Port of Tacoma

Annual Report 2014

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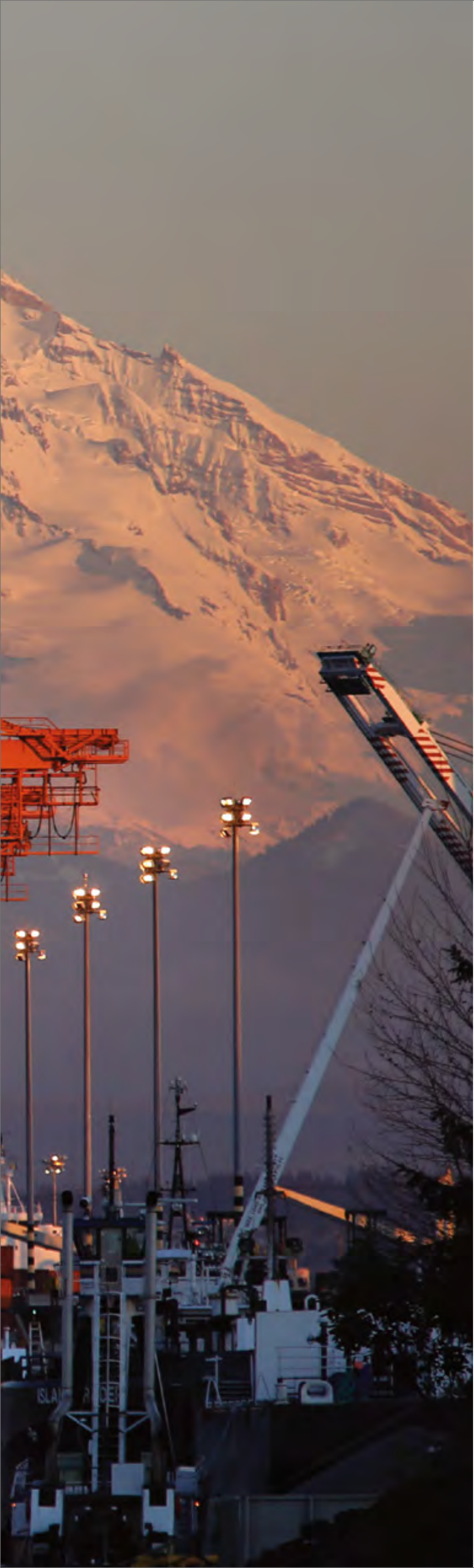
HYUNDAI
현대 브레이브
HYUNDAI BRAVE
PANAMA



Bold actions create new opportunities

The rules of the international container trade game have changed.

The ever-larger vessels being introduced by shipping lines are calling at fewer ports, ratcheting up the competition for their business and requiring significant investments in terminals, rail and roads to accommodate the cargo surges these megaships bring.

We're investing now in our infrastructure to keep the Puget Sound gateway competitive on this new global shipping field.

The redevelopment of the General Central Peninsula hit a milestone in 2014 when we finished strengthening a pier at Husky Terminal and adding 100-gauge crane rail to support the larger cranes needed to serve larger ships. The next phase will reconfigure the adjacent pier. Work is expected to begin in 2015.

We also partnered with the City of Tacoma to secure funding to replace Port of Tacoma Road, the main truck route to several marine terminals, warehouses and manufacturers, and completed a rail connection to speed breakbulk cargo through East Blair One terminal.

The year brought some new leases that expand our cargo mix. The proposals include building a methanol export facility and liquefied natural gas plant. Work also began to prepare a prime piece of industrial real estate for future development.

To secure our region's economic future, bold actions are required. The stakes are high.

A 2014 study estimated the marine cargo operations at the ports of Tacoma and Seattle support 48,000 jobs and generate $4.3 billion in economic activity. Together, we are the third-largest container gateway in North America.

That's why we've partnered with the Port of Seattle with the intent to form a Seaport Alliance to jointly manage the marine cargo operations at the state's two largest ports.

The Seaport Alliance will allow us to take a regional perspective when planning and prioritizing investments in our marine terminals to keep—and grow—port-related, family-wage jobs.

We're making the bold moves necessary to deliver prosperity for the Puget Sound region. With you in our corner, I am confident in our ability to score for the region and grow trade-related jobs in our state.

John Wolfe, chief executive officer
Port of Tacoma

Mount Rainier towers above the *Hyundai Brave* berthed at Washington United Terminals on the Blair Waterway.

Leadership

The five members of the Port of Tacoma Commission are elected by Pierce County voters and serve as our governing body.

The commission sets policy, authorizes major expenditures, reviews all spending and appoints the chief executive officer. The commission's regular public meetings are streamed live on the Web and archived for later viewing. Find meeting dates, agendas and memos at **www.portoftacoma.com/commission**.

Connie Bacon

Connie Bacon was elected to the commission in 1997.

She serves as advisor to the Asia Pacific Cultural Center and Fuzhou Committee and is co-founder of Water Partners Tacoma. Bacon also serves on the Urban Waters Board and the Port of Tacoma Audit Committee.

A member of the Transportation Club of Tacoma and Tacoma Propeller Club, she is a senior fellow of the American Leadership Forum and member of the advisory board to the Port of Tacoma Endowed Chair at the University of Washington Tacoma. She is an emeritus member of the Northwest Sinfonietta Board of Directors.

Bacon is a former executive director of the World Trade Center Tacoma and served eight years as special assistant to former Washington Gov. Booth Gardner. She is a graduate of Syracuse University and earned a master's degree from The Evergreen State College.

Don Johnson

Elected to the commission in 2007, Don Johnson is the former vice president and general manager of Simpson Tacoma Kraft, a leading Tacoma pulp and paper producer.

Johnson serves on the boards of the Puget Sound Regional Council's Transportation Policy Board and Goodwill's Finance Committee. He chairs the Goodwill Board and is the past chair of the MultiCare Health Care Foundation. He also serves as chair of the Port of Tacoma Audit Committee.

He is a previous chair of the Tacoma-Pierce County Chamber Board. He is also the former chair of the University of Washington Business School Advisory Board, the United Way of Pierce County Board and the United Way's annual campaign. He chaired the search committee for the CEO of the Tacoma-Pierce County Chamber and is a member of the Transportation Club of Tacoma and Tacoma Propeller Club.

Johnson holds a bachelor's degree in mechanical engineering from the University of Washington.

Richard Marzano

A Tacoma longshore worker for more than 36 years, Dick Marzano served as president of the International Longshore and Warehouse Union Local 23 for six years. He was first elected to the commission in 1995.

Marzano is the co-chair of the State Route 167 Completion Coalition and serves on the Washington Public Ports Association's Board of Trustees, Puget Sound Regional Council's Executive Board, Pierce County Sheriff's Office Executive Advisory Board and the Valley Cities Association Board. He has served on WPPA's six-member executive committee.

He is a former member of the Freight Mobility Strategic Investment Board, appointed by former Washington Govs. Gary Locke and Christine Gregoire.

Marzano is also a member of the Tacoma Propeller Club and Transportation Club of Tacoma, and a former board member of the Foss Waterway Development Authority and St. Leo's Hospitality Kitchen.

Don Meyer

Don Meyer is the former executive director of the Foss Waterway Development Authority and a former deputy executive director of the Port of Tacoma. He was elected to the commission in 2010.

Meyer currently serves on the Pierce County Regional Council, South King County Transportation Board, Tacoma Waterfront Association and Tacoma-Pierce County Economic Development Board. He is a member of the Alaska State Chamber of Commerce, the Fife/Milton/Edgewood Area Chamber of Commerce and the Transportation Club of Tacoma.

He served on former Gov. Christine Gregoire's Connecting Washington Task Force on transportation issues, is a member of Tacoma Rotary #8 and owns a small business in Pierce County.

Born and raised on a South Dakota farm, Meyer holds a bachelor's degree in business from Pacific Lutheran University and a master's degree in business administration from the University of South Dakota.

Clare Petrich

A commissioner since 1995, Clare Petrich is a small business owner with strong ties to Tacoma's maritime heritage. She is co-founder of the Commencement Bay Maritime Fest, an advisor to Tacoma Community Boat Building and deeply involved in maritime heritage research.

Petrich serves on the Joint Municipal Action Committee, Pacific Northwest Waterways Association, the Youth Marine Foundation, the Flood Control Zone District Committee and the Washington Council on International Trade. She was recently elected to the boards of Sister Cities International and the Washington State Trust for Historic Preservation.

She is a past president of the Puget Sound Regional Council's Economic Development District Board and continues to serve on this board. She is also board secretary for the Trade Development Alliance of Greater Seattle.

Petrich graduated from Manhattanville College in New York and received her master's degree from the University of Virginia.

John Wolfe

Chief executive officer

John Wolfe was named the Port's chief executive officer in June 2010. He sets the organization's vision and strategy, and oversees a staff of about 250.

Before being named CEO, Wolfe had served as the deputy executive director of the Port since June 2005.

Prior to joining the Port of Tacoma, he served for two years as the executive director of the Port of Olympia, and before that as Olympia's director of operations and marine terminal general manager.

Wolfe also spent 10 years with Maersk Sealand/APM Terminals in Tacoma, most recently as the terminal's operations manager.

A native of Puyallup, Washington, Wolfe earned a bachelor's degree in business administration from Pacific Lutheran University in 1987.

Strategic investments

Strong supply chains are built on efficient transportation connections. We're committed to investing in our road, rail and terminal infrastructure to quickly move freight in and out of the Port industrial area.

Building an efficient supply chain

With transportation dollars scarcer than ever, the Port partnered with the City of Tacoma to replace its main truck route, Port of Tacoma Road.

The City-owned street is pitted with potholes and incomplete sidewalks, providing a rough ride for vehicles trying to access several terminals, warehouses and manufacturers.

A $5.9 million grant from the Transportation Investment Board (TIB) in November provided the final funding needed to complete the $9.2 million project to replace 7,800 feet of road from East 11th Street to Marshall Avenue. The project designs call for rebuilding the road from the base up with concrete to meet heavy-haul corridor standards.

In addition to a new road surface, the reconstruction will improve pedestrian access by completing missing segments of sidewalk, add traffic signals at key intersections and provide infrastructure for a future Intelligent Transportation System.

The City and Port are working with tenants, property owners and trucking companies to keep industry rolling during construction. Construction is expected to be completed by the end of 2015.

Project funding partners include the Port, City, Tacoma Rail, Puget Sound Regional Council, Freight Mobility Strategic Investment Board and TIB.

Additional roads in and around the Port industrial area are also seeing improvements:

- **Port of Tacoma Road/I-5 interchange**: The City of Fife is in the midst of a multi-phase project to reconfigure the interchange connecting Port of Tacoma Road and Interstate 5, the main access to the Port from the highway. The project will improve safety, freight mobility and access to local businesses in Fife.
- **I-5 HOV lanes**: The Washington State Department of Transportation is completing a series of projects to add high-occupancy-vehicle (HOV) lanes in Tacoma and Pierce County to ease congestion, improve safety and speed freight movement.

Closer to the water, the Port completed the $20 million project to strengthen Pier 3 and install 100-gauge crane rail to support larger container cranes. We also installed about 700 feet of rail to connect the East Blair One breakbulk terminal's on-dock rail to Tacoma Rail's support tracks.

March

New straddle carriers
Five new Kalmar straddle carriers joined the Port's fleet to load and unload containers from railcars in the North Intermodal Yard.

May

Harbor tax reinvests in all ports
The Water Resources Reform and Development Act expanded the use of Harbor Maintenance Tax funds to reinvest in all ports, including donor ports with naturally deep water harbors like Tacoma and Seattle.

October

East Blair One rail connected
East Blair One's on-dock rail was connected to Tacoma Rail's support tracks. Breakbulk cargo is now transferred directly between the terminal and railcars, a state-of-the art improvement few ports can offer.

Pier 3 upgrade complete
The Port finished rebuilding Pier 3 at Husky Terminal, the first step in transforming the General Central Peninsula to serve the world's largest ships. Work on the next phase, the reconfiguration of the adjacent Pier 4, will begin in 2015.

November

Grant funds reconstruction of main truck route
The Port of Tacoma Road reconstruction project received a $5.9 million grant, providing the final funding needed to begin construction.

Breakbulk cargo is transferred directly from railcars to the terminal at the East Blair One terminal.

New business opportunities

With more than 2,700 acres of prime industrially-zoned property, we have room to grow. We focus on attracting new business investments to diversify our cargo mix and create new economic opportunities.

Preparing property for future development

A feature that sets us apart from other major West Coast ports is the land available for development in the Port industrial area. We offer potential and current tenants room to expand.

Last year we began preparing a site along State Route 509 for future business use. Parcel 14's more than 100 acres will support new business development, habitat restoration and the future connection of a completed State Route 167.

The property has been used for the past 40 years to dispose of dredged material from our waterways. As the material settled, it created uneven terrain. The first phase of work began in June to grade and stabilize about 80 acres for future development.

Approximately 18 acres near Wapato Creek, at the west end of the site, is targeted for future habitat restoration. The plans include reestablishing the meandering path of the creek and creating habitat for animals, fish and birds.

The site's remaining 11 acres are designated for the completion of SR 167, a critical freight link between the Port and the Kent and Puyallup River valleys, the second largest concentration of distribution centers on the West Coast.

The 2015 State Legislature is considering a transportation funding package that includes completing SR 167 to Port of Tacoma and SR 509 to the Port of Seattle, known together as the Puget Sound Gateway Project. The Port and other project supporters continue to encourage lawmakers to invest in the state's transportation system. Our future success is tied to efficient road and rail infrastructure beyond our terminal gates.

Other new business developments included the Port signing leases with:

- Northwest Innovation Works to build a methanol export facility on the former Kaiser Aluminum site, putting a former contaminated property back into productive use.
- Puget Sound Energy to build a liquefied natural gas plant to support local natural gas customers and maritime transportation needs, including fueling Totem Ocean Trailer Express vessels.

Site grading and stabilization work began in the summer to prepare about 80 acres of a Port-owned site for future development.

February

Returning land to productive use

The Port removed nearly 120,000 tons of contaminated material from a former log yard and returned the site to productive use as a chassis and container storage yard for Yusen Logistics. The cleanup work included installing utility infrastructure and stormwater treatment facilities.

May

Methanol export facility diversifies cargo

Northwest Innovation Works is proposing a facility to convert natural gas to methanol for export to Asia. The 30-year lease, currently in the feasibility period, covers about 90 acres of the former Kaiser Aluminum site.

July

Westwood Shipping returns to Tacoma

A former tenant of the Port until 1983, Westwood Shipping Lines returned to Tacoma under a five-year agreement. It operates con-breakbulk vessels that serve ports in Japan, Korea, China and North America.

August

LNG facility advances clean air initiatives

Puget Sound Energy plans to build a liquefied natural gas facility to serve customers and provide a cleaner fuel alternative for transportation companies. The 25-year lease covers about 30 acres and a pier.

Customer care

Our highly-skilled people have a passion for the industry and build strong business relationships with our customers and key stakeholders.

Tacoma, Seattle ports propose joining forces to stay competitive

The ports of Tacoma and Seattle announced in October plans to form a Seaport Alliance to unify management of their marine cargo terminals and related functions.

The ports have been fierce competitors for decades. The proposed Seaport Alliance is a bold regional approach to address the unprecedented change happening in the international container shipping industry.

Puget Sound ports are facing challenges from competitors in Canada, California and on the East and Gulf coasts. Today's larger container ships are calling at fewer ports, requiring major terminal infrastructure investments to accommodate them and fueling increased competition for their business.

The Seaport Alliance will strengthen the Puget Sound gateway to better serve our customers, address the competitive challenges and create new economic opportunities for the region.

Together, the ports are the third-largest container gateway in North America and are critical for the export of Washington state products to Asia. Our marine cargo operations support 48,000 jobs and generate nearly $4.3 billion in economic activity annually, according to a study released in September.

Seaport Alliance customers will benefit from a broader selection of carriers, port facilities and services. We'll contribute equally to capital improvements and prioritize which facilities we invest in first.

The Seaport Alliance also will give us one voice when speaking to partners such as the railroads or advocating for issues and funding at the state and federal level.

The proposed collaboration will not change the existing port commission governance structure. Each commission will continue to be directly accountable to the residents of its county. Both ports will make an equitable investment into the partnership and retain ownership of their respective property and facilities.

The two commissions have proposed hiring John Wolfe, currently CEO of the Port of Tacoma, as the head of the Seaport Alliance. The ports plan to submit a more detailed framework for how the partnership will function to the Federal Maritime Commission in 2015.

April

Summit Awards recognize leadership

Announced at our Annual Breakfast, the 2014 Summit Awards honored PCC Logistics for Business Magnet, Friends of Julia's Gulch for Environmental Stewardship and the Transportation Club of Tacoma for Livable Community.

August

Quest for Quality awards

For the second year in a row, the Port ranked highest among West Coast ports for ease of doing business in *Logistics Management's* 2014 Quest for Quality awards. Tacoma also topped the value category.

September

Mazda stays in Tacoma

At the Port since 1979, Mazda is our oldest auto customer. The new five-year agreement keeps Mazda North America Operations in Tacoma and preserves 30 full-time jobs.

December

Tacoma remains Kia's Puget Sound port

Tacoma continues to be Kia Motor's sole Puget Sound port of call under a five-year agreement with Glovis America, a subsidiary of Hyundai Auto Group that provides logistics support services for Hyundai and Kia.


Mazda automobiles have been crossing Tacoma docks since 1979.


FRANKIE
SKANSKA

Community Pride

One of our competitive advantages is our community's support. We're committed to creating economic opportunities for the region, caring for the environment and growing responsibly to ensure continued trust in our collective future.

Port operations support jobs, economic growth

With 40 percent of the jobs in Washington state tied to international trade, ours is among the most trade-rich states in the nation. Thriving ports like the Port of Tacoma help drive the region's economic health.

According to a study released in November, the Port's real estate and marine cargo operations generate 29,000 jobs and nearly $3 billion in economic activity in the state.

The Martin Associates' analysis focused on direct, indirect and induced jobs:

- **Direct jobs** include trucking companies, freight forwarders, Port staff, and terminal and railroad employees.
- **Indirect jobs** are generated by support industries and suppliers, including maintenance and repair shops.
- **Induced jobs** are created by people directly employed by marine cargo and real estate operations spending their wages in the community.

Factor in the farmers and manufacturers who ship products through Tacoma and the number of jobs related to port activities jumps to 267,000 jobs.

Port operations produced more than $223 million in state and local taxes to support education, police, fire services and road improvements.

Meanwhile, Alaska and the Puget Sound continue to share a dynamic economic relationship, as detailed in the fourth report of the *Ties that Bind* series, released in February 2015. The study was first completed in 1985 and is updated roughly every decade.

About $5.4 billion in goods and services are shipped from Puget Sound to Alaska each year. Ninety-seven percent of the 3.4 billion tons of cargo traveling to and from Alaska is transported by water, with the container services operated from Tacoma by Totem Ocean Trailer Express and Horizon Lines carrying more than 50 percent of the trade.

Beyond jobs, the Port is committed to protecting and improving the environment. We live and work here, too.

The innovative biofiltration system installed at our log export terminal removes more than 92 percent of pollutants from stormwater to protect Commencement Bay. We're also restoring 40 acres of habitat and secured grant funding to repower Tacoma Rail's oldest locomotive to improve air quality.

March

Restoring Upper Clear Creek
We're restoring 40 acres of habitat at Upper Clear Creek with forested wetlands, salmon habitat and a re-oriented creek. Most of the site is advance mitigation and will contribute to the Port's mitigation bank.

April

Grant helps improve air quality
A $600,000 grant the Port received from the U.S. Environmental Protection Agency's Diesel Emission Reduction Act (DERA) program will help repower Tacoma Rail's oldest locomotive to reduce emissions.

July

Green Supply Chain Partner
The Port earned an *Inbound Logistics* Green Supply Chain Partner honor for the fifth year in a row. Tacoma was recognized for efforts to reduce seaport-related emissions, clean up legacy contamination and manage stormwater.

September

Boat tours
More than 1,100 people got a ship-side view of port operations and jobs during our annual boat tours. The narrated tours are a regular part of the Tacoma Maritime Fest.

November

Biofiltration system lauded
The American Association of Port Authorities awarded the biofiltration system to manage stormwater at the West Hylebos Log Yard with its Comprehensive Environmental Management Award.

The Port is restoring 40 acres of habitat along Upper Clear Creek.

Corporate Social Responsibility Program

We are committed to doing business in a way that engages our community, protects our environment and demonstrates social and economic responsibility.

The Port launched a Corporate Social Responsibility Program in 2014 to strengthen our connections with the Pierce County community. The program focuses on six priorities:

- diversifying our workforce
- developing skilled trades
- sustainable practices
- creating more opportunities for small and emerging businesses
- increasing employee volunteerism
- exposing students to the maritime industry

The program coordinates our efforts in these diverse areas and ensures the priorities are integrated into our business plans and values.

Jobs outreach

Create a more diverse workforce by formalizing an outreach program to broaden the number of veterans, women and minorities who apply for jobs.

Skilled trades development

Broaden and diversify the applicant pool for vacant positions and provide port-specific training to support employee advancement and succession planning.

Small and emerging business program

Enhance economic development opportunities for small and emerging businesses within Pierce County and throughout the region to compete for contracts to supply goods and services.

Sustainability practices

Reduce the impacts of Port operations by integrating sustainable practices that balance natural resource efficiencies with economic benefits.

Expose students to maritime industry

Provide hands-on internships to post-high school students and partner with high schools on activities that demonstrate connections between school curriculum and future maritime job opportunities.

Employee community engagement

Encourage and support employees to increase their volunteerism in the community, helping employees be better connected to the Port's citizen stakeholders throughout Pierce County.

"Our CSR program will help the Port be more visible throughout our community. Building on existing partnerships and developing new opportunities will allow the Port and some of our customers to find new ways to put money back into our community."

Louis Cooper, senior director of security and labor relations and the program's co-lead

Tacoma and Seattle 2014 trade statistics

The ports of Tacoma and Seattle reported joint cargo volumes for the first time in 2014. The Puget Sound region's two largest container ports intend to form a Seaport Alliance to strengthen the gateway and create more economic opportunities.

Top 10 international trading partners

(value of two-way trade)

Trading partners 11-20

Singapore:	$813 million	Netherlands:	$323 million
India:	$762 million	United Kingdom:	$319 million
Philippines:	$654 million	Russia:	$302 million
Germany:	$427 million	Brazil:	$282 million
Italy:	$340 million	New Zealand:	$261 million

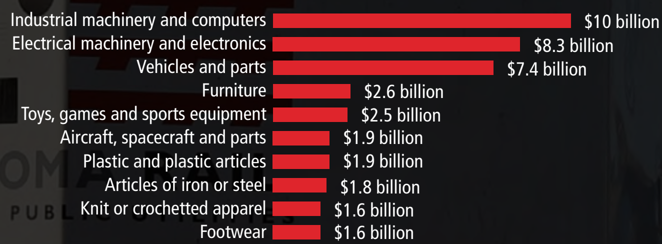
VALUE OF TWO-WAY INTERNATIONAL TRADE TOTALED:

$73.6 billion

The Puget Sound's annual trade with Alaska is estimated at $5.4 billion. If ranked with our international trading partners, Alaska would be fourth. *(Source: 2015 update to Ties That Bind study)*

Highlights 2014

Top 10 import commodities
(by value)

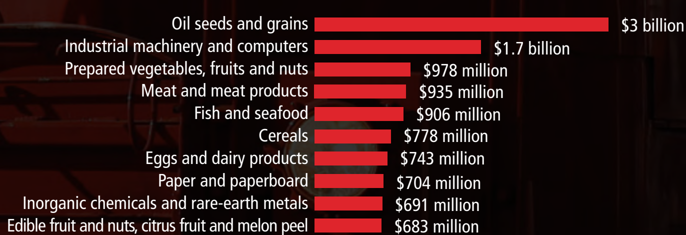


VALUE OF INTERNATIONAL IMPORTS TOTALED:

$55.2 billion

(Source: World Institute for Strategic Economic Research)

Top 10 export commodities
(by value)



VALUE OF INTERNATIONAL EXPORTS TOTALED:

$18.4 billion

(Source: World Institute for Strategic Economic Research)

Tacoma and Seattle cargo highlights

Total TEUs	3.4 million
Total tonnage	35.1 metric tons
Auto units	175,802
Grain	7.5 metric tons
Breakbulk cargo	253,377 metric tons
Logs	276,628 metric tons
Vessel calls	2,178
Value of international trade	$73.6 billion
Value of domestic trade (estimate)	$5.4 billion

Tacoma financial highlights (dollars in thousands)

Revenues	134,322
Increase in net position*	4,349
Working Capital	108,965
Capital additions	41,329
Land, facilities and equipment	904,752
Net long-term debt	578,301
Net position	504,185
Debt service coverage ratio (senior lien)	7.4
*includes capital contribution	

INTRODUCTION

The Port of Tacoma's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance introduces the Port's 2014 and 2013 financial statements which includes the Enterprise Fund as well as the Post-Employment Health Care Benefits Trust Fund. Port management prepared this MD&A and readers should consider it in conjunction with the financial statements and the notes thereto.

The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Post-Employment Health Care Benefits Trust Fund.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding capital assets and long-term debt activity, including commitments made for capital expenditures.

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 financial statements include: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows of the Enterprise Fund. The report also includes the following two basic financial statements for the Post-Employment Health Care Benefits Trust Fund: statements of net position and statements of changes in net position.

The statements of net position and the statements of revenues, expenses and changes in net position illustrate whether the Port's financial position has improved as a result of the year's activities. The statements of net position present information on all of the Port's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Port is improving or deteriorating. The statements of revenues, expenses and changes in net position show how the Port's net position changed during the year. These changes are reported in the period the underlying event occurs, regardless of the timing of related cash flows.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port uses two funds, an enterprise fund, which is a type of proprietary fund that reports business type activities, and the Post-Employment Health Care Benefits Trust Fund.

Financial Position Summary - Enterprise Fund

The statements of net position present the financial position of the Enterprise Fund of the Port. The statements include all of the Port's assets and liabilities of the Enterprise Fund. Net position serves as an indicator of the Port's financial position. The Port's current assets consist primarily of cash, investments and accounts receivable. A summarized comparison of the Port's Enterprise Fund assets, liabilities and net position at the close of calendar year-end follows:

Statements of Net Position (dollars in thousands)

	2014	2013	2012
Current assets	$220,235	$216,130	$214,063
Capital assets, net	966,813	962,741	964,661
Long-term investments	9,230	37,688	17,411
Other assets	45,586	47,701	28,672
Total assets	**$1,241,864**	**$1,264,260**	**$1,224,807**
Deferred outflows of resources	**$87,492**	**$60,035**	**$97,992**
Current liabilities	$111,270	$124,409	$89,476
Long-term debt, net	**578,031**	**601,378**	**621,859**
Other long-term liabilities	135,869	98,671	111,706
Total liabilities	**$825,170**	**$824,458**	**$823,041**
Net investment in capital assets	$299,405	$280,507	$272,154
Restricted - bond reserves	9,230	16,395	17,411
Unrestricted	195,551	202,935	210,193
Total net position	**$504,186**	**$499,837**	**$499,758**

The Port's assets and deferred outflows exceeded its liabilities by $504.2 million at December 31, 2014. Of this amount, $299.4 million is the net investment in capital assets, $9.2 million is restricted for bond reserves and $195.6 million is unrestricted. Net position was $499.8 million at December 31, 2013, of this amount net investment in capital assets was $280.5 million, $16.4 million was restricted for related bond reserves and $202.9 million was unrestricted.

The Port's net investment in capital assets represents infrastructure and capital assets for Port terminal and real estate facilities. In 2014 the net investment in capital assets increased by $18.9 million due primarily to a net decrease in outstanding debt of approximately $14.8 million and a $4.1 million increase in net capital assets attributable to asset creation and the corresponding increase in depreciation.

In 2013 the net investment in capital assets increased by $8.3 million due primarily to a net decrease in outstanding debt of approximately $5 million and net change in capital assets of $1.9 million.

Restricted components of net position at December 31, 2014, 2013 and 2012, of $9.2, $16.4 and $17.4 million, respectively, are required reserves for the 2004 and 2005 revenue bonds held in restricted investments.

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. The following summary compares operating results for 2014, 2013 and 2012.

Statements of Revenues, Expenses and Changes in Net Position (dollars in thousands)

	2014	2013	2012
Operating Income			
Operating revenues	$134,322	$125,342	$124,377
Operating expenses	113,497	99,015	96,146
Total operating income	**20,825**	**26,327**	**28,231**
Non-Operating Revenues (Expenses)			
Ad valorem tax revenues	13,083	12,600	13,672
Interest on general obligation bonds	(9,000)	(9,456)	(9,566)
Net ad valorem tax revenues	**4,083**	**3,144**	**4,106**
Interest income	2,704	2,421	3,153
Net increase (decrease) in the fair value of investments	2,505	(5,135)	777
Interest expense	(20,908)	(23,048)	(20,117)
Other non-operating expense, net	(7,131)	(10,365)	(6,935)
Total non-operating expenses, net	**(18,747)**	**(32,983)**	**(19,016)**
Increase (decrease) in net position before capital contributions	**2,078**	**(6,656)**	**9,215**
Capital contributions	2,271	6,735	13,565
Increase in net position	**4,349**	**79**	**22,780**
Net position, beginning of year	499,837	499,758	476,978
Net position, end of year	**$504,186**	**$499,837**	**$499,758**
Container Volume (TEUs in thousands)	**2,040**	**1,892**	**1,711**

Revenues: Port revenue in 2014 of $134.3 million increased by $9.0 million and 7.2% over 2013 on strong container and non-container cargo volume increases. The Port handled 2.0 million TEUs (20-foot equivalent units) in 2014, a 7.8% increase over the prior year. The container business revenue increased by $6.9 million and 7.6% over the prior year primarily due to larger vessels calling the port terminals, increasing equipment and intermodal revenue.

The non-containerized cargo business consists of the Port's breakbulk, auto and log businesses. Non-container revenue increased $1.4 million and 7.5% over the prior year. Breakbulk revenue was up $1.6 million, driven by construction and heavy machinery cargo handling. Further, the improving economy drove auto imports and revenue increases of 9.6% and $0.8 million, respectively. Conversely, the Port's log export volume was down 32.1% and $0.5 million compared to the prior year, primarily due to weaker demand in China.

Real estate revenue increased by $0.6 million and 4.3% above the prior year as demand for commercial property improved.

Port revenue in 2013 of $125.3 million increased slightly by $0.9 million and 0.7% over 2012 as carriers expanded the use of larger vessels to transport Asian imports into Southern California. The Port handled 1.9 million TEUs (20-foot equivalent units) in 2013, a 10.5% increase over the prior year. Growth in 2013 container volumes continues to reflect the addition of the Grand Alliance shipping consortium midway through 2012. Although total container volume grew, overall container and intermodal revenue was down $2.1 million and 2.3% compared with the prior year due to lower equipment and intermodal revenue at the Port operated terminals.

The non-containerized cargo business consists of the Port's breakbulk, auto and log businesses. Non-container revenue increased $0.9 million and 5.3% over the prior year driven by increases in auto units of 8.2% and $0.9 million, and log exports increased by 12.0 million board feet and $0.5 million. Conversely, the Port's breakbulk volume was down 21.1% and $1.2 million compared to the prior year, primarily due to strong demand for industrial and agricultural equipment in the prior year and exporters diversifying ports.

Real estate revenue increased by $2.1 million and 16.8% above the prior year as demand for commercial property improved.

Expenses: The 2014 operating expense of $113.5 million was $14.5 million and 14.6% above the prior year. Revenue related operating expenses increased by $1.8 million and $1.2 million in the container and non-container businesses, respectively. Environmental expense of $12.4 million was recorded to remediate sites on the General Central Peninsula and on the Blair Peninsula that are being developed to accommodate new and expanded business opportunities.

The 2013 operating expense of $99.0 million was $2.9 million and 3.0% above the prior year. Container operating expense decreased by $1.0 million, the result of lower equipment and intermodal volume and revenue. Non-container operating expense increased by $2.0 million, primarily due to expenses associated with terminal relocations for breakbulk and autos. Environmental expense increased by $1.0 million and 49.4% primarily due to remedial investigation and cleanup project costs.

As a result of the above, the 2014 operating income of $20.8 million decreased by $5.5 million and 20.9% from 2013; 2013 operating income decreased by $1.9 million and 6.7% from 2012.

Non-Operating Expenses: The 2014 net non-operating expense of $18.7 million was $14.2 million and 43.0% below the prior year.

Net interest expense of $15.7 million was down $10.1 million from the prior year.

Interest income was up $7.9 million primarily due to non-cash fair value adjustments on investments of $7.6 million and interest expense was down $2.1 million primarily due to the refunding of bonds at lower interest rates described in Note 5.

Other non-operating expense was $7.1 million in the current year versus $10.4 million in 2013. Major current year expenses include: asset impairments of $5.5 million at pier 4 which is being redeveloped and obsolete rail design costs of $1.3 million.

Ad valorem tax revenue increased by $0.5 million compared to the prior year which also increased the net ad valorem tax revenue after interest expense on governmental bonds by $1.0 million.

The 2013 net non-operating expense of $33.0 million was $14.0 million and 73.7% above the prior year.

Interest income was down $6.6 million primarily due to non-cash fair value adjustments on investments of $5.9 million. Interest expense was up $3.0 million, primarily due to the additional interest for the $130 million and $20 million interest rate swap agreements that were effective in July 2012 and 2013, respectively. Other non-operating expense of $10.4 million increased by $3.4 million over the prior year. The significant components of other non-operating expense in 2013 were impairment of the property held for sale of $5.9 million, property, equipment and other asset disposals of $2.5 million for terminal development projects, and election expense of $0.9 million.

Ad valorem tax revenue for 2013 was down $1.1 million compared to the prior year, decreasing the net ad valorem tax revenue after interest expense on governmental bonds by $1.0 million.

Capital Grant Contributions: Capital grant contributions of

$2.3 million in 2014 were comprised of $1.0 million for security enhancements, $0.9 million for environmental remediation projects, and $0.4 million for infrastructure projects.

Capital grant contributions in the prior year were received for environmental remediation projects of $4.1 million and security enhancements of $2.1 million and infrastructure projects of $0.5 million.

Capital Assets: The Port's investment in capital assets, net of depreciation, for its business activities as of December 31, 2014, amounted to $966.8 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and construction in process. The Port's investment in capital assets, net of depreciation, for its business activities as of December 31, 2013, amounted to $962.7 million (see Note 3).

Debt Administration

Long-Term Debt: At December 31, 2014, the Port's long-term debt, including current portion, outstanding totaled $585.0 million. Of this amount, general obligation bonds outstanding were $184.5 million and revenue bonds outstanding were $400.5 million.

At December 31, 2013, the Port's long-term debt, including current portion, outstanding totaled $604.6 million. Of this amount, general obligation bonds outstanding were $189.1 million and revenue bonds outstanding were $415.5 million (see Note 5).

The Port utilizes derivative payment agreements to manage interest rate risk. The swap agreements synthetically fix or "lock-in" interest rates on variable revenue bond debt by providing cash flows that are intended to offset the variable-rate bond payments, leaving the Port with the fixed payment identified in each swap agreement. The Port does not hold or issue derivative financial instruments for trading purposes. These instruments are designated as cash-flow hedges on the trade date and are recognized on the statements of net position at their fair value.

In 2010 the Port modified the 2011, 2012 and 2013 payment agreements with the counterparty, eliminating the need to issue new insured debt to match the 2011 $80.0 million, 2012 $130.0 million and the 2013 $20.0 million swaps. Instead, the Port used existing outstanding variable-rate long-term debt and commercial paper to match the 2011-2013 swaps. The Port issued additional commercial paper during 2013 for the $20.0 million swap that became active in July 2013. The terms of the 2010 amended payment agreement removed the bond insurance requirement and increased the fixed payment agreement rate by 0.06%. The Port estimates that annual interest expense will increase by $126,000.

In 2014, the Port refunded $71.5 million of the 2005 Senior Lien Revenue bonds and approximately $20.0 million of the 2004 Senior Lien Revenue bonds. The bonds were refunded as Subordinate Lien Revenue bonds and are matched to the Port's interest rate swaps. This is expected to save the Port between $2.0 and $3.0 million per year in interest expense by allowing the Port to reduce its outstanding commercial paper which had been matched to the swaps, or by utilizing the low variable interest rates on any remaining outstanding commercial paper which will no longer be matched to the swaps. The Port has also refunded the $8.5 million 2004A Senior Lien Revenue bonds. This refunding, which will keep the bonds on the senior level, is expected to save between $0.2 and $0.3 million per year due to lower rates.

Additional information on the Port's long-term debt activity may be found in Note 5 of this report and in the supplementary section "Information for Bondholders."

The Port requests bond ratings prior to issuing debt. Moody's and Standard & Poor's rated the Port's debt as follows:

DESCRIPTION	MOODY'S	STANDARD & POORS
General Obligation (Senior Lien)	Aa3	AA-
Revenue Bonds (Senior Lien)	Aa3	AA-
Revenue Bonds (Subordinate)	A1	A+

Post-Employment Health Care Benefits Trust Fund: The Post-Employment Health Care Benefits Trust Fund (the Trust) accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. A summarized comparison of the assets, liabilities and net position of the Trust as of December 31, 2014, 2013 and 2012, and changes in net position for the years ended December 31, 2014, 2013 and 2012 (in thousands), are as follows:

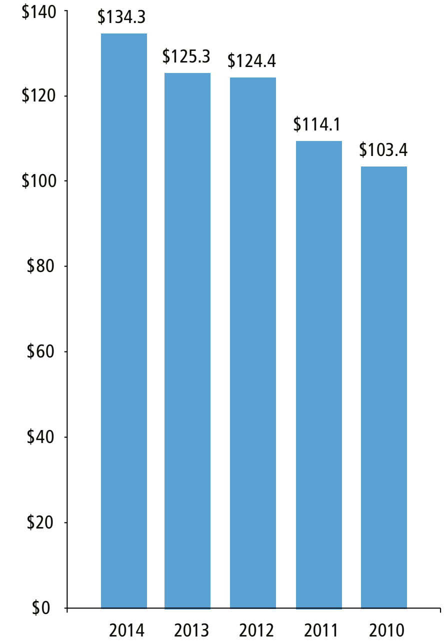
	2014	2013	2012
Total assets	$6,333	$6,493	$6,859
Total liabilities	---	---	---
Total net position	**$6,333**	**$6,493**	**$6,859**
Total additions (reductions)	$ 61	($ 2)	$ 100
Total deductions	(221)	(364)	(315)
Decrease in net position	**(160)**	**(366)**	**(215)**
Net position — beginning of year	6,493	6,859	7,074
Net position — end of year	**$6,333**	**$6,493**	**$6,859**

REQUEST FOR INFORMATION

The Port of Tacoma designed this financial report to provide our citizens, customers, investors and creditors with an overview of the Port's finances. If you have questions or need additional information please visit our website at www.portoftacoma.com or contact: Chief Financial Officer, P.O. Box 1837, 1 Sitcum Way, Tacoma, Washington, 98401-1837, Telephone 253.383.5841, Fax 253.597.7573.

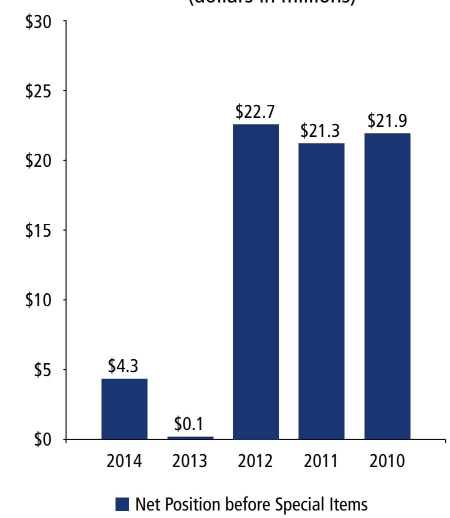
Gross Operating Revenue

(dollars in millions)



Change in Net Position

(dollars in millions)



Source: Port of Tacoma

Enterprise Fund Statements of Net Position

December 31, 2014 and 2013 (dollars in thousands)

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	$ 840	$ 9,751
Investments, at fair value	198,587	182,587
Trade accounts receivable, net of allowance for doubtful accounts ($394 and $416, respectively)	10,561	9,528
Grants receivable	814	3,812
Taxes receivable	575	645
Prepayments and other current assets	8,858	9,807
Total current assets	**220,235**	**216,130**
NON-CURRENT ASSETS		
LONG-TERM INVESTMENTS		
Bond reserves at fair value	9,230	16,395
Restricted investments, at fair value	---	21,293
Long-term investments	**9,230**	**37,688**
CAPITAL ASSETS		
Land	524,535	521,793
Buildings	109,315	108,162
Improvements	617,977	630,197
Machinery and equipment	114,183	111,538
Construction in process	62,061	37,630
Total cost	**1,428,071**	**1,409,320**
Less accumulated depreciation	461,258	446,579
Net property and equipment	**966,813**	**962,741**
ASSETS HELD FOR SALE	**11,200**	**11,200**
OTHER ASSETS	**34,386**	**36,501**
Total non-current assets	**1,021,629**	**1,048,130**
Total assets	**$1,241,864**	**$1,264,260**
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	$ 81,634	$ 57,174
Advance refunding deferred losses	5,858	2,861
Total deferred outflows of resources	**$ 87,492**	**$ 60,035**

LIABILITIES AND NET POSITION

	2014	2013
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 9,004	$ 11,800
Payroll and taxes payable	5,151	5,277
Accrued interest	1,880	2,322
Commercial paper	82,000	92,585
Current portion of long-term debt	13,235	12,425
Total current liabilities	**111,270**	**124,409**
NON-CURRENT LIABILITIES		
LONG-TERM DEBT		
General obligation bonds	179,575	184,465
Revenue bonds	392,195	407,685
Total long-term debt	**571,770**	**592,150**
Net bond premium	6,261	9,228
Net long-term debt	**578,031**	**601,378**
OTHER LONG-TERM LIABILITIES		
Forward-starting payment agreement	81,634	57,174
Other	54,235	41,497
Other long-term liabilities	**135,869**	**98,671**
Total non-current liabilities	**713,900**	**700,049**
Total liabilities	**$825,170**	**$824,458**
NET POSITION		
Net investment in capital assets	$299,404	$280,507
Restricted - bond reserves	9,230	16,395
Unrestricted	195,552	202,935
Total net position	**$504,186**	**$499,837**

See notes to financial statements.

Enterprise Fund Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2014 and 2013 (dollars in thousands)

	2014	2013
OPERATING REVENUES		
Property rentals	$ 99,410	$ 95,815
Terminal services	34,912	29,527
Total operating revenues	**134,322**	**125,342**
OPERATING EXPENSES		
Operations	33,720	30,769
Maintenance	14,768	15,473
Administration	14,686	14,844
Security	4,057	3,988
Environmental	14,720	3,139
Total before depreciation	**81,951**	**68,213**
Depreciation	31,546	30,802
Total operating expenses	**113,497**	**99,015**
Operating income	**20,825**	**26,327**
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem tax revenue	13,083	12,600
Interest on general obligation bonds	(9,000)	(9,456)
Net ad valorem tax revenues	**4,083**	**3,144**
Interest income	2,704	2,421
Net increase (decrease) in the fair value of investments	2,505	(5,135)
Interest expense	(20,908)	(23,048)
Other non-operating expenses, net	(7,131)	(10,365)
Total non-operating expenses, net	**(18,747)**	**(32,983)**
Increase (decrease) in net position, before capital contributions	**2,078**	**(6,656)**
CAPITAL CONTRIBUTIONS	2,271	6,735
Increase in net position	**4,349**	**79**
NET POSITION		
Beginning of year	**499,837**	**499,758**
End of year	**$504,186**	**$499,837**

See notes to financial statements.

Enterprise Fund Statements of Cash Flows

Years Ended December 31, 2014 and 2013 (dollars in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$132,597	$127,915
Cash paid to suppliers for goods and services	(28,311)	(26,239)
Cash paid to longshore labor and employees	(41,161)	(39,940)
Net cash provided by operating activities	**63,125**	**61,736**
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash paid for non-operating expense	**(3,384)**	**(3,928)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of property, plant and equipment	3,051	---
Borrowings on commercial paper	550,510	314,170
Repayments on commercial paper	(561,095)	(286,085)
Principal payments on general obligation and revenue bonds and other debt	(17,840)	(16,775)
Proceeds from refunding bond issues	135,505	---
Payments on refunded bonds	(143,967)	---
Acquisition and construction of capital assets	(41,329)	(32,254)
Interest paid on general obligation and revenue bonds and other debt	(30,236)	(33,007)
Cash received from federal and state grants	5,269	4,093
Cash received from property taxes for general obligation bonds	13,153	12,750
Cash received for long-term contracts	664	---
Net cash used in capital and related financing activities	**(86,315)**	**(37,108)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(134,777)	(172,590)
Proceeds from sales and maturities of investment securities	149,562	154,219
Interest received on investments	2,878	2,200
Net cash provided by (used in) investing activities	17,663	(16,171)
Net increase (decrease) in cash	(8,911)	4,529
CASH		
Beginning of year	9,751	5,222
End of year	**$ 840**	**$ 9,751**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	**$20,825**	**$26,327**
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	31,546	30,802
Increase in environmental reserves	12,305	427
Changes in assets and liabilities:		
Increase in accounts receivable	(1,200)	(480)
(Increase) decrease in other deferred assets	(525)	3,052
(Increase) decrease in prepayments	948	(1,657)
Increase (decrease) in accounts payable and accrued liabilities	(1,400)	3,104
Decrease in payroll and taxes payable	(188)	(47)
Increase in long-term liabilities	814	208
Total adjustments and changes	**42,300**	**35,409**
Net cash provided by operating activities	**$63,125**	**$61,736**

	2014	2013
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital asset additions and other purchases financed with accounts payable and deferred liabilities	$ 874	$ 2,104
Increase (decrease) in fair value of investments	2,505	(5,135)
Impairment of note receivable/assets held for sale	---	5,946

Post-Employment Health Care Benefits Trust Fund

December 31, 2014 and 2013 (dollars in thousands)

STATEMENTS OF NET POSITION

	2014	2013
ASSETS		
Cash	$ 471	$ 487
Investments, at fair value	5,862	6,006
Total investments and total assets	**6,333**	**6,493**
LIABILITIES	---	---
Net position held in trust for other post-retirement benefits and other purposes	**$6,333**	**$6,493**

Years Ended December 31, 2014 and 2013 (dollars in thousands)

STATEMENTS OF CHANGES IN NET POSITION

	2014	2013
ADDITIONS		
Employer contributions	$ ---	$ ---
Net increase in fair value of investments	(41)	(129)
Interest	102	127
Total additions	**61**	**(2)**
DEDUCTIONS		
Benefit payments	205	347
Administrative expenses	16	17
Total deductions	**221**	**364**
Change in net position	**(160)**	**(366)**
NET POSITION HELD IN TRUST FOR OTHER POST-RETIREMENT BENEFITS AND OTHER PURPOSES		
Beginning of year	6,493	6,859
End of year	**$6,333**	**$6,493**

See notes to financial statements.

Notes to Financial Statements

December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Port of Tacoma (the Port) is a municipal corporation of the State of Washington created in 1918 under provisions of the Revised Code of Washington (RCW) 53.04.010 et seq. The Port has geographic boundaries coextensive with Pierce County, Washington, and is situated on Commencement Bay in Puget Sound.

The Port is independent from Pierce County government and is administered by a five-member Board of Commissioners elected by Pierce County voters. The Commission delegates administrative authority to a Chief Executive Officer and administrative staff to conduct operations of the Port. The County levies and collects taxes on behalf of the Port. Pierce County provides no funding to the Port. Additionally, Pierce County does not hold title to any of the Port's assets, nor does it have any right to the Port's surpluses.

The Port reports the following funds: the Enterprise Fund accounts for all activities and operations of the Port except for the activities included with the Post-Employment Health Care Benefits Trust Fund.

Nature of Business

The Enterprise Fund is used to account for the general operations of the Port as more fully described below.

The Port is authorized by Washington law to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic handling facilities, for waterborne commerce. The Port may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. The Port may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development districts.

The Post-Employment Health Care Benefits Trust Fund accounts for the assets of the employee benefit plan held by the Port in its trustee capacity (see Note 9).

Basis of Accounting and Presentation

The financial statements of the Port have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units, and the Port is accounted for as a proprietary fund. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port has chosen to follow accounting standards applicable to private sector entities when those standards do not conflict with applicable GASB standards. The Port is accounted for on a flow of economic resources measurement focus.

The accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09, Revised Code of Washington. The Port also follows the Uniform System of Accounts for Port Districts in the State of Washington.

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Use of Estimates

The preparation of 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. Significant estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Port include depreciation and environmental liabilities. Actual results could differ from those estimates.

Significant Risks and Uncertainties

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state and local government regulations, and changes in law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Cash

Cash represents cash and demand deposits. The Port maintains its cash in bank deposit accounts, which are covered by the Public Deposit Protection Commission of the State of Washington.

Trade Accounts Receivable

Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was $394,000 at December 31, 2014, and $416,000 at December 31, 2013.

Investments

Investments, unrestricted and restricted, are stated at fair value, based on quoted market prices, plus accrued interest. The Port also has investments in the State Local Government Investment Pool (LGIP). The LGIP is similar to a money market fund recognized by the Securities and Exchange Commission. The LGIP invests in U.S. Agency Securities, Repurchase Agreements, U.S. Treasury Securities, Interest Bearing Bank Deposits, and Certificates of Deposits. The investments are limited to high-quality obligations with limited maximum and average maturities. These investments are valued at amortized cost. Interest income on investments is recognized in non-operating revenues as earned. Changes in the fair value of investments are recognized on the statements of revenues, expenses and changes in net position. The Port's general policy is to not hold more than 20% of its holdings in any one investment.

Restricted Investments - Bond Reserves

Restricted investments - bond reserves are set aside as restricted assets, for bond reserves and unspent bond proceeds, if any, and are not available for current expenses when constraints placed on their use are legally enforceable due to: 1) externally imposed requirements by creditors; 2) laws or regulations of other governments; and 3) constitutional provisions or enabling legislation. Restricted investments - bond reserves totaled $9,230,000 and $16,395,000 at December 31, 2014 and 2013, respectively. There were no unspent commercial paper proceeds at December 31, 2014, and $21.3 million at December 31, 2013.

Prepayments and Other Current Assets

Maintenance supply inventories of $4,757,000 and $4,762,000 at December 31, 2014 and 2013, respectively, are included in prepayments and other current assets and are valued at net realizable value, which approximates cost using the weighted-average method.

Capital Assets and Depreciation

Capital assets are recorded at cost. Donated assets are recorded at fair market value on the date donated.

The Port's policy is to capitalize all asset additions greater than $10,000 and with an estimated life of more than three years. Depreciation is computed on the straight-line method. Amortization expense on assets acquired under capital lease obligations is included with depreciation expense. The following lives are used:

Buildings and improvements	20-75 years
Machinery and equipment	5-20 years

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Annually, a review is completed and costs relating to projects ultimately constructed are transferred to the appropriate capital asset account; charges that relate to abandoned projects are expensed when the project is abandoned.

Capitalized Interest

The Port follows the policy of capitalizing interest as a component of the cost of capital assets constructed for projects greater than $300,000 that are not funded by grant revenues. Interest incurred on funds used during construction, less interest earned on related interest-bearing investments is capitalized as part of the cost of construction. This process is intended to remove the cost of financing construction activity from the statements of revenues, expenses and changes in net position and to treat such cost in the same manner as construction labor and material costs by taking the monthly average of construction in progress balance times the average interest rate of the outstanding long-term borrowing.

During 2014 total interest incurred, excluding interest on general obligation bonds was $21,563,000, of which $20,908,000 was charged to non-operating expenses and $655,000 was capitalized. During 2013 total interest incurred, excluding interest on general obligation bonds was $23,333,000, of which $23,048,000 was charged to non-operating expenses and $285,000 was capitalized.

Net Position

Net position consists of net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflow of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debts should be included in this component of net position. This calculation excludes unspent debt proceeds, if any.

The Port's net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Net investment in capital assets consists of the following at December 31 (dollars in thousands):

	2014	2013
Net investment in capital assets	$ 966,813	$ 962,741
Commercial Paper proceeds restricted for construction	---	21,293
Less:		
Net Bond Premium	403	6,367
Long-term debt, including current portion	585,005	604,575
Commercial paper	82,000	92,585
Invested in capital assets, net of related debt, end of year	**$299,405**	**$280,507**

The restricted component of net position was $9,230,000 and $16,395,000 at December 31, 2014 and 2013, respectively, and consisted primarily of bond reserves, as required per certain bond agreements.

The unrestricted component of net position is the net amount of the assets and deferred outflows of resources, less liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Retentions Payable

The Port enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Port. The Port's policy is to pay the retention due only after completion and acceptance have occurred. Retentions payable totaled $1,265,000 and $296,000 at December 31, 2014 and 2013, respectively. Retentions payable are included in accounts payable and accrued liabilities on the accompanying statements of net position.

Federal and State Grants

The Port may receive federal and state grants as reimbursement for construction of facilities and other capital projects. These grants are included in capital contributions on the accompanying statements of revenues, expenses and changes in net position.

Commercial Paper and Current Portion of Long-Term Debt

Commercial paper includes borrowings with original maturities of less than one year and current portion of long-term debt is the portion of long-term debt payable within 12 months (see Note 5). At December 31, 2014 and 2013, commercial paper agreements outstanding totaled $82,000,000 and $92,585,000, respectively.

Forward-Starting Payment Agreements

The Port accounts for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) on the statements of net position at fair value. The payment instruments were designated as highly effective cash flow hedges at December 31, 2014 and 2013 (see Note 5).

Refunds of Debt

Proceeds from bond defeasance are deposited in an irrevocable trust, with an escrow agent to service the debt on the refunded bonds. Accordingly, the defeased bonds are not recorded on the Port's financial statements. The difference between the reacquisition price and the carrying amount of defeased debt results in either a gain or loss that is amortized over the life of the new debt or old debt, whichever is shorter (see Note 5).

Employee Benefits

The Port accrues unpaid vacation and sick leave benefit amounts as earned and payable upon termination. These benefits are accrued at current rates of compensation. Accrued vacation and sick leave included in payroll and taxes payable amounted to $1,276,000 and $955,000, respectively, at December 31, 2014, and $1,324,000 and $996,000, respectively, at December 31, 2013. Vacation and sick leave paid in 2014 was $1,240,000 and $882,000, respectively, and $1,182,000 and $591,000, respectively, in 2013. The estimated total amount of vacation and sick leave expected to be paid in 2015 is $1,277,000 and $908,000, respectively.

The Port also provides post-employment health care benefits for retired employees through a fully funded trust. This post-employment defined benefit plan (see Note 10) provides medical coverage to eligible retired employees ages 60 to 69.

The Port also participates in the Washington Department of Retirement Systems (the Plan), under cost-sharing multiple-employer defined benefit public employee retirement plans. This plan covers substantially all of the Port's full-time and qualifying part-time employees. The Port's contribution rates are determined by the Plan each year and are based on covered payroll of the qualifying participants (see Note 8).

Environmental Remediation Costs

The Port environmental remediation policy requires accrual of pollution remediation obligation 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; Port named as party responsible for sharing costs; Port 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 pollution remediation obligation. Costs incurred for pollution remediation obligations are typically recorded as non-operating 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 pollution remediation obligations 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. See Note 14 for additional details.

Operating and Non-Operating Revenues and Expenses

Terminal services and property rental revenues are charges for use of the Port's facilities and are reported as operating revenue. Ad valorem tax levy revenues and other revenues generated from non-operating sources are classified as non-operating.

Operating expenses are costs primarily related to the terminal services and property rental activities. Interest expense and other expenses incurred not related to the operations of the Port's terminal and property rental activities are classified as non-operating.

Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 25. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to Measurement Date, an amendment of GASB Statement No. 68. The primary objective of this statement is to improve accounting and financial reporting concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation. This statement is effective for periods beginning after June 15, 2014. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this statement is to establish general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This statement is effective for periods beginning after June 15, 2015. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

Subsequent Events

Events that occurred subsequent to December 31, 2014, have been evaluated by the Port's management through March 12, 2015, which is the date the financial statements were available to be issued.

NOTE 2 — DEPOSITS AND INVESTMENTS

Discretionary Deposits

The Port's cash and cash equivalents of $0.8 million and $9.8 million as of December 31, 2014 and 2013, respectively, were deposited in qualified depositories as required by state statute. Deposits in excess of federal depository insurance coverage are covered by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority under chapter 39.58 RCW. Currently, all public depositories with the state fully collateralize uninsured public deposits at 100%.

Investments

State of Washington statutes authorize the Port to invest in direct obligations of the U.S. Government, certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper and certain municipal bonds. These investments must be placed with or through qualified public depositories of the State of Washington.

Risks

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port's investment guideline is to maximize investment return while preserving liquidity. To the extent possible, the Port will attempt to match its investments with anticipated cash flow requirements using the specific-identification method.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State Local Government Investment Pool is an unrated 2a-7 like pool, as defined by the Government Accounting Standards Board.

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 the outside party. To minimize this risk, the Port's policy requires that all security transactions are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the Port's safekeeping bank.

Deposits and investments for the Enterprise Fund on the statements of financial position at December 31 are as follows:

	2014	2013
Current investments	$198,587	$ 182,587
Restricted investments	---	21,293
Bond reserves	9,230	16,395
Total deposits and investments	**$207,817**	**$220,275**

NOTE 2 — DEPOSITS AND INVESTMENTS (cont.)

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the Port investment portfolio, excluding investments held by the Post-Employment Health Care Benefits Trust Fund—see Note 10 for investment detail for the Trust as of December 31, 2014 and 2013 (dollars in thousands):

2014	Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-3	More than 3	Percentage of Total Portfolio
Certificate of Deposit	$ 8,334	$ 8,334	$ ---	$ ---	4.0%
Federal Farm Credit Banks	7,017	1,045	4,005	1,967	3.4%
Federal Home Loan Bank	41,575	---	21,735	19,840	20.0%
Federal Home Loan Mortgage Corporation	44,806	---	8,997	35,809	21.5%
Federal National Mortgage Association	17,773	---	5,528	12,245	8.6%
Municipal Bonds	20,093	1,052	5,355	13,686	9.7%
State Local Investment Pool	54,908	54,908	---	---	26.4%
United States Treasury Bonds	13,311	---	7,034	6,277	6.4%
Total Investments	**$207,817**	**$65,339**	**$52,654**	**$89,824**	**100.0%**
Percentage of Total Portfolio		**31.4%**	**25.3%**	**43.3%**	**100.0%**

2013	Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-3	More than 3	Percentage of Total Portfolio
Certificate of Deposit	$ 6,337	$ 6,337	$ ---	$ ---	2.9%
Federal Farm Credit Banks	11,630	2,503	5,200	3,927	5.3%
Federal Home Loan Bank	49,228	20,141	7,577	21,510	22.3%
Federal Home Loan Mortgage Corporation	67,013	10,055	9,118	47,840	30.4%
Federal National Mortgage Association	38,264	1,007	8,644	28,613	17.4%
Municipal Bonds	16,072	1,050	1,100	13,922	7.3%
State Local Investment Pool	23,121	17,805	3,161	2,155	10.5%
United States Treasury Bonds	8,610	---	---	8,610	3.9%
Total Investments	**$220,275**	**$58,898**	**$34,800**	**$126,577**	**100.0%**
Percentage of Total Portfolio		**26.7%**	**15.8%**	**57.5%**	**100.0%**

The tables below identify the credit risk of the Port's Investment porfolio as of December 31, 2014 and 2013 (dollars in thousands):

2014	Moody's Equivalent Credit Ratings					
Investment Type	Fair Value	A1	Aa2	Aa1	Aaa	No Rating
Certificate of Deposit	$ 8,334	$ ---	$ ---	$ ---	$ ---	$ 8,334
Federal Farm Credit Banks	7,017	---	---	---	7,017	---
Federal Home Loan Bank	41,575	---	---	---	41,575	---
Federal Home Loan Mortgage Corporation	44,806	---	---	---	44,806	---
Federal National Mortgage Association	17,773	---	---	---	17,773	---
Municipal Bonds	20,093	2,046	6,505	10,462	1,080	---
State Local Investment Pool*	54,908	---	---	---	---	54,908
United States Treasury Bonds	13,311	---	---	---	13,311	---
Total	**$207,817**	**$2,046**	**$6,505**	**$10,462**	**$125,562**	**$63,242**

* Investments in Washington State Local Investment Pool. The fair value of the invesments is the same as the value of the pool shares.

2013	Moody's Equivalent Credit Ratings						
Investment Type	Fair Value	A1	Aa3	Aa2	Aa1	Aaa	No Rating
Certificate of Deposit	$ 6,337	$ ---	$ ---	$ ---	$ ---	$ ---	$ 6,337
Federal Farm Credit Banks	11,630	---	---	---	---	11,630	---
Federal Home Loan Bank	49,228	---	---	---	---	49,228	---
Federal Home Loan Mortgage Corporation	67,013	---	---	---	---	67,013	---
Federal National Mortgage Association	38,264	---	---	---	---	38,264	---
Municipal Bonds	16,072	2,062	3,511	1,901	7,556	1,042	---
State Local Investment Pool*	23,121	---	---	5,315	---	---	17,806
United States Treasury Bonds	8,610	---	---	---	---	8,610	---
Total	**$220,275**	**$2,062**	**$3,511**	**$7,216**	**$7,556**	**$175,787**	**$24,143**

* Investments in Washington State Local Investment Pool. The fair value of the invesments is the same as the value of the pool shares.

NOTE 3 — CAPITAL ASSETS

The following activity took place in capital assets during 2014 and 2013 (dollars in thousands):

2014	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Land	$ 521,793	$ 220	$ 3,154	($ 632)	$ 524,535
Construction in process	37,630	41,983	(18,982)	1,430	62,061
Total capital assets not being depreciated	**559,423**	**42,203**	**(15,828)**	**798**	**586,596**
Capital assets being depreciated:					
Buildings	108,162	---	3,056	(1,903)	109,315
Improvements	630,197	---	5,871	(18,091)	617,977
Machinery and equipment	111,538	---	6,901	(4,256)	114,183
Total capital assets being depreciated	**849,897**	**---**	**15,828**	**(24,250)**	**841,475**
Less accumulated depreciation:					
Buildings	(68,920)	(3,298)	---	1,427	(70,791)
Improvements	(301,047)	(20,973)	---	11,311	(310,709)
Machinery and equipment	(76,612)	(7,275)	---	4,129	(79,758)
Total accumulated depreciation	**(446,579)**	**(31,546)**	**---**	**16,867**	**(461,258)**
Net, capital assets being depreciated	**403,318**	**(31,546)**	**15,828**	**(7,383)**	**380,217**
Net, capital assets	**$ 962,741**	**$ 10,657**	**$ ---**	**($ 6,585)**	**$ 966,813**

2013	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Land	$ 518,611	$ 9,926	$ 310	($ 7,054)	$ 521,793
Construction in process	33,941	32,509	(24,401)	(4,419)	37,630
Total capital assets not being depreciated	**552,552**	**42,435**	**(24,091)**	**(11,473)**	**559,423**
Capital assets being depreciated:					
Buildings	105,365	---	2,744	53	108,162
Improvements	626,052	---	7,963	(3,818)	630,197
Machinery and equipment	99,619	---	13,384	(1,465)	111,538
Total capital assets being depreciated	**831,036**	**---**	**24,091**	**(5,230)**	**849,897**
Less accumulated depreciation:					
Buildings	(65,627)	(2,722)	---	(571)	(68,920)
Improvements	(282,254)	(21,032)	---	2,239	(301,047)
Machinery and equipment	(71,046)	(7,048)	---	1,482	(76,612)
Total accumulated depreciation	**(418,927)**	**(30,802)**	**---**	**3,150**	**(446,579)**
Net, capital assets being depreciated	**412,109**	**(30,802)**	**24,091**	**(2,080)**	**403,318**
Net, capital assets	**$ 964,661**	**$ 11,633**	**$ ---**	**($ 13,553)**	**$ 962,741**

NOTE 4 — COMMERCIAL PAPER

The Port is authorized to use Subordinate Lien Revenue Notes (commercial paper) in an amount not to exceed $100 million. Port issues commercial paper to provide interim financing for capital asset projects and to provide enough variable rate debt to match the Port's outstanding swaps (see Note 5) as required by Washington State law. The draws are secured by a bank letter of credit with a 5-year term that was set to expire in December 2012. In 2013, this letter of credit was extended to April 15, 2014. In 2014, this letter of credit was extended to April 17, 2016.

The term of the commercial paper ranges from 1 to 270 days and the interest rate on the amount outstanding at December 31, 2014, was 0.10%. At December 31, 2013, the interest rate on the amount outstanding was 0.15%. Commercial paper advances outstanding totaled $82.0 million and $92.6 million at December 31, 2014 and 2013, respectively.

Commercial paper activity during 2014 and 2013 is as follows (dollars in thousands):

Beginning balance January 1, 2013	$ 64,500
Advances	314,170
Repayments	**(286,085)**
Ending December 31, 2013	**92,585**
Advances	550,510
Repayments	(561,095)
Ending December 31, 2014	**$ 82,000**

NOTE 5 — LONG-TERM DEBT

Long-term debt activity during 2014 and 2013 consists of the following (dollars in thousands):

2014

Description and Date of Issue	Original Interest Rate	Earliest Year of Call	Last Year of Maturity	December 31, 2013	Issuance	Repayments	December 31, 2014
GENERAL OBLIGATION BONDS							
12/20/06	4.00-5.50%	2016	2033	57,835	---	(1,880)	55,955
01/17/08 A	5.00%	2018	2038	109,535	---	(2,295)	107,240
01/17/08 B	4.75-4.875%	2018	2038	21,740	---	(470)	21,270
				189,110	---	**($ 4,645)**	**184,465**
Less current portion				4,645			4,890
Total long-term general obligation bonds, net of current portion				**$184,465**			**$179,575**
REVENUE BONDS							
04/21/04 A	5.25%	2014	2021	$ 8,505	$ ---	($ 8,505)	$ ---
04/21/04 B	3.30-5.125%	2014	2034	57,125	---	(57,125)	---
08/30/05	5.00%	2015	2035	71,605	---	(71,605)	---
12/20/06	4.00-4.45%	2016	2034	45,480	---	(145)	45,335
03/07/08	Variable Rate	*	2036	99,750	---	(11,050)	88,700
07/15/09**	Variable Rate	*	2044	133,000	---	---	133,000
06/04/14 A	2.50%	*	2021	---	8,525	---	8,525
06/11/14 A	Variable Rate	*	2035	---	92,635	(2,000)	90,635
10/24/14 B	2.55%	2018	2029	---	34,345	---	34,345
				415,465	**$135,505**	**($150,430)**	**400,540**
Less current portion				7,780			8,345
Total long-term revenue bonds, net of current portion				**$407,685**			**$392,195**

NOTE 5 — LONG-TERM DEBT (continued)

2013

Description and Date of Issue	Original Interest Rate	Earliest Year of Call	Last Year of Maturity	December 31, 2012	Issuance	Repayments	December 31, 2013
GENERAL OBLIGATION BONDS							
08/05/03	5.00%	2013	2020	$ 7,550	$ ---	($7,550)	$ ---
12/20/06	4.00-5.50%	2016	2033	59,620	---	(1,785)	57,835
01/17/08 A	5.00%	2018	2038	109,535	---	---	109,535
01/17/08 B	4.75-4.875%	2018	2038	21,740	---	---	21,740
				198,445	**---**	**($9,335)**	**189,110**
Less current portion				1,785			4,645
Total long-term general obligation bonds, net of current portion				**$196,660**			**$184,465**
REVENUE BONDS							
04/21/04 A	5.25%	2014	2021	$ 8,505	$ ---	$ ---	$ 8,505
04/21/04 B	3.30-5.125%	2014	2034	57,945	---	(820)	57,125
08/30/05	5.00%	2015	2035	73,425	---	(1,820)	71,605
12/20/06	4.00-4.45%	2016	2034	45,620	---	(140)	45,480
03/07/08	Variable Rate	*	2036	104,410	---	(4,660)	99,750
07/15/09**	Variable Rate	*	2044	133,000	---	---	133,000
				422,905	---	**($7,440)**	**415,465**
Less current portion				7,440			7,780
Total long-term revenue bonds, net of current portion				**$415,465**			**$407,685**

* Currently callable by the Port but intent is to pay off in accordance with stated maturity dates; therefore, not shown as a current liability.

** This bond issue was originally issued as 2008B and during 2009 the bonds were reissued to secure a better rate. The new bond issue is still referred to as 2008B in all official documents.

The Port uses ad valorem tax revenues to pay the general obligation bond principal and the related interest. Ad valorem tax revenues may not be used to pay revenue bond debt.

General Obligation Bonds

Revised Code of Washington (RCW) Chapter 53.36 provides that new issues of non-voted general obligation bond debt cannot be incurred in excess of 0.25% of the assessed value of the taxable property in the Port district. The Port is not able to issue any new general obligation bonds at this time. All current general obligation bonds are non-voted bond debt. At December 31, 2014, the assessed value of the taxable property was $77,383,384,000, which will serve as the basis for the 2015 tax levy.

RCW Chapter 53.36 also provides that additional general obligation bond debt can be incurred upon approval by the voters of the Port district.

The paying agent for bonded debt is:

The Bank of New York
Fiscal Agencies - 7 East
101 Barclay Street
New York, NY 10286

Revenue Bonds

The revenue bonds are secured by a pledge of the Port's gross operating revenues. Revenue bond proceeds finance acquisition, expansion, improvement and equipping Port terminal and industrial development facilities. The Port has pledged a portion of future operating revenues to repay $619.0 million in bond principal and interest through 2044. During 2014, revenue bond principal and interest paid and total operating revenues were $20.8 million and $134.3 million, respectively. The revenue bonds contain coverage requirements related to maintaining adequate net revenues to support debt service.

In June 2014, the Port issued Revenue Refunding Bonds par value $8,525,000 with an interest rate of 2.5% to refund Series 2004A Revenue Bonds par value of $8,505,000 and an interest rate of 5.25%. The newly issued Revenue Refunding Bonds were issued at par and, after paying issuance costs of $67,000, the net proceeds were $8,458,000. The net proceeds from the issuance of the Revenue Refunding Bonds and additional cash contribution of $203,000 were used to purchase State and Local Government Series securities in the amount of approximately $8,728,000. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until December 1, 2014 when the Series 2004A Revenue Bonds were callable at which time those bonds were paid in full. The advance refunding met the requirements of an in-substance debt defeasance and Series 2004A Revenue Bonds were removed from the Port's financial statements.

As a result of the advance refunding of the 2004A Revenue Bonds, the Port reduced its total debt service requirements by $1,404,000 which accumulates into an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,016,000 over the life of the bonds.

In July 2013, 2012 and 2011, the $20.0 million, $130.0 million and $80.0 million forward-starting payment agreements, respectively, became active swaps. In 2010 the Port modified the 2011-2013 swap agreements with the counterparty, eliminating the need to issue new insured debt to match the related swaps. Instead, the Port used existing outstanding variable-rate long-term debt and commercial paper to match the 2011-2013 swaps. As of June 2014, the Port had approximately $86,415,000 of hedged commercial paper debt outstanding. In June 2014, the Port refunded existing fixed rate senior bonds with subordinate lien variable rate bonds and used the subordinate variable rate refunding bonds to replace $86,415,000 of hedged commercial paper debt. This refunding allows the Port to reduce total debt by the amount of commerical paper or approximately $86,415,000.

The June 2014 Revenue Refunding Bonds were issued at par value $92,635,000 with a variable interest rate of 70% of one-month London Interbank Offered Rate (LIBOR) to partially refund Series 2004B Revenue Bonds par value of $21,925,000 and to fully refund Series 2005 Revenue Bonds par value of $71,605,000 and with an interest rate of 5.0%. The newly issued Revenue Refunding Bonds were issued at par and, after paying issuance costs of $109,000, the net proceeds were $92,522,000. The net proceeds from the issuance of the Revenue Refunding Bonds and additional cash contribution of $6,527,000 were used to purchase State and Local Government Series securities in the amount of approximately $99,158,000. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the earliest call dates. The advance refunding met the requirements of an in-substance debt defeasance and Series 2004B and Series 2005 Revenue Bonds were removed from the Port's financial statements.

As a result of the advance partial refunding of the 2004B Revenue Bonds and full refunding of the 2005 Revenue Bonds, the Port reduced its total debt service requirements by $2,463,000. The present value of these savings was $910,000 over the life of the bonds but since the port used excess cash of $6,636,000 for the refunding, the transaction resulted in an economic loss of $5,726,000 over the life of the bonds. The economic loss is offset by the savings from de-coupling the commercial paper from the swaps and matching the refunded subordinate variable debt to the swaps which will save significantly more than the $5,726,000 economic loss on the refunding of the senior bonds.

In October 2014, the Port issued Revenue Refunding Bonds par value $34,345,000 with an interest rate of 2.55% to refund 2004B Revenue Bonds par value of $35,200,000. The newly issued Revenue Refunding Bonds were issued at par and, after paying issuance costs of $103,000, the net proceeds were $34,242,000. The net proceeds from the issuance of the Revenue Refunding Bonds and additional cash contribution of $1,736,000 were used to purchase State and Local Government Series securities in the amount of approximately $36,080,000. Those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the earliest call dates. The advance refunding met the requirements of an in-substance debt defeasance and Series 2004B Revenue Bonds were removed from the Port's financial statements.

As a result of the advance refunding of the 2004B Revenue Bonds, the Port reduced its total debt service requirements by $8,210,000 which accumulates into an economic gain (difference between the present value of the debt service payments on the old and new debt) of $6,663,000 over the life of the bonds.

Interest Rate Payment Agreements (Swaps)

The Port entered into five swaps so that it may mitigate interest rate risk associated with the Port's variable-rate debt. The swaps synthetically fix or "lock-in" interest rates on variable revenue bond debt by requiring the Port to pay a fixed interest rate on the nominal value of the swap and receive variable interest rate cash flows that are intended to offset the variable-rate bond payments, leaving the Port with the fixed payments identified in each swap agreement.

The Port's existing swap contracts and the outstanding notional amounts at December 31, 2014 are detailed as follows. No cash was paid from the Port to the counterparty when the swaps were created (dollars in thousands).

SWAP Reference	Type	Notional Amount	Outstanding Notional Amount	Options	Contract Start Date	Effective Date	Maturity Date	Terms
1	Pay-fixed interest rate swap	$ 70,000	$ 60,711	(1)	8/3/05	8/3/06	12/1/36	Pay 3.795%, receive 70% of LIBOR (2)
2	Pay-fixed interest rate swap	30,000	26,019	None	9/25/08	9/25/08	12/1/36	Pay 3.320%, receive 70% of LIBOR (2)
3	Pay-fixed interest rate swap	80,000	78,305	None	9/20/07	7/28/11	12/1/40	Pay 4.155%, receive 70% of LIBOR (2)
4	Pay-fixed interest rate swap	130,000	127,420	None	9/20/07	7/26/12	12/1/41	Pay 4.200%, receive 70% of LIBOR (2)
5	Pay-fixed interest rate swap	20,000	19,625	None	9/20/07	7/25/13	12/1/42	Pay 4.229%, receive 70% of LIBOR (2)
Total		$330,000	$312,080					

(1) Cancellable - Port may call at par 8/3/2016 (2) One-month London Interbank Offered Rate

The following table reflects the outstanding variable-rate debt that is matched to outstanding swap agreements:

Variable-Rate Debt	Outstanding Principal December 31, 2014	Outstanding Principal December 31, 2013
2008	$ 88,700	$ 99,750
2008B	133,000	133,000
2014A	90,635	-
Commercial Paper	-	86,415
Unhedged Debt	(255)	-
Total	$312,080	$319,165

The following summarizes the change in fair value of the Port's pay-fixed, receive variable interest rate payment agreements at December 31, 2014 (dollars in thousands):

	2014 Changes in Fair Value		Fair Value at 12/31/14		Notional
SWAP Reference	Classification	Amount	Classification	Amount	Amount
1	Deferred outflow	$ 2,012	Debt	($ 4,151)	$ 70,000
2	Deferred outflow	(2,071)	Debt	(4,849)	30,000
3	Deferred outflow	(8,124)	Debt	(24,393)	80,000
4	Deferred outflow	(14,003)	Debt	(41,586)	130,000
5	Deferred outflow	(2,274)	Debt	(6,655)	20,000
Total		($24,460)		($81,634)	$330,000

The following summarizes the change in fair value of the Port's pay-fixed, receive variable interest rate payment agreements at December 31, 2013 (dollars in thousands):

	2013 Changes in Fair Value		Fair Value at 12/31/13		Notional
SWAP Reference	Classification	Amount	Classification	Amount	Amount
1	Deferred outflow	$ 1,624	Debt	($ 6,163)	$ 70,000
2	Deferred outflow	3,994	Debt	(2,778)	30,000
3	Deferred outflow	11,455	Debt	(16,269)	80,000
4	Deferred outflow	19,244	Debt	(27,583)	130,000
5	Deferred outflow	1,424	Debt	(4,381)	20,000
Total		$ 37,741		($57,174)	$330,000

Risks

The Port mitigates swap-related risk by following its Payment Agreement Guidelines. These guidelines are published in the Port's Annual Budget document within its Debt Guidelines. The guidelines manage each of the risks below.

Counterparty or Credit Risk

The Port's derivative instruments are held by four separate counterparties. By agreement, the Port requires posting of collateral when the counterparty owes to the Port on the swap termination value (market value). The credit ratings for each of the counterparties are as follows (dollars in thousands):

	Notional	Bank	Credit Worthiness		Termination
SWAP Reference	Amount	Counterparty	Moody's	S&P	Value
1	$ 70,000	Morgan Stanley	Baa2	A-	($ 4,151)
2	30,000	Goldman Sachs	A2	A-	(4,849)
3	80,000	Dexia	Baa2	BBB	(24,393)
4	130,000	Dexia	Baa2	BBB	(41,586)
5	20,000	Merrill Lynch	Baa2	A-	(6,655)
Total	$330,000				($81,634)

Termination Risk

The Port or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If the swap counterparty's credit rating deteriorates below A3/A- (Moody's/Standard & Poors), the Port may terminate the swap at market value; however, the Port may, at its option, continue in the swap. The Port requires the posting of collateral and works with financially strong counterparties to help mitigate this risk.

Basis Risk

The Port pays a daily interest rate to its bondholders and receives 70% of one-month London Interbank Offered Rate (LIBOR) from its swap counterparties. In exchange for the fixed swap rates associated with using the LIBOR index, the Port bears the risk that it could incur a shortfall between the variable rate paid on the bonds and the variable rate received on the swaps.

Rollover Risk

The Port matched the term of its existing swap contracts to the term of the underlying debt so that it minimizes its exposure to rollover risk.

Foreign Currency Risk

The Ports' derivative instruments are denominated in U.S. dollars.

NOTE 5 — LONG-TERM DEBT (continued)

Contingencies

If the Port's credit rating falls below A3/A- (Moody's/Standard & Poors) for the swap with Goldman Sachs or below Baa2/BBB (Moody's/Standard & Poors) for the other swaps, the Port bears the risk that its counterparties may terminate the agreement. The Port is prohibited by RCW 39.96 from posting collateral. The Port's subordinate lien credit rating is A1/A+ (Moody's/Standard & Poors) at December 31, 2014.

Debt Service for Fixed Rate Bonds

The debt service requirements for fixed rate general obligation and revenue bonds outstanding as of December 31, 2014, are as follows (dollars in thousands):

Year Ending December 31	Principal	Interest	Total
2015	$ 6,140	$ 11,928	$ 18,068
2016	6,505	11,560	18,065
2017	6,775	11,289	18,064
2018	8,037	11,005	19,042
2019	8,330	10,716	19,046
2020-2024	58,763	47,989	106,752
2025-2029	74,030	34,434	108,464
2030-2034	71,155	18,089	89,244
2035-2038	32,935	4,199	37,134
Total	**$272,670**	**$161,209**	**$433,879**

Variable Rate Bonds Estimated Future Payments

Assuming that the reimbursement agreements and letters of credit agreements are renewed throughout the life of the bonds, the debt service requirements for the 2009 revenue bonds with a balance of $133.0 million, 2008B Subordinate-Lien Variable-Rate Revenue Bonds with a balance of $88.7 million and the 2014A Subordinate Lien Variable-Rate Revenue Bonds with a balance of $90.6 million, and active swaps with Goldman Sachs, Morgan Stanley and Dexia outstanding as of December 31, 2014, are as follows (dollars in thousands):

Year	Principal Payment	Variable Interest	Interest Rate Swap, Net (1)	Total
2015	$ 7,095	$ 300	$ 11,941	$ 19,336
2016	7,425	290	11,644	19,359
2017	7,770	279	11,334	19,383
2018	5,120	267	11,012	16,399
2019	5,335	260	10,677	16,272
2020-2024	30,440	1,183	47,871	79,494
2025-2029	39,050	956	37,226	77,232
2030-2034	66,800	679	24,258	91,737
2035-2039	10,300	397	9,757	20,454
2040-2045	133,000	286	446	133,732
Total	**$312,335**	**$4,897**	**$176,166**	**$493,398**

(1) This amount represents the cash that is due to the counterparty based on the terms of the pay-fixed interest rate swap. The amounts for the subsequent years are based on the assumption that interest rate conditions that existed during 2014 will remain the same over the term of the derivative contract.

The Port entered into a 3-year agreement with a bank in April 2014 for a direct purchase of the 2008 Subordinate-Lien Variable-Rate Revenue Bonds. The agreement expires in April 2017. In May 2012, the Port entered into a 3-year agreement with a bank for a direct purchase of the 2008B Subordinate-Lien Variable-Rate Revenue bonds. This agreement expires in May 2015. The Port is negotiating a new 3-year agreement.

In June 2014, the Port issued the new 2014A Subordinate Lien bonds. The Port entered into a 1.5-year agreement with a bank for a direct purchase of the 2014A Subordiante Lien Variable Rate Revenue bonds through December 2015. The Port expects to renew this agreement before December 2015 for a 3-year term. Fees paid, as defined by the underlying agreements, vary for each bond.

If reimbursement agreements are not able to be renewed upon expiration, the bonds will continue to be held by the banks, but the Port would be required to pay off the loans over a 5-year amortization schedule (until new agreements are reached). Each of the variable-rate bond issues also have remarketing agreements associated with the issue. The agreements allow for the remarketing of the bonds as deemed necessary. The term of the agreements continue until the bonds are converted to long-term bonds or if the agreement is canceled by the Port.

NOTE 6 — RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; damage to, theft of, and destruction of assets or cargo; natural disasters; and employee injuries. To limit its exposure, the Port purchases a variety of insurance policies. For general liability, the Port purchases $151 million in coverage, subject to a $500,000 self-insured retention. All risk property insurance is purchased on a replacement value basis for most properties, subject to a limit of $500 million and a per occurrence deductible of $150,000. For earthquake/flood and business interruption losses, sub-limits of $75 million and $100 million apply, respectively. Insurance coverage for earthquake and flood damage is subject to a deductible defined as 5% of the value of the damaged property, with a minimum of $100,000.

With the exception of losses which may arise from employee injuries, earthquakes and/or floods, no deductible exceeds $500,000. The self-insured retention for workers' compensation coverage is $1,250,000.

Insurance coverage for the past three years has been sufficient to cover all claim settlements.

The Port is self-insured for its regular medical program. The liability for unpaid medical claims totaling $1,303,000 at December 31, 2014, is included in payroll and taxes payable on the accompanying statement of net position and is expected to be paid in 2015. Liability for unpaid claims at December 31, 2013, was $1,361,000. Excess loss coverage has been purchased through an outside provider to limit individual loss to $110,000. Total claims paid under the plan during 2014 and 2013 were $4,622,000 and $5,031,000, respectively.

The Port maintains a self-insurance program for workers' compensation. The estimated liability for workers' compensation is included in payroll and taxes payable on the accompanying statement of net position. At December 31, 2014, the estimated self-insurance liability for workers' compensation was $330,000 and this amount is expected to be paid in 2015. At December 31, 2013, the estimated self-insurance liability for workers' compensation was $321,000. The liability for unpaid claims represents the estimated future indemnity, medical, rehabilitation and legal costs for all open claims.

Workers' compensation claim activity for December 31, 2014 and 2013, are as follows (dollars in thousands):

	2014	2013
Claims liability, beginning of year	$ 321	$402
Claims incurred during the year	129	453
Changes in estimate for prior year claims	73	12
Payments on claims	(193)	(546)
Claims liability, end of year	**$330**	**$321**

There was no significant liability for unemployment. At December 31, 2014 and 2013, cash reserves for workers' compensation were $325,000 and are included in restricted investments on the statements of net position.

NOTE 7 — LEASE COMMITMENTS

The Port leases land, office space and other equipment under operating leases that expire through 2037. Minimum future lease payments under non-cancellable operating leases are as follows (dollars in thousands):

Year	
2015	$379
2016	16
2017	16
2018	16
2019	16
Thereafter	294
Total minimum payments required	**$ 737**

Total rent expense for the years ended December 31, 2014 and 2013, was $956,000 and $808,000, respectively.

The Port, as a lessor, leases land and facilities under terms of 1 to 50 years. In addition, some properties are rented on a month-to-month basis. The Port currently has over 50 non-cancellable lease arrangements ranging in monthly payments between $500 and $1.2 million. Minimum future rents receivable under non-cancellable operating leases and subleases are as follows (dollars in thousands):

Year	
2015	$61,274
2016	56,937
2017	53,562
2018	41,350
2019	39,177
Thereafter	337,196
Totals minimum future rents	**$589,496**

Assets held for rental and leasing purposes as of December 31 are as follows (dollars in thousands):

	2014	2013
Land	$ 465,909	$465,909
Buildings, improvements and equipment, net	250,713	293,610
Total, net of accumulated depreciation	**$ 716,622**	**$759,519**

NOTE 8 — PENSION PLANS

The Port's full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit retirement plans.

Historical trend and other information regarding each plan are presented in the Washington State Department of Retirement Systems comprehensive annual financial report. A copy of this report may be obtained at:

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

Internet Address: www.drs.wa.gov

Public Employees' Retirement System (PERS) Plan 1, 2 and 3 Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 49% of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the state Legislature.

PERS is a cost-sharing, multiple-employer retirement system comprising three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days' default to Plan 3.

PERS consists of and is reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of the Department of Retirement Services (DRS). During DRS' fiscal year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service. PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2% of the average final compensation (AFC) per year of service, but the benefit may not exceed 60% of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with 5 years of service. The monthly benefit is 2% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually. PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before the age of 65.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2014, PERS Plan 3 employee contributions were $105.2 million, and plan refunds paid out were $83.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after the age of 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before the age of 65.

NOTE 8 — PENSION PLANS (continued)

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6.0% for state agencies and local government unit employees, and at 7.5% for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5% to 15%.

The required contribution rates, expressed as a percentage of covered payrolls, as of December 31, 2014, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%**
Employee	6.00%	4.92%	***

The required contribution rates, expressed as a percentage of covered payrolls, as of December 31, 2013, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%**
Employee	6.00%	4.92%	***

* The employer rates include the employer administrative expense fee of 0.18% for 2014 and 0.16% for 2013
** Plan 3 defined benefit portion only
*** Rate selected by PERS 3 members, 5% minimum to 15% maximum

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

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3	Total
2014	$97	$1,704	$237	$2,038
2013	38	1,521	197	1,756
2012	38	1,318	162	1,518

NOTE 9 — POST-EMPLOYMENT HEALTH CARE BENEFITS

The Port provides health care benefits for eligible retired employees through two plans: the Post-Employment Defined Benefit Plan (DB Plan) that was established in 1975 and the Post-Employment Defined Contribution Plan (DC Plan) that was established in 2007.

Post-Employment Defined Contribution Health Care Benefits

Effective April 1, 2013, the DC Plan was closed to employees not covered by collective bargaining agreements hired on or after April 1, 2013.

The DC Plan was initially adopted in May 2007. Employees hired after May 1, 2007, were eligible for the DC Plan, subject to a 5-year vesting period. The DC Plan requires the Port to contribute $210 and $208 per month in 2014 and 2013, respectively, to the VEBA accounts of eligible employees. The Port contributed $423,000 and $444,000 to eligible employee VEBA accounts in 2014 and 2013, respectively.

NOTE 10 — POST-EMPLOYMENT HEALTH CARE BENEFITS TRUST FUND

The Port provides major medical coverage for eligible retired employees through the Post-Employment Defined Benefit Plan (DB Plan) that was established in 1975. In 2007 the Port established a DC Plan (see Note 9) and closed the DB Plan to new employees. The Port is the sole administrator and fiduciary of the Post-Employment Health Care Benefits Trust Fund.

Summary of Accounting Policies

The financial statements are prepared using the accrual basis of accounting. Medical benefits that are in accordance with the DB Plan are recognized when due and payable. Contributions to the DB Plan are recognized in the period that the contributions are made.

Investment Policy

As of December 31, 2014 and 2013, the Plan's investments were deposited in qualified depositories as required by state statutes. Those statutes authorize the Port to invest in direct obligations of the U.S. Government, certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper and certain municipal bonds. Investments are valued at fair value.

The DB Plan does not limit the amount invested in any one issuer. At December 31, 2014 and 2013, the DB Plan had the following investments (dollars in thousands):

Investment Type	2014	2013
Money Market Fund	$ 471	$ 487
Fixed Income Securities	5,862	6,006
Total	**$6,333**	**$6,493**

Plan Description

The Plan provides major medical coverage, subject to a deductible, and a maximum benefit limit of $2,000,000 per person. The Port is the fiduciary of this plan and the trust is held by a bank. The DB Plan is a single-employer cost-sharing defined benefit plan. The DB Plan was closed to new employees in 2007. The Port will fund the DB Plan as necessary to enable the DB Plan to pay vested accrued benefits to participants as they become due and payable.

Retirees and their spouses are eligible for Port-paid, post-employment medical benefits upon attainment of the age of 60 through the age of 69, provided they have completed a minimum of 15 years of service and are eligible to retire under PERS. Employees retiring before the age of 60 are eligible for Port-paid, post-employment medical for up to 10 years, provided they have completed 20 years of service and are eligible to retire under PERS. The Port's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the authoritative guidance. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The contribution policy of the plan is established by the commission.

Actuarial Methods and Assumptions

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, and the health care 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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. The actuarial present value of accumulated plan benefits is determined by an independent actuary.

As of January 1, 2012, 2013 and 2014, the entry age normal valuation method was used. The actuarial assumptions included a 4% investment rate of return (net of investment expenses), which is a blended rate of the expected long-term investment returns on plan assets. The health care cost trend rate assumptions are 8.0% graded uniformly to 5% over 6 years for December 31, 2014. The health care cost trend rate assumptions were 9.0% graded uniformly to 5% over 8 years for December 31, 2013 and 2012. The actuarial value of assets was determined using market value. The actuarial accrued liability is fully funded at December 31, 2014, 2013 and 2012, in an external trust.

Annual Pension Cost

The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port's OPEB obligation for the years ended December 31, 2012, 2013 and 2014 (dollars in thousands):

	2012	2013	2014
Annual required contribution	**$347**	**$186**	**$488**
Interest on net OPEB obligation	---	---	---
Annual OPEB expense	**347**	**186**	**488**
Claims paid	(347)	(186)	(488)
Ending OPEB liability	**$ ---**	**$ ---**	**$ ---**

Employer Contributions

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2012, 2013 and 2014, are as follows (dollars in thousands):

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed to a Trust Fund	Net OPEB Obligation/ (Asset)
12/31/12	$347	100%	$ ---
12/31/13	186	100	---
12/31/14	488	100	---

Schedule of Funding

The following schedule summarizes the funding progress at December 31 (dollars in thousands):

Plan Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2012	$6,859	$4,348	---*	157.8%	$2,323	---
2013	6,493	3,536	---*	183.6	2,025	---
2014	6,333	3,941	---*	160.7	1,925	---

* There is no unfunded AAL at December 31, 2012, 2013 and 2014, as the value of the plan assets exceeds the AAL.

NOTE 11 — DEFERRED COMPENSATION PLANS

The Port offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Port employees, permits them to defer a portion of their salary until future years. In accordance with GASB authoritative guidance, accounting and reporting for Internal Revenue Code Section 457 deferred compensation plans, employee assets are not reflected in the Port's financial statements.

The Port established a profit sharing plan for nonrepresented employees in accordance with Internal Revenue Code Section 401. The plan provides for an annual contribution to each eligible employee's 401 account based on the Port meeting financial targets. The minimum contribution of $100 or a maximum contribution of 4% of total salaries of eligible employees will be made annually to the 401 accounts. In addition to the employer contribution, eligible employees may defer a portion of their salary until future years. The Port did not contribute to the plan in 2014 and 2013.

Both plans are fully funded and held in outside trusts. The fund is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 12 — PROPERTY TAXES

The 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 May 31. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every six years.

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

The Port is permitted by law to levy up to 45 cents per $1,000 of assessed valuation for general Port purposes. The rate may be adjusted for either of the following reasons:

(a) Washington State law in Revised Code of Washington (RCW) 84.55 limits the growth of regular property taxes, but it allows additional amounts for new construction. The Port is allowed to raise revenues in excess of the limit if approved by a majority of the voters as provided in RCW 84.55.050.

(b) The Port may voluntarily levy taxes at a lower rate.

Special levies approved by the voters are not subject to the above limitations.

In 2014 the Port's regular tax levy was $0.183 per $1,000 on a total assessed valuation of $71,547,746,000, for a total regular levy amount of $13,116,000. In 2013 the Port's regular tax levy was $0.183 per $1,000 on a total assessed valuation of $69,124,566,000, for a total regular levy amount of $12,668,000.

NOTE 13 — COMMITMENTS AND OTHER LONG-TERM LIABILITIES

Commitments

The Port has entered into contractual agreements for terminal maintenance, infrastructure improvements, environmental projects and professional services. At December 31, 2014, these future commitments are as follows (dollars in thousands):

Description	Remaining Commitments
Environmental	$ 6,501
Terminal projects	2,969
Infrastructure	2,084
Other (including professional services)	6,702
Total commitments	**$18,256**

Other Long-Term Liabilities

Other long-term liabilities consist primarily of environmental liabilities (see Note 14) and other deferred commitments as further discussed below.

In 2013, the Port executed a land swap with a joint venture comprised of the Puyallup Tribe (Tribe) and private parties. This agreement was initially approved by the Port commission in 2008. This agreement is deemed essential for the development of the Blair waterway and the continued relationships with the Port's customers.

The agreement required the Port to transfer 24.4 acres of land to the Tribe, and in exchange, the Tribe will cutback and dredge 12.50 acres of the Blair waterway for the Port's use as a right-of-way. As a part of this agreement, the Port agreed to pay for dredging the channel width from 650' to 850' at some point in the future. The estimated cost of this project is $28.0 million. The $28.0 million is recorded in other long-term liabilities on the statement of net position at December 31, 2014.

The Port accounted for this transaction as a "like-kind" property exchange without commercial substance. The assets received in this exchange have an indefinite life and, therefore, per GASB 51, Accounting and Financial Reporting for Intangible Assets, will be recorded as intangible assets at cost. Also, since the acquired assets have an indefinite life, they will not be amortized.

NOTE 14 — ENVIRONMENTAL LIABILTIES

The Port monitors remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

Future expenditures for environmental remediation obligations using the expected cash flow technique were $20.3 million at December 31, 2014, and $7.9 million at December 31, 2013. This liability is included in other long-term liabilities on the accompanying statements of net position. Recoveries of environmental remediation costs from other parties are recorded as a reduction of the related costs using the expected cash flow technique.

In 2014 the Port discovered contamination on the General Central Peninsula during the pre-design stage for the re-configuration of a pier and recorded the estimated remediation obligation of $7.6 million. The Port also recorded $5.0 million for contamination discovered on a parcel on the Blair Peninsula that entered the pre-design stage for a new terminal.

The Port acquired property in March 2003 that required remediation for marine terminal development. The terms of the acquisition obligated the Port to remedial action that was approved by federal and state regulators as part of the purchase price. The remaining obligation of $3.0 million was relieved during 2013.

The Port transferred land to the Puyallup Tribe of Indians in 1988 under the 1988 Puyallup Land Settlement Agreement. The terms of the agreement obligated the Port to remediate the property in the event of future development. In April 2008, the parties also entered into a land swap agreement for several of the same parcels for the development of marine terminals. As a result of the land swap transactions, $4.3 million was recorded as environmental remediation obligiations.

At December 31, 2014, the estimated cost of the environmental remediation projects expected to be capitalized in future periods is approximately $3.6 million.

NOTE 15 — CONTINGENCIES

The Port owns land within the boundaries of the Commencement Bay near the Shore Tideflats Superfund Site, for which a Remedial Investigation and a Feasibility Study have been performed by the U.S. Environmental Protection Agency and the Washington State Department of Ecology, pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act and the Model Toxics Control Act. Remedial actions are currently underway or complete at all known sites. The Port will continue to have liability exposure until the cleanup is complete.

In 2008 the United States Department of Army, Corps of Engineers issued a notice of violation to the Port claiming that the Port filled and graded certain wetlands without the required Army, Corps of Engineers permits. The United States Environmental Protection Agency (EPA) assumed jurisdiction in 2009 and issued a Request for Information, pursuant to 308(a) of the Clean Water Act, 33 U.S.C. 51318(a), and subsequently filed suit claiming that the Port partially filled sensitive wetland without proper permits.

In November 2013, the Port and EPA reached a settlement agreement that provided for a penalty of $500,000 in cash and approximately $3.1 million towards the development and restoration of 7.56 acres of wetlands. The cash portion of settlement was recorded in 2012 in "other non-operating expenses, net" on the statements of net position. The wetlands habitat development costs will be capitalized when incurred.

The Port is named as a defendant in various other lawsuits incidental to carrying out its function. The Port believes its ultimate liability, if any, will not be material to the financial statements.

In October 2014, the Port entered into an Interlocal Agreement (ILA) with the Port of Seattle for the creation of a joint Seaport Alliance. The ILA, which was approved by the Federal Maritime Commission (FMC) in December, provides a framework to advance the discussions to examine business objectives, strategic marine terminal investments, financial returns, performance metrics, organizational structure, communications and public engagement. Following the due diligence period, the two port commissions intend to submit to the FMC by Spring 2015 a more detailed agreement to form the Seaport Alliance.

NOTE 16 — MAJOR CUSTOMERS

Operating revenues for the year ended December 31, 2014, of $134.3 million included $108.0 million, or 80% of total revenue from ten significant customers of which three of these customers individually accounted for 10% or more of operating revenues and in aggregate 41% of operating revenues. Operating revenues for the year ended December 31, 2013, of $125.3 million included $99 million, or 79% of total revenue from ten significant customers of which four of these customers individually accounted for 10% or more of operating revenues and in aggregate 49% of operating revenues. Receivables from those customers totaled $9.1 million or 78% of total trade receivables, and $8.6 million or 64% of total trade receivables at December 31, 2014 and 2013, respectively.

NOTE 17 — RELATED-PARTY TRANSACTIONS

The Commissioners of the Port, the Chief Executive Officer and the Deputy Executive Officer also serve as officers and directors of other private and public agencies. The Revised Code of Washington, Section 53, authorizes the Port District to cooperate and invest with such agencies, including trade centers, economic development and other municipal entities. The Port supports such agencies in its normal course of business.

NOTE 18 — FAIR VALUE MEASUREMENTS

The estimated carrying and fair values of the Port's financial instruments are as follows (dollars in thousands):

	2014		2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets				
Cash and cash equivalents	$ 840	$ 840	$ 9,751	$ 9,751
Investments	207,817	207,817	220,275	220,275
Financial Liabilities				
Commercial paper	$ 82,000	$ 82,000	$ 92,585	$ 92,585
Interest rate swaps	48,116	48,116	57,174	57,174
Long-term debt	585,005	559,259	604,575	560,679

The Port has five swaps outstanding so that it may mitigate interest rate risk. The swaps synthetically fix or "lock-in" interest rates on variable revenue bond debt by providing cash flows that are intended to offset the variable-rate bond payments, leaving the Port with the fixed payment identified in each swap agreement. The fair value of the interest rate swap agreement (used for purposes other than trading) is the estimated amounts the Port would pay to terminate the swap agreement at the reporting date, taking into account current interest rates for the swap agreement and the creditworthiness of the swap counterparty and the third-party bond insurer.

The Port adopted FASB authoritative amended guidance on fair values on January 1, 2012. The amended guidance requires additional disclosures for all assets and liabilities that are being measured and reported on a fair value basis. The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Port performs a detailed analysis of the assets and liabilities that are subject to the guidance. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Port does not have any Level 3 assets or liabilities at December 31, 2014 and 2013.

The table below presents the balances of liabilities measured at fair value by level within the hierarchy at December 31, 2014 and 2013 (dollars in thousands):

	Assets at Fair Value as of December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments – Enterprise Fund	$81,607	$126,210	$ ---	$207,817
Investments – Post-Employment Health Care Benefits Trust Fund	5,155	707	---	5,862
	Assets at Fair Value as of December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments – Enterprise Fund	$70,754	$149,521	$ ---	$220,275
Investments – Post-Employment Health Care Benefits Trust Fund	1,428	4,578	---	6,006

The Port's interest rate swap is a pay-fixed, receive variable based on 70% London Interbank Offered Rate (LIBOR) from its counterparties. LIBOR is observable at commonly quoted intervals for the full term of the swaps and, therefore, is considered a Level 2 item. For an interest rate swap in an asset position, the credit standing of the counterparty is analyzed and factored into the fair value measurement of the asset. The guidance states that the fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of the Port's creditworthiness has been factored into the fair value measurement of the interest rate swap in a liability position.

NOTE 20 — NOTES RECEIVABLE/ASSETS HELD FOR SALE

In October 2013, the debtor defaulted on the Note Receivable related to the 2010 sale of real property and relinquished the property back to the Port. Consequently, the Port (following troubled debt restructure guidance in accordance with Statement of Governmental Accounting Standards Board No. 62 and Financial Accounting Standards Board Accounting Standards Codification 310-40-35) recorded a write-down of $5.9 million to the fair value of the property of $11.2 million. The write-down of $5.9 million is included in non-operating expense in the statements of revenue, expenses and changes in net position for the year ended December 31, 2013. The property is included in assets held for sale on the statements of net position at December 31, 2013, at its fair value of $11.2 million. The fair value of the asset held for sale was evaluated at December 31, 2014, and remained unchanged at $11.2 million.

Independent Auditor's Report

The Board of Commissioners,
Port of Tacoma
Tacoma, Washington

Report on the Financial Statements
We have audited the accompanying financial statements of the Enterprise Fund and the Post-Employment Health Care Benefits Trust Fund of **Port of Tacoma** (the Port) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which, collectively, comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Port'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 Port'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 the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 Post-Employment Health Care Benefits Trust Fund of the **Port of Tacoma** as of December 31, 2014 and 2013, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18-20 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.

McGladrey LLP

Tacoma, Washington
March 12, 2015

Information for Bondholders

This information is provided as a convenience to bondholders and other institutions to assist them in reviewing historical financial information

COMPARATIVE SCHEDULE OF NET REVENUES AVAILABLE FOR DEBT SERVICE (dollars in thousands)

	2014	2013	2012	2011	2010
REVENUES					
Total Operating Revenues	**$134,322**	**$125,342**	**$124,377**	**$114,095**	**$103,350**
Non-operating Revenues (1), (2), (3), (4)	2,774	2,508	3,256	2,830	2,653
Total Revenues Available for Senior Debt Service	**137,096**	**127,850**	**127,633**	**116,926**	**106,003**
EXPENSES					
Total Operating Expenses, excluding depreciation	**81,951**	**68,212**	**65,863**	**59,598**	**56,062**
Non-operating Expenses (5), (6), (7), (8)	461	121	34	31	17
Total Expenses, excluding depreciation	**82,412**	**68,333**	**65,897**	**59,629**	**56,079**
Less Levy Available for Capital Improvement (9)	0	1,497	2,500	3,721	5,097
Net Expenses	**82,412**	**66,836**	**63,396**	**55,907**	**50,982**
Net Revenues Available for Senior Debt Service	**54,684**	**61,013**	**64,237**	**61,018**	**55,021**
Debt Service Senior Lien debt	7,403	11,770	11,774	11,791	11,798
DEBT SERVICE COVERAGE (Senior Lien Debt)	**7.39**	**5.18**	**5.46**	**5.17**	**4.66**
Net Revenues Available for Senior Debt Service	**54,684**	**61,013**	**64,237**	**61,018**	**55,021**
Less Subordinate Lien Rate Stabilization (10)	-	-	(4,500)	(5,250)	(5,512)
Less Senior Lien Debt Service	(7,403)	(11,770)	(11,774)	(11,791)	(11,798)
Net Revenues Available for Subordinate Debt Service	**47,281**	**49,243**	**47,963**	**43,977**	**37,711**
Debt Service Subordinate Debt (11), (12)	22,125	19,219	15,556	11,699	8,490
DEBT SERVICE COVERAGE (Subordinate Lien Debt) (11)	**2.14**	**2.56**	**3.08**	**3.76**	**4.44**
Net Revenues Available for Senior Debt Service	**54,684**	**61,013**	**64,237**	**61,018**	**55,021**
Less Subordinate Lien Rate Stabilization	-	-	(4,500)	(5,250)	(5,512)
Net Revenues Available for fully Diluted Debt Service	**54,684**	**61,013**	**59,737**	**55,768**	**49,509**
Debt Service; Senior, Subordinate and lowest lien debt (13)	29,529	30,989	27,330	23,490	20,289
DEBT SERVICE COVERAGE - Fully Diluted (11), (13)	**1.85**	**1.97**	**2.19**	**2.37**	**2.44**
NOTE: Above schedule does not include levies for general obligation bond issues outstanding.					
FOOTNOTES:					
(1) Excluded from non-operating revenues is interest earned on investment of:					
General Obligation Bonds	$6	$2	$7	$3	$6
Construction funds	21	9	-	9	99
(2) Excluded from non-operating revenues is capital contribution and other miscellaneous non-operating income	2,636	6,815	14,257	16,838	17,399
(3) Excluded from non-operating revenues is gain (loss) on sale or write down of property	(5,030)	(1,786)	(850)	(8,538)	(1,527)
(4) Excluded from non-operating revenues is gain (loss) on market value of investments	2,505	(5,135)	777	892	534
(5) Excluded from non-operating expenses is cost of bond issue, net of discounts, premiums and other debt costs and election expense	(113)	627	(261)	212	(25)
(6) Excluded from non-operating expense is interest expense and interest funded from bond proceeds	21,649	23,549	20,544	17,150	16,278
(7) Excluded from interest expense is Capitalized Interest	654	285	165	1,078	373
(8) Excluded from non-operating expense are contributions to other agencies and other expenses not attributable to operations	2,537	7,804	4,822	3,843	5,076

(9) Washington Port Districts are authorized by statute to levy $0.45 per $1,000 of actual value of taxable property ad valorem tax upon all taxable property within their jurisdiction for operations, maintenance, capital improvements and general Port purposes

(10) Amounts withdrawn from the Rate Stabilization Account shall increase Gross Revenue for the period in which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period during which they are deposited

(11) The Port is authorized to issue from time to time an aggregate principal amount not to exceed $100,000,000,under the Port's Subordinate Lien Commercial Paper Program. Debt service shown in this table for the Commercial Paper Program is based on the actual interest payments only on the amount outstanding under this program during the period on calculation

(12) Included payment made to credit and liquidity providers

(13) Included the debt service of lowest lien

REVENUE DEBT SERVICE SCHEDULE (dollars in thousands)

Bond Series	2006 Senior Refunding			2008 Subordinate Refunding			2008 Subordinate			2014A Senior Refunding			2014A Subordinate Refunding			2014B Senior Refunding			TOTAL		
	Original Issue Amount $46,455			Original Issue Amount $117,210			Original Issue Amount $133,000			Original Issue Amount $8,525			Original Issue Amount $92,635			Original Issue Amount $34,345					
Pmt Date	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	150	1,970	2,120	5,105	3,649	8,754		3,658	3,658		213	213	1,990	3,807	5,797	1,100	966	2,066	8,345	14,262	22,607
2016	155	1,964	2,119	5,345	3,431	8,776		3,660	3,660		213	213	2,080	3,723	5,803	1,220	848	2,068	8,800	13,839	22,639
2017	160	1,958	2,118	5,595	3,221	8,816		3,655	3,655		213	213	2,175	3,636	5,811	1,250	817	2,067	9,180	13,500	22,680
2018	170	1,951	2,121	2,850	3,001	5,851		3,658	3,658	2,052	213	2,265	2,270	3,544	5,814	2,320	785	3,105	9,662	13,152	22,814
2019	175	1,944	2,119	2,960	2,884	5,844		3,658	3,658	2,105	162	2,267	2,375	3,449	5,824	2,380	726	3,106	9,995	12,822	22,817
2020	180	1,937	2,117	3,080	2,763	5,843		3,660	3,660	2,159	109	2,268	2,490	3,349	5,839	2,440	665	3,105	10,349	12,483	22,832
2021	190	1,930	2,120	3,205	2,636	5,841		3,655	3,655	2,209	55	2,264	2,615	3,245	5,860	2,505	603	3,108	10,724	12,124	22,848
2022	2,605	1,922	4,527	3,330	2,505	5,835		3,658	3,658				2,745	3,135	5,880	2,570	539	3,109	11,250	11,758	23,008
2023	2,720	1,813	4,533	3,465	2,368	5,833		3,658	3,658				2,880	3,020	5,900	2,635	473	3,108	11,700	11,332	23,032
2024	2,830	1,697	4,527	3,605	2,226	5,831		3,660	3,660				3,025	2,899	5,924	2,700	406	3,106	12,160	10,888	23,048
2025	2,950	1,577	4,527	3,750	2,078	5,828		3,655	3,655				3,175	2,772	5,947	2,770	337	3,107	12,645	10,419	23,064
2026	3,080	1,451	4,531	3,900	1,924	5,824		3,658	3,658				3,335	2,638	5,973	2,840	267	3,107	13,155	9,938	23,093
2027	3,210	1,321	4,531	4,055	1,764	5,819		3,658	3,658				3,495	2,498	5,993	2,915	194	3,109	13,675	9,435	23,110
2028	3,350	1,184	4,534	4,215	1,598	5,813		3,660	3,660				3,670	2,351	6,021	2,985	120	3,105	14,220	8,913	23,133
2029	3,490	1,042	4,532	4,385	1,425	5,810		3,655	3,655				5,070	2,197	7,267	1,715	44	1,759	14,660	8,363	23,023
2030	3,645	886	4,531	4,560	1,245	5,805		3,658	3,658				7,625	1,984	9,609				15,830	7,773	23,603
2031	3,805	724	4,529	4,745	1,058	5,803		3,658	3,658				8,005	1,664	9,669				16,555	7,104	23,659
2032	3,980	555	4,535	4,935	864	5,799		3,660	3,660				8,395	1,328	9,723				17,310	6,406	23,716
2033	4,155	378	4,533	5,130	661	5,791		3,655	3,655				8,815	975	9,790				18,100	5,669	23,769
2034	4,335	193	4,528	5,335	445	5,780		3,658	3,658				9,255	605	9,860				18,925	4,901	23,826
2035				5,150	219	5,369		3,658	3,658				5,150	216	5,366				10,300	4,092	14,392
2036								3,660	3,660											3,660	3,660
2037								3,655	3,655											3,655	3,655
2038								3,658	3,658											3,658	3,658
2039								3,658	3,658											3,658	3,658
2040								3,660	3,660											3,660	3,660
2041								3,655	3,655											3,655	3,655
2042								3,658	3,658											3,658	3,658
2043								3,658	3,658											3,658	3,658
2044							133,000	3,940	136,940										133,000	3,940	136,940
Grand Total	**$45,335**	**$28,397**	**$73,732**	**$88,700**	**$41,968**	**$130,668**	**$133,000**	**$110,007**	**$243,007**	**$8,525**	**$1,179**	**$9,704**	**$90,635**	**$53,035**	**$143,670**	**$34,345**	**$7,788**	**$42,133**	**$400,540**	**$242,375**	**$642,915**

The 2008 Subordinate Refunding and 2014A Subordinate Refunding bonds are variable rate bonds.
The interest payments shown are estimates based on market rates at the time of issuance and/or interest rate payment agreements (swaps) outstanding.
Actual interest paid on these bonds will vary.

TAX COLLECTION INFORMATION (dollars in thousands)

	Amount of Tax Levy	Tax Collected as of 12/31/14	% Collected
2014	$13,116	$12,746	97.18%
2013	12,666	12,512	98.79%
2012	13,719	13,628	99.34%
2011	14,797	14,777	99.86%
2010	16,283	16,277	99.97%

PORT TAXING DISTRICT ASSESSED VALUATION

2015	$77,383,384,063
2014	71,547,746,398
2013	69,124,565,890
2012	75,697,857,587
2011	81,262,532,281

PROPERTY TAX LEVY AVAILABLE FOR CAPITAL IMPROVEMENTS (dollars in thousands)

	2014	2013	2012	2011	2010
Total Levy	13,116	12,666	13,719	14,797	16,283
Less Designation for G.O. Debt Service	13,665	11,280	11,275	11,281	11,273
Called bonds					---
Subtotal	**(549)**	**1,386**	**2,444**	**3,516**	**5,010**
Supplements, Cancellations, Refunds-Net	(33)	(69)	(56)	(205)	(87)
Levy Available for Capital Improvement	**-**	**1,317**	**2,388**	**3,311**	**4,923**

CURRENT BOND RATINGS

Rating Agency	Senior Revenue Bonds	Subordinate Revenue Bonds	General Obligation Bonds
Moody's Investor Services	Aa3	A1	Aa3
Standard & Poor's Corporation	AA-	A+	AA

Subscriptions and information

The 2014 Annual Report was produced by the Port of Tacoma. Subscriptions are free by visiting www.portoftacoma.com/publications. For information about articles in this edition or for permission to reproduce any portion of it, contact the Communications Department.

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