receivables are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as unearned revenues until the period of the exchange.

- For imposed nonexchange revenue transactions, such as ad valorem tax levy revenues, the Port recognizes receivables in the period when an enforceable legal claim to the receivables arises, i.e. lien date, or records cash when received, whichever occurs first. Resources received in advance before the lien date is reported as deferred inflows of resources.

- For government-mandated nonexchange transactions and voluntary nonexchange transactions, such as grant programs, resources received before the eligibility requirements are met (excluding time requirements) are reported as unearned revenues. Resources received before time requirements are met, but after all other eligibility requirements have been met, is reported as deferred inflow of resources.

When the Port gives value without directly receiving equal value in return, these transactions, which include expenses for district schools and infrastructure improvements to the State and region in conjunction with other agencies, are reported as public expense.

Passenger Facility Charges—As determined by applicable Federal legislation, which are based upon passenger enplanements, PFC generated revenues are expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines, $4.50 per passenger, are recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

Customer Facility Charges—As determined by applicable State legislation, CFC generated revenues, received from the rental car companies, are expended by the Port for eligible capital projects, the payment of principal and interest on specific revenue bonds funding the Rental Car Facility ("RCF") at the Airport, and certain related operating expenses. The CFC was increased from $5.00 per transaction day to $6.00 per transaction day starting February 1, 2012. A portion of CFC revenues is recorded as operating revenues as it is associated with the operation of the RCF. The remaining portion of CFC revenues is recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

Ad Valorem Tax Levy—Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvement, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

The King County ("County") Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior year. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all property is required every two years.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed daily to the Port by the County Treasurer.

Payments in Lieu of Taxes—The Port, on behalf of the State of Washington, collects applicable leasehold taxes from its tenants. The taxes are a pass-through to the State and are, therefore, not reflected as an expense or revenue by the Port.

Airline Rates and Charges—During 2013, the Port reached agreement with the airlines for new signatory airline lease and operating agreements (“SLOA III”). SLOA III is effective for the period January 1, 2013 through December 31, 2017. SLOA III is a hybrid-compensatory rate setting methodology. Under SLOA III, aeronautical rates are set to recover both operating and capital costs by cost center. Key provisions include: (1) One-time reduction in the revenue requirement of $17,880,000 in 2013, (2) Cash funded assets included in capital recovery formulas extend back to 1992, (3) Airport does not recover costs relating to vacant publicly accessible office space (costs associated with all other airline space are fully recovered), (4) Cost recovery formulas permit the Port to charge the airlines 100% of annual debt service allocated to the airlines (unless the Port determines in its sole discretion that a charge above 100% of annual airline debt service is necessary to maintain the total Airport revenue bond coverage at 1.25 times the sum of the annual debt service), and (5) Revenue sharing of 50% of the cash flow available for debt service above 125% of annual debt service is credited to the signatory airlines. Settlement calculations comparing 2014 revenue requirements and invoices billed in 2014 for each cost center and for all airlines, including revenue sharing, have been reflected in the 2014 financial statements.

Lease Securities—Under the terms of certain lease agreements, the Port requires or allows its customers or tenants to provide security to satisfy contractual obligations. The Port classifies these amounts as lease securities and are included in current liability in the Statement of Net Position. The Port is allowed to draw from the lease securities in certain events as defined in these agreements, such as for defaults or delinquencies in rent payment. The balance is determined by the lease terms and is recalculated according to the provisions of the agreements.

Environmental Remediation Liabilities—The Port’s policy requires accrual of environmental remediation liabilities amounts when (a) one of the following specific obligating events is met, and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; named as party responsible for sharing costs; named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port’s environmental remediation liabilities. Costs incurred for environmental remediation liabilities are typically recorded as nonoperating environmental expenses unless the expenditures relate to the Port’s principal ongoing operations, in which case they are recorded as operating expenses. Costs incurred for environmental remediation liabilities can be capitalized if they meet specific criteria. Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

Refunding and Defeasance of Debt—The Port has legally defeased certain bonds by placing proceeds, either in the form of new bond proceeds or existing Port cash, in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not recorded on the accompanying financial statements. As of December 31, 2014 and 2013, the total defeased, but unredeemed, bonds outstanding totaled $3,520,000 and $1,750,000, respectively.

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as deferred outflow of resources or deferred inflow of resources and recognized as a component of interest expense on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Debt Discount and Premium—Debt discounts and premiums relating to the issuance of bonds are amortized over the lives of the related bonds using the effective interest method.

Net Position—Net position represents all assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net position is displayed in the Statement of Net Position into the following categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- Restricted: Net position subject to externally imposed stipulations on their use.

- Unrestricted: All remaining net position not meeting the definition of "net investment in capital assets" or "restricted."

When both restricted and unrestricted resources are available for the same purpose, restricted net position is considered to be used first over unrestricted net position.

Recently Issued Accounting Pronouncements—In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25.* This statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This statement enhances note disclosures and required supplementary information ("RSI") for both defined benefit and defined contribution pension plans. This statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The Port adopted this new pronouncement in the current year. The required disclosures are presented in Note 14 in the accompanying notes to the financial statements and the related RSI.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures.* This statement revises and establishes new financial reporting requirements for governments participating in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans and defined contribution plans. This statement requires governments providing defined benefit pensions to recognize its long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This includes changes in the methods and assumptions used to project pension payments, discount projected payments to their present values and attribute those present values to periods of employee service. The statement also enhances accountability and transparency through revised and new note disclosures and RSI. This statement is effective for periods beginning after June 15, 2014. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to measurement and reporting of government combinations and disposals of government operations. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The Port currently has no plans for any government combinations and disposals of operations. As such, the adoption of this standard did not have any effect on the Port's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement provides new recognition, measurement, and disclosure guidance for state and local governments that extend or receive nonexchange financial guarantees. A nonexchange financial guarantee occurs when a government guarantees a financial obligation but generally receives little or no compensation in return. The government guaranteeing the debt (guarantor) agrees to make payments to the holder of the debt if the entity that issued the debt (issuer) is unable to fulfill its obligations. To the guarantor, the guarantee represents the possibility of claims on the government's resources. To the issuer, this represents potential resources that can be drawn upon to make the required payment. This statement requires a guarantor government to recognize a liability and an expense when qualitative factors indicate that it is "more likely than not" that it will actually be required to make a payment as a result of the guarantee agreement. The amount recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. This statement requires an issuer government to continue to report a liability until it is legally released as an obligor from the obligation and from any liability to the guarantor. When the issuer is released from those liabilities, it recognizes revenues as a result. Certain disclosures are also required for both the guarantor government and issuer government. This statement is effective for reporting periods beginning after June 15, 2013. Retrospective application is required for all prior periods presented. The Port does not have any nonexchange financial guarantees. As such, the adoption of this standard did not have any effect on the Port's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

Restatement—The Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, starting on January 1, 2013, by restating the financial statements for all periods presented. Debt issuance costs, except any portion related to prepaid insurance costs and surety costs, is recognized as nonoperating expense as incurred. Prepaid insurance and surety costs are reported as current and noncurrent assets and recognized as nonoperating expense on a straight-line basis over the duration of the related debt. Initial direct costs of an operating lease, such as brokers' commission fee, is recognized as operating expense as incurred. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as deferred outflows of resources or deferred inflows of resources and recognized as a component of interest expense on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The beginning balance of net position was restated due to the unamortized debt issuance costs except for any portion related to prepaid insurance costs and surety costs, that were recorded as (a) deferred finance costs—net of accumulated amortization, and (b) unamortized bond discounts—net of amortization resulting from refunding of debt.

The following table shows the balances within the financial statements being restated (in thousands).

2012	As previously reported	Effect of Restatement	As restated
STATEMENT OF NET POSITION			
CURRENT ASSETS:			
Prepayments and other current assets	$ 5,487	$ 415	$ 5,902
NONCURRENT ASSETS:			
Other long-term assets	3,288	7,577	10,865
Deferred finance costs—net of accumulated amortization	26,097	(26,097)	
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding bonds		25,441	25,441
LONG-TERM DEBT:			
Revenue and capital appreciation bonds	2,685,453	29,053	2,714,506
General obligation bonds	291,666	5,055	296,721
Passenger facility charge revenue bonds	154,679	672	155,351
DEFERRED INFLOWS OF RESOURCES:			
Deferred credits on refunding bonds		3,454	3,454
NET POSITION:			
Net investment in capital assets	2,272,674	(8,675)	2,263,999
Unrestricted	486,498	(22,223)	464,275
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
NONOPERATING INCOME (EXPENSE):			
Revenue and capital appreciation bonds interest expense	(122,170)	(1,157)	(123,327)
Passenger facility charge revenue bonds interest expense	(6,778)	275	(6,503)
General obligation bonds interest expense	(14,447)	369	(14,078)
Other (expense) income—net	(25,749)	(3,972)	(29,721)

Reclassifications and Presentation—Certain reclassifications of prior years' balances have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net position or total current or long-term assets or liabilities.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits—All deposits are either covered by the Federal Deposit Insurance Corporation (“FDIC”) or the Public Deposit Protection Commission (“PDPC”) of the State of Washington. The PDPC is a statutory authority under Chapter 39.58 RCW. It constitutes a multiple financial institution collateral pool that can make pro rata assessments from all qualified public depositaries within the State. Per State statute, all public deposits in the State are either 100% collateralized or insured. Therefore, in accordance with GASB, *Codification of Governmental Accounting and Financial Reporting Standards*, Section 150.110, PDPC protection is of the nature of collateral, not of insurance. Pledged securities under the PDPC collateral pool are held under the control of the PDPC for the protection of the pool.

Investments—Statutes authorize the Port to invest in savings or time accounts in designated qualified public depositaries or in certificates, notes, or bonds of the U.S. The Port is also authorized to invest in other obligations of the U.S. or its agencies or of any corporation wholly owned by the government of the U.S. Statutes also authorize the Port to invest in banker’s acceptances purchased on the secondary market, in Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal Home Loan Mortgage Corporation bonds and notes, and Federal National Mortgage Association notes, bonds, debentures and guaranteed certificates of participation or the obligations of any other U.S. government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System. The Port can also invest in commercial paper within the policies established by the State Investment Board, certificates of deposit with qualified public depositories, local and state general obligations, and revenue bonds issued by Washington State governments that are rated at least “A” by a nationally recognized rating agency. Additionally, the Port is allowed to purchase the following agency mortgage backed securities: (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of the Port’s investment policy, and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of the Port’s investment policy.

The Port’s investment policy limits the maximum maturity of any investment security purchased to ten years from the settlement date. The Port’s investment policy allows for 100% of the portfolio to be invested in U.S. Treasury bills, certificates, notes, and bonds. The Port’s investment policy limits investments in government agency securities to 60%, agency mortgage-backed securities to 10%, certificates of deposit to 15% but no more than 5% per issuer, banker’s acceptances to 20% but no more than 5% per bank, commercial paper to 20% but no more than 3% per issuer, overnight repurchase agreements to 15%, term only repurchase agreements to 25%, reverse repurchase agreements to 5%, agency discount notes to 20% of the portfolio, and municipal securities to 20% of the portfolio with no more than 5% per issuer. Banker’s acceptances can only be purchased on the secondary market and are limited to the largest 50 world banks listed each July in the American Banker. These banks must meet tier one and tier two capital standards. Commercial paper must be rated no lower than A1/P1 and meet Washington State Investment Board guidelines.

The Port’s investment policy allows for repurchase and reverse repurchase agreements with maturities of 60 days or less. The investment policy requires that securities collateralizing repurchase agreements must be marked to market daily and have a value of at least 102% of the cost of the repurchase agreements having maturities less than 30 days and 105% for those having maturities that exceed 30 days. For reverse repurchase agreements, when used for yield enhancement rather than cash management purposes, only “matched book” transactions will be utilized. This means that the maturity date of the acquired security is identical to the end date of the reverse repurchase transaction. Reverse repurchase agreements will only be executed with Primary Government Bond Dealers.

As of December 31, 2014 and 2013, restricted investments—bond funds and other were $258,999,000 and $289,429,000, respectively. These are primarily unspent bonds proceeds designated for capital improvements to the Port's facilities, and for debt service reserve fund requirements. Other includes cash receipts from PFCs, CFCs and lease securities.

The tables below identify the types and concentration of investments by issuer, and maturities of the Port's Investment Pool as of December 31 (in thousands). Investments of bond proceeds held in trust are not included in the tables. As of December 31, 2014 and 2013, the Port's investment pool had 8.4% and 7.3%, respectively, of the portfolio invested in repurchase agreements, collateralized with securities backed by the full faith and credit of the U.S. Government, and the remainder of the pool is invested in "AAA" and "AA+" rated U.S. Government agencies and treasury securities.

Investment Type	Fair Value	Maturities (in Years) Less Than 1	1–3	More Than 3	Percentage of Total Portfolio
2014					
Repurchase Agreements *	$ 75,884	$ 75,884	$	$	8.4 %
Federal Agencies Securities:					
Federal Farm Credit Banks	54,538		20,002	34,536	6.0
Federal Home Loan Bank	141,486	92,167	30,544	18,775	15.6
Federal Home Loan Mortgage Corporation	114,334		74,734	39,600	12.6
Federal National Mortgage Association	95,324		34,661	60,663	10.5
U.S. Treasury Notes	425,244		425,244		46.9
Total Portfolio	$ 906,810	$ 168,051	$ 585,185	$ 153,574	100.0 %
Accrued interest receivable	1,440				
Total cash, cash equivalents and investments	$ 908,250				
Percentage of Total Portfolio	100.0 %	18.5 %	64.6 %	16.9 %	
2013					
Repurchase Agreements *	$ 69,073	$ 69,073	$	$	7.3 %
Federal Agencies Securities:					
Federal Farm Credit Banks	54,269		30,017	24,252	5.7
Federal Home Loan Bank	38,260		20,047	18,213	4.0
Federal Home Loan Mortgage Corporation	180,001	32,986	60,258	86,757	18.9
Federal National Mortgage Association	279,065		74,969	204,096	29.4
U.S. Treasury Notes	330,224	180,228	149,996		34.7
Total Portfolio	$ 950,892	$ 282,287	$ 335,287	$ 333,318	100.0 %
Accrued interest receivable	1,828				
Total cash, cash equivalents and investments	$ 952,720				
Percentage of Total Portfolio	100.0 %	29.7 %	35.3 %	35.0 %	

* Includes $8,384,000 and $3,073,000 of cash as of December 31, 2014 and 2013, respectively.

Investment Authorized by Debt Agreements—Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements and subject to compliance with State law. In May 2003, the Port issued Fuel Hydrant Special Facility Revenue bonds in the amount of $121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. These bonds were fully refunded by the Series 2013 Fuel Hydrant Special Facility Revenue Refunding Bonds in June 2013. The fuel hydrant facility financing is administered by Wells Fargo Bank Northwest, National Association ("Trustee").

The tables below identify the types and concentration of investments by issuer, and maturities of the Fuel Hydrant Investment Pool as of December 31 (in thousands). As of December 31, 2014, 53.7% of the Fuel Hydrant Investment Pool was invested in U.S. Treasury Notes. As of December 31, 2013, none of the Fuel Hydrant Investment Pool was invested in U.S. Treasury Notes. The remaining amount was invested in 2a7 qualified Wells Fargo Government Institutional Money Market Fund with maturity limits no longer than 13 months. The Wells Fargo Government Institutional Money Market Fund holds securities authorized by the statutes, which means at least 80% of the investments are invested in U.S. Government obligations, including repurchase agreements collateralized by U.S. Government obligations. The remainder of the Wells Fargo Government Institutional Money Market Fund was invested in "AAA" rated high-quality short-term money market instruments.

		Maturities (in Years)			Percentage
Investment Type	**Fair Value**	**Less Than 1**	**1–3**	**More Than 3**	**of Total Portfolio**
2014					
Wells Fargo Government Institutional Money Market Fund	$ 4,298	$ 4,298	$	$	46.3 %
U.S. Treasury Notes	4,990		4,990		53.7
Total Portfolio	$ 9,288	$ 4,298	$ 4,990	$	100.0 %
Accrued interest receivable	9				
Total cash, cash equivalents and investments	$ 9,297				
Percentage of Total Portfolio	100.0 %	46.3 %	53.7 %	%	
2013					
Wells Fargo Government Institutional Money Market Fund	$ 9,445	$ 9,445	$	$	100.0 %
Total Portfolio	$ 9,445	$ 9,445	$	$	100.0 %
Total cash, cash equivalents and investments	$ 9,445				
Percentage of Total Portfolio	100.0 %	100.0 %	%	%	

Interest Rate Risk—Interest rate risk is the risk that an investment's fair value decreases as market interest rate rises. The Port manages its Investment Pool exposure to this risk by setting maturity and duration limits in its investment policy. The Investment Pool is managed similarly to a short-term fixed income fund. The modified duration of the portfolio, by policy, has a 2.0 target plus or minus 50 basis points (2.0 is an approximate average life of 27 months). For 2014 and 2013, the modified duration of the portfolio was approximately 2.2 and 2.4, respectively. Securities in the portfolio cannot have a maturity longer than ten years from the settlement date. As of December 31, 2014 and 2013, the effective duration of the Port's Investment Pool portfolio was approximately 1.6 and 0.8, respectively.

A portion of the proceeds from the Fuel Hydrant bonds issued, and monthly facilities rent are held by the Trustee, to satisfy the debt service reserve fund requirement, to make debt service payments, and to pay other fees associated with the bonds, including the Trustee fee. For 2014 and 2013, the modified duration of the Fuel Hydrant Investment Pool was approximately 0.9 and zero, respectively. As of December 31, 2014 and 2013, the effective duration of the Fuel Hydrant Investment Pool was 0.9 and zero, respectively.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of the failure of the counter-party, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. By the Port's policy, all security transactions, including repurchase agreements, are settled on a delivery versus payment basis. This means that payment is made simultaneously with the receipt of the securities. The securities are delivered to the Port's safekeeping bank.

As of December 31, 2014 and 2013, $4,298,000 and $9,445,000, respectively, of the Fuel Hydrant Investment Pool was invested in the Wells Fargo Government Institutional Money Market Fund, was uninsured, and was registered in the name of the Trustee.

3. CAPITAL ASSETS

Capital assets consist of the following at December 31 (in thousands):

	Beginning of Year	Additions	Retirements	End of Year
2014				
Capital assets, not being depreciated:				
Land and air rights	$ 2,021,340	$ 2,800	$ (1,100)	$ 2,023,040
Art collections and others	9,017			9,017
Total capital assets not being depreciated	2,030,357	2,800	(1,100)	2,032,057
Capital assets being depreciated:				
Facilities and improvements	4,831,563	115,926	(17,353)	4,930,136
Equipment, furniture, and fixtures	437,293	30,270	(51,640)	415,923
Total capital assets being depreciated	5,268,856	146,196	(68,993)	5,346,059
Total capital assets	7,299,213	148,996	(70,093)	7,378,116
Less accumulated depreciation for:				
Facilities and improvements	(1,626,276)	(137,913)	11,404	(1,752,785)
Equipment, furniture, and fixtures	(247,806)	(28,424)	47,061	(229,169)
Total accumulated depreciation	(1,874,082)	(166,337)	58,465	(1,981,954)
Construction work in progress	83,604	171,459	(149,825)	105,238
Total capital assets—net	$ 5,508,735	$ 154,118	$ (161,453)	$ 5,501,400
2013				
Capital assets, not being depreciated:				
Land and air rights	$ 2,011,195	$ 13,346	$ (3,201)	$ 2,021,340
Art collections and others	9,042		(25)	9,017
Total capital assets not being depreciated	2,020,237	13,346	(3,226)	2,030,357
Capital assets being depreciated:				
Facilities and improvements	4,735,646	121,657	(25,740)	4,831,563
Equipment, furniture, and fixtures	436,678	41,006	(40,391)	437,293
Total capital assets being depreciated	5,172,324	162,663	(66,131)	5,268,856
Total capital assets	7,192,561	176,009	(69,357)	7,299,213
Less accumulated depreciation for:				
Facilities and improvements	(1,506,842)	(142,665)	23,231	(1,626,276)
Equipment, furniture, and fixtures	(249,064)	(28,709)	29,967	(247,806)
Total accumulated depreciation	(1,755,906)	(171,374)	53,198	(1,874,082)
Construction work in progress	106,260	139,883	(162,539)	83,604
Total capital assets—net	$ 5,542,915	$ 144,518	$ (178,698)	$ 5,508,735

For the years ended December 31, 2014 and 2013, net loss on sale and disposition of capital assets of $9,721,000 and $269,000, respectively, were recorded in nonoperating other income (expense)—net in the Statement of Revenues, Expenses, and Changes in Net Position.

In 2014, the Aviation Division, Seaport Division, and Real Estate Division recognized net losses of $5,234,000, $3,305,000, and $628,000, respectively, from demolition and sale of capital assets. The Aviation Division recognized a slight gain from the sale of passenger loading bridges which was more than offset by net loss from the demolition of portions of the C-60 baggage system, Concourse D extension and demolitions relating to hanger upgrades. The Seaport Division recognized an impairment loss of $2,658,000 on six cranes at Terminal 5 as they were no longer in use. The lease at Terminal 5 terminated effective August 2014. Terminal 5 is slated for facility modernization with the objective to build a facility capable of handling two EEE class vessels. Since the existing six cranes do not have the capacity (height and outreach) to service that size of vessel, they have to be removed to accommodate the larger cranes that will be needed. Accordingly, the six cranes were approved to be surplused in September 2014. The Real Estate Division net loss was from the demolition and retirements of capital assets.

In 2013, the Aviation Division, Seaport Division, and Real Estate Division recognized $1,066,000 net gain, $9,219,000 net loss, and $7,904,000 net gain, respectively, from demolition and sale of capital assets. The Aviation Division recognized a gain on the sale of land and easements to Sound Transit related to the South Link Project of $3,970,000. The Seaport Division recognized a loss of $9,943,000 from the sale of five cranes at Terminal 46 to the terminal operator. The Real Estate Division recognized a gain of $8,054,000 on the sale of a portion of the West Yard at Terminal 91 to King County for construction of the South Magnolia combined sewer overflow facility.

The Port completed its acquisition of the 42-mile Eastside Rail Corridor (the “Corridor”) from BNSF Railway in December 2009, as a key first step to preserve it in public ownership. The Corridor included an active freight segment (the “Freight Segment”) and a railbanked segment (the “Southern Segment”). To maximize the Corridor’s benefit to the entire region, the Port partnered with several local regional agencies to share the purchase and public ownership of the Southern Segment, subject to a Memorandum of Understanding dated November 5, 2009.

During 2010, a portion of the Southern Segment was sold to the City of Redmond for $10,000,000 and an easement over the Corridor was sold to Puget Sound Energy for $13,753,000. During 2012, a portion of the Southern Segment along with a transportation easement over the remaining Port-owned portion of the Southern Segment was sold to Sound Transit for $13,752,000. Another portion of the Southern Segment was sold to the City of Kirkland in 2012 for $5,000,000. In February 2013, the remaining portion of the Southern Segment along with an easement over portions of the Freight Segment was sold to King County for $13,897,000, net of the $1,903,000 paid by King County in 2009 for a multipurpose easement. As provided in the Purchase and Sales Agreement, King County paid the Port $1,449,000 in February 2013, upon closing. The balance of the purchase price is due to the Port within three years from the closing date and King County will either (i) pay the Port the purchase price plus interest on the balance at 2.83% compounded annually or (ii) convey to the Port surplus property or properties of equivalent value. Interest of $362,000 and $317,000 were recorded at the end of 2014 and 2013, respectively. The Southern Segment of the Corridor was recorded as an asset held for sale in 2012 and its value was measured at the lower of its carrying amount or fair value less costs to sell. Since its acquisition in 2009, there was no active market for this real property. Thus, its fair value remained essentially the same as its carrying amount. As of December 31, 2012, the carrying amount of the Southern Segment was $31,627,000. Through the sale to King County in February 2013 for $13,897,000, a fair value was established. As the fair value was less than the carrying amount, the Port recognized an impairment loss of $17,730,000 for the Southern Segment in the year ending December 31, 2012. In January 2015, the Port received a cash payment of $13,153,000 from King County for the total outstanding balance including accrued interest from the sale.

In July 2014, the Port entered into a Purchase and Sale Agreement to sell a portion of the Freight Segment (within Woodinville Corporate Limits and Bothell Corporate Limits) to the City of Woodinville. The due diligence period terminated in December 2014 while the closing date was extended to July 31, 2015. Given the due diligence period has passed, this transaction was classified as an asset held for sale for $1,100,000, with a fair value established based on the agreement, in the Statement of Net Position as of December 31, 2014.

In January 2015, the Port agreed to sell cranes, No. 70, 71, and 72, and the related spare parts to SSA Terminals, LLC and SSA Containers, Inc., the current tenant at Terminal 18. The Port estimates a loss of $3,487,000 that will be reported on the sale of these capital assets in 2015 along with the Port's 50% share of the associated sales tax.

4. ACCOUNTING FOR LEASES

The Port enters into operating leases with tenants for the use of properties at various locations, including Seaport Division terminal land, facilities, and equipment; Aviation Division space and land rentals with minimum annual guarantees; and Real Estate Division commercial and industrial properties, industrial fishing terminals as well as recreational marinas. As the leased properties involved are in part used by internal Port operations, it is not reasonably determinable to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility. For the years ended December 31, 2014, 2013 and 2012, the Port recognized contingent rent of $260,343,000, $251,638,000, and $258,862,000, respectively. Under certain lease agreements, contingent rent, which comes primarily from concessions and airline agreements, provides for an additional payment to the Port beyond the fixed rent. Contingent rent is based on the tenant's operations, including but not limited to usage, revenues, or volumes.

Minimum future rental income on noncancelable operating leases on Seaport terminals, Airport facilities and Real Estate properties for the years ended December 31 are as follows (in thousands):

2015	$ 135,654
2016	110,129
2017	104,728
2018	98,936
2019	91,402
Thereafter	922,643
Total	$ 1,463,492

Effective June 2003, the Port entered into a lease agreement with SeaTac Fuel Facilities LLC in a fuel system lease whereby the members are some of the commercial air carriers currently operating at the Airport. The lessee payments of facilities rent are made directly to a trustee in the amounts and at the times required to pay the principal and premium, if any, and interest on the Special Facility Revenue bonds issued to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel system is intended to be the exclusive system for storage and delivery to commercial air carriers of jet aircraft fuel at the Airport. The lease, which represents an unconditional obligation of the lessee, extends until the later of July 31, 2033, or the repayment of the bonds. SeaTac Fuel Facilities LLC was created by the consortium of airlines operating at the Airport for the purpose of entering the lease and managing the fuel hydrant system. The future rental income is based on debt service requirements which are as follows: $7,008,000 for 2015, $7,017,000 for 2016, $7,024,000 for 2017, $7,023,000 for 2018, $7,022,000 for 2019, and $89,947,000 for the years thereafter; these amounts are not included in the schedule above. All special facility lease revenues are restricted and are to be used solely for debt service on the bonds and not for Port operations.

5. LONG-TERM DEBT

The Port's long-term debt consists primarily of tax-exempt bonds. The majority of the Port's outstanding bonds are revenue bonds, which are secured by a pledge of net operating revenues of the Port. PFC Revenue Bonds are secured by a lien pledge of the revenues generated from the PFCs imposed by the Airport. The GO Bonds and interest thereon are payable from ad valorem taxes. In connection with the issuance of the bonds, the Port agreed to certain covenants as defined in the resolutions. Outstanding long-term debt as of December 31, 2014, consists of the following (in thousands):

Bond Type (by Bond Issue)	Coupon Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refundings	Issuance	Ending Balance
Revenue bonds:						
First lien:						
Series 2000 B	6.0	2015	$ 20,485	$ 9,935	$	$ 10,550
Series 2003 A	5.25	2019–2021	36,600			36,600
Series 2004	5.5–5.75	2015–2017	6,365	3,450		2,915
Series 2007 A	3.75–5.0	2016–2019	27,880			27,880
Series 2007 B	4.05–5.0	2015–2032	170,075	8,525		161,550
Series 2009 A	5.25	2027–2028	20,705			20,705
Series 2009 B-1	5.74–7.0	2015–2036	274,255			274,255
Series 2009 B-2	0 **	2025–2031	22,000			22,000
Series 2011 A	4.0–5.0	2015–2017	7,900	1,860		6,040
Series 2011 B	5.0	2015–2026	93,070	1,455		91,615
Total			679,335	25,225		654,110
Intermediate lien:						
Series 2005 A	5.0	2015–2035	345,645	12,840		332,805
Series 2005 C	5.0	2015–2017	18,265	4,925		13,340
Series 2006	4.75–5.0	2025–2030	124,625			124,625
Series 2010 A	3.0–4.0	2015–2017	10,070	6,895		3,175
Series 2010 B	4.0–5.0	2015–2040	221,315	2,910		218,405
Series 2010 C	4.0–5.0	2015–2024	127,260	295		126,965
Series 2012 A	3.0–5.0	2015–2033	342,555			342,555
Series 2012 B	3.0–5.0	2015–2024	168,210	17,115		151,095
Series 2012 C	1.464–2.062	2015–2017	60,330	18,550		41,780
Series 2013	4.5–5.0	2022–2029	139,105	11,950		127,155
Total			1,557,380	75,480		1,481,900
Subordinate lien:						
Series 1997	0.05 *	2022	108,830			108,830
Series 1999 A	5.5	2016–2020	56,255			56,255
Series 2008	0.05 *	2033	200,715			200,715
Commercial paper	0.10–0.17 *	2015	42,655			42,655
Total			408,455			408,455
Revenue bond totals			$ 2,645,170	$ 100,705	$	$ 2,544,465

* Variable interest rates as of December 31, 2014.

** Capital Appreciation Bonds have a zero coupon rate. The approximate maximum yield to maturity is 7.4%.

(Continued)

Bond Type (by Bond Issue)	Coupon Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refundings	Issuance	Ending Balance
General obligation bonds:						
Series 2004 C	5.25	2015–2019	$ 29,260	$ 13,845	$	$ 15,415
Series 2006	5.0	2015–2029	60,530	390		60,140
Series 2011	5.0–5.75	2015–2025	62,065	3,935		58,130
Series 2011 (Taxable)	2.254–3.068	2014	30,215	30,215		
Series 2013 A	4.0–5.0	2021–2023	27,630			27,630
Series 2013 B (Taxable)	0.46–2.77	2015–2025	74,115	10,010		64,105
Total			283,815	58,395		225,420
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2018–2019	31,020			31,020
Series 2010 A	5.0	2017–2023	79,770			79,770
Series 2010 B	5.0	2015–2016	35,605	11,295		24,310
Total			146,395	11,295		135,100
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5.0	2015–2033	88,660	2,960		85,700
Total			88,660	2,960		85,700
Bond totals			3,164,040	173,355		2,990,685
Unamortized bond discounts–net of amortization			136,531			121,296
Total debt			3,300,571			3,111,981
Less current maturities of long-term debt						
First lien revenue bonds			(23,190)			(24,030)
Intermediate lien revenue bonds			(75,480)			(63,820)
Subordinate lien revenue bonds			(42,655)			(42,655)
General obligation bonds			(43,120)			(19,495)
Passenger facility charge revenue bonds			(11,295)			(11,860)
Fuel Hydrant special facility revenue bonds			(2,960)			(3,060)
Total current maturities of long-term debt			(198,700)			(164,920)
Long-term debt			$ 3,101,871			$ 2,947,061

(Concluded)

General Obligation Bonds—In June 2014, the Port made an early principal payment of $15,275,000 to Series 2011 Taxable GO Bonds. No gain or loss was recognized on the early extinguishment of debt.

In March 2013, the Port issued $102,795,000 in Series 2013AB Limited Tax GO Bonds. Series 2013A, $27,630,000, used to fully refund the Series 2004A GO Bonds. Series 2013B, $75,165,000, was used to partially refund the Series 2004B, 2004C and 2011 GO Bonds. A portion of each bond series was also used to pay the costs of issuing the bonds. The bonds have coupon rates ranging from 0.3% to 5.0% with maturities ranging from 2013 to 2025. The interest on the Series 2013AB GO Bonds is payable on May 1 and November 1 of each year, commencing on May 1, 2013. Certain maturities of Series 2013A GO Bonds are subject to optional redemption prior to their scheduled maturities. Series 2013B GO Bonds are not subject to redemption prior to maturity. The economic gain resulting from the refunding transaction was $15,994,000, while the Port also decreased its aggregate debt service payments by $17,832,000 over the life of the bonds.

Revenue Bonds—In December 2014, the Port made an early principal payment of $2,035,000 to Series 2007B First Lien Revenue Bonds. A loss of $95,000 was recognized on the early extinguishment of debt and reported as nonoperating other income (expense)—net in the Statement of Revenues, Expenses, and Changes in Net Position.

In December 2013, the Port issued $139,105,000 in Series 2013 Intermediate Lien Revenue Refunding Bonds, which were used to fully refund the outstanding Series 2003B First Lien Revenue Bonds, to pay the costs of issuing the bonds, and to contribute to the Intermediate Lien Reserve Account. The bonds have coupon rates ranging from 4.0% to 5.0% with maturities ranging from 2014 to 2029. The interest on the Series 2013 Intermediate Lien Revenue Refunding Bonds is payable on January 1 and July 1 of each year, commencing on July 1, 2014. Certain maturities of Series 2013 Intermediate Lien Revenue Refunding Bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding transaction was $9,504,000, while the Port also decreased its aggregate debt service payments by $11,559,000 over the life of the bonds.

Capital Appreciation Revenue Bonds—During July 2009, the Port issued $22,000,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. Interest on the 2009B-2 Bonds is compounded semiannually, but is payable only upon maturity. As of December 31, 2014 and 2013, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was $32,715,000 and $30,422,000, respectively, and the ultimate accreted value of $83,600,000 will be reached at maturities between 2025 and 2031.

Fuel Hydrant Special Facility Revenue Bonds—During May 2003, the Port issued Fuel Hydrant Special Facility Revenue Bonds in the amount of $121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The Port undertook the development of the fuel system to lower the cost of fuel service at the Airport, improve Airport safety by reducing the need for fuel trucks to operate on the airfield, and address environmental concerns created by the original fuel system. This fuel hydrant facility was fully operational in 2006. The fuel facility is leased for 40 years (including two five-year option periods) to SeaTac Fuel Facilities LLC ("Lessee"), a limited liability company formed by a consortium of airlines for the purpose of providing jet fuel storage and distribution at the Airport. The Port owns the system and the Lessee will oversee day-to-day management. The Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association ("Trustee"). Facilities rent is established at an amount sufficient to pay semiannual debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. In addition, the Lessee has provided a guaranty and a security agreement to the Trustee, securing the Lessee's obligation to pay principal and interest on the bonds.

In June 2013, the Port issued $88,660,000 in Series 2013 Fuel Hydrant Special Facility Revenue Refunding Bonds, which were used to fully refund the outstanding Series 2003 Fuel Hydrant Special Facility Revenue Bonds, and to pay the costs of issuing the bonds. The bonds have coupon rates ranging from 3.0% to 5.0% with maturities ranging from 2014 to 2033. The interest on the Series 2013 Fuel Hydrant Special Facility Revenue Bonds is payable on June 1 and December 1 of each year, commencing on December 1, 2013. Certain maturities of the 2013 Fuel Hydrant Special Facility Revenue Refunding Bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding transaction was $13,640,000, while the Port also decreased its aggregate debt service payments by $18,075,000 over the life of the bonds.

Proceeds from the bonds are held by the Trustee. At December 31, 2014 and 2013, there was $9,288,000 and $9,445,000, respectively, of Fuel Hydrant Special Facility Revenue Bonds proceeds and rent payments held for debt service reserve fund and debt service payments. The unspent bond proceeds were reported as current restricted cash and cash equivalents and restricted long-term investments. Additional information on the investment of the unspent bond proceeds of the Fuel Hydrant Special Facility Revenue Bonds can be found in Note 2 in the accompanying notes to the financial statements.

Fuel Hydrant Special Facility Revenue Bonds in the amount of $82,640,000 and $85,700,000, respectively, are included in long-term debt as of December 31, 2014 and 2013.

Commercial Paper—The Commission authorized the sale of subordinate lien revenue notes (commercial paper) in an aggregate principal amount not to exceed $250,000,000 for the purpose of financing and refinancing capital improvements within the Port, for working capital, and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made. Commercial paper advances outstanding totaled $42,655,000 at December 31, 2014 and 2013. Commercial paper advances are included in current maturities of long-term debt on the Statement of Net Position.

Subordinate Lien Variable Rate Demand Bonds—Included in long-term debt are two subordinate lien variable rate demand bond (“VRDB”) issues, Series 1997 and Series 2008. Demand bonds are securities that contain a “put” feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the Port’s remarketing or paying agents. Variable rate interest for these bonds was determined through a weekly remarketing process in which the remarketing agent re-sets the rate based on market supply and demand for the bonds.

- ***Series 1997 VRDB*****—**In 1997, the Port issued $108,830,000 in Series 1997 Subordinate Lien Revenue Bonds that have a final maturity date of September 1, 2022. The proceeds of the issuance were used to pay a portion of the costs of acquisitions of the Port’s marine facilities and to pay costs of issuing the Series 1997 Bonds. The bonds bear interest at a weekly rate, and are subject to purchase on demand with seven days’ notice and delivery to the Port’s remarketing agent, currently Morgan Stanley & Co., Inc.

  On January 14, 2011, the Port entered into a letter of credit (“LOC”) reimbursement agreement with Bank of America. The LOC is in the amount of $110,082,000 and expires on January 18, 2016. The Port is required to pay a quarterly facility fee for the LOC. Effective November 10, 2013, the fee is 0.40% per annum based on the size of the commitment. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody’s or Fitch is lowered, the facility fee may increase for credit ratings below A2/A.

If the remarketing agent is unable to resell any bonds that are “put” within six months of the “put” date and the Port has not replaced the LOC or converted the bonds, the Port has a takeout agreement with Bank of America to convert the bonds to an installment loan payable in 10 equal semiannual installments and bearing an interest rate of no less than 8.5%. The remarketing agent receives an annual fee of 0.1% of the outstanding principal amount of the bonds.

- ***Series 2008 VRDB*****—**In 2008, the Port issued $200,715,000 in Series 2008 Subordinate Lien Revenue Refunding Bonds that has a final maturity date of July 1, 2033. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to fully refund Series 2003C Subordinate Lien Revenue Bonds and to pay the costs of issuing the Series 2008 Bonds. The bonds bear interest at a weekly rate, and are subject to purchase on demand with seven days' notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc.

  On June 1, 2013, the Port entered into a LOC agreement in the amount of $204,212,000 with Bank of Tokyo-Mitsubishi UFJ (“Bank of Tokyo”), which replaced the existing LOC agreement with Landesbank Hessen-Thüringen Girozentrale (“Helaba”) that expired on June 17, 2013. The Bank of Tokyo LOC expires on June 3, 2016. The Port is required to pay a quarterly facility fee for the LOC in the amount of 0.45% per annum based on the size of the commitment. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's or Fitch is lowered, the facility fee will increase for credit ratings below at A2/A-.

  If the remarketing agent is unable to resell any bonds that are “put” within six months of the “put” date, the Port has a takeout agreement with Bank of Tokyo to convert the bonds to an installment loan payable in equal quarterly installments over a five-year period and bearing an interest rate no less than 7.50%. The remarketing agent receives an annual fee of 0.065% of the outstanding principal amount of the bonds.

There were no borrowings drawn against either LOC during 2014 and 2013, and therefore there were no outstanding obligations to either LOC provider at December 31, 2014 and 2013.

Arbitrage Rebate—The Port monitors the existence of any rebatable arbitrage interest income associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of the bond proceeds as compared to the interest expense associated with the respective bonds. Each outstanding bond issue has potential arbitrage rebatable earnings; however, management estimates indicate that no arbitrage rebate liability exists as of December 31, 2014 and 2013.

Capitalized Interest—Interest expense costs capitalized were $2,223,000 and $4,047,000 as of December 31, 2014 and 2013, respectively.

Schedule of Debt Service—Aggregate annual payments on Revenue Bonds, GO Bonds, PFC Bonds, Fuel Hydrant Special Facility Revenue Bonds and commercial paper outstanding at December 31, 2014 are as follows (in thousands):

	Principal	Interest	Total
2015	$ 164,920	$ 130,424	$ 295,344
2016	130,990	125,661	256,651
2017	138,075	120,078	258,153
2018	137,050	113,782	250,832
2019	145,530	107,324	252,854
2020–2024	825,790	430,850	1,256,640
2025–2029	599,024	309,106	908,130
2030–2034	671,736	128,263	799,999
2035–2039	162,865	18,056	180,921
2040–2044	14,705	368	15,073
Total	$ 2,990,685	$ 1,483,912	$ 4,474,597

Recently Issued General Obligation Bonds—In March 2015, the Port issued $156,990,000 in Series 2015 Limited Tax GO Bonds. The Series 2015 bonds were used to fund the Port's first of the two contractual payments $120,000,000, to the State of Washington for the Alaskan Way viaduct replacement program no later than May 1, 2015, to partially refund the Series 2006 GO Bonds, and to pay the costs of issuing the bonds. The bonds have coupon rates ranging from 4.0% to 5.0% with maturities ranging from 2016 to 2040. The interest on the Series 2015 GO Bonds is payable on June 1 and December 1 of each year, commencing on June 1, 2015. Certain maturities of Series 2015 GO Bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding was $11,030,000, while the Port also decreased its aggregate debt service payments by $12,760,000 over the life of the refunding bonds. The bonds are scheduled to close on April 28, 2015.

6. CONDUIT DEBT

The Port has conduit debt obligations totaling $74,725,000 at December 31, 2014 and 2013, which are not a liability or contingent liability of the Port. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements.

Since 1982, the Port, through its blended component unit, the IDC, has issued tax-exempt nonrecourse revenue bonds to finance industrial development of transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. No ad valorem tax levy revenues or other revenues of the Port (other than the IDC lease revenues) are pledged to pay the debt service on the bonds, and no liens (other than the IDC properties) are pledged as collateral for the debt.

7. LONG-TERM LIABILITIES

The following is a summary of the environmental remediation liability, other postemployment benefits obligation, accrued election expenses, bonds interest payable, unearned revenues, and other activities which make up the Port's long-term liabilities for the years ended December 31 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long- Term Portion
2014						
Environmental remediation liability	$ 64,511	$ 21,905	$ (27,160)	$ 59,256	$ 17,139	$ 42,117
Other postemployment benefits obligation	9,055	1,210	(787)	9,478		9,478
Accrued election expense	1,466	1,744	(1,466)	1,744	938	806
Bonds interest payable	8,422	2,293		10,715		10,715
Unearned revenues	2,937	1,929	(2,377)	2,489	747	1,742
Other	951	77	(4)	1,024		1,024
Total	$ 87,342	$ 29,158	$ (31,794)	$ 84,706		
2013						
Environmental remediation liability	$ 64,828	$ 34,251	$ (34,568)	$ 64,511	$ 28,295	$ 36,216
Other postemployment benefits obligation	9,144	713	(802)	9,055		9,055
Accrued election expense	1,221	1,951	(1,706)	1,466	1,466	
Bonds interest payable	6,290	2,132		8,422		8,422
Unearned revenues	6,227	1,432	(4,722)	2,937	2,354	583
Other	906	51	(6)	951		951
Total	$ 88,616	$ 40,530	$ (41,804)	$ 87,342		

8. ENTERPRISE FUND PENSION PLANS

Public Employees' Retirement System ("PERS")—Substantially, all of the Port's full-time and qualifying part-time employees, other than those covered under union plans, participate in PERS. This is a statewide local government retirement system administered by the Washington State Department of Retirement Systems ("DRS"), under cost-sharing, multiple-employer defined benefit public employee retirement plans. The PERS system includes three plans.

Participants who joined the system by September 30, 1977, are PERS Plan 1 members. Those joining thereafter are enrolled in PERS Plan 2. In March 2000, Governor Gary Locke signed into law a new retirement plan option for members of the PERS Plan 2. The new plan, entitled PERS Plan 3, provides members with a "two-part, hybrid retirement plan" which includes a defined benefit component and a defined contribution component.

PERS Plan 1 members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2% of the average final compensation per year of service, capped at 60%. The average final compensation is based on the greatest compensation earned during any 24 eligible consecutive compensation months.

PERS Plan 2 members may retire at age 65 with five years of service or at age 55 with 20 years of service. The annual pension is 2% of the average final compensation per year of service. PERS Plan 2 retirements prior to 65 are actuarially reduced. On July 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the Consumer Price Index ("CPI") of Seattle, capped at 3% annually.

PERS Plan 3 members may retire at age 65 with five years of service or at age 55 with 10 years of service for the defined benefit allowance. PERS Plan 3 retirements prior to 65 are actuarially reduced. PERS Plan 3 is structured as a dual benefit program that will provide members with the following benefits:

- A defined benefit allowance similar to PERS Plan 2 calculated as 1% of the average final compensation per year of service (versus a 2% formula) and funded entirely by employer contributions.

- A defined contribution account consisting of member contributions plus the full investment return on those contributions.

Each biennium, the State Pension Funding Council adopts PERS Plan 1 employer contribution rates and PERS Plan 2 employer and employee contribution rates. Employee contribution rates for PERS Plan 1 are established by statute at 6% and do not vary from year to year. The employer and employee contribution rates for PERS Plan 2 are set by the Director of the DRS, based on recommendations by the Office of the State Actuary, to continue to fully fund PERS Plan 2. Unlike PERS Plan 2, which has a single contribution rate (which is currently 4.92%), with PERS Plan 3, the employee chooses how much to contribute from six contribution rate options. Once an option has been selected, the contribution rate choice is irrevocable unless the employee changes employers.

All employers are required to contribute at the level established by State law. The methods used to determine the contribution requirements are established under State statute in accordance with Chapters 41.40 and 41.26 RCW.

The Port's covered payroll for PERS for the year ended December 31, 2014, was $92,922,000.

The Port's contribution rate during 2014 expressed as a percentage of covered payroll for employer was 9.03% for PERS Plan 1, PERS Plan 2, and PERS Plan 3. The employer rate does not include the employer administrative expense fees currently set at 0.18%.

Both the Port and its employees made the required contributions. The Port's required contributions for the years ended December 31 were as follows (in thousands):

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	$ 159	$ 7,051	$ 1,370
2013	137	6,086	1,127
2012	203	5,198	885

The pension obligation was calculated on a pension system basis and cannot be disclosed on a plan basis. PERS does not make separate measurements of assets and pension obligations for individual employers.

Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF")—LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated local law enforcement officers, and fire fighters. The LEOFF system includes two plans.

Participants who joined the system by September 30, 1977, are LEOFF Plan 1 members. Those joining thereafter are enrolled in LEOFF Plan 2. Retirement benefits are financed from employee and employer contributions, investment earnings, and State contributions. Retirement benefits in both LEOFF Plan 1 and LEOFF Plan 2 are vested after completion of five years of eligible service.

LEOFF Plan 1 members are eligible to retire with five years of service at age 50. The service retirement benefit is dependent upon the final average salary and service credit years at retirement. On April 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the CPI of Seattle.

Term of Service	**Percent of Final Average**
5–9 years	1.0 %
10–19 years	1.5
20 or more years	2.0

LEOFF Plan 2 members are eligible to retire at the age of 50 with 20 years of service or at age 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced at a rate of 3% per year. The benefit is 2% of the final average salary per year of service. The final average salary is determined as the 60 highest paid consecutive service months. There is no limit on the number of service credit years, which may be included in the benefit calculation. On July 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the CPI of Seattle, capped at 3% annually.

LEOFF Plan 1 employer and employee contribution rates are established by statute, and the State is responsible for the balance of the funding at rates set by the Pension Funding Council to fully amortize the total costs of the plan. Employer and employee rates for LEOFF Plan 2 are set by the Director of the DRS, based on recommendations by the Office of the State Actuary, to continue to fully fund the plan. LEOFF Plan 2 employers and employees are required to contribute at the level required by State law. The methods used to determine the contribution rates are established under State statute in accordance with Chapters 41.26 and 41.45 RCW.

The Port's covered payroll for LEOFF for the year ended December 31, 2014, was $20,905,000.

The Port's required contribution rates during 2014 expressed as a percentage of covered payroll for LEOFF Plan 1 was 0% for both employer and employee. For LEOFF Plan 2, the rate was 5.05% for employer and 8.41% for employees. The employer rates do not include the employer administrative expense fees currently set at 0.18% for both LEOFF Plan 1 and LEOFF Plan 2.

Both the Port and its employees made the required contributions. The Port's required contributions for the years ended December 31 were as follows (in thousands):

	LEOFF Plan 2 (Firefighters)	LEOFF Plan 2 (Police Officers)
2014	$ 451	$ 1,052
2013	441	1,054
2012	425	1,054

Historical trend information regarding all of these plans is presented in Washington State DRS' annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380

Internet Address: www.drs.wa.gov

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to pension benefits as described in Note 8, the Port provides other postemployment benefits ("OPEB").

Plan Descriptions—The Port administers and contributes to two single-employer defined benefit plans: (1) LEOFF Plan 1 Members' Medical Services Plan and (2) Retirees Life Insurance Plan. Under State statute RCW 41.26.150, the Port is required to pay for retired LEOFF Plan 1 members' medical services expenses. Under the Port's life insurance contract, eligible retired employees are provided with life insurance coverage for a death benefit up to $25,000. The Port can establish and amend benefit provisions of the life insurance OPEB plan. There are no separate OPEB plan related financial reports issued.

Funding Policy and Annual OPEB Costs—For the LEOFF Plan 1 Members' Medical Services Plan, the State establishes and may amend the contribution requirements of plan members and the Port. The contribution requirements of the Retirees Life Insurance Plan are established and may be amended by the Port. The Port's annual OPEB cost for the current year and the related information for each plan are as follows (in thousands):

	LEOFF Plan 1 Members' Medical Services Plan [(a)]	**Retirees Life Insurance Plan**
Contribution rates:		
Port	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution	$ 296	$ 617
Interest on net OPEB obligation	289	73
Adjustment to annual required contribution		(65)
Annual OPEB costs	585	625
Contribution made	(479)	(308)
Increase in net OPEB obligaiton	106	317
Net OPEB obligation beginning of year	7,232	1,823
Net OPEB obligation end of year	$ 7,338	$ 2,140

(a) As the LEOFF Plan 1 Members' Medical Services Plan has less than 100 plan members, the Port elected to use the Alternative Measurement Method to estimate the annual required contribution.

The schedule of employer contributions at December 31 are as follows (in thousands):

Years Ended December 31,	**Annual OPEB Costs**	**Employer Contributions**	**Percentage Contributed**	**Net OPEB Obligation**
LEOFF Plan 1 Members' Medical Services Plan				
2014	$ 585	$ 479	81.9 %	$ 7,338
2013	111	490	441.4	7,232
2012	266	459	172.6	7,611
Retirees Life Insurance Plan				
2014	$ 625	$ 308	49.3 %	$ 2,140
2013	602	312	51.8	1,823
2012	530	299	56.4	1,533

Funding Status—As of December 31, 2014, 2013, and 2012, using the Alternative Measurement Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $7,338,000, $7,232,000, and $7,611,000, respectively, all of which was unfunded.

For the Retirees Life Insurance Plan, the most recent actuarial valuation data and the two preceding actuarial valuation data with funding progress were as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2013	$	$ 8,547	%	$ 8,547	$ 83,831	10.2 %
1/1/2011		7,613		7,613	71,108	10.7
11/1/2009		7,480		7,480	78,331	9.5

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth rate and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the LEOFF Plan 1 Members' Medical Services Plan, the following simplified assumptions were made when the Alternative Measurement Method was used:

- *Mortality*—Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 63, No. 7, November 6, 2014. The Life Table for Males: U.S. 2010 was used.

- *Healthcare cost trend rate*—The expected rate of increase in healthcare expenditure was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.6% was used initially, but was changed slightly to an average rate of 6.1% after seven years.

- *Health insurance premiums*—2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

- *Investment rate of return*—A rate of 4.0% was used, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

- *Inflation rate*—No explicit inflation rate assumption was used as this underlying assumption was already included in the investment rate of return.

Additionally, the unfunded actuarial accrued liability is not amortized as the LEOFF Plan 1 Members' Medical Services Plan is closed to new entrants and all of the plan members have retired as of December 2013.

For the Retirees Life Insurance Plan, as of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability is determined by the independent actuary using the Projected Unit Credit actuarial cost method. The actuarial assumptions included a 4.0% investment rate of return, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. No explicit inflation rate assumption was used as this underlying assumption was already included in the investment rate of return. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 30-year open period, assuming payroll growth of 3.5% per year.

10. ENVIRONMENTAL REMEDIATION LIABILITIES

The Port has identified a number of contaminated sites on Aviation, Seaport, and Real Estate properties and facilities that must be investigated for the presence of hazardous substances and remediated in compliance with Federal and State environmental laws and regulations. Some Port facilities may require asbestos abatement, and some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments and/or groundwater. In some cases, the Port has been designated by the Federal government as a Potentially Responsible Party ("PRP"), and/or by the State government as a "Potentially Liable Person" for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination. Although the Port may not bear ultimate liability for the contamination, under Federal and State law, the Port is presumptively liable as the property owner, and it is often practically and financially beneficial for the Port to take initial responsibility to manage and pay for the cleanup. In each of these matters, the Port is cooperating with the notifying agency and taking appropriate action with other parties to investigate and remediate environmental damage or contamination. Currently, it is not possible to determine the full extent of the Port's liability in these matters.

Lower Duwamish Waterway Superfund Site —The Port is one of many PRP at the Site and is a member of the Lower Duwamish Waterway Group, along with King County, the City of Seattle and the Boeing Company, that, among other remedial actions, funded the Remedial Investigation and Feasibility Study ("RI/FS"). The RI/FS study was completed and the Port's share of RI/FS costs through 2014 was $14,805,000. In November 2014, the Environmental Protection Agency ("EPA") released a Record of Decision ("ROD") for the Site cleanup remedy. The ROD included a cleanup cost estimate of $342 million (present value discounted at 2.3% based on a study completed in 2012); the current value (not discounted) is $395 million. EPA's current value ranges for the remedy is $277 million to $593 million. EPA acknowledged there is significant uncertainty as to the accuracy of this estimate. A more accurate estimate will not be available until after completion of an extensive sampling and design effort. This project will result in additional cleanup efforts as a result of future regulatory orders.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The Lower Duwamish Waterway Group, who were the parties to the RI/FS Administrative Order on Consent invited some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. At this time, 47 parties are participating in the allocation process. An allocator has been selected. Parties participating in the allocation process will share the cost of the allocator and the process. The estimated recoveries to reduce the amount of liability are unknown at this time. As of December 31, 2014, the outstanding environmental remediation liability recorded for this Site was $4,235,000.

The Port has developed a procedure consistent with current accounting rules to recognize liabilities for environmental cleanups, to the extent that such liabilities can be reasonably estimated. As of December 31, 2014 and 2013, the Port's environmental remediation liabilities were $59,256,000 and $64,511,000, respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port's environmental remediation liabilities do not include cost components that are not yet reasonably measurable. The Port's environmental remediation liabilities will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In many cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future. As of December 31, 2014 and 2013, the environmental remediation liabilities were reduced by $9,057,000 and $10,277,000, respectively, for estimated unrealized recoveries.

11. CONTINGENCIES

The Port is a defendant in various legal actions and claims. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable, and in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or results of operations of the Port. In some cases, the Port has provided adequate contingent liability.

Amounts received or receivable under grants-in-aid programs are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already received, may constitute a liability of the Port. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the Port expects such amounts, if any, to be insignificant.

In March 2014, the Port concluded its bankruptcy claim against bankrupt asbestos insulation manufacturer, W.R. Grace. The bankruptcy court awarded the Port a payment of $10,847,000, net of related legal fees and other expenses resulting from this claim. The claim was based on the costs incurred by the Port to remove asbestos fireproofing at the airport terminal more than 10 years ago. This payment was recognized as nonoperating other income (expense)—net in the Statement of Revenues, Expenses, and Changes in Net Position.

12. COMMITMENTS

The Port has made commitments for acquisition and construction as of December 31 as follows (in thousands):

	2014	2013
Funds committed:		
Airport facilities	$ 72,412	$ 29,566
Seaport terminals	5,945	670
Real Estate properties	2,439	1,278
Corporate	1,743	3,193
Total	$ 82,539	$ 34,707

In addition, as of December 31, 2014 and 2013, funds authorized by the Port, but not yet committed for all divisions amount to $227,253,000 and $188,053,000, respectively.

13. BUSINESS INFORMATION

For the Enterprise Fund's three major business activities, operations consist of Seaport terminals, Airport facilities, and Real Estate properties. Indirect costs have been allocated to Seaport terminals, Airport facilities, and Real Estate properties using various methods based on estimated hours of work, revenues plus expenses, full-time equivalent positions, and other factors.

The Port's operating revenues are derived from various sources. The Seaport's operating revenues are principally derived from the leasing of Seaport terminal facilities. The Aviation's operating revenues are derived primarily from its airline agreements, concession agreements, and other business arrangements. The Real Estate's operating revenues are primarily derived from the leasing of commercial and industrial real estate, recreational marinas, and industrial fishing terminals.

Operating revenues, as reflected in the Statement of Revenues, Expenses, and Changes in Net Position, from the Port's major sources for the years ended December 31 are as follows (in thousands):

	2014	2013	2012
Seaport Division:			
Container terminals	$ 56,693	$ 62,913	$ 64,790
Grain terminal	3,785	1,634	3,749
Industrial properties	17,509	16,371	15,279
Cruise terminals	12,993	13,216	13,051
Maritime operations	5,083	5,330	4,750
Operating grants and contract revenues	94	133	2,289
Other		31	33
Total Seaport Division operating revenues	$ 96,157	$ 99,628	$ 103,941
Aviation Division:			
Terminal	$ 137,435	$ 158,173	$ 145,197
Airfield	77,014	84,141	72,574
Public parking	57,127	52,225	49,781
Airport dining and retail	46,954	41,551	37,998
Rental car	32,496	28,472	28,327
Customer facility charges	13,608	11,367	9,745
Utilities	6,736	6,332	7,206
Commercial properties	6,638	6,089	5,700
Ground transportation	8,333	7,958	7,900
Operating grants and contract revenues	301	294	729
Other	19,437	17,409	20,866
Total Aviation Division operating revenues	$ 406,079	$ 414,011	$ 386,023
Real Estate Division:			
Recreational boating	$ 9,433	$ 9,220	$ 8,979
Fishing and commercial	2,783	2,680	2,554
Commercial properties	10,022	10,020	9,846
Conference and event centers	8,957	7,958	8,863
Other	1,118	985	1,066
Total Real Estate Division operating revenues	$ 32,313	$ 30,863	$ 31,308

Operating revenues, as reflected in the Statement of Revenues, Expenses, and Changes in Net Position, from the Port's major customers for the years ended December 31 are as follows (in thousands):

	2014	2013	2012
Seaport Division:			
Revenues	$ 61,133	$ 71,293	$ 85,722
Number of major customers	3	3	4
Aviation Division:			
Revenues	$ 138,436	$ 81,830	$ 80,400
Number of major customers	2	1	1
Total:			
Revenues	$ 199,569	$ 153,123	$ 166,122
Number of major customers	5	4	5

One major customer represented 17.5%, 15.0%, and 15.4% of total Port's operating revenues in 2014, 2013, and 2012, respectively. For Seaport Division, the revenues from its major customers accounted for 63.6%, 71.6%, and 82.5% of total Seaport operating revenues in 2014, 2013, and 2012, respectively. For Aviation Division, the revenues from its two major customers accounted for 34.1% of total Aviation operating revenues in 2014. The revenues from one major customer accounted for 19.8% and 20.8% of total Aviation operating revenues in 2013 and 2012, respectively. For the year ended December 31, 2014, operating revenue associated with one of the Aviation Division's customers exceeded 10% due to an increase in demand for gates and terminal facilities as the Airport is used as an international hub. No single major customer represents more than 10% of Real Estate Division operating revenues in 2014, 2013, and 2012.

Operating expenses, as reflected in the Statement of Revenues, Expenses, and Changes in Net Position, from the Port's major functions by division for the years ended December 31 are as follows (in thousands):

	2014	2013	2012
Seaport Division:			
Operations and maintenance	$ 25,399	$ 27,499	$ 28,587
Administration	8,640	13,292	12,516
Law enforcement	3,451	3,588	3,597
Total Seaport Division operating expenses	$ 37,490	$ 44,379	$ 44,700
Aviation Division:			
Operations and maintenance	$ 170,632	$ 171,419	$ 164,741
Administration	42,502	36,967	34,999
Law enforcement	17,571	17,534	16,825
Total Aviation Division operating expenses	$ 230,705	$ 225,920	$ 216,565
Real Estate Division:			
Operations and maintenance	$ 33,292	$ 28,693	$ 29,207
Administration	4,322	4,275	4,123
Law enforcement	2,196	2,294	2,195
Total Real Estate Division operating expenses	$ 39,810	$ 35,262	$ 35,525

Statement of Revenues, Expenses, and Changes in Net Position by division for the years ended December 31 are as follows (in thousands):

	2014	2013	2012 (Restated)
Seaport Division:			
Net operating income before depreciation	$ 58,667	$ 55,249	$ 59,241
Depreciation	33,154	34,832	34,842
Operating income	25,513	20,417	24,399
Nonoperating income (expense):			
Ad valorem tax levy revenues	31,694	55,353	47,936
Noncapital grants and donations	7,059	1,978	762
Investment income (loss)—net	3,706	(386)	2,262
Revenue bonds interest expense	(11,947)	(12,664)	(13,830)
General obligation bonds interest expense	(8,384)	(9,841)	(11,930)
Public expense	(3,671)	(2,304)	(8,258)
Environmental expense—net	(9,895)	(2,305)	(475)
Other expense—net	(3,188)	(7,880)	(702)
Total nonoperating income—net	5,374	21,951	15,765
Income before capital contributions	30,887	42,368	40,164
Capital contributions	2,707	3,762	9,817
Increase in net position in Seaport Division	$ 33,594	$ 46,130	$ 49,981
Aviation Division:			
Net operating income before depreciation	$ 175,374	$ 188,091	$ 169,458
Depreciation	123,579	126,761	122,600
Operating income	51,795	61,330	46,858
Nonoperating income (expense):			
Ad valorem tax levy revenues	7,521	4,685	14,117
Passenger facility charge revenues	69,803	64,661	62,385
Customer facility charge revenues	19,889	20,389	20,577
Fuel hydrant facility revenues	6,935	7,417	8,123
Noncapital grants and donations	1,679	715	1,000
Investment income (loss)—net	7,399	(704)	5,833
Revenue bonds, capital appreciation bond, and fuel hydrant special facility revenue bonds interest expense	(95,017)	(100,581)	(107,288)
PFC revenue bonds interest expense	(5,906)	(6,211)	(6,503)
Public expense	(3,183)	(1,765)	(14,617)
Environmental income (expense)—net	232	(279)	(14,106)
Other income (expense)—net	5,136	(1,596)	(11,538)
Total nonoperating income (expense)—net	14,488	(13,269)	(42,017)
Income before capital contributions	66,283	48,061	4,841
Capital contributions	12,933	16,620	20,898
Increase in net position in Aviation Division	$ 79,216	$ 64,681	$ 25,739

(Continued)

	2014	2013	2012 (Restated)
Real Estate Division:			
Net operating loss before depreciation	$ (7,497)	$ (4,399)	$ (4,217)
Depreciation	9,599	9,779	9,835
Operating loss	(17,096)	(14,178)	(14,052)
Nonoperating income (expense):			
Ad valorem tax levy revenues	33,586	12,700	10,625
Noncapital grants and donations	1,346	416	994
Investment income (loss)—net	97	(17)	76
Revenue bonds interest expense	(1,945)	(2,095)	(2,210)
General obligation bonds interest expense	(1,091)	(1,638)	(2,147)
Public expense		(2,143)	
Environmental income (expense)—net	521	(2,181)	99
Other (expense) income—net	(104)	9,122	(18,561)
Total nonoperating income (expense)—net	32,410	14,164	(11,124)
Income (loss) before capital contributions	15,314	(14)	(25,176)
Capital contributions	1,107	1,000	
Increase (decrease) in net position in Real Estate Division	$ 16,421	$ 986	$ (25,176)

(Concluded)

Total assets and debt, as reflected in the Statement of Net Position, by division as of December 31 are as follows (in thousands):

	2014	2013
Seaport Division:		
Current, long-term, and other assets	$ 310,235	$ 351,992
Land, facilities, and equipment—net	1,155,333	1,178,164
Construction work in progress	8,129	6,730
Total assets	$ 1,473,697	$ 1,536,886
Debt	$ 598,712	$ 644,694
Aviation Division:		
Current, long-term, and other assets	$ 585,936	$ 647,446
Land, facilities, and equipment—net	3,903,885	3,910,208
Construction work in progress	90,686	69,083
Total assets	$ 4,580,507	$ 4,626,737
Debt	$ 2,439,225	$ 2,547,265
Real Estate Division:		
Current, long-term, and other assets	$ 120,658	$ 89,088
Land, facilities, and equipment—net	297,441	297,021
Construction work in progress	899	1,577
Total assets	$ 418,998	$ 387,686
Debt	$ 74,044	$ 108,612

14. WAREHOUSEMEN'S PENSION TRUST FUND

In late 2002, the Port terminated all warehousing operations at Terminal 106 following the departure of the principal customer operating at the facility. Prior to closing the warehouse, the Port had provided pension and health benefits to represented employees under a Collective Bargaining Agreement with Local #9 of the International Longshore and Warehouse Union. The benefits were administered by two separate trusts, the Warehousemen's Pension Trust and the Local #9 Health & Welfare Trust. The Port made quarterly contributions to each trust in an amount sufficient to provide the required contractual benefits and the trusts were jointly administered by trustees appointed by both Local #9 and the Port.

Upon expiration of the contract with Local #9, the Port ceased making contributions to the Health and Welfare Trust and provided employees with the ability to maintain their health coverage by self-paying premiums through the Port's health care plan. The Port also ceased making contributions to the Warehousemen's Pension Trust.

On May 25, 2004, the Port became the sole administrator for the Warehousemen's Pension Plan and Trust (the "Plan") and commenced contributions to the Plan. The Plan is a governmental plan maintained and operated solely by the Port as a single-employer defined benefit plan.

Since its closing in 2002, the Warehouseman's Pension Plan became a frozen plan, where no new members were accepted. The only members of the Plan are retirees and beneficiaries receiving benefits as well as terminated members who have a vested right to a future benefit under the Plan.

Summary of Accounting Policies

Basis of accounting—The financial statements are prepared using the accrual basis of accounting. Port contributions are recognized in the period in which the contributions are made. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Investments—Investments, 100% in mutual funds, are reported at fair value. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates.

Plan Description

Plan administration—The administration and operation of the Plan is vested in a three-member Board of Trustees from the Port. The Board of Trustees has the authority to amend this Plan as they may determine. However, an amendment may not decrease a Plan member's accrued benefit.

The Plan provides that only service credited and compensation earned prior to April 1, 2004, shall be utilized to calculate benefits under the Plan. There are no separate financial statements of the Plan issued.

Membership of the Plan consisted of the following at December 31.

	2014	**2013**
Retirees and beneficiaries receiving benefits	144	147
Terminated plan members entitled to but not yet receiving benefits	45	52
Total	189	199

Vesting and benefits provided—The Plan provides normal, early and disability retirement benefits, as well as a preretirement death benefit or survivor annuity for a surviving spouse. The Plan provides a single life annuity and a 50% or 75% joint and survivor benefit for married participants. Retirement benefit amounts are calculated based on the number of years of credited service multiplied by a tiered monthly benefit rate established in the Plan document within a range of $20 to $100. For Plan members who terminated employment prior to January 1, 1992, normal retirement age with full benefit is 65 with at least five years of credited service. Effective January 1, 1992, normal retirement age with full benefit is 62 after completing five years or more of credited service. Plan members who are age 55 and have completed 10 years of credited service may elect an early retirement, with benefits reduced by a quarter of one percentage for each month the early retirement date precedes the normal retirement date. However, a Plan member with 30 years of credited service may retire at age 55 without a reduction in benefits. A Plan member who is disabled with 15 years of credited service is eligible for disability retirement. If the disabled Plan member is age 55, the disability retirement benefit shall be the normal retirement benefit, or the benefit shall be the normal retirement benefit earned to the disability retirement date, reduced by 5/12 of one percentage for each month the disability retirement date precedes the month the Plan member attains the age of 55.

Contributions—The Port agrees to maintain and contributes funds to the Plan in an amount sufficient to pay the vested accrued benefits of participating members and the beneficiaries when the benefits become due. Members do not make contributions. The Board of Trustees establishes the employer's contribution amount based on an actuarially determined contribution recommended by an independent actuary.

Investments

Investment policy—The Plan's investment policy in regard to the allocation of the invested assets is established and may be amended by the Board of Trustees. The policy allows the Plan to invest in contracts with insurance companies that are rated no lower than A by at least two major rating agencies. The Plan is allowed to invest in commercial paper with A1/P1 rating. Certificates of deposit or banker's acceptances can only be purchased from domestic banks with net worth in excess of $2 billion and which satisfy tier 1 and tier 2 capital requirements. Bank deposits or short-term investment accounts must be maintained by the Plan's custodian. Repurchase agreements can only be entered with Federal Reserve reporting dealers and maintained in accordance with Federal Reserve guidelines. Only U.S. registered mutual funds or ERISA-qualified commingled funds whose investment strategies and governing documents have been reviewed and approved by the Board of Trustees can be purchased. The Plan's investment policy allows for 30% plus or minus 5% of the portfolio to be invested in domestic equities securities, 30% plus or minus 5% of the portfolio to be invested in international equities securities, and 40% plus or minus 5% of the portfolio to be invested in fixed income securities.

Interest rate risk—Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. In general, the longer the duration of an investment, the greater sensitivity of its fair value to changes in market interest rates. Through its investment policy, the Plan manages its exposure to fair value losses from increasing interest rates by investing in a diversified portfolio of index fund and professionally managed mutual funds. For the fixed income mutual funds, the Plan manages its exposure to change in interest rates by investing in intermediate-term bonds. As of December 31, 2014 and 2013, the average duration for Vanguard Bond Market Index Fund was 5.6 years and 5.5 years, respectively. As of December 31, 2014 and 2013, the average duration for Dodge and Cox Fixed Income Fund was 4.1 years and 4.4 years, respectively.

Credit risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the assignment of rating by nationally recognized rating agencies. As of December 31, 2014 and 2013, the Vanguard Bond Market Index Fund was rated at three stars by Morningstar Credit Ratings, LLC. As of December 31, 2014 and 2013, the Dodge and Cox Fixed Income Fund was rated at four stars by Morningstar Credit Ratings, LLC.

Foreign currency risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan had $2,675,000 and $2,926,000 in international equity mutual funds that were invested in foreign securities as of December 31, 2014 and 2013, respectively.

Rate of return—For the year ended December 31, 2014, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 4.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Employer's Net Pension Liability

The components of the net pension liability at December 31, 2014, were as follows:

Total pension liability	$ 21,124
Plan fiduciary net position	(9,984)
Net pension liability	$ 11,140
Plan fiduciary net position as a percentage of total pension liability	47.3%

Actuarial assumptions—The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the Entry Age Normal Cost Method and the following actuarial assumptions, applied to all periods included in the measurement:

- *Mortality*—Life expectancies were based on mortality table from the RP-2000 Blue Collar Combined Healthy Mortality Table projected to 2020 with Scale AA.

- *Investment rate of return*—A rate of 6.5% was used, which is the long-term expected rate of return on the Plan's investment, net of plan investment expense and including inflation. This rate was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the Plan's Board of Trustees after considering input from the Plan's investment consultant and actuary.

  For each major asset class that is included in the Plan's target asset allocation as of December 31, 2014, these best estimates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity mutual fund	5.6 %
International equity mutual fund	6.2
Fixed income mutual fund	0.8
Cash	0.0

- *Discount rate*—A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the long-term expected rate of return on the Plan's investments at 6.5%. The projection of cash flows used to determine this single discount rate assumed the employer contributions will be made at the actuarially determined contribution rates in accordance with the Port's long-term funding policy. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate—The following presents the net pension liability of the Plan, calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

	1% Decrease (5.5%)	**Current Discount Rate (6.5%)**	**1% Increase (7.5%)**
Net pension liability	$ 12,942	$ 11,140	$ 9,590

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
WAREHOUSEMEN'S PENSION TRUST FUND

Current Year
(in thousands)

Fiscal Year	**2014** [(a)]
Total pension liability	
Interest expense	$ 1,384
Difference between expected and actual experience	(512)
Benefit payments	(2,091)
Net change in total pension liability	(1,219)
Total pension liability—beginning	22,343
Total pension liability—ending	$ 21,124
Plan fiduciary net position	
Employer contributions	$ 1,500
Net investment income	408
Benefit payments	(2,091)
Administrative expense	(45)
Professional fees	(66)
Net change in plan fiduciary net position	(294)
Plan fiduciary net position—beginning	10,278
Plan fiduciary net position—ending	$ 9,984
Net pension liability	
Total pension liability—ending	$ 21,124
Plan fiduciary net position—ending	(9,984)
Net pension liability—ending	$ 11,140
Plan fiduciary net position as a percentage of total pension liability	47.3%
Covered payroll [(b)]	n/a

(a) This schedule is presented prospectively starting fiscal year ending 2014, coinciding with the implementation of GASB Statement No. 67 in fiscal year 2014.
(b) Annual covered payroll was not applicable as the operation was terminated in 2002.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
WAREHOUSEMEN'S PENSION TRUST FUND
Last Ten Fiscal Years
(in thousands)

Years Ended December 31,	Actuarially Determined Contribution [(a)]	Actual Contribution	Contribution (Excess) Deficiency
2014	$ 1,201	$ 1,500	$ (299)
2013	1,304	1,500	(196)
2012	1,456	1,500	(44)
2011	1,412	1,500	(88)
2010	1,505	1,500	5
2009	1,659	1,500	159
2008	1,290	1,500	(210)
2007	1,325	1,500	(175)
2006	1,437	1,500	(63)
2005	1,456	1,000	456

(a) Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

SCHEDULE OF INVESTMENT RETURNS
WAREHOUSEMEN'S PENSION TRUST FUND
Current Year

Year Ended December 31, [(a)]	Annual money-weighted rate of return, net of investment expense
2014	4.1%

(a) This schedule is presented prospectively starting fiscal year ending 2014, coinciding with the implementation of GASB Statement No. 67 in fiscal year 2014.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
WAREHOUSEMEN'S PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

Changes of benefit terms—There were no benefit changes during the year.

Methods and assumptions used in calculations of actuarially determined contributions—The actuarially determined contribution rates in the schedule are calculated as of December 31, 2014. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Investment rate of return	6.5%
Discount rate	6.5%
Retirement age	100% assumed retirement at earliest eligibility age–age 55 for members with at least 10 years of service and age 62 for members with less than 10 years of service
Mortality	RP-2000 Blue Collar Combined Healthy Mortality Table projected to 2020 with Scale AA

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STATISTICAL SECTION

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PORT OF SEATTLE

STATISTICAL SECTION NARRATIVE AND SCHEDULES

This section of the Port's comprehensive annual financial report contains detailed information as a context for understanding what the information in the financial statements and note disclosures present about the Port's overall financial health. Unless otherwise noted, the information in this section is derived from the annual financial reports for the relevant year.

CONTENTS

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the Port's financial performance and well-being has changed over time. The schedules are presented from the Enterprise Fund perspective. Schedules included are:

Schedule 1 – Net Position by Component, Last Ten Fiscal Years

Schedule 2 – Changes in Net Position, Last Ten Fiscal Years

REVENUES CAPACITY

These schedules contain information to help the reader assess the Port's major revenues source, the Aviation Division, its operating revenues, principal customers, landed weight and landing fees. Schedules included are:

Schedule 3 – Aviation Division Operating Revenues by Source, Last Nine Fiscal Years

Schedule 4 – Aviation Division Principal Customers, Current Year and Nine Years Ago

Schedule 5 – Aviation Division Landed Weight and Landing Fees, Last Nine Fiscal Years

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the Port's current levels of outstanding debt and the Port's ability to issue additional debt in the future. Details regarding outstanding debt can be found in the notes to the financial statements. Schedules included are:

Schedule 6 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Schedule 7 – Ratios of General Obligation (GO) Bonds, Last Ten Fiscal Years

Schedule 8 – Computation of Direct and Overlapping General Obligation Debt, as of December 31, 2014

Schedule 9 – Revenue Bonds Coverage by Type, Last Ten Fiscal Years

Schedule 10 – Legal Debt Margin Information, Last Ten Fiscal Years

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place. Schedules included are:

Schedule 11 – Demographic Statistics, Last Ten Fiscal Years

Schedule 12 – Principal Employers of Seattle, Current Year and Nine Years Ago

Schedule 13 – Assessed Value and Estimated Actual Value of Taxable Property and Direct and Overlapping Property Tax Rates Per $1,000 of Assessed Value, Last Ten Fiscal Years

Schedule 14 – Port of Seattle's Property Tax Levies and Collections, Last Ten Fiscal Years

Schedule 15 – King County Principal Property Taxpayers, Current Year and Nine Years Ago

OPERATING INFORMATION

These schedules contain information about the Port's operations and resources to help the reader understand how the Port's financial information relates to the services it provides and the activities it performs. Schedules included are:

Schedule 16 – Seattle-Tacoma International Airport Enplaned Passengers Level, Last Ten Fiscal Years

Schedule 17 – Seattle-Tacoma International Airport Aircraft Operations Level, Last Ten Fiscal Years

Schedule 18 – Seattle-Tacoma International Airport Air Cargo Level, Last Ten Fiscal Years

Schedule 19 – Port of Seattle Containers Volumes, Last Ten Fiscal Years

Schedule 20 – Port of Seattle Grain and Other Bulk Volumes, Last Ten Fiscal Years

Schedule 21 – Port of Seattle Cruise Traffic, Last Ten Fiscal Years

Schedule 22 – Number of Port of Seattle Employees by Division, Last Ten Fiscal Years

Schedule 23 – Capital Assets Information—Seaport and Real Estate Facilities, Last Ten Fiscal Years

Schedule 24 – Capital Assets Information—Seattle-Tacoma International Airport, Last Ten Fiscal Years

Schedule 1
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year	Net investment in capital assets	Restricted	Unrestricted	Total net position
2014	$ 2,424,133	$ 245,767	$ 506,422	$ 3,176,322
2013	2,299,824	236,508	512,203	3,048,535
2012 (a)	2,263,999	208,829	464,275	2,937,103
2011 (a)	2,328,751	135,664	421,296	2,885,711
2010	2,248,793	127,308	428,273	2,804,374
2009	2,240,259	104,893	406,751	2,751,903
2008 (b)	2,236,171	68,796	334,947	2,639,914
2007	2,107,104	93,486	289,390	2,489,980
2006	2,073,384	45,299	165,873	2,284,556
2005	1,960,209	21,580	101,747	2,083,536

(a) In 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* by restating the financial statements for 2011 and 2012. The restatement included primarily the write-off of deferred finance costs as of January 1, 2011, except for a portion related to prepaid insurance costs and surety costs.

(b) In 2008, beginning balance of net position was restated due to the adoption of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* which required the environmental remediation liability to be re-measured at the beginning of January 1, 2008.

Schedule 2
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year	2014	2013	2012 (b)	2011 (b)	2010
OPERATING REVENUES:					
Services	$ 195,364	$ 190,662	$ 195,816	$ 185,967	$ 174,562
Property rentals	325,219	342,093	312,739	295,331	284,898
Customer facility charge revenues	13,608	11,367	9,745		
Operating grants and contract revenues	747	856	3,406	1,874	3,119
Total operating revenues	534,938	544,978	521,706	483,172	462,579
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	229,323	227,611	222,535	195,200	188,678
Earthquake repair expenses—net of recoveries					
Administration	56,794	55,962	53,018	50,293	44,837
Law enforcement	23,217	23,416	22,616	21,923	19,949
Total operating expenses before depreciation	309,334	306,989	298,169	267,416	253,464
NET OPERATING INCOME BEFORE DEPRECIATION	225,604	237,989	223,537	215,756	209,115
DEPRECIATION	166,337	171,374	167,279	158,107	160,775
OPERATING INCOME	59,267	66,615	56,258	57,649	48,340
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenues	72,801	72,738	72,678	73,179	73,125
Passenger facility charge revenues	69,803	64,661	62,385	62,358	59,744
Customer facility charge revenues	19,889	20,389	20,577	23,669	23,243
Noncapital grants and donations	10,159	3,771	3,348	8,482	12,473
Fuel hydrant facility revenues	6,935	7,417	8,123	7,683	7,911
Investment income (loss)—net	11,202	(1,107)	8,172	18,884	13,096
Revenue and capital appreciation bonds interest expense	(108,910)	(115,340)	(123,327)	(127,193)	(133,239)
Passenger facility charge revenue bonds interest expense	(5,906)	(6,212)	(6,503)	(6,467)	(10,187)
General obligation bonds interest expense	(9,475)	(11,479)	(14,078)	(15,292)	(17,463)
Public expense	(6,854)	(6,226)	(22,876)	(18,703)	(25,085)
Environmental (expense) income—net	(9,142)	(4,765)	(14,358)	(4,335)	(22,730)
Other income (expense)—net	1,272	(411)	(29,721)	5,693	(7,276)
Total nonoperating income (expense)—net	51,774	23,436	(35,580)	27,958	(26,388)
INCOME BEFORE CAPITAL CONTRIBUTIONS	111,041	90,051	20,678	85,607	21,952
CAPITAL CONTRIBUTIONS	16,746	21,381	30,714	21,180	30,519
INCREASE IN NET POSITION	127,787	111,432	51,392	106,787	52,471
TOTAL NET POSITION:					
Beginning of year	3,048,535	2,937,103	2,885,711	2,804,374	2,751,903
Restatement (b)				(25,450)	
End of year	$3,176,322	$3,048,535	$2,937,103	$2,885,711	$2,804,374

(Continued)

(a) In 2008, beginning balance of net position was restated due to the adoption of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which required the environmental remediation liability to be re-measured at the beginning of January 1, 2008.

(b) In 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* by restating the financial statements for 2011 and 2012. The restatement included primarily the write-off of deferred finance costs as of January 1, 2011, except for a portion related to prepaid insurance costs and surety costs.

Schedule 2
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year	2009	2008 [(a)]	2007	2006	2005
OPERATING REVENUES:					
Services	$ 163,983	$ 187,791	$ 168,679	$ 161,200	$ 158,462
Property rentals	274,584	286,139	279,378	273,529	247,817
Customer facility charge revenues					
Operating grants and contract revenues	3,023	1,667	1,777	4,148	6,755
Total operating revenues	441,590	475,597	449,834	438,877	413,034
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	182,995	209,960	178,957	173,297	167,238
Earthquake repair expenses—net of recoveries				(179)	2,130
Administration	43,636	44,438	38,761	33,790	31,486
Law enforcement	19,136	20,221	19,179	18,017	17,920
Total operating expenses before depreciation	245,767	274,619	236,897	224,925	218,774
NET OPERATING INCOME BEFORE DEPRECIATION	195,823	200,978	212,937	213,952	194,260
DEPRECIATION	157,068	144,208	141,588	140,190	129,788
OPERATING INCOME	38,755	56,770	71,349	73,762	64,472
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenues	75,587	75,680	68,617	62,691	62,417
Passenger facility charge revenues	59,689	60,708	61,011	59,141	56,506
Customer facility charge revenues	21,866	22,947	21,802	17,188	
Noncapital grants and donations	7,153	10,473	3,258	1,495	
Fuel hydrant facility revenues	7,845	2,926	8,054	8,077	3,491
Investment income (loss)—net	17,251	39,004	61,072	28,895	14,651
Revenue and capital appreciation bonds interest expense	(121,148)	(105,517)	(113,907)	(101,491)	(85,502)
Passenger facility charge revenue bonds interest expense	(10,956)	(11,412)	(11,844)	(12,258)	(12,604)
General obligation bonds interest expense	(15,785)	(17,059)	(15,720)	(15,754)	(12,629)
Public expense	(20,370)	(27,494)	(8,654)	(11,027)	(4,404)
Environmental (expense) income—net	(14,676)	(5,659)	(4,903)	1,361	(7,421)
Other income (expense)—net	(10,003)	848	(29,599)	(38,584)	(29,006)
Total nonoperating income (expense)—net	(3,547)	45,445	39,187	(266)	(14,501)
INCOME BEFORE CAPITAL CONTRIBUTIONS	35,208	102,215	110,536	73,496	49,971
CAPITAL CONTRIBUTIONS	76,781	52,436	94,888	127,524	109,655
INCREASE IN NET POSITION	111,989	154,651	205,424	201,020	159,626
TOTAL NET POSITION:					
Beginning of year	2,639,914	2,489,980	2,284,556	2,083,536	1,923,910
Restatement [(a)]		(4,717)			
End of year	$2,751,903	$2,639,914	$2,489,980	$2,284,556	$2,083,536

(Concluded)

Schedule 3
AVIATION DIVISION OPERATING REVENUES BY SOURCE
Last Nine Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year [a]	2014	2013	2012	2011	2010
AERONAUTICAL REVENUES:					
Terminal [b]	$ 137,435	$ 158,173	$ 145,197	$ 132,565	$ 126,595
Airfield [b]	77,014	84,141	72,574	59,607	56,647
Other	10,839	10,623	15,194	15,590	15,600
Total aeronautical revenues	225,288	252,937	232,965	207,762	198,842
NON-AERONAUTICAL REVENUES:					
Public parking	57,127	52,225	49,781	49,996	49,416
Airport dining and retail	46,954	41,551	37,998	35,404	33,765
Rental cars	32,496	28,472	28,327	30,746	30,309
Customer facility charges	13,608	11,367	9,745		
Utilities	6,736	6,332	7,206	7,695	6,408
Commercial properties	6,638	6,089	5,700	5,112	4,917
Ground transportation	8,333	7,958	7,900	7,704	4,912
Other	8,899	7,080	6,401	6,303	5,693
Total non-aeronautical revenues	180,791	161,074	153,058	142,960	135,420
TOTAL AVIATION DIVISION OPERATING REVENUES	$ 406,079	$ 414,011	$ 386,023	$ 350,722	$ 334,262

Fiscal Year [a]	2009	2008	2007	2006
AERONAUTICAL REVENUES:				
Terminal	$ 118,111	$ 125,853	$ 129,145	$ 128,957
Airfield	50,847	65,770	53,158	46,730
Other	14,091	12,165	11,742	5,748
Total aeronautical revenues	183,049	203,788	194,045	181,435
NON-AERONAUTICAL REVENUES:				
Public parking	49,688	59,111	55,463	52,617
Airport dining and retail	33,482	33,181	31,085	28,322
Rental cars	33,321	35,592	36,408	34,010
Customer facility charges				
Utilities	6,229	5,974	5,590	6,394
Commercial properties	4,703	6,013	5,313	16,888
Ground transportation	4,739	4,759	4,445	4,222
Other	5,185	5,898	5,671	5,447
Total non-aeronautical revenues	137,347	150,528	143,975	147,900
TOTAL AVIATION DIVISION OPERATING REVENUES	$ 320,396	$ 354,316	$ 338,020	$ 329,335

(a) From 2006 to 2012, significant amounts of aeronautical revenues followed the terms of the signatory airline lease and operating agreements ("SLOA II") and starting 2013, it followed the terms of the SLOA III.

(b) For 2013, terminal and airfield revenues included (1) a one-time recognition of $17,880,000, from the removal of the security fund liability when SLOA II expired, and (2) $14,304,000, straight-line rent adjustments for the lease incentive provided under SLOA III.

Schedule 4
AVIATION DIVISION PRINCIPAL CUSTOMERS
Current Year and Nine Years Ago
(in thousands)

Customer	2014 Revenues Billed	2014 Rank	2014 Percentage of Total Aviation Division Operating Revenues	2005 Revenues Billed	2005 Rank	2005 Percentage of Total Aviation Division Operating Revenues
Alaska Airlines	$ 93,576	1	23.0 %	$ 80,436	1	26.4 %
Delta Airlines [a]	44,860	2	11.0	17,137	5	5.6
United Airlines [b]	25,970	3	6.4	34,405	2	11.3
Southwest Airlines	17,256	4	4.2	15,972	6	5.2
Horizon Airlines	15,578	5	3.8	17,401	4	5.7
American Airlines	10,633	6	2.6	15,435	7	5.1
Enterprise Rent A Car	10,510	7	2.6			
Airport Management Services LLC	9,685	8	2.4			
Host International, Inc.	8,207	9	2.0	11,093	8	3.6
Avis Budget Car Rental	7,739	10	1.9			
Northwest Airlines [a]				21,747	3	7.1
Continental Arilines [b]				8,745	9	2.9
The Hertz Corporation				8,364	10	2.7
Total	$ 244,014		59.9 %	$ 230,735		75.6 %

(a) Northwest Airlines merged with Delta Airlines in 2008 and the integration was completed in 2010.
(b) Continental Airlines merged with United Airlines in 2010 and the integration was completed in 2012.

Schedule 5
AVIATION DIVISION LANDED WEIGHT AND LANDING FEES
Last Nine Fiscal Years
(in thousands, except for landing fee)

Fiscal Year [a]	Landed Weight (In pounds)	Landing Fees (Per 1,000 pounds) [b] Signatory Airlines	Non-Signatory Airlines/ Aircrafts
2014	22,500,491	$ 3.33	$ 4.16
2013	20,949,155	3.38	4.22
2012	19,986,628	3.15	3.47
2011	20,193,785	3.00	3.30
2010	19,834,101	3.00	3.30
2009	20,424,646	2.96	3.26
2008	21,565,247	2.62	2.88
2007	21,241,494	2.49	2.74
2006	20,428,565	2.43	2.67

(a) From 2006 to 2012, majority of the landing fee revenues followed the terms of the SLOA II and starting 2013 it followed the terms of the SLOA III.
(b) During 2006 to 2012, landing fee rates for each year were based on billed landing fee revenues as of the last day of each preceding fiscal year. Starting 2013, landing fee rates were based on the settlement calculations for the year following the terms of the SLOA III.

Schedule 6
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(in thousands, except for Total Debt Per Capita)

Fiscal Year	General obligation bonds [(a)]	Revenue and capital appreciation bonds [(a)]	Commercial paper	Passenger facility charge revenue bonds [(a)]	Fuel hydrant special facility revenue bonds [(a)]	Total Debt
2014	$ 235,159	$ 2,600,350	$ 42,655	$ 140,840	$ 92,977	$ 3,111,981
2013	295,175	2,712,465	42,655	153,626	96,650	3,300,571
2012	322,056	2,803,806	42,655	166,106	101,114	3,435,737
2011	348,157	2,853,488	42,655	178,300	103,903	3,526,503
2010	344,742	2,828,657	94,305	190,556	106,564	3,564,824
2009	368,416	2,726,162	156,800	200,149	109,132	3,560,659
2008	391,205	2,482,178	153,540	209,751	111,684	3,348,358
2007	413,188	2,539,777	186,250	218,909	118,186	3,476,310
2006	434,374	2,350,948	160,575	227,647	120,506	3,294,050
2005	397,566	2,397,891	70,210	235,981	122,723	3,224,371

Fiscal Year	Ratio of Total Debt to Personal Income [(b)]	Total Debt Per Capita [(c)]
2014	2.4 %	1,543
2013	2.6	1,665
2012	2.8	1,756
2011	3.1	1,815
2010	3.4	1,846
2009	3.3	1,865
2008	3.1	1,777
2007	3.3	1,868
2006	3.4	1,795
2005	3.7	1,783

(a) Presented net of unamortized bond premiums and discounts.
(b) See Schedule 11 for Personal Income of King County data used in this calculation. The 2014 ratio is calculated using 2013 Personal Income figure.
(c) See Schedule 11 for Population of King County data used in this calculation (all figures are estimated with the exception of 2010, which is actual census data).

Schedule 7
RATIOS OF GENERAL OBLIGATION (GO) BONDS
Last Ten Fiscal Years
(in thousands, except for GO Bonds Per Capita)

Fiscal Year	GO Bonds [a]	Percentage of GO Bonds to the Assessed Value of Taxable Property [b]	GO Bonds Per Capita [c]
2014	$ 235,159	0.1 %	$ 117
2013	295,175	0.1	149
2012	322,056	0.1	165
2011	348,157	0.1	179
2010	344,742	0.1	179
2009	368,416	0.1	193
2008	391,205	0.1	208
2007	413,188	0.1	222
2006	434,374	0.2	237
2005	397,566	0.2	220

(a) Presented net of unamortized bond premiums and discounts.
(b) See Schedule 13 for assessed value of taxable property data.
(c) See Schedule 11 for Population of King County data used in this calculation (all figures are estimated; except 2010 figures are actual census data).

Schedule 8
COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT
As of December 31, 2014
(in thousands)

Governmental Unit	Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Direct and Overlapping Debt
Port of Seattle	$ 225,420	100.0 %	$ 225,420
Estimated Overlapping General Obligation Debt:			
King County	826,768	100.0	826,768
Cities and Towns	1,624,691	98.8	1,605,461
School Districts	3,441,418	96.1	3,308,586
Other	420,775	99.4	418,040
Total Estimated Overlapping Debt			6,158,855
Total Direct and Estimated Overlapping Debt			$ 6,384,275

(a) As general obligation debt is repaid with property taxes, the percentage of overlapping general obligation debt applicable to the Port is estimated using taxable assessed property values. Applicable percentages were estimated by ratio of assessed valuation of property in overlapping unit subject to taxation in reporting unit to total valuation of property subject to taxation in reporting unit.

Source: King County Financial Management Section

Schedule 9

REVENUE BONDS COVERAGE BY TYPE

Last Ten Fiscal Years

(in thousands, except for revenue coverage ratios)

Fiscal Year	2014	2013	2012	2011	2010
Gross revenues available for revenue bond debt service [(a)]	$ 521,330	$ 533,611	$ 517,561	$ 480,095	$ 460,026
Operating expenses [(b)]	309,334	306,989	298,169	267,416	253,464
Less: Operating expenses paid from other than gross revenues	(7,178)	(6,331)	(6,538)	(957)	(442)
Less: Port general purpose tax levy	(19,083)	(33,265)	(32,116)	(33,889)	(32,407)
Adjusted operating expenses	283,073	267,393	259,515	232,570	220,615
Nonoperating revenues—net [(c)]	15,580	13,539	2,837	4,993	4,642
Net revenues available for first lien debt service	$ 253,837	$ 279,757	$ 260,883	$ 252,518	$ 244,053
Debt service on first lien bonds	$ 61,214	$ 80,673	$ 107,580	$ 116,365	$ 126,843
Coverage on first lien bonds	4.15	3.47	2.43	2.17	1.92
Net revenues available for intermediate lien debt service	$ 192,623	$ 199,084	$ 153,303	$ 136,153	$ 117,210
Add: Prior lien debt service offset paid by PFC revenues [(d)]	1,893	3,971	14,814	23,524	21,646
Add: Prior lien debt service offset paid by CFC revenues [(e)]	19,632	19,667	19,689	19,443	19,042
Available intermediate lien revenues as first adjusted	$ 214,148	$ 222,722	$ 187,806	$ 179,120	$ 157,898
Debt service on intermediate lien bonds —gross of debt service offsets	$ 145,522	$ 127,029	$ 79,222	$ 54,744	$ 42,747
Less: Debt service offsets paid from PFC revenues [(d)]	(29,730)	(28,640)	(15,783)	(10,249)	(9,332)
Intermediate lien debt service—net of debt service offsets	$ 115,792	$ 98,389	$ 63,439	$ 44,495	$ 33,415
Coverage on intermediate lien bonds	1.85	2.26	2.96	4.03	4.73
Net revenues available for subordinate lien debt service	$ 98,356	$ 124,333	$ 124,367	$ 134,625	$ 124,483
Debt service on subordinate lien bonds [(f)]	$ 5,836	$ 6,234	$ 19,187	$ 24,451	$ 28,273
Coverage on subordinate lien bonds [(f)]	16.85	19.94	6.48	5.51	4.40

(Continued)

(a) Gross revenues represent total operating revenues adjusted for Customer Facility Charges ("CFCs") and Passenger Facility Charges ("PFCs") revenues as they are not legally available to pay debt service on all revenue bonds. For 2013, gross revenues included (1) a one-time recognition of revenue, $17,880,000, from the removal of security fund liability upon the expiration of SLOA II, and (2) $14,304,000, straight-line rent adjustments for the lease incentive provided under SLOA III.

(b) Operating expenses are adjusted for certain operating expenses paid with revenues derived from sources other than gross revenues such as consolidated rental car facility related operating expenses paid from CFCs, and the portion of the operating expenses paid from ad valorem tax levy.

(c) Nonoperating revenues—net is adjusted for the following: Interest expense, income that is not legally available to be pledged for revenue bonds debt service such as PFCs, CFCs, tax levy, fuel hydrant facility revenues, donations for capital purposes, grants for capital projects, and monies received and used for capital projects owned by other government entities ("public expense projects"). Certain non-cash items are adjusted to a cash basis such as gains or losses on sale of assets and environmental expense.

(d) During 2008, the Port implemented using PFCs revenues toward other specific revenue bonds debt service related to eligible projects. The Port, as authorized by the Federal Aviation Administration ("FAA"), has the authority to use PFCs to pay: (i) debt service on bonds secured solely with PFCs; (ii) eligible projects costs (definitions, terms and conditions are set by the FAA), and (iii) revenue bonds debt service related to PFCs eligible projects. Historically, the Port used PFCs to pay PFCs debt service and to pay eligible projects costs.

(e) Washington State law provides for the Port's authority to impose CFCs on rental car transactions at the Airport. CFCs may only be used to pay costs associated with the consolidated rental car facility including the payment of debt service on bonds issued to fund the facility. During 2009, the Port began using CFCs to pay debt service on related bonds.

(f) Starting in 2009, the Port used PFCs to pay eligible subordinate lien debt service and associated debt fees. However, such amounts are not permitted offsets in the legal coverage calculation on subordinate lien bonds.

Source: Port of Seattle's Schedule of Net Revenue Available for Revenue Bond Debt Service.

Schedule 9
REVENUE BONDS COVERAGE BY TYPE
Last Ten Fiscal Years
(in thousands, except for revenue coverage ratios)

Fiscal Year	2009	2008	2007	2006	2005
Gross revenues available for revenue bond debt service [a]	$ 440,845	$ 477,810	$ 449,281	$ 438,325	$ 412,481
Operating expenses [b]	245,767	274,619	236,897	224,558	218,774
Less: Operating expenses paid from other than gross revenues	8	(374)			
Less: Port general purpose tax levy	(34,533)	(34,712)	(27,928)	(23,828)	(24,232)
Adjusted operating expenses	211,242	239,533	208,969	200,730	194,542
Nonoperating revenues—net [c]	13,618	45,577	12,973	17,065	14,184
Net revenues available for first lien debt service	$ 243,221	$ 283,854	$ 253,285	$ 254,660	$ 232,123
Debt service on first lien bonds	$ 107,374	$ 88,467	$ 87,640	$ 87,876	$ 84,614
Coverage on first lien bonds	2.27	3.21	2.89	2.90	2.74
Net revenues available for intermediate lien debt service	$ 135,847	$ 195,387	$ 165,645	$ 166,784	$ 147,509
Add: Prior lien debt service offset paid by PFC revenues [d]	22,116	10,125			
Add: Prior lien debt service offset paid by CFC revenues [e]	5,847				
Available intermediate lien revenues as first adjusted	$ 163,810	$ 205,512	$ 165,645	$ 166,784	$ 147,509
Debt service on intermediate lien bonds —gross of debt service offsets	$ 34,640	$ 22,330	$ 14,079	$ 7,269	$ 2,167
Less: Debt service offsets paid from PFC revenues [d]	(8,197)				
Intermediate lien debt service—net of debt service offsets	$ 26,443	$ 22,330	$ 14,079	$ 7,269	$ 2,167
Coverage on intermediate lien bonds	6.19	9.20	11.77	22.94	68.07
Net revenues available for subordinate lien debt service	$ 137,367	$ 183,182	$ 151,566	$ 159,515	$ 145,342
Debt service on subordinate lien bonds [f]	$ 34,949	$ 41,511	$ 42,006	$ 39,067	$ 27,813
Coverage on subordinate lien bonds [f]	3.93	4.41	3.61	4.08	5.23

(Concluded)

Schedule 10
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(in thousands)

Legal Debt Limitation Calculation for Fiscal Year 2014 (Statutory Debt Limitation)

Assessed Value of Taxable Property for 2014 [a]	$ 340,643,616
Debt Limit (nonvoted debt, including limited tax general obligation bonds)	
0.25% of assessed value of taxable property [b]	$ 851,609
Less: Outstanding Limited Tax General Obligation Bonds	(225,420)
Non-voted General Obligation Debt Margin	$ 626,189
Debt Limit, Total General Obligation Debt	
0.75% of assessed value of taxable property [b]	$ 2,554,827
Less: Total Limited Tax General Obligation Bonds	(225,420)
Voted General Obligation Debt Margin	$ 2,329,407

	Non-voted general obligation			
Fiscal Year	Debt Limit	Less: Total debt applicable to the debt limit	Debt Margin	Debt margin as a percentage of the debt limit
2014	$ 851,609	$ (225,420)	$ 626,189	73.5 %
2013	786,866	(283,815)	503,051	63.9
2012	798,652	(312,005)	486,647	60.9
2011	826,037	(336,120)	489,917	59.3
2010	854,929	(335,500)	519,429	60.8
2009	967,224	(357,315)	609,909	63.1
2008	852,489	(378,065)	474,424	55.7
2007	746,888	(397,835)	349,053	46.7
2006	676,428	(416,645)	259,783	38.4
2005	622,279	(380,225)	242,054	38.9

	Voted general obligation			
Fiscal Year	Debt Limit	Less: Total debt applicable to the debt limit	Debt Margin	Debt margin as a percentage of the debt limit
2014	$ 2,554,827	$ (225,420)	$ 2,329,407	91.2 %
2013	2,360,597	(283,815)	2,076,782	88.0
2012	2,395,957	(312,005)	2,083,952	87.0
2011	2,478,112	(336,120)	2,141,992	86.4
2010	2,564,786	(335,500)	2,229,286	86.9
2009	2,901,673	(357,315)	2,544,358	87.7
2008	2,557,466	(378,065)	2,179,401	85.2
2007	2,240,664	(397,835)	1,842,829	82.2
2006	2,029,283	(416,645)	1,612,638	79.5
2005	1,866,838	(380,225)	1,486,613	79.6

(a) See Schedule 13 for assessed value of taxable property data.

(b) Under Washington law, the Port may incur general obligation indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the Port district without a vote of the electors. With the assent of three-fifths of the electors voting thereon, subject to a validation requirement, the Port may incur additional general obligation indebtedness, provided the total indebtedness of the Port at any time does not exceed three-fourths of one percent of the value of the taxable property in the Port district.

Schedule 11
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years
(in thousands)

King County

Fiscal Year	Population [a]	Personal Income [b]	Per Capita Personal Income [b]	Unemployment Rate [c]
2014	2,017	n/a	n/a	4.7 %
2013	1,982	$ 128,330,859	$ 62.7	5.2
2012	1,957	120,627,950	60.1	7.1
2011	1,943	113,922,436	57.8	8.4
2010	1,931	106,401,739	54.9	8.8
2009	1,909	109,053,408	56.9	8.0
2008	1,884	109,551,329	58.1	4.3
2007	1,861	106,805,239	57.7	3.9
2006	1,835	96,579,228	52.7	4.2
2005	1,808	86,746,632	48.2	4.8

State of Washington

Fiscal Year	Population [a]	Personal Income [b]	Per Capita Personal Income [b]	Unemployment Rate [c]
2014	7,062	$ 350,130,036	$ 49.6	6.2 %
2013	6,971	327,870,951	47.0	7.0
2012	6,818	313,212,035	45.4	8.2
2011	6,830	302,529,308	44.3	9.2
2010	6,725	292,950,106	43.6	9.6
2009	6,668	278,236,435	41.8	8.9
2008	6,588	277,397,233	42.4	5.3
2007	6,488	267,276,000	41.2	4.7
2006	6,376	240,709,000	37.8	4.9
2005	6,256	222,643,000	35.4	5.5

(a) State of Washington, Office of Financial Management (all figures are estimated with the exception of 2010, which is actual census data)
(b) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce
(c) Rates were average unemployment rates for the year obtained from Washington State, Employment Security Department, Labor Market and Economic Analysis Branch.

Schedule 12

PRINCIPAL EMPLOYERS OF SEATTLE [(a)]

Current Year and Nine Years Ago

	2014			2005		
Type of Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Professional and Business Services—*Professional, Scientific and Technical Services*	124,100	1	7.9 %	92,200	2	6.5 %
Government—*Local*	123,600	2	7.8	114,800	1	8.1
Leisure and Hospitality—*Food Services and Drinking Places*	110,300	3	7.0	90,700	3	6.4
Manufacturing—*Transportation Equipment Manufacturing*	91,100	4	5.8	73,100	6	5.2
Retail—*Unspecified*	90,400	5	5.7	75,300	5	5.3
Professional and Business Services—*Administrative and Support and Waste Management and Remediation*	82,000	6	5.2	79,400	4	5.6
Wholesale Trade	72,400	7	4.6	70,000	7	5.0
Educational and Health Services—*Ambulatory Health Care Services*	65,500	8	4.2			
Government—*State*	64,000	9	4.1	59,400	9	4.2
Finance Activities—*Finance and Insurance*	54,900	10	3.5	63,500	8	4.5
Construction—*Specialty Trade Contractors*				55,800	10	4.0
Total	878,300		55.8 %	774,200		54.8 %

(a) Total nonfarm, seasonally adjusted, as of December of each fiscal year.

Source: Washington State Employment Security Department Labor Market and Economic Analysis

Schedule 13
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY AND DIRECT AND OVERLAPPING PROPERTY TAX RATES PER $1,000 OF ASSESSED VALUE
Last Ten Fiscal Years
(in thousands, except for tax rates)

			Overlapping Property Tax Rates					
Fiscal Year	Port District Assessed Value [a]	Port of Seattle Property Tax Rates	Washington State	King County	Cities and Towns [b]	School Districts [b]	Other [c]	Total Direct and Overlapping Property Tax [d]
2014	$ 340,643,616	$ 0.22	$ 2.47	$ 1.52	$ 2.26	$ 3.76	$ 1.32	$ 11.55
2013	314,746,207	0.23	2.57	1.54	2.39	3.83	1.27	11.83
2012	319,460,937	0.23	2.42	0.90	2.35	3.60	1.78	11.28
2011	330,414,999	0.22	2.28	1.34	2.22	3.39	1.27	10.72
2010	341,971,517	0.22	2.22	1.28	2.14	3.01	1.15	10.02
2009	386,889,728	0.20	1.96	1.10	1.87	2.56	1.07	8.76
2008	340,995,440	0.22	2.13	1.21	2.02	2.65	1.13	9.36
2007	298,755,199	0.23	2.33	1.29	2.30	2.83	0.89	9.87
2006	270,571,090	0.23	2.50	1.33	2.32	2.97	0.95	10.30
2005	248,911,782	0.25	2.69	1.38	2.45	3.02	0.91	10.70

(a) Ratio of total assessed to total estimated value is 100%. Assessed value is shown net of exempt property and it is the same assessed value for King County.
(b) This is an average rate based on the total assessed value of cities and towns, and all school districts. Each city and district has its own rate.
(c) These are average rates based on the total King County rates less cities and towns, school districts, Port, County, and Washington State rates. Each district within this group has its own assessed property value and rates.
(d) This is an average rate based on total tax levies for King County and total assessed property value in King County.

Source: King County Department of Assessments Annual Reports

Schedule 14
PORT OF SEATTLE'S PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ended Dec 31	Taxes Levied for the Fiscal Year [a]	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2014	$ 73,019	$ 72,009	98.6 %		$ 72,009	98.6 %
2013	73,021	71,932	98.5	789	72,721	99.6
2012	73,015	71,879	98.4	987	72,866	99.8
2011	73,513	72,290	98.3	1,204	73,494	100.0
2010	73,505	72,141	98.1	1,351	73,492	100.0
2009	75,911	74,384	98.0	1,520	75,904	100.0
2008	75,931	74,532	98.2	1,387	75,919	100.0
2007	68,863	67,703	98.3	1,159	68,862	100.0
2006	62,806	61,702	98.2	1,104	62,806	100.0
2005	62,800	61,705	98.3	1,091	62,796	100.0

(a) Includes cancellations and supplements, and generally differs from the totals reported by King County by an immaterial amount.

Source: Port of Seattle, from King County Tax Receivables Summary

Schedule 15
KING COUNTY PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(in thousands)

Taxpayer	2014 Taxable Assessed Value	2014 Rank	2014 Percentage of Taxable Assessed Value	2005 Taxable Assessed Value	2005 Rank	2005 Percentage of Taxable Assessed Value
Microsoft	$ 3,463,942	1	1.0 %	$ 1,429,606	2	0.6 %
Boeing	3,043,914	2	0.9	2,629,884	1	1.1
Puget Sound Energy/ Gas/Electric	2,003,150	3	0.6	1,347,182	3	0.5
Alaska Airlines	864,581	4	0.3	441,939	7	0.2
AT&T Mobility LLC	677,495	5	0.2	780,962	5	0.3
Qwest Corporation Inc.	590,648	6	0.2	1,092,777	4	0.4
Kemper Development (formerly Bel Square Managers)	578,914	7	0.2			
Union Square Limited	570,514	8	0.2	373,591	9	0.2
Urban Renaissance Prop Co (formerly W2007)	506,623	9	0.1			
Kilroy Realty (Three Bellevue Center LLC)	440,554	10	0.1			
EOP				499,896	6	0.2
Bank of America				416,715	8	0.2
Martin Selig				325,269	10	0.1
Total	$ 12,740,335		3.8 %	$ 9,337,820		3.8 %

Source: King County Department of Assessments

Schedule 16
SEATTLE-TACOMA INTERNATIONAL AIRPORT ENPLANED PASSENGERS LEVEL
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Domestic Deplaned	Domestic Enplaned	Domestic Total	International Deplaned	International Enplaned	International Total	Grand Total
2014	16,851	16,824	33,675	1,930	1,892	3,822	37,497
2013	15,643	15,604	31,247	1,807	1,772	3,579	34,826
2012	14,992	14,983	29,975	1,634	1,614	3,248	33,223
2011	14,924	14,914	29,838	1,501	1,484	2,985	32,823
2010	14,381	14,364	28,745	1,398	1,410	2,808	31,553
2009	14,298	14,296	28,594	1,320	1,314	2,634	31,228
2008	14,627	14,647	29,274	1,485	1,437	2,922	32,196
2007	14,272	14,313	28,585	1,363	1,348	2,711	31,296
2006	13,754	13,764	27,518	1,252	1,227	2,479	29,997
2005	13,410	13,408	26,818	1,247	1,224	2,471	29,289

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 17
SEATTLE-TACOMA INTERNATIONAL AIRPORT AIRCRAFT OPERATIONS LEVEL
Last Ten Fiscal Years

Fiscal Year	Air Carrier	Air Taxi	General Aviation	Military/ Training	Grand Total
2014	325,425	10,813	4,113	127	340,478
2013	299,156	14,440	3,510	80	317,186
2012	291,664	14,196	3,604	133	309,597
2011	295,763	15,327	3,708	149	314,947
2010	292,016	18,562	3,262	114	313,954
2009	297,621	17,133	3,046	73	317,873
2008	306,431	34,527	4,174	110	345,242
2007	276,954	64,745	5,240	107	347,046
2006	253,507	82,147	4,296	108	340,058
2005	254,829	83,928	2,938	67	341,762

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 18
SEATTLE-TACOMA INTERNATIONAL AIRPORT AIR CARGO LEVEL
Last Ten Fiscal Years
(in metric tons)

Fiscal	Air Freight			Grand
Year	Domestic	International	Air Mail	Total
2014	161,140	107,606	50,612	319,358
2013	155,868	88,580	48,262	292,710
2012	155,221	82,090	46,300	283,611
2011	152,211	81,918	45,496	279,625
2010	152,995	85,440	44,990	283,425
2009	151,183	74,297	43,857	269,337
2008	161,854	83,499	44,852	290,205
2007	181,994	88,752	48,267	319,013
2006	203,752	85,359	52,841	341,952
2005	212,505	72,271	53,815	338,591

Source: Seattle-Tacoma International Airport Activity Reports

SCHEDULE 19
PORT OF SEATTLE CONTAINERS VOLUMES
Last Ten Fiscal Years
(in twenty-foot equivalent units, "TEUs", a measure of container volume)

Fiscal	International Containers				Total	Grand
Year	Import Full	Export Full	Empty	Total	Domestic	Total
2014	432,119	376,320	165,564	974,003	413,536	1,387,539
2013	543,146	454,615	192,820	1,190,581	373,878	1,564,459
2012	728,436	517,876	267,239	1,513,551	339,625	1,853,176
2011	768,807	604,409	323,061	1,696,277	320,862	2,017,139
2010	897,074	544,579	380,114	1,821,767	304,002	2,125,769
2009	611,850	454,757	207,562	1,274,169	300,055	1,574,224
2008	664,322	429,275	272,057	1,365,654	327,996	1,693,650
2007	810,453	498,844	314,351	1,623,648	345,010	1,968,658
2006	798,850	434,559	393,782	1,627,191	346,769	1,973,960
2005	846,311	476,800	414,490	1,737,601	337,800	2,075,401

Source: Port of Seattle Marine Terminal Information System

SCHEDULE 20
PORT OF SEATTLE GRAIN AND OTHER BULK VOLUMES
Last Ten Fiscal Years
(in metric tons)

Fiscal Year	Non-containerized break bulk	Grain	Petroleum	Molasses	Grand Total
2014	56,031	3,618,489	997,977	49,913	4,722,410
2013	64,040	1,351,417	788,419	48,240	2,252,116
2012	67,784	3,161,013	620,587	74,831	3,924,215
2011	63,642	5,026,868	862,780	48,300	6,001,590
2010	66,140	5,491,360	802,843	40,173	6,400,516
2009	63,868	5,512,164	783,618	36,936	6,396,586
2008	106,854	6,400,778	938,463	65,019	7,511,114
2007	116,571	5,333,018	1,064,744	46,648	6,560,981
2006	131,984	5,901,821	976,526	45,103	7,055,434
2005	144,280	5,049,107	874,475	36,874	6,104,736

Source: Port of Seattle Marine Terminal Information System

SCHEDULE 21
PORT OF SEATTLE CRUISE TRAFFIC
Last Ten Fiscal Years

Fiscal Year	Cruise Vessel Calls	Cruise Passengers
2014	179	823,780
2013	187	870,994
2012	202	934,900
2011	196	885,949
2010	223	931,698
2009	218	875,433
2008	210	886,039
2007	190	780,593
2006	196	751,074
2005	169	686,978

Source: Port of Seattle Records

Schedule 22
NUMBER OF PORT OF SEATTLE EMPLOYEES BY DIVISION [(a)]
Last Ten Fiscal Years

Fiscal Year	Aviation	Seaport [(b)]	Real Estate [(b)]	Other [(c)]	Economic Development [(b)]	Total
2014	856	55	174	695		1,780
2013	836	58	176	693		1,763
2012	842	56	181	681		1,760
2011	754	57	178	671		1,660
2010	727	58	162	642		1,589
2009	736	58	152	629		1,575
2008	805	59	153	668		1,685
2007	822	212		554	11	1,599
2006	790	192		558	11	1,551
2005	793	193		573	13	1,572

(a) Number of employees includes regular and temporary (both full-time and part-time employees), interns, veterans fellows, and commissioners (excluding contractors and consultants) as of the last day of each fiscal year.

(b) The Real Estate Division was formed in 2008 to allow the Seaport Division to concentrate on its core business. The Real Estate Division incorporated some employees from the Seaport Division, Corporate, and former Economic Development Division.

(c) Other includes employees assigned to the Corporate Division and Capital Development Division (CDD). The CDD, which was established in 2008, houses existing engineering, project management (previously resided in Aviation and Seaport Divisions), construction functions, and the Central Procurement Office.

Source: Port of Seattle Human Resources Database

SCHEDULE 23
CAPITAL ASSETS INFORMATION—SEAPORT AND REAL ESTATE FACILITIES
Last Ten Fiscal Years

Fiscal Year	2014	2013	2012	2011	2010
Total Property (in acres)	1,335	1,335	1,335	1,335	1,335
No. of Container Terminals (Terminal 5, 18, 30, 46) (a)	4	4	4	4	4
Size (in acres)	526	526	526	526	526
Number of berths (1,200—4,450 feet)	11	11	11	11	11
Number of container cranes (c)	24	30	30	24	24
Storage facilities (in square foot)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square foot)	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard					
Maximum capacity—in full train	14	14	14	14	14
Refrigerated capacity (in reefer plugs)	2,816	2,816	2,816	2,704	2,704
No. of Multi-Use Terminal (Terminal 91) (b)	1	1	1	1	1
Size (in acres)	212	212	212	212	212
Linear feet of berths (8,502 feet)	17	17	17	17	17
Storage facilities:					
Cold storage (in million cubic foot)	5	5	5	5	5
Dry warehouse (in square foot)	100,000	100,000	100,000	100,000	100,000
No. of Barge Terminal (Terminal 115) (b)	1	1	1	1	1
Size (in acres)	70	70	70	70	70
Number of berths (1,600 feet)	4	4	4	4	4
Warehouse capacity (in square foot)	35,000	35,000	35,000	35,000	35,000
Refrigerated capacity (in reefer plugs)	400	400	400	400	400
No. of Grain Terminal (Terminal 86) (b)	1	1	1	1	1
Size (in acres)	40	40	40	40	40
Number of berths (1,400 feet)	1	1	1	1	1
Storage capacity (in million bushels)	4	4	4	4	4
No. of Breakbulk Terminals (b)	n/a	n/a	n/a	n/a	n/a
Size (in acres)	n/a	n/a	n/a	n/a	n/a
Number of berths (400—2,100 feet)	n/a	n/a	n/a	n/a	n/a
Storage facilities (in acres)	n/a	n/a	n/a	n/a	n/a
No. of Cruise Terminals	2	2	2	2	2
Bell Street Cruise Terminal (Terminal 66)					
Size (in acres)	4	4	4	4	4
Number of berths (1,545—1,600 feet)	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) (e)					
Size (in acres)	23	23	23	23	23
Number of berths (2,400 feet)	2	2	2	2	2
Terminal 30 Cruise Facility (d)					
Size (in acres)	n/a	n/a	n/a	n/a	n/a
Number of berths (2,000 feet)	n/a	n/a	n/a	n/a	n/a

(Continued)

(a) Container Terminal 5 was vacant starting in August 2014 while the design and permitting phase of multi-year Terminal 5 Modernization project is underway. The terminal will be leased for interim uses during the duration of the project.
(b) Prior to 2009, multi-use, barge and grain terminal data was combined and reported as breakbulk terminals.
(c) Seven of the container cranes were owned by SSA Terminals during 2006 to 2011. Thirteen of the container cranes are owned by SSA Terminals since 2012. Five container cranes are owned by TTI since 2013. The six container cranes at Terminal 5 have been surplused and are no longer in use effective July 31, 2014.
(d) Terminal 30 operated as a cruise terminal from 2003 through 2008. Terminal 30 cruise facility was demolished after the 2008 cruise season, and the terminal was reactivated as a container terminal in 2009.
(e) Smith Cove Cruise Terminal is used only half of the year as a cruise terminal. Smith Cove Cruise Terminal specs are included in Terminal 91 multi-use terminal specs.

Source: Port of Seattle Records

SCHEDULE 23
CAPITAL ASSETS INFORMATION—SEAPORT AND REAL ESTATE FACILITIES
Last Ten Fiscal Years

Fiscal Year	2009	2008	2007	2006	2005
Total Property (in acres)	1,335	1,500	1,500	1,500	1,500
No. of Container Terminals (Terminal 5, 18, 30, 46) [(a)]	4	4	4	4	4
Size (in acres)	535	498	498	497	497
Number of berths (1,200—4,450 feet)	11	10	10	10	10
Number of container cranes [(c)]	24	25	26	26	22
Storage facilities (in square foot)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square foot)	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard					
Maximum capacity—in full train	14	7	7	7	7
Refrigerated capacity (in reefer plugs)	2,704	2,560	2,560	2,560	2,560
No. of Multi-Use Terminal (Terminal 91) [(b)]	1	n/a	n/a	n/a	n/a
Size (in acres)	212	n/a	n/a	n/a	n/a
Linear feet of berths (8,502 feet)	17	n/a	n/a	n/a	n/a
Storage facilities:					
Cold storage (in million cubic foot)	5	n/a	n/a	n/a	n/a
Dry warehouse (in square foot)	100,000	n/a	n/a	n/a	n/a
No. of Barge Terminal (Terminal 115) [(b)]	1	n/a	n/a	n/a	n/a
Size (in acres)	70	n/a	n/a	n/a	n/a
Number of berths (1,600 feet)	4	n/a	n/a	n/a	n/a
Warehouse capacity (in square foot)	35,000	n/a	n/a	n/a	n/a
Refrigerated capacity (in reefer plugs)	400	n/a	n/a	n/a	n/a
No. of Grain Terminal (Terminal 86) [(b)]	1	n/a	n/a	n/a	n/a
Size (in acres)	40	n/a	n/a	n/a	n/a
Number of berths (1,400 feet)	1	n/a	n/a	n/a	n/a
Storage capacity (in million bushels)	4	n/a	n/a	n/a	n/a
No. of Breakbulk Terminals [(b)]	n/a	3	3	3	3
Size (in acres)	n/a	260	260	260	260
Number of berths (400—2,100 feet)	n/a	9	9	9	9
Storage facilities (in acres)	n/a	86	86	86	86
No. of Cruise Terminals	2	2	2	2	2
Bell Street Cruise Terminal (Terminal 66)					
Size (in acres)	4	4	4	4	4
Number of berths (1,545—1,600 feet)	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) [(e)]					
Size (in acres)	23	n/a	n/a	n/a	n/a
Number of berths (2,400 feet)	2	n/a	n/a	n/a	n/a
Terminal 30 Cruise Facility [(d)]					
Size (in acres)	n/a	26	26	26	26
Number of berths (2,000 feet)	n/a	2	2	2	2

(Concluded)

SCHEDULE 24
CAPITAL ASSETS INFORMATION—SEATTLE-TACOMA INTERANTIONAL AIRPORT
Last Ten Fiscal Years

	Fiscal Year	Size/Length
Airport area (in acres)	2005 to 2014	2,800
Apron (in square foot)—Commercial Airlines	2005 to 2014	3,061,300
Runways (in feet)		
16L/34R	2005 to 2014	11,901
16C/34C	2005 to 2014	9,426
16R/34L [(a)]	2008 to 2014	8,500
Rental Car Facility (in square foot) [(b)]	2012 to 2014	2,100,000

Fiscal Year	2014	2013	2012	2011	2010
Terminal (in square foot)					
Airlines	1,126,510	1,107,166	1,226,044	1,219,955	1,219,955
Tenants	332,364	331,433	291,071	253,673	253,673
Port Occupied	239,069	236,390	299,226	249,544	249,544
Public/Common	930,209	926,927	811,664	867,410	867,410
Mechanical	497,941	517,805	495,009	529,734	529,734
Total	3,126,093	3,119,721	3,123,014	3,120,316	3,120,316
Number of passenger gates	79	78	79	79	79
Number of Port owned loading bridges	54	59	56	48	48
Parking (spaces assigned)					
Short-term, Long-term, and Employees	11,952	11,952	10,394	9,641	9,641
Rental Cars [(b)]				3,276	3,276
Total	11,952	11,952	10,394	12,917	12,917
Other offsite parking (spaces assigned)					
Economy	1,620	1,620	1,620	1,620	1,620
Employees	4,091	4,091	4,091	4,091	4,091

Fiscal Year	2009	2008	2007	2006	2005
Terminal (in square foot)					
Airlines	1,294,473	1,294,473	1,294,473	1,220,041	1,232,300
Tenants	280,639	280,639	280,639	244,100	244,100
Port Occupied	280,880	280,880	280,880	257,906	299,300
Public/Common	758,216	758,216	758,216	774,800	774,800
Mechanical	471,951	471,951	471,951	474,300	474,300
Total	3,086,159	3,086,159	3,086,159	2,971,147	3,024,800
Number of passenger gates	79	79	79	79	80
Number of Port owned loading bridges	46	46	46	46	46
Parking (spaces assigned)					
Short-term, Long-term, and Employees	9,641	9,641	9,641	9,267	9,267
Rental Cars [(b)]	3,276	3,276	3,276	3,276	3,276
Total	12,917	12,917	12,917	12,543	12,543
Other offsite parking (spaces assigned)					
Economy	1,620	2,400	2,400	2,400	2,400
Employees	4,091	4,091	4,091	4,091	4,091

(a) Third Runway 16R/34L was completed and became operational in November 2008.
(b) Parking space was temporarily unassigned since the Rental Car Facility was completed and became operational in May 2012.

Source: Port of Seattle Records

Comprehensive Annual Financial Report

PORT OF SEATTLE COMMISSIONERS

Tom Albro
Stephanie Bowman
Bill Bryant
John Creighton
Courtney Gregoire

CHIEF EXECUTIVE OFFICER

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