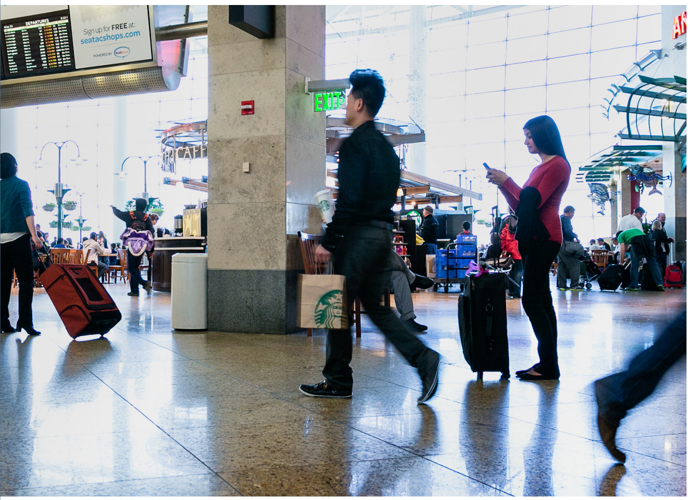
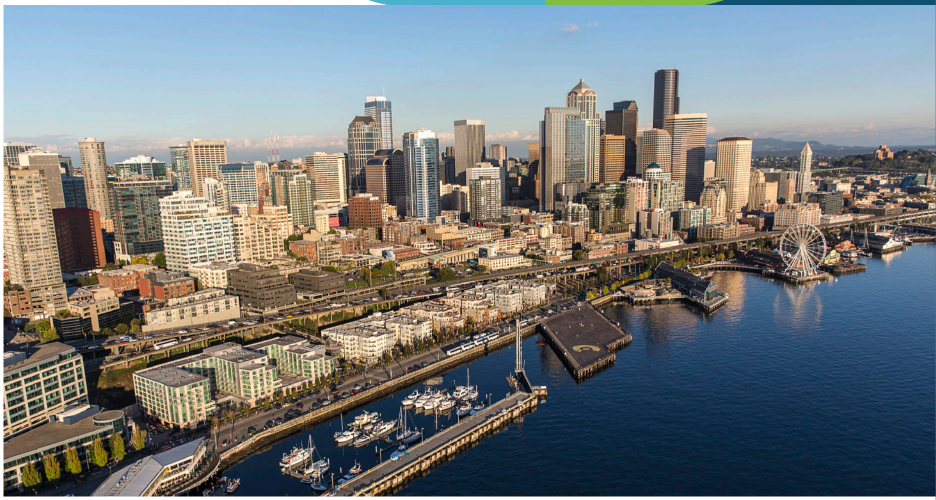
Comprehensive Annual Financial Report

As of December 31, 2013 and 2012, and for the years ended December 31, 2013, 2012 and 2011





WASHINGTON STATE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of December 31, 2013 and 2012, and

for the years ended December 31, 2013, 2012 and 2011

This report was prepared by the

Accounting and Financial Reporting Department

Port of Seattle®

Washington State

Printed on recycled paper

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PORT OF SEATTLE

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INTRODUCTORY SECTION

COMMISSIONERS' LETTER

Stephanie Bowman
Commission Co-President 2014

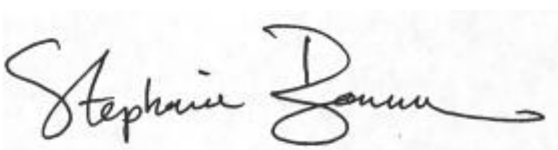
Courtney Gregoire
Commission Co-President 2014

The Port of Seattle has a clear mission: to create jobs by advancing trade and commerce, promoting industrial growth and stimulating economic development. Most people equate the port with our most iconic facilities: the 15th busiest U.S. airport, the nation's 10th largest seaport and a thriving cruise terminal.

But in addition to these economic engines, the Port plays a vital role in the broader economic landscape, partnering with local business and governments to support a vibrant future for our community. We strive to enhance the competitiveness of our seaport, which supports 148,000 maritime jobs—jobs with an average wage of $70,800. We continue investing in our regional transportation system to ensure that more than $7 billion in manufactured and agricultural exports can flow through the Port to overseas markets. We partner with the Washington Tourism Alliance to develop sustainable funding that will promote our State as a destination. And we share in the environmental cleanup on the Duwamish River, starting with our own Terminal 117.

In 2014, Fishermen's Terminal is celebrating its 100th anniversary, a testament not only to the rich maritime heritage of our region, but also an opportunity to renew our commitment to a bright future for commercial fishing in Seattle. This facility was the Port's first major investment, and continues to grow along with the thriving fishing and seafood industries. Today, more than 11,000 workers make their living in Washington's commercial fishing industry. With a record salmon catch last year in the North Pacific—the world's best-managed fishery—we will enjoy many more years of quality jobs and world-class seafood.

We welcome your involvement and partnership in all of these efforts. Together we can achieve our shared vision of a strong, diversified economy that supports middle-class job growth and prosperity for all.



LETTER FROM THE CHIEF EXECUTIVE OFFICER (CEO)

Tay Yoshitani

Our Port of Seattle staff achieved many remarkable milestones in 2013. While it is impossible to note all of the Port's many accomplishments this past year, there are several that deserve special recognition:

- The Port's Aviation Division is embarking upon a $1 billion, five-year program of improvement projects designed to advance our region as a leading tourism destination and business gateway. A new International Arrivals Facility, renovation of the north satellite (NorthSTAR) and an upgraded baggage system are advancing. The airport added new international flights by Delta Air Lines to Shanghai and Tokyo-Haneda. Most recently, Delta launched service to London and plans to add Hong Kong and Seoul later in 2014.
- Last year, nearly 871,000 passengers visited Seattle on a cruise, including those sailing on the Celebrity Solstice, the largest cruise vessel calling on the West Coast. Koehler's Cruise Guide, Germany's most recognized observer of the cruise industry, named Seattle as "Port of the Year".
- United Arab Shipping Company initiated cargo service to our seaport in 2013, and in early 2014, Pacific International Lines launched its maiden service to Seattle. In addition, Hanjin Shipping introduced its weekly 10,000 twenty-foot equivalent unit service, the largest container cargo vessels to ever call here.
- Working in collaboration with the City of Seattle and King County, the Port's Real Estate Division successfully sold property at Smith Cove for use both as a park and combined sewer overflow system. The division also sold to Snohomish County sections of the East Side Rail Corridor and selected a developer for the Des Moines Creek Business Park.
- We continue to progress in our effort to become the greenest and most energy-efficient port in North America. At the seaport, we set aggressive new goals under our Northwest Ports Clean Air Strategy. And at the airport, we are reducing air pollution by replacing older baggage tugs with electric ground service equipment.

On a personal note, my tenure as CEO of the Port of Seattle is coming to a close in 2014. Since 2007, I have been honored to lead the Port's staff, a dedicated group of motivated professionals. I will pass the baton knowing that we accomplished much to serve the people of King County.

April 25, 2014

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, 2013 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, who oversees daily operations for the organization. Through resolutions and directives, the Commission sets policy for the Port. These policies are then implemented by the Chief Executive Officer 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.

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 budgetary process includes a series of Commission briefings with the operating and capital 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 national economy continues to advance at a modest pace. While the housing market is recovering and consumer spending is improving, there are still uncertainties over the near-term, job growth remains modest, wage growth is anemic, and the United States unemployment rate is still high. Europe is still in recession. Many Asian and other emerging economies have shown signs of slowdown, and unrest in the Middle East adds uncertainty to oil prices and the overall world economy. These factors pose a continued risk to the strength of the economic recovery and could have a direct impact on the Port’s business in the coming year.

Washington's economy continues to expand at a moderate pace. The unemployment rate throughout the State improved, declining from 8.2% in 2012 to 7.0% in 2013. Locally, the employment recovery was steady. During 2013, private sector job gains of 1.9% were joined by modest government job increases of 0.5%. The largest urban center, the Seattle metropolitan area, represented 43.8% of the workforce of the State. The Seattle area job market continued to improve in 2013 adding about 45,800 jobs from 2012. The strongest performing industries in Seattle were leisure and hospitality, retail trade, as well as professional and business services, totaling approximately 28,800 new jobs in 2013.

Despite the modest economic recovery, the Port continued to achieve positive results operationally and financially. At the Airport, 34.8 million passengers passed through in 2013, exceeding the all-time record for the third consecutive year. International passenger traffic increased 10.2% while overall traffic grew 4.7% over 2012 levels. At the Seaport, the 2013 cruise season hosted 187 vessel calls and 871,000 passengers, a decrease of 6.8% in passengers from 2012. Containers volumes were 1.6 million TEUs (twenty-foot equivalent units – a measure of container volume), a decrease of 15.5% compared to 2012. Grain volumes were 1.4 million metric tons, a decline of 57.2% from 2012 due to market conditions. For the Real Estate Division, occupancy levels at commercial properties were at 91%, higher than the 88% Seattle market average.

As the overall economic recovery unfolds, Washington's economy is expected to outpace the nation. Worldwide air traffic, both passenger and cargo, are expected to recover quickly. The outlook of the aerospace and software sectors remains positive. The State's export strength, despite the increasingly cautious Asian outlook, is beneficial to the overall State economy.

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 take a prudent approach for the 2014 budget while striving to retain and attract customers, create jobs, and help position the Port for future growth.

The Aviation Division expects its 2014 aeronautical revenues to be slightly lower than the 2013 budget level due to declining operating costs from the completion of Terminal Realignment project in conjunction with the terms of the new signatory airline lease and operating agreements ("SLOA III"). For 2014, the Aviation Division projects passenger growth of 3.0%, slightly higher than the 2.2% long-term growth forecast. The Airport continues to strive for a competitive cost per enplanement ("CPE") without compromising operational and capital needs. The 2014 CPE is budgeted at $12.68, which reflects the Port's ongoing commitment to manage costs. Besides managing airline costs, the Aviation Division's strategic focus will be to increase non-aeronautical revenues, both to generate cash to fund the capital program and to reduce airline costs through the revenue sharing provision of SLOA III. To achieve long-term cost management, the Airport will continue to increase the number of continuous improvement projects and will continue to invest in energy efficiency projects.

The Seaport Division expects its 2014 operating revenues to be flat relative to the 2013 revised budget. The Seaport Division anticipates slightly higher container and industrial property revenues offset by lower grain revenues. Increase in container and industrial property revenues primarily reflect scheduled Consumer Price Index adjustments while grain revenues reflect continued uncertainty about crop volume. The Seaport Division's 2014 goals include retaining container, cargo and passenger volumes, focusing on potential opportunities for new growth, asset stewardship strategic initiatives, and continued advancement of The Green Gateway strategy. The Green Gateway strategy provides a lower carbon footprint for goods shipped from Asia to the United States Midwest and a competitive edge among West Coast ports.

The Real Estate Division expects its 2014 operating revenues to be slightly lower than 2013 budget levels. Conference and Event Centers revenues are expected to come in 16.5% below the 2013 budget due to significant competitive challenges in the market and the perceived impact of waterfront transportation projects. Revenues for commercial and recreational marinas are expected to be up due to higher occupancy in recreational marinas. Lease revenues are expected to increase slightly as the local real estate market continues to recover. The Real Estate Division is pursuing several new real estate development opportunities. Key 2014 focus areas for the Real Estate Division will be overall cost management, property renewal and replacement, and selling the remainder of the Eastside Rail Corridor.

For 2014, the Port budgeted total operating revenues of $537.4 million, which increased slightly from the 2013 revised budget. Total operating expenses are budgeted at $323.4 million, decreased slightly from the 2013 revised budget. Net Operating Income ("NOI") before Depreciation is budgeted at $214.0 million, a slight increase from the 2013 revised budget. Depreciation expense is budgeted at $164.4 million, a 4.4% decrease from the 2013 budget. NOI after Depreciation is budgeted at $49.6 million, a 22.5% increase from the 2013 revised budget. The total capital budget for 2014 is $295.2 million and the five-year capital improvement program is $1.9 billion, which reflects the Port's continuing commitment to promote regional economic vitality 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 2013. Seattle-Tacoma International Airport earned the 2013 Skytrax World Report Award for the Best Airport Staff in North America. The Skytrax World Report Awards honor global airport excellence based on 12.1 million customer surveys which evaluate 39 airport service and product performance indicators. The World Airport Awards acknowledge global airport distinction and are known in the industry as the Passenger's Choice Awards. Additionally, the Terminal Realignment project was completed and it allowed more efficient use of the facilities by a number of airlines that have merged in recent years. A major software and infrastructure upgrade to the Oracle PeopleSoft Financial system was successfully delivered in 2013 by the Information Communication and Technology, and Accounting and Financial Reporting departments. Other key projects completed in 2013 were the centralized pre-conditioned air system, providing heating, ventilation, and cooling to aircrafts at the gates; Phase I of the installation of electrical charging systems for electric ground support equipment vehicles at concourse C, D, and North Satellite; East Marginal Way Grade Separation; Terminal 5 Maintenance Dredging; Fishermen's Terminal Net Shed Code Compliance Project; and Pier 66 Steam Replacement Project.

The Port will continue to invest in new facilities that support the economic vitality of the region. The Aviation Division's initiatives for 2014 include continuing the North Satellite renovation ("NorthSTAR") and related improvements, beginning design of a new international arrivals facility, and the baggage system optimization project. Transportation Security Administration approved 30% design of the baggage optimization project and agreed to provide $93 million partial project funding. These projects will improve the customer experience, reduce congestion, and add capacity to accommodate future growth.

The Seaport and Real Estate Divisions' initiatives for 2014 include channel and berth deepening, dock rehabilitation and upgrades at Terminal 46, dredging, finding a master developer for the Terminal 91 uplands and other asset stewardship programs. These and many other smaller investments will enable the Port to better serve customers and the general public, 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, 2012. This was the eighth 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,

Tay Yoshitani

Chief Executive Officer

Dan Thomas

Chief Financial and Administrative Officer

Rudy Caluza

Director of Accounting and Financial Reporting

Debbi Browning

Assistant Director of Accounting and Financial Reporting

Lisa Lam

Senior Manager, Financial Reporting and Controls, and Revenue Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Seattle

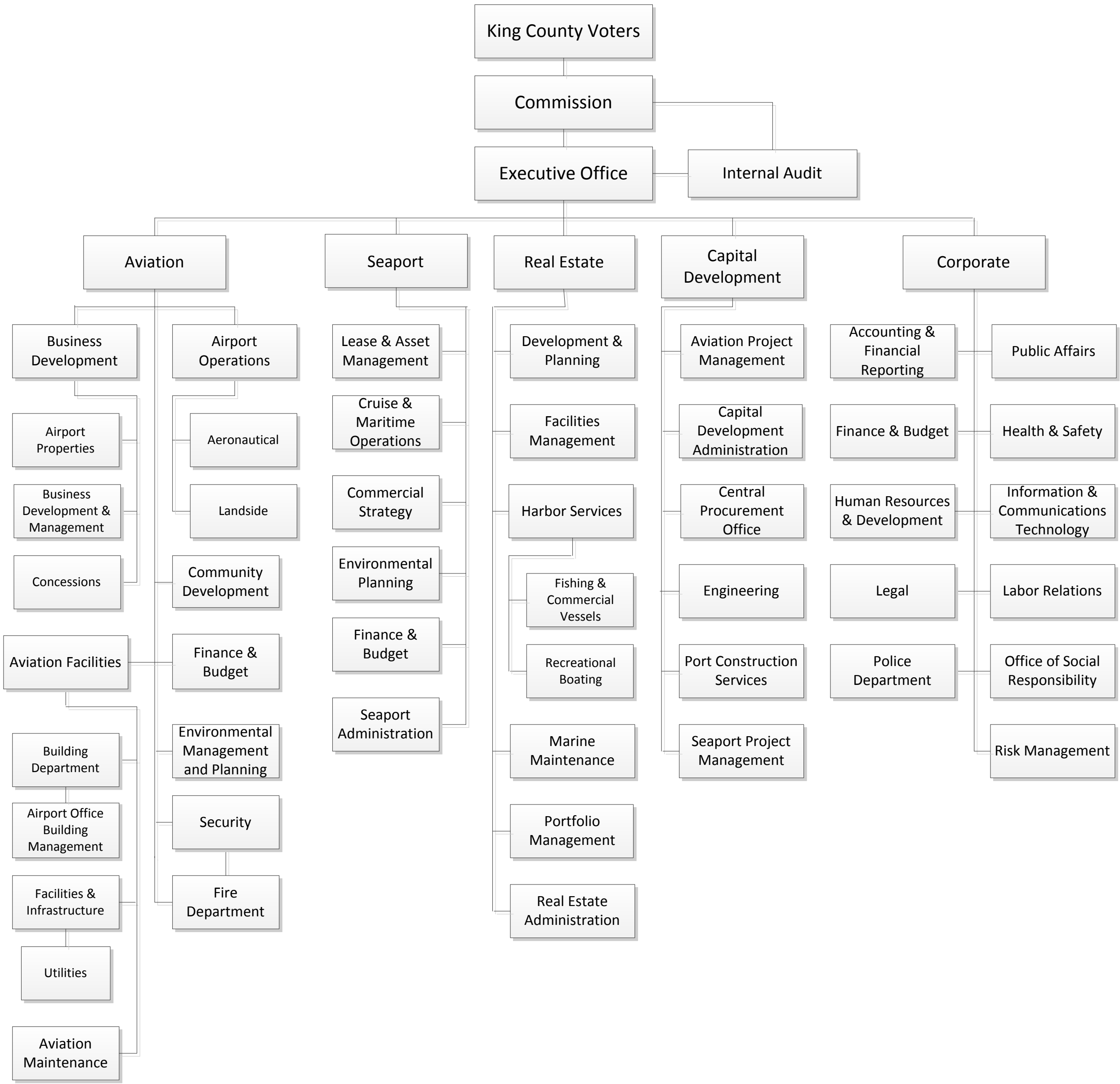
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

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

Tay Yoshitani	Chief Executive Officer
Kurt Beckett	Deputy Chief Executive Officer
Dan Thomas	Chief Financial and Administrative Officer
Craig Watson	General Counsel
Patricia Akiyama	Director of Public Affairs
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

FINANCIAL SECTION

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, 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, 2013 and 2012, 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, 2013, 2012 and 2011 in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Port adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in the restatement of previously reported amounts for the Enterprise Fund for the years ended December 31, 2012 and 2011. Our opinion is not modified with respect to this matter.

Other Matters

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

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 25, 2014

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, 2013, 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, 2012 and 2011.

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 Net Position and Statement of Changes in Net Position.

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, 2013, 2012 and 2011 is as follows (in millions):

	2013	2012 (Restated)	2011 (Restated)
ASSETS:			
Current, long-term, and other assets	$ 1,091.0	$ 1,049.7	$ 1,038.8
Capital assets	5,508.8	5,542.9	5,599.1
Total assets	$ 6,599.8	$ 6,592.6	$ 6,637.9
DEFERRED OUTFLOWS OF RESOURCES	$ 24.5	$ 25.4	$ 17.7
LIABILITIES:			
Current liabilities	$ 414.5	$ 351.6	$ 346.6
Noncurrent liabilities	3,157.1	3,325.8	3,421.9
Total liabilities	$ 3,571.6	$ 3,677.4	$ 3,768.5
DEFERRED INFLOWS OF RESOURCES	$ 4.1	$ 3.5	$ 1.3
NET POSITION:			
Net investment in capital assets	$ 2,299.8	$ 2,264.0	$ 2,328.8
Restricted	236.5	208.8	135.7
Unrestricted	512.3	464.3	421.3
Total net position	$ 3,048.6	$ 2,937.1	$ 2,885.8

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $3.0 billion as of December 31, 2013, and December 31, 2012. From 2012 to 2013 and from 2011 to 2012, total net position increased $111.5 million and $51.3 million, respectively.

From the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Port recorded deferred outflows of resources of $24.5 million and $25.4 million as of December 31, 2013 and 2012, respectively. The Port also recorded deferred inflows of resources of $4.1 million and $3.5 million as of December 31, 2013 and 2012, respectively. As a result of refunding debt, 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 2012 to 2013 and from 2011 to 2012, there was an increase of $35.8 million and a decrease of $64.8 million, respectively, in net investment in capital assets. Continued creation of new assets, increased depreciation expense on existing capital assets and decrease in construction activity, especially in 2012, accounted for the changes in this category.

As of December 31, 2013 and 2012, the restricted net position of $236.5 million and $208.8 million, respectively, is 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 2012 to 2013 and from 2011 to 2012, there was an increase of $27.7 million and $73.1 million, respectively. The increase in restricted net position is due to the timing of PFC and CFC related expenditures, as well as the addition of restricted debt service reserves associated with new bond issuances.

As of December 31, 2013 and 2012, the unrestricted net position of $512.3 million and $464.3 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 remained essentially the same for 2013 and 2012 at $270.5 million and $270.7 million, respectively. From 2011 to 2012, there was a decrease of $33.5 million in this category, largely due to timing of capital projects spending during the periods.

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, 2013, 2012 and 2011:

	2013	2012 (Restated)	2011 (Restated)
Operating revenues	$ 545.0	$ 521.7	$ 483.2
Operating expenses	307.0	298.2	267.4
Operating income before depreciation	238.0	223.5	215.8
Depreciation	171.4	167.3	158.1
Operating income	66.6	56.2	57.7
Nonoperating income (expense)—net	23.5	(35.6)	28.0
Capital contributions	21.4	30.7	21.2
Increase in net position	111.5	51.3	106.9
Net position—beginning of year, as restated (Note 1)	2,937.1	2,885.8	2,778.9
Net position—end of year	$ 3,048.6	$ 2,937.1	$ 2,885.8

The beginning balance of net position for 2011 includes a $25.5 million restatement resulting from the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The restated amount includes 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.

Financial Operation Highlights

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

	2013	2012	2011
OPERATING REVENUES:			
Services	$ 190.6	$ 195.8	$ 186.0
Property rentals	342.1	312.8	295.3
Customer facility charge revenues	11.4	9.7	
Operating grants and contract revenues	0.9	3.4	1.9
Total	$ 545.0	$ 521.7	$ 483.2

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 Signatory Lease and Operating Agreement ("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 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 terminal revenues resulting from lower crane rent of $5.4 million as the sale of Terminal 46 cranes to the terminal operator and lower cargo volumes at other terminals with port owned cranes, a reduction in container space rental from changes in the lease rate structure of $1.6 million, and recognition in 2012 of 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 Property 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 Conference and Event Centers (Bell Harbor International Conference Center and World Trade Center Seattle) as a result of 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.

During 2012, operating revenues increased 8.0% from $483.2 million in 2011 to $521.7 million in 2012. Aviation Division operating revenues increased $35.3 million primarily due to an increase in aeronautical revenues from higher operating costs related to (1) initiation of the Terminal Realignment project facilitating merged airlines co-locating and providing more efficient use of terminal facilities, (2) additional maintenance staff, (3) contractual increases for labor and outside services, (4) salary and benefit increases, (5) environmental remediation liabilities of asbestos abatement, and (6) increases in amortization and debt service on existing and new assets. Aeronautical revenues are derived from charging airlines landing fees and terminal rents that are set to fully recover capital and operating costs attributable to the airfield and terminal cost centers. Non-aeronautical revenues increased due to (1) a portion of CFC revenues being classified as operating revenues starting in mid-2012 as it is associated with the operation of the Rental Car Facility ("RCF"), and (2) a strong performance in concessions. Seaport Division operating revenues increased $4.6 million from 2011 due to (1) increased Security grant pass-through revenues, (2) increased Cruise revenues due to higher passenger volumes, and (3) increased Industrial Property and Maritime Operations revenues due to higher occupancy and higher rates. Container terminals revenues increased slightly by $0.7 million resulting from the refunding of the Series 1999B and 1999C Special Facility Bonds (Terminal 18 Project) in December 2011, which led to debt service payments no longer being netted against revenues of $8.8 million, and recognition of a full year of straight-line rent adjustment of $2.6 million for Terminal 18. These increases were largely offset by the 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 terminals lease payments starting in 2013. Also, grain terminal revenues was lower than the prior year due to market conditions. Real Estate Division operating revenues declined slightly from 2011 due to less activities at Conference and Event Centers which was partially offset by higher occupancy at World Trade Center West, Fishermen's Terminal Office and Retail as well as at other commercial properties.

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

	2013	2012	2011
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	$ 227.6	$ 222.6	$ 195.2
Administration	56.0	53.0	50.3
Law enforcement	23.4	22.6	21.9
Total	$ 307.0	$ 298.2	$ 267.4

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 in 2013 primarily due to (1) higher Terminal Realignment project costs, (2) higher environmental remediation costs, 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 remediation costs, (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.

During 2012, operating expenses increased 11.5% from $267.4 million in 2011 to $298.2 million in 2012. Aviation Division operating expenses increased $24.7 million in 2012 primarily due to higher operating costs from (1) the Terminal Realignment project, (2) additional maintenance staff, (3) contractual increases for labor and outside services, (4) salary and benefit increases, (5) environmental remediation liabilities of asbestos abatement, and (6) new RCF, with associated busing operations, opened in May 2012. Seaport Division operating expenses increased $6.2 million due to (1) higher security grants projects driven expenses, (2) increased costs with the Terminal 18 Pile Cap Pilot project, (3) higher maintenance costs, and (4) higher litigation expenses. Real Estate Division operating expenses increased by $0.8 million primarily due to (1) higher maintenance costs from more work and additional maintenance staff, (2) increased salaries and benefits, and (3) higher utilities expenses. These increases were offset by lower litigation expenses with a lawsuit over the Eastside Rail Corridor dismissed by the court in December 2011 along with lower operating expenses and management fees from less activities at the Conference and Event Centers.

As a result of the above, operating income before depreciation increased $14.5 million in 2013 from 2012, compared to a $7.7 million increase from 2011 to 2012.

Depreciation expense increased by $4.1 million in 2013 from 2012 and $9.2 million in 2012 from 2011.

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

	2013	2012 (Restated)	2011 (Restated)
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenues	$ 72.7	$ 72.7	$ 73.2
Passenger facility charge revenues	64.7	62.4	62.4
Customer facility charge revenues	20.4	20.6	23.7
Noncapital grants and donations	3.8	3.3	8.5
Fuel hydrant facility revenues	7.4	8.1	7.7
Investment (loss) income—net	(1.1)	8.2	18.9
Revenue and capital appreciation bonds interest expense	(115.3)	(123.3)	(127.2)
Passenger facility charge revenue bonds interest expense	(6.2)	(6.5)	(6.5)
General obligation bonds interest expense	(11.5)	(14.1)	(15.3)
Public expense	(6.2)	(22.9)	(18.7)
Environmental expense—net	(4.8)	(14.4)	(4.3)
Other (expense) income—net	(0.4)	(29.7)	5.6
Total	$ 23.5	$ (35.6)	$ 28.0
CAPITAL CONTRIBUTIONS	$ 21.4	$ 30.7	$ 21.2

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 remediation 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 2012, nonoperating expense—net was $35.6 million, a $63.6 million decrease from 2011 nonoperating income—net. This was largely due to (1) the recognition of an impairment loss of $17.7 million of an asset held for sale, Eastside Rail Corridor, (2) a substantial increase in environmental remediation expense due to environmental cleanup of a property at the Airport, (3) $13.2 million public expense for roadway improvements transferred to various government agencies, to own, operate and maintain these assets, (4) a portion of CFC revenues classified as operating revenues starting in mid-2012 as it is associated with the operation of the RCF, and (5) a decrease in unrealized gains on the investment portfolio. During 2011, easement revenues, a refund from a medical insurance provider due to the Port converting to self-insured healthcare plans and gains from the sale of properties at Terminal 46, contributed to the favorable variance while 2012 had no similar positive revenues streams further adding to the negative variance between years.

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 (“WSDOT”) 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 (“FAA”) receipts. This decrease was partially offset by a $1.0 million contribution from the Port acquiring the Downie building at Fishermen’s Terminal when the title reverted back to the Port upon lease expiration.

During 2012, capital contributions increased $9.5 million largely due to a $7.4 million contribution towards Terminal 46 infrastructure assets that were constructed by the WSDOT as part of the Alaskan Way Viaduct Project on Port property.

Increase in net position for 2013 and 2012 was $111.5 million and $51.3 million, respectively. Operating income before depreciation showed a favorable variance along with a significant increase in nonoperating income offset slightly by lower capital contributions.

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 net position of the Warehousemen's Pension Trust Fund as of December 31, 2013, 2012 and 2011, and changes in net position for the years ended December 31, 2013, 2012 and 2011 (in millions) are as follows:

	2013	2012	2011
Total assets	$ 10.3	$ 9.8	$ 9.5
Total liabilities			
Total net position	$ 10.3	$ 9.8	$ 9.5
Total additions	$ 2.7	$ 2.5	$ 1.4
Total deductions	(2.2)	(2.2)	(2.3)
Increase (decrease) in net position	0.5	0.3	(0.9)
Net position—beginning of year	9.8	9.5	10.4
Net position—end of year	$ 10.3	$ 9.8	$ 9.5

Total 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.

Total net position as of December 31, 2012 increased by $0.3 million from December 31, 2011 mainly due to an increase in the fair value of investments.

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, 2013, 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 decreased $34.2 million in 2013. The decrease was primarily due to depreciation expense of $171.4 million in 2013 which increased by $4.1 million from 2012, offset in part by the continued creation of new assets placed in service. In 2013, the Seaport Division recognized a loss of $9.9 million on the sale of five cranes at Terminal 46 to the terminal operator.

In 2013, the Port's expenditures for capital construction projects totaled $139.9 million. The major projects included; Delta Airline's ticketing and airline ticket office ("ATO") modifications and new build-out of ATO for Virgin American Airlines; as well as airport-wide installations of chargers and infrastructure construction to support electric ground support equipment ("EGSE") vehicles for airline carriers along concourses and satellites. The current year spending for these projects were $9.9 million and $6.9 million, respectively.

During 2013, capital construction projects totaling $162.5 million were completed and placed in service as capital assets. The most significant completed projects were the centralized pre-conditioned air system, providing heating, ventilation, and cooling to aircrafts at the gates for $49.1 million, followed by the Delta Airline's ticketing and ATO modifications and new build-out of ATO for Virgin American Airlines for $11.3 million, and Phase I of the installation of electrical charging systems for EGSE vehicles at concourses C, D, and North Satellite for $10.1 million.

During 2013, 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 bond issues. All capital assets are accounted for within the Enterprise Fund.

In February 2014, the Port entered into a Purchase and Sale Agreement to sell a portion of the Freight Segment and any improvements located on it, including the Snohomish River Bridge, to Snohomish County. The Port anticipates a $5,000,000 payment in cash at closing, expected mid-2014. As of March 2014, the Port is negotiating with the City of Woodinville to sell the remaining portion of the Freight Segment.

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, 2013, the Port had outstanding revenue bonds and notes of $2.6 billion, a $88.5 million decrease from 2012 primarily due to scheduled principal payments. The Port had outstanding subordinate lien revenue notes (commercial paper) of $42.7 million as of December 31, 2013 and 2012.

In December, 2013, the Port issued $139.1 million 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.

As of December 31, 2013, the Port had outstanding general obligation ("GO") bonds of $283.8 million, a $28.2 million decrease from 2012 due to scheduled principal payments.

In March, 2013, the Port issued $102.8 million in Series 2013AB Limited Tax GO Bonds. Series 2013A, $27.6 million, was used to fully refund the Series 2004A GO Bonds. Series 2013B, $75.2 million, was used to partially refund the outstanding Series 2004B, 2004C and 2011 GO Bonds. A portion of each bond series was also used to pay the costs of issuing the bonds.

As of December 31, 2013, the Port had outstanding PFC revenue bonds of $146.4 million, a $10.8 million decrease from 2012 due to scheduled principal payments.

As of December 31, 2013, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of $88.7 million, an $11.5 million decrease from 2012 due to a scheduled principal payment and the refunding of Fuel Hydrant Special Facility Revenue bonds.

In June, 2013, the Port issued $88.7 million in Series 2013 Fuel Hydrant Special Facility Revenue 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 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 monthly 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, 2013. 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 November, 2013, Moody's downgraded its ratings on the Port's Intermediate Lien Revenue bonds from Aa3 to A1, and downgraded its ratings on the Port's Subordinate Lien Revenue bonds from A1 to A2.

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.

ECONOMIC OUTLOOK

While the Port remains on a solid financial footing as we pursue the bold strategies and objectives outlined in the Century Agenda, we continue to face economic challenges and uncertainties that warrant conservative financial management.

The Aviation Division projects passenger growth of 3.0% in 2014 which is slightly higher than the 2.2% long-term growth forecast and will continue to strive for a competitive cost per enplanement. The Seaport Division expects slightly higher container and industrial property revenues, partially offset by lower grain revenues in 2014 and will continue its focus on new business growth opportunities. The Real Estate Division anticipates fewer bookings at the event centers due to competition and a temporary impact of waterfront transportation project. However, higher occupancies are expected for the commercial and recreational marinas, and lease revenues are expected to increase slightly as the local real estate market continues to recover.

The Port continues to invest in new facilities to support the economic vitality of the region. In 2014 some of the major capital projects include continuing the North Satellite renovation, preliminary design of a new international arrivals facility and the baggage system optimization at the airport, and channel and berth deepening, dock rehabilitation and upgrades at Terminal 46, and dredging and developing of Terminal 91.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012 (Restated)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 49,063	$ 109,276
Restricted cash and cash equivalents:		
Bond funds and other	20,010	56,535
Fuel hydrant assets held in trust	3,296	3,274
Short-term investments	150,001	43,813
Restricted short-term investments:		
Bond funds and other	65,238	22,969
Accounts receivable, less allowance for doubtful accounts of $152 and $158	55,432	31,740
Grants-in-aid receivable	11,373	7,415
Taxes receivable	1,640	1,795
Materials and supplies	6,687	6,832
Assets held for sale		13,897
Prepayments and other current assets	4,863	5,902
Total current assets	367,603	303,448
NONCURRENT ASSETS:		
Long-term investments	464,227	467,880
Restricted long-term investments:		
Bond funds and other	204,181	252,406
Fuel hydrant assets held in trust	6,149	7,675
Long-term receivable	37,358	7,303
Other long-term assets	11,529	10,865
CAPITAL ASSETS:		
Land and air rights	2,021,340	2,011,195
Facilities and improvements	4,831,793	4,735,876
Equipment, furniture, and fixtures	446,080	445,490
Total capital assets	7,299,213	7,192,561
Less accumulated depreciation	(1,874,082)	(1,755,906)
Construction work in progress	83,604	106,260
Total capital assets—net	5,508,735	5,542,915
Total noncurrent assets	6,232,179	6,289,044
Total assets	6,599,782	6,592,492
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charges on refunding bonds	24,487	25,441
Total deferred outflows of resources	24,487	25,441
TOTAL	$ 6,624,269	$ 6,617,933

See notes to financial statements.

	2013	2012 (Restated)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 114,637	$ 64,282
Payroll and taxes payable	41,473	39,282
Bonds interest payable	34,779	40,073
Lease securities and customer advances	24,941	37,037
Current maturities of long-term debt	198,700	170,890
Total current liabilities	414,530	351,564
LONG-TERM LIABILITIES:		
Other postemployment benefits obligation	9,055	9,144
Environmental remediation liability	36,216	43,404
Bonds interest payable	8,422	6,290
Accrued long-term expenses	1,534	2,127
Total long-term liabilities	55,227	60,965
LONG-TERM DEBT:		
Revenue and capital appreciation bonds	2,613,795	2,714,506
General obligation bonds	252,055	296,721
Passenger facility charge revenue bonds	142,331	155,351
Fuel hydrant special facility revenue bonds	93,690	98,269
Total long-term debt	3,101,871	3,264,847
Total noncurrent liabilities	3,157,098	3,325,812
Total liabilities	3,571,628	3,677,376
DEFERRED INFLOWS OF RESOURCES:		
Deferred credits on refunding bonds	4,106	3,454
Total deferred inflows of resources	4,106	3,454
NET POSITION:		
Net investment in capital assets	2,299,824	2,263,999
Restricted for:		
Debt service reserves	150,206	142,616
Passenger facility charges	68,640	52,048
Customer facility charges	15,742	13,154
Grants and other	1,920	1,011
Unrestricted	512,203	464,275
Total net position	3,048,535	2,937,103
TOTAL	$ 6,624,269	$ 6,617,933

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, 2013, 2012 AND 2011 (In thousands)

	2013	2012 (Restated)	2011 (Restated)
OPERATING REVENUES:			
Services	$ 190,662	$ 195,816	$ 185,967
Property rentals	342,093	312,739	295,331
Customer facility charge revenues	11,367	9,745	
Operating grants and contract revenues	856	3,406	1,874
Total operating revenues	544,978	521,706	483,172
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	227,611	222,535	195,200
Administration	55,962	53,018	50,293
Law enforcement	23,416	22,616	21,923
Total operating expenses before depreciation	306,989	298,169	267,416
NET OPERATING INCOME BEFORE DEPRECIATION	237,989	223,537	215,756
DEPRECIATION	171,374	167,279	158,107
OPERATING INCOME	66,615	56,258	57,649
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenues	72,738	72,678	73,179
Passenger facility charge revenues	64,661	62,385	62,358
Customer facility charge revenues	20,389	20,577	23,669
Noncapital grants and donations	3,771	3,348	8,482
Fuel hydrant facility revenues	7,417	8,123	7,683
Investment (loss) income—net	(1,107)	8,172	18,884
Revenue and capital appreciation bonds interest expense	(115,340)	(123,327)	(127,193)
Passenger facility charge revenue bonds interest expense	(6,212)	(6,503)	(6,467)
General obligation bonds interest expense	(11,479)	(14,078)	(15,292)
Public expense	(6,226)	(22,876)	(18,703)
Environmental expense—net	(4,765)	(14,358)	(4,335)
Other (expense) income—net	(411)	(29,721)	5,693
Total nonoperating income (expense)—net	23,436	(35,580)	27,958
INCOME BEFORE CAPITAL CONTRIBUTIONS	90,051	20,678	85,607
CAPITAL CONTRIBUTIONS	21,381	30,714	21,180
INCREASE IN NET POSITION	111,432	51,392	106,787
TOTAL NET POSITION:			
Beginning of year, as restated (Note 1)	2,937,103	2,885,711	2,778,924
End of year	$ 3,048,535	$ 2,937,103	$ 2,885,711

See notes to financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In thousands)

	2013	2012	2011
OPERATING ACTIVITIES:			
Cash received from customers	$ 496,860	$ 483,625	$ 500,013
Customer facility charge receipts	11,367	9,745	
Cash paid to suppliers for goods and services	(103,405)	(115,092)	(119,736)
Cash paid to employees for salaries, wages and benefits	(180,695)	(171,886)	(155,511)
Operating grants and contract revenues	856	3,406	1,874
Other	3,019	(253)	(268)
Net cash provided by operating activities	228,002	209,545	226,372
NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Ad valorem tax levy receipts	72,893	72,805	73,313
Noncapital grants and contract revenues	3,771	3,348	9,119
Proceeds from assets held for sale	1,449	18,752	
Proceeds from issuance and sale of GO bonds			30,002
Interest payments on GO bonds	(805)	(805)	(622)
Cash paid for environmental remediation liability	(12,904)	(9,124)	(10,267)
Public expense disbursements	(7,868)	(7,084)	(13,870)
Environmental recovery receipts	6,241	4,429	8,948
Net cash provided by noncapital and related financing activities	62,777	82,321	96,623
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	226,491
Proceeds used for refunding of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, and PFC bonds	(343,922)	(651,864)	(188,656)
Principal payments on revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	(129,030)	(121,535)	(188,380)
Interest payments on revenue bonds, GO bonds, PFC bonds, fuel hydrant special facility revenue bonds, and commercial paper	(146,972)	(155,545)	(163,609)
Acquisition and construction of capital assets	(134,891)	(119,279)	(197,051)
Proceeds from sale of capital assets	7,434	366	167
Receipts from capital contributions	13,302	18,506	21,070
Passenger facility charge receipts	64,686	62,388	62,102
Customer facility charge receipts	20,182	20,235	23,359
Fuel hydrant facility revenues	7,417	8,123	7,683
Net cash used in capital and related financing activities	$ (291,415)	$ (257,502)	$ (396,824)

See notes to financial statements.

(Continued)

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In thousands)

	2013	2012	2011
INVESTING ACTIVITIES:			
Purchases of investment securities	$ (711,589)	$ (758,287)	$ (871,684)
Proceeds from sales and maturities of investments	611,669	641,026	992,120
Interest received on investments	6,546	9,574	14,118
Interest paid on securities lending			(5)
Interest income on securities lending			25
Net cash (used in) provided by investing activities	(93,374)	(107,687)	134,574
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(94,010)	(73,323)	60,745
CASH AND CASH EQUIVALENTS:			
Beginning of year	172,528	245,851	185,106
End of year	$ 78,518	$ 172,528	$ 245,851
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:			
Operating income	$ 66,615	$ 56,258	$ 57,649
Miscellaneous nonoperating income (expense)	3,019	(253)	(268)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	171,374	167,279	158,107
(Increase) decrease in assets:			
Accounts receivable	(26,947)	2,388	(3,704)
Materials and supplies, prepayments and other	(17,891)	(5,158)	1,061
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	23,261	1,939	(7,955)
Payroll and taxes payable	2,025	3,228	2,657
Environmental remediation liability	4,023	2,488	(2,717)
Lease securities and customer advances	2,612	(18,662)	12,635
Other postemployment benefits obligation	(89)	38	8,907
Net cash provided by operating activities	$ 228,002	$ 209,545	$ 226,372
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Acquisition of capital assets through refunding Series 1999B and 1999C Special Facilities Revenue Bonds	$	$	$ 92,536
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 NET POSITION
AS OF DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
ASSETS:		
Cash and cash equivalents	$ 393	$ 249
Investments in mutual fund—fair value:		
Equities	5,890	5,703
Fixed income	3,846	3,686
Other assets	153	158
Total assets	10,282	9,796
LIABILITIES:		
Accounts payable	4	4
NET POSITION—Held in trust for pension benefits and other purposes	$ 10,278	$ 9,792

See notes to financial statements.

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In thousands)

	2013	2012	2011
ADDITIONS:			
Employer contributions	$ 1,500	$ 1,500	$ 1,500
Investment earnings:			
Dividends	231	246	257
Net increase (decrease) in fair value of investments	976	820	(316)
Less investment expenses	(45)	(45)	(40)
Net investment earnings (loss)	1,162	1,021	(99)
Total additions	2,662	2,521	1,401
DEDUCTIONS:			
Benefits	2,076	2,137	2,166
Administrative expenses	46	45	44
Professional fees	54	50	44
Total deductions	2,176	2,232	2,254
CHANGE IN NET POSITION	486	289	(853)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES:			
Beginning of year	9,792	9,503	10,356
End of year	$ 10,278	$ 9,792	$ 9,503

See notes to financial statements.

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 and 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 its 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 13 United States flag passenger air carriers (including regional and commuter air carriers) and 11 foreign-flag passenger air carriers providing nonstop service from the Airport to 96 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 governed by a Board of Directors, which is comprised of the same members as the Port Commission. 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 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 GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Port to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 supersedes previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Funds Accounting.* The objective of GASB Statement No. 62 was not to change existing accounting guidance, but rather to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The more significant of the 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 liability, healthcare benefit claims liability, and other postemployment benefits obligation. 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 2013 and

$150,000 per year in 2012 and 2011 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, 2013, 2012 and 2011 (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
2013	$ 1,540	$ 13,274	$ (15,336)	$ 1,945	$ 1,423
2012	1,241	11,740	(13,338)	1,897	1,540
2011		10,573	(11,309)	1,977	1,241

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 date of purchase are considered to be cash equivalents. 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 a 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 on 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 2013 revenue requirements and invoices billed in 2013 for each cost center and for all airlines, including revenue sharing, have been reflected in the 2013 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.

Refunds of Debt—The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

It is the Port's practice when bonds are defeased that the proceeds of the new refunding bonds are placed in irrevocable trusts to provide for all future debt service payments on the old refunding bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded in the financial statements. As of December 31, 2013, the amount required to be held in trust related to the 2013 refunding was $1,750,000. As of December 31, 2012, the amount required to be held in trust related to the 2012 refunding was $128,330,000.

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. The Port did not have any amount required to be reported as deferred outflows/inflows of resources as of December 31, 2012. 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 that do not meet 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 November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statement No. 14 and No. 34*, which improves guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (i.e., blending) in certain circumstances. This statement also clarifies the reporting of equity interests in legally separate organizations. This statement is effective for periods beginning after June 15, 2012. The Port has adopted this new pronouncement in the current year and the adoption of this statement does not have a material effect on the Port’s financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify and recognizes, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4, *Elements of Financial Statements*. This statement is effective for periods beginning after December 15, 2012.

The Port has adopted this new pronouncement starting on January 1, 2013. 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 retroactively. 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 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, retroactively.

This statement was adopted retroactively by restating the financial statements for all periods presented. The beginning balance of net position was restated as of January 1, 2011 for the following: (1) unamortized initial direct costs of operating leases of $165,000 that were recorded as current and noncurrent assets, and (2) unamortized debt issuance costs of $25,285,000, except 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).

	As previously reported	Effect of Restatement	As restated
2012			
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)
2011			
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
NONOPERATING INCOME (EXPENSE):			
Revenue and capital appreciation bonds interest expense	$ (127,579)	$ 386	$ (127,193)
Passenger facility charge revenue bonds interest expense	(6,758)	291	(6,467)
General obligation bonds interest expense	(15,774)	482	(15,292)
Other (expense) income—net	7,815	(2,122)	5,693
NET POSITION:			
Beginning of year	2,804,374	(25,450)	2,778,924

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62.* This statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. This statement is effective for periods beginning after December 15, 2012. The Port has adopted this new pronouncement in the current year and the adoption of this statement does not have a material effect on the Port's financial statements.

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. This statement is effective for periods beginning after June 15, 2013. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

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 will likely 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. In the period this Statement is first applied, changes made to comply with this Statement should be treated as an adjustment of prior periods, and financial statements presented for the periods affected should be restated. The Port is currently evaluating the impact of the adoption of this standard on its 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.

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 of the State of Washington ("PDPC"). 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 United States. The Port is also authorized to invest in other obligations of the United States or its agencies or of any corporation wholly owned by the government of the United States. 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 United States 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 to ten years. The Port’s investment policy allows for 100% of the portfolio to be invested in United States 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 investment policy allows for repurchase and reverse repurchase agreements with maturities of 60 days or less. The Port’s investment policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement with investment terms of less than 30 days, and 105% for terms longer than 30 days, but not to exceed 60 days. Collateral must be “marked to market” on a daily basis. 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, 2013 and 2012, restricted investments—bond funds and other were $289,429,000 and $331,910,000, respectively, which generally represents unspent bonds proceeds designated for capital improvements to the Port's facilities, including capitalized interest, and satisfying debt service reserve fund requirement, along with cash receipts from PFCs, CFCs and security fund liability.

The tables below identify the types of investments, concentration of investments by issuer, and maturities of the Port Investment Pool as of December 31, 2013 and 2012 (in thousands). These tables do not include investments of debt proceeds held by bond trustees. As of December 31, 2013 and 2012, the Port's investment pool had 7.3% and 17.4% of the portfolio, respectively, invested in repurchase agreements collateralized with securities 100% backed by the full faith and credit of the United States Government and the remainder of the pool invested in "AAA" rated agency and treasury securities.

		Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1–3**	**More Than 3**	**Percentage of Total Portfolio**
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
United States 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 %	
2012					
Repurchase Agreements *	$ 165,811	$ 165,811	$	$	17.4 %
Federal Agencies Securities:					
Federal Farm Credit Banks	54,936		30,006	24,930	5.8
Federal Home Loan Bank	30,020		30,020		3.2
Federal Home Loan Mortgage Corporation	134,668		90,202	44,466	14.2
Federal National Mortgage Association	280,176	10,027		270,149	29.4
United States Treasury Notes	285,524	55,093	230,431		30.0
Total Portfolio	$ 951,135	$ 230,931	$ 380,659	$ 339,545	100.0 %
Accrued interest receivable	1,744				
Total cash, cash equivalents and investments	$ 952,879				
Percentage of Total Portfolio	100.0 %	24.3 %	40.0 %	35.7 %	

* Includes cash and cash equivalents balances.

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. 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. 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 of investments, concentration of investments by issuer, and maturities of the Fuel Hydrant Investment Pool as of December 31, 2013 and 2012 (in thousands). As of December 31, 2013, none of the Fuel Hydrant Investment Pool was invested in United States Treasury Notes. As of December 31, 2012, 38.5% of the Fuel Hydrant Investment Pool was invested in United States 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 United States Government obligations, including repurchase agreements collateralized by United States Government obligations. The remainder of the Wells Fargo Government Institutional Money Market Fund was invested in 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**
2013					
Wells Fargo Government Institutional Money Market Funds	$ 9,445	$ 9,445	$	$	100.0 %
United States Treasury Notes					
Total Portfolio	$ 9,445	$ 9,445	$	$	100.0 %
Accrued interest receivable					
Total cash, cash equivalents and investments	$ 9,445				
Percentage of Total Portfolio	100.0 %	100.0 %	%	%	
2012					
Wells Fargo Government Institutional Money Market Funds	$ 6,717	$ 6,717	$	$	61.5 %
United States Treasury Notes	4,198			4,198	38.5
Total Portfolio	$ 10,915	$ 6,717	$	$ 4,198	100.0 %
Accrued interest receivable	34				
Total cash, cash equivalents and investments	$ 10,949				
Percentage of Total Portfolio	100.0 %	61.5 %	%	38.5 %	

Interest Rate Risk—Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. Through its investment policy, the Port manages its exposure to fair value losses arising from increasing interest rates by setting maturity and duration limits for the Port's Investment Pool. The portfolio is managed similar 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 2013 and 2012, the "modified duration" of the portfolio was approximately 2.4. Securities in the portfolio cannot have a maturity longer than ten years. As of December 31, 2013 and 2012, the "effective" duration of the Port's Investment Pool portfolio was approximately 0.8 and 1.0, respectively.

The proceeds from the Fuel Hydrant bonds are held by the Trustee to make semiannual debt service payments, to satisfy the debt service reserve fund requirement and to pay other fees associated with the bonds, including the Trustee fee. As of December 31, 2013 and 2012, the effective duration of the Fuel Hydrant Investment Pool was zero and 1.2, respectively.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 "delivery versus payment". This means that payment is made simultaneously with the receipt of the securities. These securities are delivered to the Port's safekeeping bank.

As of December 31, 2013 and 2012, $9,445,000 and $6,717,000, respectively, in 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.

Securities Lending—State statutes permit the Port to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The lending agent would lend securities and receives collateral, which can only be in the form of cash. The collateral, which must be valued at 102% of the fair value of the loaned securities, is priced daily and, if necessary, action must be taken to maintain the collateralization level at 102%. The cash is invested by the lending agent in securities, which comply with the Port's investment policy. The Port's investment parameters for the lending agent are more restrictive allowing the lending agent to reinvest in treasury or agency securities only. The securities underlying the cash collateral are held by the Port's custodian. Since the securities lending agreements are terminable at will, their duration do not generally match the duration of the investments made with the cash collateral. There are no restrictions on the amount of securities that can be lent. The Port investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the Port.

The Port reports securities lent (the underlying securities) as assets in the Statement of Net Position. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Cash collateral received resulting from these transactions is reported as liabilities in the Statement of Net Position.

During 2013 and 2012, the Port had no contract with a lending agent to lend securities owned by the Port. Therefore, no cash received as collateral on securities lending is reported as an asset and liability in the Statement of Net Position as of December 31, 2013 and 2012.

3. CAPITAL ASSETS

Capital assets consist of the following at December 31, 2013 and 2012 (in thousands):

	Beginning of Year	Additions	Retirements	End of Year
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
2012				
Capital assets, not being depreciated:				
Land and air rights	$ 2,005,740	$ 13,186	$ (7,731)	$ 2,011,195
Art collections and others	8,123	919		9,042
Total capital assets not being depreciated	2,013,863	14,105	(7,731)	2,020,237
Capital assets being depreciated:				
Facilities and improvements	4,398,992	387,294	(50,640)	4,735,646
Equipment, furniture, and fixtures	379,739	69,710	(12,771)	436,678
Total capital assets being depreciated	4,778,731	457,004	(63,411)	5,172,324
Total capital assets	6,792,594	471,109	(71,142)	7,192,561
Less accumulated depreciation for:				
Facilities and improvements	(1,407,937)	(140,816)	41,911	(1,506,842)
Equipment, furniture, and fixtures	(234,994)	(26,463)	12,393	(249,064)
Total accumulated depreciation	(1,642,931)	(167,279)	54,304	(1,755,906)
Construction work in progress	449,401	127,102	(470,243)	106,260
Total capital assets—net	$ 5,599,064	$ 430,932	$ (487,081)	$ 5,542,915

For the year ended December 31, 2013 and 2012, net losses on sale and disposition of capital assets of $269,000 and $26,902,000, respectively, were recorded in nonoperating other expense—net.

In 2013, the Aviation Division, Seaport Division, and Real Estate Division recognized $1,066,000 net gains, $9,219,000 net losses, and $7,904,000 net gains, 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.

In 2012, the Aviation Division, Seaport Division, and Real Estate Division recognized net losses of $6,986,000, $1,618,000, and $17,999,000, respectively, from demolition, sale, and impairment of capital assets. For Aviation Division, most of the losses in 2012 related to capital assets placed out of service as identified by the Port during its cyclical physical inventory and replacement of Airport facilities. The Seaport Division recognized a loss of $494,000 as a result of replacement of approximately two hundred timber fender piles located at Terminal 18. The Real Estate Division recognized a $17,730,000 impairment loss in 2012 related to the Eastside Rail Corridor.

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.

The original plan of sale of the Southern Segment was extended beyond 2012 due to the number of regional agencies interested in acquiring various portions of the property. 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 $317,000 was recorded at the end of 2013. No gain or loss was recorded on these sales. The Southern Segment of the Corridor was recorded as an asset held for sale 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 February 2014, the Port entered into a Purchase and Sale Agreement to sell a portion of the Freight Segment and any improvements located on it, including the Snohomish River Bridge, to Snohomish County. The Port anticipates a $5,000,000 payment in cash at closing, expected mid-2014. The estimated loss from this sale is $2,562,000 based on the carrying value of the capital asset. As of March 2014, the Port is negotiating with the City of Woodinville to sell the remaining portion of the Freight Segment.

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, 2013, 2012 and 2011, the Port recognized contingent rent of $251,638,000, $258,862,000 and $275,881,000, respectively. Under certain lease agreements, contingent rent, which comes primarily from concessions, 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):

2014	$	150,213
2015		131,892
2016		124,430
2017		119,988
2018		114,489
Thereafter		1,183,385
Total	$	1,824,397

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: $6,948,000 for 2014, $7,008,000 for 2015, $7,017,000 for 2016, $7,024,000, for 2017, $7,023,000 for 2018 and $96,969,000 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, 2013, 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	2014–2015	$ 29,840	$ 9,355	$	$ 20,485
Series 2003 A	5.25	2019–2021	36,600			36,600
Series 2003 B	4.25–5.5	2013	146,900	146,900		
Series 2004	5.5–5.75	2014–2017	9,630	3,265		6,365
Series 2007 A	3.75–5.0	2016–2019	27,880			27,880
Series 2007 B	3.875–5.0	2014–2032	176,265	6,190		170,075
Series 2009 A	5.25	2027–2028	20,705			20,705
Series 2009 B-1	5.74–7.0	2019–2036	274,255			274,255
Series 2009 B-2	0 **	2025–2031	22,000			22,000
Series 2011 A	4.0–5.0	2014–2017	9,700	1,800		7,900
Series 2011 B	3.0–5.0	2014–2026	94,490	1,420		93,070
Total			848,265	168,930		679,335
Intermediate lien:						
Series 2005 A	5.0–5.25	2014–2035	357,840	12,195		345,645
Series 2005 C	5.0	2014–2017	22,955	4,690		18,265
Series 2006	4.75–5.0	2025–2030	124,625			124,625
Series 2010 A	3.0–5.0	2014–2017	16,650	6,580		10,070
Series 2010 B	4.0–5.0	2014–2040	221,315			221,315
Series 2010 C	4.0–5.0	2014–2024	127,545	285		127,260
Series 2012 A	3.0–5.0	2015–2033	342,555			342,555
Series 2012 B	3.0–5.0	2014–2024	184,765	16,555		168,210
Series 2012 C	1.19–2.062	2014–2017	78,715	18,385		60,330
Series 2013	4.0–5.0	2014–2029			139,105	139,105
Total			1,476,965	58,690	139,105	1,557,380
Subordinate lien:						
Series 1997	0.08 *	2022	108,830			108,830
Series 1999 A	5.5	2016–2020	56,255			56,255
Series 2008	0.06 *	2033	200,715			200,715
Commercial paper	0.17–0.24 *	2014	42,655			42,655
Total			408,455			408,455
Revenue bond totals			$ 2,733,685	$ 227,620	$ 139,105	$ 2,645,170

* Variable interest rates as of December 31, 2013.

** 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 A	4.5–5.0	2013	$ 32,510	$ 32,510	$	$
Series 2004 B	4.5–5.25	2013	78,100	78,100		
Series 2004 C	5.0–5.25	2014–2019	43,230	13,970		29,260
Series 2006	4.0–5.0	2014–2029	60,915	385		60,530
Series 2011	5.0–5.75	2014–2025	67,035	4,970		62,065
Series 2011 (Taxable)	2.254–3.068	2014–2015	30,215			30,215
Series 2013 A	4.0–5.0	2021–2023			27,630	27,630
Series 2013 B (Taxable)	0.4–2.77	2014–2025		1,050	75,165	74,115
Total			312,005	130,985	102,795	283,815
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2019	31,020			31,020
Series 2010 A	5.0	2017–2023	79,770			79,770
Series 2010 B	5.0	2014–2016	46,360	10,755		35,605
Total			157,150	10,755		146,395
Fuel hydrant special facility revenue bonds:						
Series 2003	4.5–5.5	2013	100,175	100,175		
Series 2013	3.0–5.0	2014–2033			88,660	88,660
Total			100,175	100,175	88,660	88,660
Bond totals			3,303,015	469,535	330,560	3,164,040
Unamortized bond discounts–net of amortization			132,722			136,531
Total debt			3,435,737			3,300,571
Less current maturities of long-term debt			(170,890)			(198,700)
Long-term debt			$ 3,264,847			$ 3,101,871

(Concluded)

Recently Issued GO Bonds—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.

Recently Issued Revenue Bonds—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.

During March 2012, the Port issued $612,140,000 in Series 2012ABC Intermediate Lien Revenue Refunding Bonds. Series 2012A, $342,555,000, was used to partially refund the Series 1999A Subordinate Lien Revenue Bonds and the Series 2003A First Lien Revenue Bonds, and fully refund the Series 2001A First Lien Revenue Bonds. Series 2012B, $189,315,000, was used to partially refund the Series 2001B and fully refund the Series 2001C First Lien Revenue Bonds. Series 2012C, $80,270,000, was used to partially refund the Series 1999B Subordinate Lien Revenue Bonds and the Series 2001D First Lien Revenue Bonds. A portion of each bond series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Reserve Account. The bonds have coupon rates ranging from 0.4% to 5.0% with maturities ranging from 2012 to 2033. The interest on the Series 2012AB Intermediate Lien Bonds is payable on February 1 and August 1 of each year, commencing on August 1, 2012, and the interest on the Series 2012C is payable on May 1 and November 1 of each year, commencing on November 1, 2012. The Series 2012ABC Bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding transaction was $83,284,000, while the Port also decreased its aggregate debt service payments by $99,763,000 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, 2013 and 2012, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was $30,422,000 and $28,290,000, 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 monthly 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, 2013 and 2012, there was $9,445,000 and $10,915,000, respectively, of Fuel Hydrant Special Facility Revenue bond proceeds and rent payments held for debt service reserve fund and debt service payments. For the year ending December 31, 2013, all of the unspent bond proceeds, $9,445,000, were included in current restricted cash equivalents. For the year ending December 31, 2012, unspent bond proceeds were comprised of $6,717,000 and $4,198,000 in current restricted cash equivalents and long-term restricted investments, respectively.

Fuel Hydrant Special Facility Revenue bonds in the amount of $85,700,000 and $97,330,000, respectively, are included in long-term debt as of December 31, 2013 and 2012.

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, 2013 and 2012. Commercial paper advances are included in current maturities of long-term debt.

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 installments payable semiannually 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 2013 and 2012, and therefore there were no outstanding obligations to either LOC provider at December 31, 2013 and 2012.

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 interests 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, 2013 and 2012.

Capitalized Interest—Interest expense costs capitalized were $4,047,000 and $8,215,000 as of December 31, 2013 and 2012, respectively.

Schedule of Debt Service—Aggregate annual payments on revenue bonds, GO bonds, PFC bonds, and Fuel Hydrant Special Facility Revenue bonds as well as commercial paper outstanding at December 31, 2013 are as follows (in thousands):

	Principal	**Interest**	**Total**
2014	$ 198,700	$ 133,569	$ 332,269
2015	137,625	131,039	268,664
2016	130,990	125,810	256,800
2017	138,075	120,228	258,303
2018	137,050	113,932	250,982
2019–2023	834,889	467,659	1,302,548
2024–2028	612,873	328,901	941,774
2029–2033	742,668	168,114	910,782
2034–2038	202,475	29,087	231,562
2039–2043	28,695	1,453	30,148
Total	$ 3,164,040	$ 1,619,792	$ 4,783,832

6. CONDUIT DEBT

The Port has conduit debt obligations totaling $74,725,000 and $82,725,000 as of December 31, 2013 and 2012, respectively, which are not a liability or contingent liability of the Port under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. 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. In October 2012, the Port issued the IDC Special Facilities Revenue Refunding Bonds, Series 2012, in the amount of $66,025,000 for the purpose of refunding the 2001 bonds. 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. In April 2013, an early principal payment of $8,000,000 was made. As of December 31, 2013 and 2012, industrial revenue bonds of $74,725,000, and $82,725,000, were outstanding, respectively.

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, 2013 and 2012 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-Term Portion
2013						
Environmental remediation liability	$ 64,828	$ 34,156	$ (34,568)	$ 64,415	$ 28,199	$ 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	19,512	(4,722)	21,017	20,433	584
Other	906	51	(6)	951		951
Total	$ 88,616	$ 58,515	$ (41,804)	$ 105,326		
2012						
Environmental remediation liability	$ 53,359	$ 28,624	$ (17,155)	$ 64,828	$ 21,424	$ 43,404
Other postemployment benefits obligation	9,106	796	(758)	9,144		9,144
Accrued election expense	1,262	1,069	(1,110)	1,221		1,221
Bonds interest payable	4,307	1,983		6,290		6,290
Unearned revenues	20,678	5,218	(19,669)	6,227	6,227	
Other	882	151	(127)	906		906
Total	$ 89,594	$ 37,841	$ (38,819)	$ 88,616		

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, 2013, was $89,506,000.

The Port's contribution rate during 2013 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
2013	$ 137	$ 6,086	$ 1,127
2012	203	5,198	885
2011	199	4,188	688

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, 2013, was $20,823,000.

The Port's required contribution rates during 2013 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 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)
2013	$ 441	$ 1,054
2012	425	1,054
2011	402	1,017

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 Service 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	$	$ 596
Interest on net OPEB obligation	304	61
Adjustment to annual required contribution	(193)	(55)
Annual OPEB costs	111	602
Contribution made	(490)	(312)
(Decrease) Increase in net OPEB obligaiton	(379)	290
Net OPEB obligation beginning of year	7,611	1,533
Net OPEB obligation end of year	$ 7,232	$ 1,823

(a) As the LEOFF Plan 1 Members' Medical Service 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, 2013, 2012 and 2011 are as follows (in thousands):

Years Ended December 31	Annual OPEB Costs	Employer Contributions	Percentage Contributed	Net OPEB Obligation
LEOFF Plan 1 Members' Medical Service Plan				
2013	$ 111	$ 490	441.4 %	$ 7,232
2012	266	459	172.6	7,611
2011	982	438	44.6	7,804
Retirees Life Insurance Plan				
2013	$ 602	$ 312	51.8 %	$ 1,823
2012	530	299	56.4	1,533
2011	513	310	60.4	1,302

Funding Status—As of December 31, 2013, 2012 and 2011, using the Alternative Measurement Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $7,232,000, $7,611,000, and $7,804,000, 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:

- *Retirement age for active employees*—Based on the historical average retirement age for the covered group, active plan members were assumed to retire the year immediately following that in which the member would qualify for benefits.

- *Mortality*—Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 61, No. 3, September 24, 2012. The Life Table for Males: United States, 2008 (updated with intercensal populations) 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 5.8% was used initially, but was changed slightly to an average rate of 6.5% after seven years.

- *Health insurance premiums*—2014 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 almost all of the plan members have retired.

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”, 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 Super Fund—The Port is one of several Potentially Responsible Parties and is a member of the Lower Duwamish Waterway Group, along with King County, the City of Seattle and the Boeing Company, that funded the Remedial Investigation and Feasibility Study. On February 28, 2013, the Environmental Protection Agency (“EPA”) released a proposed plan for the cleanup portion of the project at a base cost of $305 million (present value). There is no certainty that the proposed plan will be adopted or that the cleanup costs will be limited to $305 million. Alternatives considered by the EPA had cleanup costs ranging from $200 million to $810 million (present value). It is also unknown what portion of the costs will be paid by the Port.

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, 2013 and 2012, the Port’s environmental remediation liabilities was $64,415,000 and $64,828,000, respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port’s environmental remediation liabilities does 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, 2013 and 2012, the environmental remediation liabilities were reduced by $10,277,000 and $15,020,000, 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 will be recognized as nonoperating other income—net in the 2014 Statement of Revenues, Expenses, and Changes in Net Position.

12. COMMITMENTS

As of December 31, 2013, and 2012, the Port has made commitments for acquisition and construction as follows (in thousands):

	2013	2012
Funds committed:		
Airport facilities	$ 29,566	$ 48,514
Seaport terminals	670	220
Real Estate properties	1,278	222
Corporate	3,193	4,870
Total	$ 34,707	$ 53,826

In addition, as of December 31, 2013 and 2012, funds authorized by the Port, but not yet committed for all divisions amount to $188,053,000, and $240,452,000, 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, 2013, 2012 and 2011 are as follows (in thousands):

	2013	2012	2011
Seaport Division:			
Container terminals	$ 62,913	$ 64,790	$ 64,115
Grain terminal	1,634	3,749	5,613
Industrial properties	16,371	15,279	13,382
Cruise terminals	13,216	13,051	12,287
Maritime operations	5,330	4,750	3,513
Operating grants and contract revenues	133	2,289	394
Other	31	33	
Total Seaport Division operating revenues	$ 99,628	$ 103,941	$ 99,304
Aviation Division:			
Terminal	$ 158,173	$ 145,197	$ 132,565
Airfield	84,141	72,574	59,607
Public parking	52,225	49,781	49,996
Concession	41,551	37,998	35,404
Rental car	28,472	28,327	30,746
Customer facility charges	11,367	9,745	
Utilities	6,332	7,206	7,695
Commercial properties	6,089	5,700	5,112
Ground transportation	7,958	7,900	7,704
Operating grants and contract revenues	294	729	1,009
Other	17,409	20,866	20,884
Total Aviation Division operating revenues	$ 414,011	$ 386,023	$ 350,722
Real Estate Division:			
Recreational boating	$ 9,220	$ 8,979	$ 8,960
Fishing and commercial	2,680	2,554	2,549
Commercial properties	10,020	9,846	9,487
Conference and event centers	7,958	8,863	9,518
Other	985	1,066	1,055
Total Real Estate Division operating revenues	$ 30,863	$ 31,308	$ 31,569

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, 2013, 2012 and 2011 are as follows (in thousands):

	2013	2012	2011
Seaport Division:			
Revenues	$ 71,293	$ 85,722	$ 72,711
Number of major customers	3	4	4
Aviation Division:			
Revenues	$ 81,830	$ 80,400	$ 72,404
Number of major customers	1	1	1
Total:			
Revenues	$ 153,123	$ 166,122	$ 145,115
Number of major customers	4	5	5

One major customer represented 15.0%, 15.4%, and 15.0% of total Port's operating revenues in 2013, 2012 and 2011, respectively. For Seaport Division, the revenues from its major customers accounted for 71.6%, 82.5%, and 73.2% of total Seaport operating revenues in 2013, 2012 and 2011, respectively. For the year ended December 31, 2013, operating revenue associated with one of the Seaport Division's customers fell slightly below 10% due to the sale of Terminal 46 cranes to the terminal operator. For Aviation Division, the revenues from one major customer accounted for 19.8%, 20.8%, and 20.6% of total Aviation operating revenues in 2013, 2012 and 2011, respectively. No single major customer represents more than 10% of Real Estate Division operating revenues in 2013, 2012 and 2011.

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, 2013, 2012 and 2011 are as follows (in thousands):

	2013	2012	2011
Seaport Division:			
Operations and maintenance	$ 27,499	$ 28,587	$ 23,473
Administration	13,292	12,516	11,923
Law enforcement	3,588	3,597	3,067
Total Seaport Division operating expenses	$ 44,379	$ 44,700	$ 38,463
Aviation Division:			
Operations and maintenance	$ 171,419	$ 164,741	$ 143,188
Administration	36,967	34,999	31,913
Law enforcement	17,534	16,825	16,768
Total Aviation Division operating expenses	$ 225,920	$ 216,565	$ 191,869
Real Estate Division:			
Operations and maintenance	$ 28,693	$ 29,207	$ 28,539
Administration	4,275	4,123	4,131
Law enforcement	2,294	2,195	2,088
Total Real Estate Division operating expenses	$ 35,262	$ 35,525	$ 34,758

Statement of Revenues, Expenses, and Changes in Net Position by division for the years ended December 31, 2013, 2012 and 2011 are as follows (in thousands):

	2013	2012 (Restated)	2011 (Restated)
Seaport Division:			
Net operating income before depreciation	$ 55,249	$ 59,241	$ 60,841
Depreciation	34,832	34,842	31,172
Operating income	20,417	24,399	29,669
Nonoperating income (expense):			
Ad valorem tax levy revenues	55,353	47,936	57,260
Noncapital grants and donations	1,978	762	6,080
Investment (loss) income—net	(386)	2,262	4,441
Revenue bonds interest expense	(12,664)	(13,830)	(14,301)
General obligation bonds interest expense	(9,841)	(11,930)	(13,494)
Public expense	(2,304)	(8,258)	(13,813)
Environmental expense—net	(2,305)	(475)	(4,843)
Other (expense) income—net	(7,880)	(702)	10,386
Total nonoperating income—net	21,951	15,765	31,716
Income before capital contributions	42,368	40,164	61,385
Capital contributions	3,762	9,817	1,615
Increase in net position in Seaport Division	$ 46,130	$ 49,981	$ 63,000
Aviation Division:			
Net operating income before depreciation	$ 188,091	$ 169,458	$ 158,853
Depreciation	126,761	122,600	116,762
Operating income	61,330	46,858	42,091
Nonoperating income (expense):			
Ad valorem tax levy revenues	4,685	14,117	628
Passenger facility charge revenues	64,661	62,385	62,358
Customer facility charge revenues	20,389	20,577	23,669
Fuel hydrant facility revenues	7,417	8,123	7,683
Noncapital grants and donations	715	1,000	1,463
Investment (loss) income—net	(704)	5,833	14,309
Revenue bonds, capital appreciation bond, and fuel hydrant special facility revenue bonds interest expense	(100,581)	(107,288)	(110,303)
PFC revenue bonds interest expense	(6,211)	(6,503)	(6,467)
Public expense	(1,765)	(14,617)	(4,884)
Environmental expense—net	(279)	(14,106)	
Other expense—net	(1,596)	(11,538)	(3,775)
Total nonoperating expense—net	(13,269)	(42,017)	(15,319)
Income before capital contributions	48,061	4,841	26,772
Capital contributions	16,620	20,898	19,565
Increase in net position in Aviation Division	$ 64,681	$ 25,739	$ 46,337

(Continued)

	2013	2012 (Restated)	2011 (Restated)
Real Estate Division:			
Net operating loss before depreciation	$ (4,399)	$ (4,217)	$ (3,189)
Depreciation	9,779	9,835	10,172
Operating loss	(14,178)	(14,052)	(13,361)
Nonoperating income (expense):			
Ad valorem tax levy revenues	12,700	10,625	15,291
Noncapital grants and donations	416	994	462
Investment (loss) income—net	(17)	76	134
Revenue bonds interest expense	(2,095)	(2,210)	(2,588)
General obligation bonds interest expense	(1,638)	(2,147)	(1,798)
Public expense	(2,143)		
Environmental expense—net	(2,181)	99	508
Other income (expense)—net	9,122	(18,561)	(849)
Total nonoperating income (expense)—net	14,164	(11,124)	11,160
Loss before capital contributions	(14)	(25,176)	(2,201)
Capital contributions	1,000		
Increase (Decrease) in net position in Real Estate Division	$ 986	$ (25,176)	$ (2,201)

(Concluded)

Total assets and debt, as reflected in the Statement of Net Position, by division as of December 31, 2013 and 2012 are as follows (in thousands):

	2013	2012 (Restated)
Seaport Division:		
Current, long-term, and other assets	$ 355,285	$ 316,091
Land, facilities, and equipment—net	1,178,164	1,224,162
Construction work in progress	6,730	5,991
Total assets	$ 1,540,179	$ 1,546,244
Debt	$ 644,694	$ 685,928
Aviation Division:		
Current, long-term, and other assets	$ 642,140	$ 676,783
Land, facilities, and equipment—net	3,910,208	3,888,062
Construction work in progress	69,083	95,646
Total assets	$ 4,621,431	$ 4,660,491
Debt	$ 2,547,265	$ 2,637,428
Real Estate Division:		
Current, long-term, and other assets	$ 92,102	$ 73,575
Land, facilities, and equipment—net	297,021	290,319
Construction work in progress	1,577	929
Total assets	$ 390,700	$ 364,823
Debt	$ 108,612	$ 112,381

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 (the "Plan") and Trust and commenced contributions to the Plan. The Plan is a governmental plan maintained and operated solely by the Port.

Summary of Accounting Policies—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 and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments policy—The Warehousemen's Pension Trust investment 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 United States 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 60% plus or minus 5% of the portfolio to be invested in equities securities and 40% plus or minus 5% of the portfolio to be invested in fixed income securities.

Method Used to Value 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 exchange are valued at the last reported sales price on the last business day of the year.

Investments 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 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, 2013 and 2012, the average duration for Vanguard Bond Market Index Fund was 5.5 years and 5.0 years, respectively. As of December 31, 2013, the average duration for Dodge and Cox Fixed Income Fund was 4.4 years.

Investments 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. The tables below identify the fixed income mutual funds and the respective fund rating (ranging from one to five) assigned by Morningstar Credit Ratings, LLC, as of December 31, 2013 and 2012 (in thousands).

	2013		2012	
	Fair Value	**Rating**	**Fair Value**	**Rating**
Dodge and Cox Fixed Income Fund	$ 1,959	four	$	
Vanguard Bond Market Index Fund	1,887	three	3,686	three
Total	$ 3,846		$ 3,686	

Plan Description and Contribution Information—Membership of the plan consisted of the following at January 1, 2013 and 2012, the date of the latest actuarial valuation:

	2013	2012
Retirees and beneficiaries receiving benefits	147	144
Terminated plan members entitled to but not yet receiving benefits	52	56
Total	199	200

Plan Description—The Plan is a single-employer defined benefit plan. 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 in the ordinary course of business. There is no separate financial statement of the Plan issued.

Actuarial Assumptions—The actuarial present value of accumulated plan benefits is determined by the independent actuary using the Individual Entry Age Normal actuarial cost method, and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation dates and the expected date of payment.

The significant actuarial assumptions used in the valuation as of January 1, 2013, the date of the latest actuarial valuation, were (a) life expectancy of participants (RP-2000 Blue Collar Mortality Table was used), (b) retirement age of 62 if service is less than 10 years or age 55 if service is 10 years or more, and (c) investment return. The valuation included an assumed average rate of return of investment of 6.5%, net of investment expenses. 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 at a level dollar amount over a 20-year open period.

Annual Pension Cost and Net Pension Asset—The Port's annual pension costs and net pension asset to the Warehousemen's Pension Trust Fund for the current year were as follows (in thousands):

Annual required contribution (ARC)	$	1,304
Interest on net pension asset		(42)
Adjustment to ARC		59
Annual pension cost (APC)		1,321
Contributions made		(1,500)
Increase in net pension asset		179
Net pension asset beginning of year		649
Net pension asset end of year	$	828

The net pension asset is included in other long-term assets on the Enterprise Fund's Statement of Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

Funding Status—Annual covered payroll was zero since the operation was terminated in 2002. The schedule of funding progress at December 31, 2013, the most recent actuarial valuation data, and the five preceding years are as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio
12/31/2013	$ 10,282	$ 22,343*	$ 12,061	46.0 %
12/31/2012	9,796	22,991	13,195	42.6
12/31/2011	9,507	23,903	14,396	39.8
12/31/2010	10,392	24,185	13,793	43.0
12/31/2009	10,139	24,946	14,807	40.6
12/31/2008	8,508	24,949	16,441	34.1

This plan covers inactive participants. There are no related payroll costs.
*Estimated liabilities as of December 31, 2013 are based on January 1, 2013 data.

Schedule of Employer Contributions—The schedule of employer contributions at December 31, 2013, and the five preceding years are as follows (in thousands):

Years Ended December 31	Employer Contributions	ARC	Percentage of ARC Contributed	APC	Percentage of APC Contributed	Net Pension Asset
2013	$ 1,500	$ 1,304	115.0 %	$ 1,321	113.6 %	$ 828
2012	1,500	1,456	103.0	1,472	101.9	649
2011	1,500	1,412	106.2	1,425	105.3	621
2010	1,500	1,505	99.7	1,519	98.7	546
2009	1,500	1,659	90.4	1,603	93.6	565
2008	1,500	1,290	116.3	1,227	122.2	668

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STATISTICAL SECTION

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.

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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 Eight Fiscal Years

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

Schedule 5 – Aviation Division Landed Weight and Landing Fees, Last Eight 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, 2013

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 Nine Fiscal Years

Schedule 24 – Capital Assets Information— Seattle-Tacoma International Airport, Last Nine 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
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	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
2004	1,829,975	21,910	72,025	1,923,910

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

Fiscal Year	2013	2012 [d]	2011 [d]	2010	2009
OPERATING REVENUES:					
Services	$ 190,662	$ 195,816	$ 185,967	$ 174,562	$ 163,983
Property rentals	342,093	312,739	295,331	284,898	274,584
Customer facility charge revenues	11,367	9,745			
Operating grants and contract revenues [a]	856	3,406	1,874	3,119	3,023
Total operating revenues	544,978	521,706	483,172	462,579	441,590
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	227,611	222,535	195,200	188,678	182,995
Earthquake repair expenses—net of recoveries					
Administration	55,962	53,018	50,293	44,837	43,636
Law enforcement	23,416	22,616	21,923	19,949	19,136
Environmental expense—net [b]					
Total operating expenses before depreciation	306,989	298,169	267,416	253,464	245,767
NET OPERATING INCOME BEFORE DEPRECIATION	237,989	223,537	215,756	209,115	195,823
DEPRECIATION	171,374	167,279	158,107	160,775	157,068
OPERATING INCOME	66,615	56,258	57,649	48,340	38,755
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenues	72,738	72,678	73,179	73,125	75,587
Passenger facility charge revenues	64,661	62,385	62,358	59,744	59,689
Customer facility charge revenues	20,389	20,577	23,669	23,243	21,866
Noncapital grants and donations [a]	3,771	3,348	8,482	12,473	7,153
Fuel hydrant facility revenues	7,417	8,123	7,683	7,911	7,845
Investment (loss) income—net	(1,107)	8,172	18,884	13,096	17,251
Revenue and capital appreciation bonds interest expense	(115,340)	(123,327)	(127,193)	(133,239)	(121,148)
Passenger facility charge revenue bonds interest expense	(6,212)	(6,503)	(6,467)	(10,187)	(10,956)
General obligation bonds interest expense	(11,479)	(14,078)	(15,292)	(17,463)	(15,785)
Public expense	(6,226)	(22,876)	(18,703)	(25,085)	(20,370)
Environmental expense—net [b]	(4,765)	(14,358)	(4,335)	(22,730)	(14,676)
Other (expense) income—net	(411)	(29,721)	5,693	(7,276)	(10,003)
Total nonoperating income (expense)—net	23,436	(35,580)	27,958	(26,388)	(3,547)
INCOME BEFORE CAPITAL CONTRIBUTIONS	90,051	20,678	85,607	21,952	35,208
CAPITAL CONTRIBUTIONS	21,381	30,714	21,180	30,519	76,781
INCREASE IN NET POSITION	111,432	51,392	106,787	52,471	111,989
TOTAL NET POSITION:					
Beginning of year	2,937,103	2,885,711	2,804,374	2,751,903	2,639,914
Restatement [d]			(25,450)		
End of year	$ 3,048,535	$ 2,937,103	$ 2,885,711	$ 2,804,374	$ 2,751,903

(Continued)

(a) Noncapital grants and donations for the year ending 2004 were included in operating grants and contract revenues.
(b) Beginning in 2005, certain environmental expenses were reclassed to nonoperating expense.
(c) 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.
(d) 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	2008	2007	2006	2005	2004
OPERATING REVENUES:					
Services	$ 187,791	$ 168,679	$ 161,200	$ 158,462	$ 140,189
Property rentals	286,139	279,378	273,529	247,817	211,848
Customer facility charge revenues					
Operating grants and contract revenues (a)	1,667	1,777	4,148	6,755	24,476
Total operating revenues	475,597	449,834	438,877	413,034	376,513
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	209,960	178,957	173,297	167,238	172,983
Earthquake repair expenses—net of recoveries			(179)	2,130	(195)
Administration	44,438	38,761	33,790	31,486	30,890
Law enforcement	20,221	19,179	18,017	17,920	17,392
Environmental expense—net (b)					2,200
Total operating expenses before depreciation	274,619	236,897	224,925	218,774	223,270
NET OPERATING INCOME BEFORE DEPRECIATION	200,978	212,937	213,952	194,260	153,243
DEPRECIATION	144,208	141,588	140,190	129,788	110,175
OPERATING INCOME	56,770	71,349	73,762	64,472	43,068
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenues	75,680	68,617	62,691	62,417	59,357
Passenger facility charge revenues	60,708	61,011	59,141	56,506	56,129
Customer facility charge revenues	22,947	21,802	17,188		
Noncapital grants and donations (a)	10,473	3,258	1,495		
Fuel hydrant facility revenues	2,926	8,054	8,077	3,491	689
Investment (loss) income—net	39,004	61,072	28,895	14,651	6,240
Revenue and capital appreciation bonds interest expense	(105,517)	(113,907)	(101,491)	(85,502)	(58,401)
Passenger facility charge revenue bonds interest expense	(11,412)	(11,844)	(12,258)	(12,604)	(5,923)
General obligation bonds interest expense	(17,059)	(15,720)	(15,754)	(12,629)	(11,520)
Public expense	(27,494)	(8,654)	(11,027)	(4,404)	(665)
Environmental expense—net (b)	(5,659)	(4,903)	1,361	(7,421)	
Other (expense) income—net	848	(29,599)	(38,584)	(29,006)	(6,288)
Total nonoperating income (expense)—net	45,445	39,187	(266)	(14,501)	39,618
INCOME BEFORE CAPITAL CONTRIBUTIONS	102,215	110,536	73,496	49,971	82,686
CAPITAL CONTRIBUTIONS	52,436	94,888	127,524	109,655	118,428
INCREASE IN NET POSITION	154,651	205,424	201,020	159,626	201,114
TOTAL NET POSITION:					
Beginning of year	2,489,980	2,284,556	2,083,536	1,923,910	1,722,796
Restatement (c)	(4,717)				
End of year	$ 2,639,914	$ 2,489,980	$ 2,284,556	$ 2,083,536	$ 1,923,910

(Concluded)

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

Fiscal Year [a]	2013	2012	2011	2010	2009
AERONAUTICAL REVENUES:					
Terminal [b]	$ 158,173	$ 145,197	$ 132,565	$ 126,595	$ 118,111
Airfield [b]	84,141	72,574	59,607	56,647	50,847
Other	10,623	15,194	15,590	15,600	14,091
Total aeronautical revenues	252,937	232,965	207,762	198,842	183,049
NON-AERONAUTICAL REVENUES:					
Public parking	52,225	49,781	49,996	49,416	49,688
Concessions	41,551	37,998	35,404	33,765	33,482
Rental cars	28,472	28,327	30,746	30,309	33,321
Customer facility charges	11,367	9,745			
Utilities	6,332	7,206	7,695	6,408	6,229
Commercial properties	6,089	5,700	5,112	4,917	4,703
Ground transportation	7,958	7,900	7,704	4,912	4,739
Other	7,080	6,401	6,303	5,693	5,185
Total non-aeronautical revenues	161,074	153,058	142,960	135,420	137,347
TOTAL AVIATION DIVISION OPERATING REVENUES	$ 414,011	$ 386,023	$ 350,722	$ 334,262	$ 320,396

Fiscal Year [a]	2008	2007	2006
AERONAUTICAL REVENUES:			
Terminal [b]	$ 125,853	$ 129,145	$ 128,957
Airfield [b]	65,770	53,158	46,730
Other	12,165	11,742	5,748
Total aeronautical revenues	203,788	194,045	181,435
NON-AERONAUTICAL REVENUES:			
Public parking	59,111	55,463	52,617
Concessions	33,181	31,085	28,322
Rental cars	35,592	36,408	34,010
Customer facility charges			
Utilities	5,974	5,590	6,394
Commercial properties	6,013	5,313	16,888
Ground transportation	4,759	4,445	4,222
Other	5,898	5,671	5,447
Total non-aeronautical revenues	150,528	143,975	147,900
TOTAL AVIATION DIVISION OPERATING REVENUES	$ 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	2013 Revenues Billed	2013 Rank	2013 Percentage of Total Aviation Division Operating Revenues	2004 Revenues Billed	2004 Rank	2004 Percentage of Total Aviation Division Operating Revenues
Alaska Airlines	$ 81,830	1	19.8 %	$ 70,593	1	26.4 %
Delta Airlines [(a)]	32,359	2	7.8	14,911	6	5.6
United Airlines [(b)]	25,293	3	6.1	31,385	2	11.7
Southwest Airlines	15,805	4	3.8	13,746	7	5.1
Horizon Airlines	15,066	5	3.6	15,435	5	5.8
Enterprise Rent A Car	8,853	6	2.1			
American Airlines	8,835	7	2.1	13,638	8	5.1
Airport Management Services LLC	8,730	8	2.1			
Host International, Inc.	7,164	9	1.7	17,143	4	6.4
Avis Budget Car Rental	7,060	10	1.7			
Northwest Airlines [(a)]				19,251	3	7.2
Continental Arilines [(b)]				7,464	9	2.8
The Hertz Corporation				7,137	10	2.7
Total	$ 210,995		50.8 %	$ 210,703		78.8 %

(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 Eight 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
2013	20,602,662	$ 3.38	$ 4.22
2012	19,897,462	3.15	3.47
2011	20,122,523	3.00	3.30
2010	19,786,228	3.00	3.30
2009	20,387,826	2.96	3.26
2008	21,518,561	2.62	2.88
2007	21,011,874	2.49	2.74
2006	20,359,315	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. For 2013, landing fee rates were based on the settlement calculations for the year following the terms of the SLOA III.

Source: Seattle-Tacoma International Airport Activity Reports

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	Revenue and capital appreciation bonds	Commercial paper	Passenger facility charge revenue bonds	Fuel hydrant special facility revenue bonds	Total Debt
2013	$ 283,815	$ 2,602,515	$ 42,655	$ 146,395	$ 88,660	$ 3,164,040
2012	312,005	2,691,030	42,655	157,150	100,175	3,303,015
2011	336,120	2,803,495	42,655	167,395	102,885	3,452,550
2010	335,500	2,776,875	94,305	177,485	105,465	3,489,630
2009	357,315	2,685,520	156,800	200,155	107,950	3,507,740
2008	378,065	2,429,655	153,540	209,685	110,415	3,281,360
2007	397,835	2,482,315	186,250	218,760	116,785	3,401,945
2006	416,645	2,303,065	160,575	227,405	119,015	3,226,705
2005	380,225	2,354,405	70,210	235,635	121,140	3,161,615
2004	397,285	2,078,760	47,705	243,475	121,140	2,888,365

Fiscal Year	Ratio of Total Debt to Personal Income [(a)]	Total Debt Per Capita [(b)]
2013	2.6 %	$ 1,596
2012	2.9	1,688
2011	3.0	1,777
2010	3.3	1,807
2009	3.2	1,837
2008	3.0	1,742
2007	3.2	1,828
2006	3.3	1,758
2005	3.6	1,749
2004	3.3	1,615

(a) See Schedule 11 for Personal Income of King County data used in this calculation. The 2013 ratio is calculated using 2012 Personal Income figure.

(b) 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	Percentage of GO Bonds to the Assessed Value of Taxable Property [a]	GO Bonds Per Capita [b]
2013	$ 283,815	0.1 %	$ 143
2012	312,005	0.1	159
2011	336,120	0.1	173
2010	335,500	0.1	174
2009	357,315	0.1	187
2008	378,065	0.1	201
2007	397,835	0.1	214
2006	416,645	0.2	227
2005	380,225	0.2	210
2004	397,285	0.2	222

(a) See Schedule 13 for assessed value of taxable property data.
(b) See Schedule 11 for Population of King County data used in this calculation (2004 through 2013 figures are estimated; except 2010 figures are actual census data).

Schedule 8
COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT
As of December 31, 2013
(in thousands)

Governmental Unit	Outstanding	Estimated Percentage Applicable [a]	Estimated Share of Direct and Overlapping Debt
Port of Seattle	$ 283,815	100.0 %	$ 283,815
Estimated Overlapping General Obligation Debt:			
King County	813,680	100.0	813,680
Cities and Towns	1,637,241	98.7	1,616,326
School Districts	3,360,045	96.0	3,225,578
Other	450,042	99.3	446,920
Total Estimated Overlapping Debt			6,102,504
Total Direct and Estimated Overlapping Debt			$ 6,386,319

(a) As general obligation debt is repaid with property taxes, the percentage of overlapping general obligation debt applicable to the Port of Seattle 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	**2013**	**2012**	**2011**	**2010**	**2009**
Gross revenues available for revenue bond debt service [(a)]	$ 533,611	$ 517,561	$ 480,095	$ 460,026	$ 440,845
Operating expenses [(b)]	306,989	298,169	267,416	253,464	245,767
Less: Operating expenses paid from other than gross revenues	(6,331)	(6,538)	(957)	(442)	8
Less: Port general purpose tax levy	(33,265)	(32,116)	(33,889)	(32,407)	(34,533)
Adjusted operating expenses	267,393	259,515	232,570	220,615	211,242
Nonoperating revenues—net [(c)]	5,084	2,837	4,993	4,642	13,618
Net revenues available for first lien debt service	$ 271,302	$ 260,883	$ 252,518	$ 244,053	$ 243,221
Debt service on first lien bonds	$ 80,673	$ 107,580	$ 116,365	$ 126,843	$ 107,374
Coverage on first lien bonds	3.36	2.43	2.17	1.92	2.27
Net revenues available for intermediate lien debt service [(d)]	$ 190,629	$ 153,303	$ 136,153	$ 117,210	$ 135,847
Add: Prior lien debt service offset paid by PFC revenues [(e)]	3,971	14,814	23,524	21,646	22,116
Add: Prior lien debt service offset paid by CFC revenues [(f)]	19,667	19,689	19,443	19,042	5,847
Available intermediate lien revenues as first adjusted	$ 214,267	$ 187,806	$ 179,120	$ 157,898	$ 163,810
Debt service on intermediate lien bonds —gross of debt service offsets [(d)]	$ 127,029	$ 79,222	$ 54,744	$ 42,747	$ 34,640
Less: Debt service offsets paid from PFC revenues [(e)]	(28,640)	(15,783)	(10,249)	(9,332)	(8,197)
Intermediate lien debt service—net of debt service offsets	$ 98,389	$ 63,439	$ 44,495	$ 33,415	$ 26,443
Coverage on intermediate lien bonds [(d)]	2.18	2.96	4.03	4.73	6.19
Net revenues available for subordinate lien debt service	$ 115,878	$ 124,367	$ 134,625	$ 124,483	$ 137,367
Debt service on subordinate lien bonds	$ 6,234	$ 19,187	$ 24,451	$ 28,273	$ 34,949
Coverage on subordinate lien bonds	18.59	6.48	5.51	4.40	3.93

(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 CFC, 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) No intermediate lien bonds were issued prior to 2005.

(e) During 2008, the Port implemented using PFC 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 PFC 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 PFC eligible projects. Historically, the Port used PFC to pay PFC debt service and to pay eligible projects costs.

(f) Washington State law provides for the Port's authority to impose a CFC 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.

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	2008	2007	2006	2005	2004
Gross revenues available for revenue bond debt service [(a)]	$ 477,810	$ 449,281	$ 438,325	$ 412,481	$ 375,960
Operating expenses [(b)]	274,619	236,897	224,558	218,774	223,270
Less: Operating expenses paid from other than gross revenues	(374)				
Less: Port general purpose tax levy	(34,712)	(27,928)	(23,828)	(24,232)	(20,865)
Adjusted operating expenses	239,533	208,969	200,730	194,542	202,405
Nonoperating revenues—net [(c)]	45,577	12,973	17,065	14,184	6,053
Net revenues available for first lien debt service	$ 283,854	$ 253,285	$ 254,660	$ 232,123	$ 179,608
Debt service on first lien bonds	$ 88,467	$ 87,640	$ 87,876	$ 84,614	$ 75,535
Coverage on first lien bonds	3.21	2.89	2.90	2.74	2.38
Net revenues available for intermediate lien debt service [(d)]	$ 195,387	$ 165,645	$ 166,784	$ 147,509	n/a
Add: Prior lien debt service offset paid by PFC revenues [(e)]	10,125				n/a
Add: Prior lien debt service offset paid by CFC revenues [(f)]					n/a
Available intermediate lien revenues as first adjusted	$ 205,512	$ 165,645	$ 166,784	$ 147,509	n/a
Debt service on intermediate lien bonds —gross of debt service offsets [(d)]	$ 22,330	$ 14,079	$ 7,269	$ 2,167	n/a
Less: Debt service offsets paid from PFC revenues [(e)]					n/a
Intermediate lien debt service—net of debt service offsets	$ 22,330	$ 14,079	$ 7,269	$ 2,167	n/a
Coverage on intermediate lien bonds [(d)]	9.20	11.77	22.94	68.07	n/a
Net revenues available for subordinate lien debt service	$ 183,182	$ 151,566	$ 159,515	$ 145,342	$ 104,073
Debt service on subordinate lien bonds	$ 41,511	$ 42,006	$ 39,067	$ 27,813	$ 23,382
Coverage on subordinate lien bonds	4.41	3.61	4.08	5.23	4.45

(Concluded)

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

Legal Debt Limitation Calculation for Fiscal Year 2013 (Statutory Debt Limitation)

Assessed Value of Taxable Property for 2013 [a]	$	314,746,207
Debt Limit (nonvoted debt, including limited tax general obligation bonds)		
0.25% of assessed value of taxable property [b]	$	786,866
Less: Outstanding Limited Tax General Obligation Bonds		(283,815)
Less: Capital leases and other general obligations		
Non-voted General Obligation Debt Margin	$	503,051
Debt Limit, Total General Obligation Debt		
0.75% of assessed value of taxable property [b]	$	2,360,597
Less: Total Limited Tax General Obligation Bonds		(283,815)
Less: Capital leases and other general obligations		
Voted General Obligation Debt Margin	$	2,076,782

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
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
2004	589,586	(397,285)	192,301	32.6

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
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
2004	1,768,757	(397,285)	1,371,472	77.5

(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]
2013	1,982	n/a	n/a	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
2004	1,788	87,617,622	49.3	5.2

State of Washington

Fiscal Year	Population [a]	Personal Income [b]	Per Capita Personal Income [b]	Unemployment Rate [c]
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
2004	6,168	217,503,000	35.0	6.3

(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

	2013			2004		
Type of Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Government—*Local*	121,700	1	8.0 %	114,300	1	8.4 %
Professional and Business Services—*Professional, Scientific and Technical Services*	119,100	2	7.8	86,900	2	6.4
Leisure and Hospitality—*Food Services and Drinking Places*	105,100	3	6.9	85,900	3	6.3
Manufacturing—*Transportation Equipment Manufacturing*	94,600	4	6.2	66,100	7	4.8
Retail—*Unspecified*	86,000	5	5.6	73,200	5	5.4
Professional and Business Services—*Administrative and Support and Waste Management and Remediation*	79,800	6	5.2	74,300	4	5.4
Wholesale Trade	70,000	7	4.6	67,400	6	4.9
Government—*State*	63,200	8	4.1	59,600	9	4.4
Educational and Health Services—*Ambulatory Health Care Services*	62,900	9	4.1			
Financial Activities—*Finance and Insurance*	53,700	10	3.5	62,400	8	4.6
Transportation, Warehousing and Utilities				50,600	10	3.7
Total	856,100		56.0 %	740,700		54.3 %

(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]
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
2004	235,834,254	0.25	2.76	1.43	2.47	3.08	0.86	10.85

(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)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended Dec 31	Taxes Levied for the Fiscal Year [a]	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2013	$ 73,021	$ 71,932	98.5 %	$	$ 71,932	98.5 %
2012	73,015	71,879	98.4	814	72,693	99.6
2011	73,513	72,290	98.3	1,059	73,349	99.8
2010	73,505	72,141	98.1	1,331	73,472	100.0
2009	75,911	74,384	98.0	1,515	75,899	100.0
2008	75,931	74,532	98.2	1,393	75,925	100.0
2007	68,863	67,703	98.3	1,151	68,854	100.0
2006	62,806	61,702	98.2	1,103	62,805	100.0
2005	62,800	61,705	98.3	1,095	62,800	100.0
2004	59,680	58,630	98.2	1,046	59,676	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	2013 Taxable Assessed Value	2013 Rank	2013 Percentage of Taxable Assessed Value	2004 Taxable Assessed Value	2004 Rank	2004 Percentage of Taxable Assessed Value
Boeing	$ 2,946,451	1	0.9 %	$ 2,718,434	1	1.2 %
Microsoft	2,826,189	2	0.9	1,299,089	3	0.6
Puget Sound Energy/ Gas/Electric	1,793,515	3	0.6	1,329,225	2	0.6
Alaska Airlines	813,750	4	0.3	384,080	7	0.2
AT&T Mobility LLC	771,005	5	0.2			
Qwest Corporation Inc.	695,292	6	0.2	1,219,045	4	0.5
Kemper Development (formerly Bel Square Managers)	558,829	7	0.2			
T-Mobile	506,575	8	0.2			
Union Square Limited	487,184	9	0.2	367,126	8	0.2
W2007 Seattle (formerly Archon Group LP)	392,475	10	0.1			
Equity Office Properties Trust (EOP)				506,346	5	0.2
Bank of America				432,957	6	0.2
Martin Selig				329,174	9	0.1
McElroy George & Assoc., Inc.				287,510	10	0.1
Total	$ 11,791,265		3.8 %	$ 8,872,986		3.9 %

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
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
2004	13,215	13,154	26,369	1,225	1,211	2,436	28,805

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
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
2004	250,605	105,377	2,788	124	358,894

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
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
2004	205,333	79,829	62,355	347,517

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
2013	543,655	468,253	206,967	1,218,875	373,878	1,592,753
2012	728,657	533,907	283,491	1,546,055	339,625	1,885,680
2011	769,050	620,463	339,358	1,728,871	320,862	2,049,733
2010	897,374	558,237	394,072	1,849,683	304,002	2,153,685
2009	612,236	459,557	212,748	1,284,541	300,055	1,584,596
2008	664,472	434,546	277,478	1,376,496	327,996	1,704,492
2007	810,453	503,690	314,351	1,628,494	345,010	1,973,504
2006	799,138	438,806	398,317	1,636,261	351,099	1,987,360
2005	846,311	484,997	414,490	1,745,798	342,131	2,087,929
2004	704,664	387,503	374,084	1,466,251	309,607	1,775,858

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
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	38,434	6,552,767
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
2004	149,750	3,898,491	853,756	43,541	4,945,538

Source: Port of Seattle Marine Terminal Information System

SCHEDULE 21
PORT OF SEATTLE CRUISE TRAFFIC
Last Ten Fiscal Years

Fiscal Year	Cruise Vessel Calls [a]	Cruise Passengers
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
2004	150	562,308

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
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
2004	811	198		581	12	1,602

(a) Number of employees includes regular, temporary, full-time, and part-time employees 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 Corporate and Capital Development Division (CDD) employees. 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 Nine Fiscal Years

Fiscal Year [a]	2013	2012	2011	2010	2009
Total Property (in acres)	1,335	1,335	1,335	1,335	1,335
No. of Container Terminals (Terminal 5, 18, 30, 46)	4	4	4	4	4
Size (in acres)	526	526	526	526	535
Number of berths (1,200—4,450 feet)	11	11	11	11	11
Number of container cranes [c]	30	30	24	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	2,704	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) List of certain capital asset characteristics was unavailable prior to 2005.
(b) Prior to 2009, multi-use, barge and grain terminal data was combined and reported as breakbulk terminals.
(c) Three of the container cranes were owned by SSA Terminals in 2005 while seven of the container cranes were owned by SSA Terminals during 2006 to 2011. Thirteen of the container cranes were owned by SSA Terminals in 2012. In 2013, five of the container cranes were sold to its terminal operator at Terminal 46.
(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 Nine Fiscal Years

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

(Concluded)

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

	Fiscal Year	Size/Length
Airport area (in acres)	2005 to 2013	2,800
Apron (in square foot)—Commercial Airlines	2005 to 2013	3,061,300
Runways (in feet)		
16L/34R	2005 to 2013	11,901
16C/34C	2005 to 2013	9,426
16R/34L [(b)]	2008 to 2013	8,500
Rental Car Facility (in square foot) [(c)]	2012 to 2013	2,100,000

Fiscal Year [(a)]	2013	2012	2011	2010	2009
Terminal (in square foot)					
Airlines	1,107,945	1,226,044	1,219,955	1,219,955	1,294,473
Tenants	329,900	291,071	253,673	253,673	280,639
Port Occupied	233,720	299,226	249,544	249,544	280,880
Public/Common	927,679	811,664	867,410	867,410	758,216
Mechanical	517,805	495,009	529,734	529,734	471,951
Total	3,117,049	3,123,014	3,120,316	3,120,316	3,086,159
Number of passenger gates	78	79	79	79	79
Number of Port owned loading bridges	59	56	48	48	46
Parking (spaces assigned)					
Short-term, Long-term, and Employees	11,952	10,394	9,641	9,641	9,641
Rental Cars [(c)]			3,276	3,276	3,276
Total	11,952	10,394	12,917	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 [(a)]	2008	2007	2006	2005
Terminal (in square foot)				
Airlines	1,294,473	1,294,473	1,220,041	1,232,300
Tenants	280,639	280,639	244,100	244,100
Port Occupied	280,880	280,880	257,906	299,300
Public/Common	758,216	758,216	774,800	774,800
Mechanical	471,951	471,951	474,300	474,300
Total	3,086,159	3,086,159	2,971,147	3,024,800
Number of passenger gates	79	79	79	80
Number of Port owned loading bridges	46	46	46	46
Parking (spaces assigned)				
Short-term, Long-term, and Employees	9,641	9,641	9,267	9,267
Rental Cars [(c)]	3,276	3,276	3,276	3,276
Total	12,917	12,917	12,543	12,543
Other offsite parking (spaces assigned)				
Economy	2,400	2,400	2,400	2,400
Employees	4,091	4,091	4,091	4,091

(a) List of certain capital asset characteristics was unavailable prior to 2005.
(b) Third Runway 16R/34L was completed and became operational in November 2008.
(c) Parking space was temporarily unassigned as the newly constructed 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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Printed on paper containing 30 percent post-consumer waste

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