

# Annual Financial Report

December 31, 2015

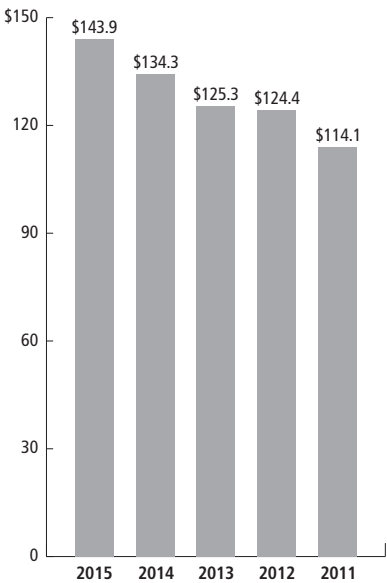


# 2015 Port of Tacoma Annual Financial Report

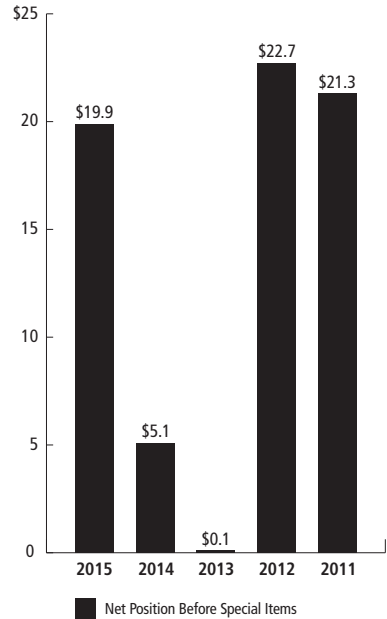
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**Gross Operating Revenue**  
(dollars in millions)



**Change in Net Position**  
(dollars in millions)



## Trade Statistics 2015

### Top 10 International Trading Partners — 2015

(value of two-way trade)



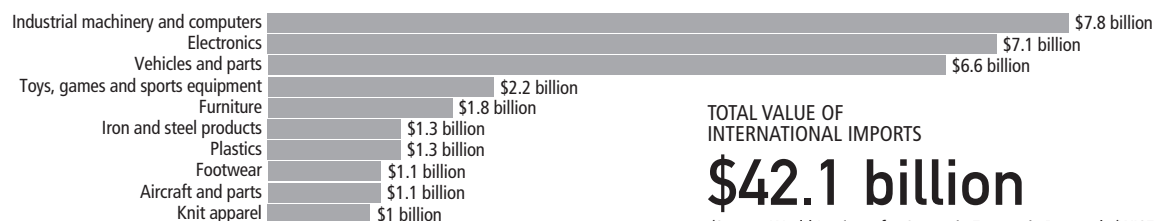
TOTAL VALUE OF TWO-WAY  
INTERNATIONAL TRADE

# \$52.1 billion

(Source: World Institute for Strategic Economic Research (WISER))

Trading partners 11-20: Philippines \$359 million, Canada \$348 million, Germany \$319 million, India \$309 million, Netherlands \$276 million, New Zealand \$269 million, United Kingdom \$191 million, France \$145 million, Italy \$140 million, Brazil \$127 million

### Top 10 Import Commodities by Value — 2015

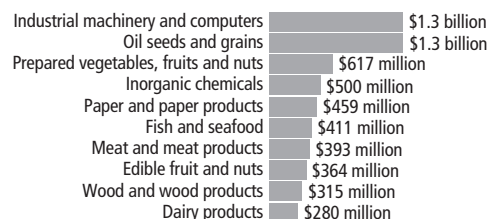


TOTAL VALUE OF  
INTERNATIONAL IMPORTS

# \$42.1 billion

(Source: World Institute for Strategic Economic Research (WISER))

### Top 10 Export Commodities by Value — 2015



TOTAL VALUE OF  
INTERNATIONAL EXPORTS

# \$10.0 billion

(Source: World Institute for Strategic Economic Research (WISER))

### 2015 Financial Highlights

dollars in thousands

Revenues	\$143,897
Increase in Net Assets	19,837
Working Capital	123,363
Capital Additions	34,541
Net Land, Facilities and Equipment	916,909
Net Long-term Debt	563,710
Net Position	503,205
Debt Service Coverage Ratio (senior lien)*	16.8

\* See Information for Bondholders, page 23

### 2015 Trade Highlights

Total TEUs	2.1 million
Intermodal Lifts	531,818
Total Tonnage	19 million short tons
Auto Units	183,305
Grain	2.8 million short tons
Breakbulk Cargo	223,005 short tons
Logs	41.7 million board feet
Vessel Calls	1,276
Value of International Trade	\$52.1 billion
Value of Domestic Trade	\$5.4 billion (estimate)

# Management's Discussion and Analysis

Years ended December 31, 2015 and 2014

## INTRODUCTION

The Port of Tacoma's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance introduces the Port's 2015 and 2014 financial statements, which include 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 in which 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.

In 2015, the Port adopted new pension reporting provisions required by Governmental Accounting Standards Board (GASB) Statement No. 68. The provisions of this statement required the Port to record its share of State of Washington PERS' unfunded pension liability by restating the beginning 2014 net position. The restatement decreased net position by \$21.6 million in 2014. The pension liability at December 31, 2014 and

2015, was 15.1 million and \$18.4 million, respectively. Further discussion of the impacts of the adoption of GASB 68 can be found in this MDA and in Notes 1 and 8 to the financial statements.

The ports of Seattle and Tacoma (the ports) joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region by creating The Northwest Seaport Alliance (NWSA). The NWSA is a separate governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties.

Each Port Commission is a Managing Member of the NWSA. Each port will remain a separate legal entity, independently governed by its own elected commissioners. Each port has granted to the NWSA a license for the NWSA's exclusive use, operation and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the ports, not with the NWSA. The ports remain responsible for their own debt and debt service; the NWSA will not issue

bonded debt. The ports set up an initial 50/50 investment in the NWSA; operating income and cash will flow back to the ports at least quarterly. The NWSA will have its own annual operating budget and five-year capital investment plan. The ports will contribute to capital construction projects subject to Managing Member approval; capital funding will not come from working capital.

The NWSA will follow joint venture accounting beginning January 1, 2016; therefore, the Port of Tacoma's changes in net position in 2016 will be based on 50 percent of the NWSA's net operating income plus the terminal services and property rental related income from the Port of Tacoma's managed properties.

The NWSA is intended to support the credit profiles of both ports, and its financial framework will preserve both ports' commitment to financial strength and fiscal stewardship. The ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual port. To maintain the rights of each port's existing bondholders, the charter prohibits the NWSA from issuing debt.

## 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):			
	2015	2014* (Restated)	2013
Current assets	\$ 238,301	\$ 220,235	\$ 216,130
Capital assets, net	956,323	966,813	962,741
Long-term investments	9,429	9,230	37,688
Other assets	45,891	45,586	47,701
<b>Total assets</b>	<b>\$1,249,944</b>	<b>\$1,241,864</b>	<b>\$1,264,260</b>
Deferred outflows of resources	\$ 87,764	\$ 88,470	\$ 60,035
Current liabilities	\$ 114,938	\$ 111,270	\$ 124,409
Long-term debt, net	563,710	578,031	601,378
Other long-term liabilities	152,815	150,968	98,671
<b>Total liabilities</b>	<b>\$ 831,463</b>	<b>\$ 840,269</b>	<b>\$ 824,458</b>
Deferred inflows of resources	\$ 3,040	\$ 6,697	\$ ---
Net investment in capital assets	\$ 302,092	\$ 299,404	\$ 280,507
Restricted - bond reserves	9,429	9,230	16,395
Unrestricted	191,684	174,734	202,935
<b>Total net position</b>	<b>\$ 503,205</b>	<b>\$ 483,368</b>	<b>\$ 499,837</b>

\*Net Position for 2014 has been adjusted to reflect the adoption of GASB 68 (see Note 1).



The Port's total net position increased by \$19.8 million and 4.1% over the prior year to \$503.2 million at December 31, 2015. Of this amount, \$302.1 million is the net investment in capital assets, \$9.4 million is restricted for bond reserves and \$191.7 million is unrestricted and can be used to finance operating activities.

Net position at December 31, 2014, was restated from \$504.2 million to \$483.4 million due to the adoption of GASB 68, which required the restatement of net position of \$20.8 million. Of this amount, net investment in capital assets was \$299.4 million, \$9.2 million was restricted for related bond reserves and unrestricted net position was restated from \$195.6 to \$174.8 million.

The Port's net investment in capital assets represents infrastructure and capital assets for Port terminal and real estate facilities. In 2015, the net investment in capital assets increased by \$2.7 million due primarily

to a net decrease in outstanding debt of approximately \$13.2 million and a \$10.5 million decrease in net capital assets attributable to asset impairments at Pier 24/25 and on property on the Hylebos Peninsula of \$5.3 million and normal depreciation.

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 net change in capital assets of \$4.1 million.

Restricted components of net assets at December 31, 2015, 2014, and 2013, of \$9.4, \$9.2 and \$16.4 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 2015, 2014 and 2013.

<b>Statements of Revenues, Expenses and Changes in Net Position</b> (dollars in thousands)			
	<b>2015</b>	<b>2014* (Restated)</b>	<b>2013</b>
Operating income:			
Operating revenues	\$ 143,897	\$ 134,322	\$ 125,342
Operating expenses	104,611	112,716	99,015
<b>Total operating income</b>	<b>39,286</b>	<b>21,606</b>	<b>26,327</b>
Non-operating revenues (expenses):			
Ad valorem tax revenues	14,198	13,083	12,600
Interest on general obligation bonds	(8,759)	(9,000)	(9,456)
<b>Net ad valorem tax revenues</b>	<b>5,439</b>	<b>4,083</b>	<b>3,144</b>
Interest income	2,293	2,704	2,421
Net increase (decrease) in the fair value of investments	72	2,505	(5,135)
Interest expense	(17,712)	(20,908)	(23,048)
Other non-operating expense, net	(10,861)	(7,131)	(10,365)
<b>Total non-operating expenses, net</b>	<b>(20,769)</b>	<b>(18,747)</b>	<b>(32,983)</b>
<b>Increase (decrease) in net position before capital contributions</b>	<b>18,517</b>	<b>2,859</b>	<b>(6,656)</b>
Capital contributions	1,320	2,271	6,735
<b>Increase in net position</b>	<b>19,837</b>	<b>5,130</b>	<b>79</b>
Net position, beginning of year, as previously reported	483,368	499,837	499,758
Adjustment for adoption of GASB 68 (see Notes 1 and 8)	---	(21,599)	---
Beginning of year, restated	483,368	478,238	499,758
<b>Net position, end of year</b>	<b>\$ 503,205</b>	<b>\$ 483,368</b>	<b>\$ 499,837</b>
Container volume (TEUs in thousands)	2,125	2,040	1,892

**Revenues:** Port revenue in 2015 of \$143.9 million increased by \$9.6 million and 7.1% over 2014 on strong container and non-container cargo volume increases. The Port handled 2.1 million TEUs (20-foot equivalent units) in 2015, a 4.2% increase over the prior year. The container business revenue increased by \$6.3 million and 6.4% over the prior year primarily due to higher import container volume that increased equipment and intermodal revenue. The strong import volume overcame decreases in domestic container traffic, principally shipments to the state of Alaska due to low oil prices affecting Alaska's economy and containerized exports down 6.7%, blamed in part on a strong U.S. dollar that makes American exports more expensive and the economic slowdown in China.

The non-containerized cargo business consists of the Port's breakbulk, auto and log businesses. Non-container revenue increased \$3.0 million and 15.1% over the prior year. Auto imports increased 4.3% over the prior year and revenue increased \$4.0 million and 53.6% driven by increased storage revenue. Offsetting the increases in auto revenue, the Port's breakbulk revenue was down \$0.6 million and the Port's log export volume was down \$0.4 million compared to the prior year, primarily due to weaker demand in China.

The Port's industrial and commercial properties and facilities complement the Container and Non-Container businesses. Real estate revenue increased by \$0.2 million and 1.1% above the prior year, as demand for commercial property was flat.

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 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.

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.

**Expenses:** The 2015 operating expense of \$104.6 million was \$8.1 million and 7.2% below the prior year primarily due to a decrease in environmental expenses of \$9.8 million compared to the prior year that included remediation obligations for terminal development projects on the General Central peninsula and on the Blair peninsula of \$12.9 million. Revenue related operating and maintenance expenses to support the 6.3% growth in revenue increased by \$0.9 million.

The 2014 operating expense of \$112.7 million was \$13.7 million and 13.8% above the prior year. Operating expenses in 2014 was restated from \$113.5 million to \$112.7 to reflect the adoption of GASB 68 (see Notes 1 and 8). 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.

As a result of the above, the 2015 operating income of \$39.3 million increased by \$17.7 million and 81.8% from 2014; 2014 operating income of \$21.6 decreased by \$4.7 million and 17.9% from 2013.

**Non-Operating Expenses:** The 2015 net non-operating expense of \$20.8 million was \$2.0 million and 10.8% above the prior year.

Ad valorem tax revenue increased by \$1.1 million compared to the prior year which also increased the net ad valorem tax revenue after interest expense on general obligation bonds by \$1.4 million.

Net interest expense of \$15.3 million was down \$0.4 million from the prior year. Interest income was down \$2.8 million primarily due to non-cash fair value adjustments on investments of \$2.4 million, offset by a decrease in interest expense of \$3.2 million primarily due to the refunding of bonds at lower interest rates in 2014, as described in Note 5.

Other Non-operating Expense in 2015 was \$10.9 million compared with \$7.1 million in the prior year. Current year costs include: impairment of assets at Pier 24/25 and on the Hylebos Peninsula of \$5.3 million, environmental remediation obligations of \$1.7 million, contributions to other agencies for infrastructure improvements on the Port of Tacoma road interchange and Port of Tacoma road of \$1.3 million and \$0.8 million, respectively, and election expense of \$0.6 million.

The 2014 net non-operating expense of \$18.7 million was \$14.2 million and 43.2% below 2013.

Ad valorem tax revenue increased by \$0.5 million compared to 2013 which also reduced the net ad valorem tax revenue after interest expense on general obligation bonds by \$1.0 million.

Net interest expense of \$15.7 million was down \$10.1 million from 2013. 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 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.

**Capital grant contributions:** Capital grant contributions of \$1.3 million in 2015 consisted of \$0.6 million for rail infrastructure expansion, \$0.5 million for cyber security and other security enhancements and environmental remediation projects of \$0.1 million.

Capital grant contributions of \$2.3 million in the prior year consisted of \$1.0 million for security enhancements, \$0.9 million for environmental remediation projects and \$0.4 million for infrastructure projects.

**Capital assets:** The Port's investment in capital assets, net of depreciation, for its business activities as of December 31, 2015, amounted to \$956.3 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, 2014, amounted to \$966.8 million. See Note 3 for additional information. Major capital additions in 2015 are presented in the table below: (dollars in thousands).

Major project description:	
Pier 4 modernization	\$ 9,439
Land development	4,808
Habitat development	3,725
Container terminal improvements	2,975
Rail improvements	2,846
Facility and building improvements	2,822
<b>Total</b>	<b>\$ 26,615</b>

## DEBT ADMINISTRATION

**Long-Term Debt:** At December 31, 2015, the Port's long-term debt, including current portion, outstanding totaled \$571.8 million. Of this amount, general obligation bonds outstanding were \$179.6 million and revenue bonds outstanding were \$392.2 million.

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. See Note 5 for additional information.

The Port utilizes interest rate payment agreements (derivatives) to manage interest rate risk. The swap agreements synthetically fix or "lock-in" interest rates on variable-rate 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 fair value.

In December 2015, the Port changed the mode on the 2014A subordinate lien variable-rate bonds from taxable to tax exempt by executing a new Continuing Covenant Agreement with the lender that reduced the non-hedged fee portion paid by the Port to a lower fee. At the time of the mode change, the lender extended the direct purchase agreement until October 1, 2018. The change in mode did not require a refunding of any of the bonds or the issuance of a new CUSIP and no cash was exchanged. The interest rate portion of the direct purchase agreement (70% of one month LIBOR) in the bank document and Port resolution were unchanged.

In 2014, the Port refunded all of \$71.5 million of the 2005 Senior Lien Revenue bonds and approximately \$20 million of the 2004 Senior Lien Revenue bonds. The bonds were refunded as Subordinate Lien Revenue bonds and will be matched to the Port's interest rate swaps. This is expected to save the Port between \$2 million and \$3 million per year in interest expense by allowing the Port to reduce its outstanding commercial paper debt which has been matched to the swaps, or by utilizing the low variable interest rates on any remaining outstanding commercial paper debt which will no longer be matched to the swaps.

The Port also refunded the \$8.5 million of the 2004A Senior Lien Revenue bonds. This refunding, which will keep the bonds on the senior level, is expected to save between \$0.2 million 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, 2015, 2014, and 2013, and changes in net position for the years ended December 31, 2015, 2014, and 2013 (in thousands), are as follows:

Health Care Benefits			
	2015	2014	2013
Total assets	\$5,891	\$6,333	\$6,493
Total liabilities	---	---	---
<b>Total net position</b>	<b>\$5,891</b>	<b>\$6,333</b>	<b>\$6,493</b>
Total additions (reductions)	\$ 48	\$ 61	\$ (2)
Total deductions	(490)	(221)	(364)
<b>Decrease in net position</b>	<b>(442)</b>	<b>(160)</b>	<b>(366)</b>
Net position - beginning of year	6,333	6,493	6,859
<b>Net position - end of year</b>	<b>\$5,891</b>	<b>\$6,333</b>	<b>\$6,493</b>

## REQUESTS 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](http://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.

# Enterprise Fund Statements of Net Position

December 31, 2015 and 2014 (dollars in thousands)

ASSETS		
	2015	2014
<b>CURRENT ASSETS</b>		
Cash	\$ 3,193	\$ 840
Investments, at fair value	216,105	198,587
Trade accounts receivable, net of allowance for doubtful accounts (\$189 and \$394, respectively)	9,973	10,561
Grants receivable	78	814
Taxes receivable	492	575
Prepayments and other current assets	8,460	8,858
<b>Total current assets</b>	<b>238,301</b>	<b>220,235</b>
<b>NON-CURRENT ASSETS</b>		
Long-term investments		
Restricted Bond reserves at fair value	9,429	9,230
<b>Long-term investments</b>	<b>9,429</b>	<b>9,230</b>
<b>CAPITAL ASSETS</b>		
Land	543,203	524,535
Buildings	102,618	109,315
Improvements	639,290	617,977
Machinery and equipment	114,587	114,183
Construction in process	39,414	62,061
<b>Total cost</b>	<b>1,439,112</b>	<b>1,428,071</b>
Less accumulated depreciation	482,789	461,258
<b>Net property and equipment</b>	<b>956,323</b>	<b>966,813</b>
<b>ASSETS HELD FOR SALE</b>	<b>11,200</b>	<b>11,200</b>
<b>OTHER ASSETS</b>	<b>34,691</b>	<b>34,386</b>
<b>Total non-current assets</b>	<b>1,011,643</b>	<b>1,021,629</b>
<b>Total assets</b>	<b>\$1,249,944</b>	<b>\$1,241,864</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Accumulated decrease in fair value of hedging derivatives	\$80,212	\$81,634
Pension deferred outflow	2,143	978
Advance refunding deferred losses	5,409	5,858
<b>Total deferred outflows of resources</b>	<b>\$ 87,764</b>	<b>\$ 88,470</b>

LIABILITIES AND NET POSITION		
	2015	2014 (As restated)
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 11,996	\$ 9,004
Payroll and taxes payable	5,271	5,151
Accrued interest	1,741	1,880
Commercial paper	82,000	82,000
Current portion of long-term debt	13,930	13,235
<b>Total current liabilities</b>	<b>114,938</b>	<b>111,270</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>LONG-TERM DEBT</b>		
General obligation bonds	174,445	179,575
Revenue bonds	383,395	392,195
<b>Total long-term debt</b>	<b>557,840</b>	<b>571,770</b>
Net bond premium	5,870	6,261
<b>Net long-term debt</b>	<b>563,710</b>	<b>578,031</b>
<b>OTHER LONG-TERM LIABILITIES</b>		
Interest rate payment agreement	80,212	81,634
Net pension liability	18,368	15,098
Other	54,235	54,236
<b>Other long-term liabilities</b>	<b>152,815</b>	<b>150,968</b>
<b>Total non-current liabilities</b>	<b>716,525</b>	<b>728,999</b>
<b>Total liabilities</b>	<b>\$831,463</b>	<b>\$840,269</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferred inflow	\$3,040	\$6,697
<b>NET POSITION</b>		
Net investment in capital assets	\$ 302,092	\$ 299,404
Restricted - bond reserves	9,429	9,230
Unrestricted	191,684	174,734
<b>Total net position</b>	<b>\$ 503,205</b>	<b>\$ 483,368</b>

See notes to financial statements.

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

Years ended December 31, 2015 and 2014 (dollars in thousands)

	2015	2014 (As restated)
<b>OPERATING REVENUES</b>		
Property rentals	\$ 102,428	\$ 99,410
Terminal services	41,469	34,912
<b>Total operating revenues</b>	<b>143,897</b>	<b>134,322</b>
<b>OPERATING EXPENSES</b>		
Operations	34,067	33,597
Maintenance	14,860	14,463
Administration	14,909	14,477
Security	3,870	3,952
Environmental	5,385	14,681
<b>Total before depreciation</b>	<b>73,091</b>	<b>81,170</b>
Depreciation	31,520	31,546
<b>Total operating expenses</b>	<b>104,611</b>	<b>112,716</b>
<b>Operating income</b>	<b>39,286</b>	<b>21,606</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem tax revenue	14,198	13,083
Interest on general obligation bonds	(8,759)	(9,000)
<b>Net ad valorem tax revenues</b>	<b>5,439</b>	<b>4,083</b>
Interest income	2,293	2,704
Net increase in the fair value of investments	72	2,505
Interest expense	(17,712)	(20,908)
Other non-operating expenses, net	(10,861)	(7,131)
<b>Total non-operating expenses, net</b>	<b>(20,769)</b>	<b>(18,747)</b>
<b>Increase in net position, before capital contributions</b>	<b>18,517</b>	<b>2,859</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>1,320</b>	<b>2,271</b>
Increase in net position	19,837	5,130
<b>NET POSITION</b>		
Beginning of year as previously reported	483,368	499,837
Adjustment for adoption of GASB 68	---	(21,599)
<b>Beginning of year, restated</b>	<b>483,368</b>	<b>478,238</b>
<b>End of year</b>	<b>\$503,205</b>	<b>\$483,368</b>

See notes to financial statements.

## Enterprise Fund Statements of Cash Flows

Years ended December 31, 2015 and 2014 (dollars in thousands)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$144,125	\$132,597
Cash paid to suppliers for goods and services	(26,454)	(28,311)
Cash paid to longshore labor and employees	(41,912)	(41,161)
<b>Net cash provided by operating activities</b>	<b>75,759</b>	<b>63,125</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Cash paid for non-operating expense	(2,892)	(3,384)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	3,343	3,051
Borrowings on commercial paper	410,000	550,510
Repayments on commercial paper	(410,000)	(561,095)
Principal payments on general obligation and revenue bonds and other debt	(13,235)	(17,840)
Proceeds from refunding bond issues	---	135,505
Payments on refunded bonds	---	(143,967)
Acquisition and construction of capital assets	(34,541)	(41,329)
Interest paid on general obligation and revenue bonds and other debt	(27,067)	(30,236)
Cash received from federal and state grants	2,056	5,269
Cash received from property taxes for general obligation bonds	14,282	13,153
Cash received for long-term contracts	---	664
<b>Net cash used in capital and related financing activities</b>	<b>(55,162)</b>	<b>(86,315)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(136,948)	(134,777)
Proceeds from sales and maturities of investment securities	119,375	149,562
Interest received on investments	2,221	2,878
<b>Net cash provided by (used in) investing activities</b>	<b>(15,350)</b>	<b>17,663</b>
<b>Net increase (decrease) in cash</b>	<b>2,353</b>	<b>(8,911)</b>
<b>CASH</b>		
Beginning of year	840	9,751
<b>End of year</b>	<b>\$ 3,193</b>	<b>\$ 840</b>

(continued)

See notes to financial statements.



## Enterprise Fund Statements of Cash Flows (continued)

Years ended December 31, 2015 and 2014 (dollars in thousands)

	2015	2014
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$39,286	\$ 21,606
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	31,520	31,546
Increase in environmental reserves	4,779	12,305
Changes in assets and liabilities:		
(Increase) decrease in Accounts receivable	533	(1,200)
(Increase) decrease in other deferred assets	(305)	(525)
(Increase) decrease in prepayments	397	948
Increase (decrease) in accounts payable and accrued liabilities	1,968	(1,400)
Increase (decrease) in payroll and taxes payable	3,399	(6,688)
Increase (decrease) in long-term liabilities	(998)	814
Increase (decrease) in net deferred pension inflows/outflows	(4,821)	5,719
<b>Total adjustments and changes</b>	<b>36,472</b>	<b>41,519</b>
<b>Net cash provided by operating activities</b>	<b>\$ 75,758</b>	<b>\$ 63,125</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital asset additions and other purchases financed with accounts payable and deferred liabilities	\$595	\$874
Increase in fair value of investments	\$ 72	\$ 2,505

See notes to financial statements.

## Post Employment Health Care Benefits Trust Fund

December 31, 2015 and 2014 (dollars in thousands)

<b>STATEMENTS OF NET POSITION</b>		
	2015	2014
<b>ASSETS</b>		
Cash	\$ 265	\$ 471
Investments, at fair value	5,626	5,862
<b>Total assets</b>	<b>5,891</b>	<b>6,333</b>
<b>PLAN LIABILITIES</b>		
<b>Net position held in trust for other post-retirement benefits and other purposes</b>	<b>\$ 5,891</b>	<b>\$ 6,333</b>

December 31, 2015 and 2014 (dollars in thousands)

<b>STATEMENTS OF CHANGES IN NET POSITION</b>		
	2015	2014
<b>ADDITIONS</b>		
Employer contributions	\$ ---	\$ ---
Net decrease in fair value of investments	(34)	(41)
Interest	82	102
<b>Total additions</b>	<b>48</b>	<b>61</b>
<b>DEDUCTIONS</b>		
Benefit payments	475	205
Administrative expenses	15	16
<b>Total deductions</b>	<b>490</b>	<b>221</b>
<b>Change in net position</b>	<b>(442)</b>	<b>(160)</b>
<b>NET POSITION HELD IN TRUST FOR OTHER POST RETIREMENT BENEFITS AND OTHER PURPOSES</b>		
Beginning of year	6,333	6,493
<b>End of year</b>	<b>\$5,891</b>	<b>\$6,333</b>

See notes to financial statements.

# Notes to Financial Statements

## 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 10).

### 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 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.

### 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.

### 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 percent of its holdings in any one investment. See Note 2 for further information.

### Bond Reserves - Restricted

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.

### Prepayments and Other Current Assets

Maintenance supply inventories of \$4,858,000 and \$4,757,000 at December 31, 2015 and 2014, 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 \$20,000 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 – 25 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 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 2015, total interest incurred, excluding interest on general obligation bonds was \$18,309,000, of which \$17,712,000 was charged to non-operating expenses and \$597,000 was capitalized. 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.

### 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):

	2015	2014
Net investment in capital assets	\$956,323	\$966,813
Net Bond Premium	461	404
Long-term debt, including current portion	571,770	585,005
Commercial paper	82,000	82,000
Invested in capital assets, net of related debt, end of year	<b>\$302,092</b>	<b>\$299,404</b>

The restricted component of net position was \$9,429,000 and \$9,230,000 at December 31, 2015 and 2014, 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 \$177,000 and \$1,265,000 at December 31, 2015 and 2014, 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).

### Interest Rate 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, 2015 and 2014 (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 \$1,265,000 and \$858,000, respectively, at December 31, 2015, and \$1,276,000 and \$955,000, respectively, at December 31, 2014. Vacation and sick leave paid in 2015 was \$1,187,000 and \$830,000, respectively, and \$1,240,000 and \$882,000, respectively, in 2014. The estimated total amount of vacation and sick leave expected to be paid in 2016 is \$1,222,000 and \$855,000, 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.

### Pensions

The Port 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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Washington State Department of Retirement Systems Plan (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 for additional information.

### 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, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 25. This Statement revises pension accounting and financial reporting requirements for state and local governments and establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In November 2013, GASB issued Statement No. 71, which amends GASB 68 regarding the deferred outflows of resources for governments whose current year pension contributions are reported subsequent to the measurement date. The Port adopted GASB 68 and 71 in the current year and restated prior periods presented to reflect the Port's share of the State of Washington PERS' net pension liability. The restatement of the 2014 beginning balance of net position resulted in a decrease of \$21.6 million, the recognition of deferred outflows totaling \$1.0 million and the restatement for pension expense in 2014 increased the results of operations by \$0.8 million. The collective financial impact resulting from the implementation of GASB 68 and 71 on the 2015 beginning net position was a decrease of \$20.8 million. The pension liability at December 31, 2015 and 2014, was \$18.4 million and \$15.1 million, respectively. See Note 8 for additional information.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to establish general principle for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The Port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement establishes standards for state and local government employer recognition, measurement and presentation of information about postemployment benefits other than pensions (OPEB). The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for state and local governments. The Port adopted this guidance in the current year and provided the required disclosures. The adoption of this guidance did not have a material impact on the net position and changes in net position.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### Discretionary Deposits

The Port's cash and cash equivalents of \$3.2 million and \$0.8 million as of December 31, 2015 and 2014, 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 percent.

### 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. With the exception of the Washington State Local Government Investment Pool, the Port's investment securities are registered, or held by Port of Tacoma or its agent in the Port of Tacoma's name. The certificate of deposits are covered by the Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority under Chapter 39.58 RCW. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC by requiring banks and thrifts to pledge securities as collateral.

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

	2015	2014
Current investments	\$ 216,105	\$ 198,587
Bond reserves	9,429	9,230
<b>Total deposits and investments</b>	<b>\$225,534</b>	<b>\$207,817</b>

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, 2015 and 2014 (dollars in thousands):

2015	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	\$ ---	\$ ---	3.7%
Federal Agricultural Mortgage Corp.	995	---	995	---	0.4%
Federal Farm Credit Banks	11,001	15	10,986	---	4.9%
Federal Home Loan Bank	19,380	3,097	15,215	1,068	8.6%
Federal Home Loan Mortgage Corporation	31,924	1,999	19,560	10,365	14.2%
Federal National Mortgage Association	21,900	2,014	6,012	13,874	9.7%
Financing Corporation	1,005	---	1,005	---	0.4%
Municipal Bonds	39,301	3,064	4,391	31,846	17.4%
State Local Investment Pool*	78,467	78,467	---	---	34.8%
United States Treasury Bonds	13,227	2,033	5,039	6,155	5.9%
<b>Total investments</b>	<b>\$225,534</b>	<b>\$99,023</b>	<b>\$63,203</b>	<b>\$63,308</b>	<b>100.0%</b>
Percentage of total portfolio		43.9%	28.0%	28.1%	100.00%



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	\$ ---	\$ ---	4.00%
Federal Farm Credit Banks	7,017	1,045	4,005	1,967	3.40%
Federal Home Loan Bank	41,575	---	21,735	19,840	20.00%
Federal Home Loan Mortgage Corporation	44,806	---	8,997	35,809	21.50%
Federal National Mortgage Association	17,773	---	5,528	12,245	8.60%
Municipal Bonds	20,093	1,052	5,355	13,686	9.70%
State Local Investment Pool*	54,908	54,908	---	---	26.40%
United States Treasury Bonds	13,311	---	7,034	6,277	6.40%
<b>Total investments</b>	<b>\$207,817</b>	<b>\$65,339</b>	<b>\$52,654</b>	<b>\$89,824</b>	<b>100.00%</b>
Percentage of total portfolio		31.4%	25.3%	43.3%	100.00%

\* Investments in Washington State Local Investment Pool. The fair value of the investments is the same as the amortized cost of the pool shares.

The tables below identify the credit risk of the Port's Investment portfolio as of December 31, 2015 and 2014 (dollars in thousands).

2015	Moody's Equivalent Credit Ratings						
Investment Type	Fair Value	A1	Aa3	Aa2	Aa1	Aaa	No Rating
Certificate of Deposit	\$8,334	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$8,334
Federal Agricultural Mortgage Corp.	995	---	---	---	---	---	995
Federal Farm Credit Banks	11,001	---	---	---	---	11,001	---
Federal Home Loan Bank	19,380	---	---	---	---	19,380	---
Federal Home Loan Mortgage Corporation	31,924	---	---	---	---	31,924	---
Federal National Mortgage Association	21,900	---	---	---	---	21,900	---
Financing Corporation	1,005						1,005
Municipal Bonds	39,301	210	5,397	10,554	19,808	3,332	---
State Local Investment Pool*	78,467	---	---	---	---	---	78,467
United States Treasury Bonds	13,227	---	---	---	---	13,227	---
<b>Total</b>	<b>\$225,534</b>	<b>\$210</b>	<b>\$5,397</b>	<b>\$10,554</b>	<b>\$19,808</b>	<b>\$100,764</b>	<b>\$88,801</b>

2014	Moody's Equivalent Credit Ratings						
Investment Type	Fair Value	A1	Aa3	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	---
<b>Total</b>	<b>\$207,817</b>	<b>\$2,046</b>	<b>---</b>	<b>\$6,505</b>	<b>\$10,462</b>	<b>\$125,562</b>	<b>\$63,242</b>

\* Investments in Washington State Local Investment Pool. The fair value of the investments is the same as the amortized cost of the pool shares.

### NOTE 3 – CAPITAL ASSETS

The following activity took place in capital assets during 2015 and 2014 (dollars in thousands):

2015	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Land	\$ 524,535	\$ ---	\$ 20,299	\$ (1,631)	\$ 543,203
Construction in process	62,061	35,136	(52,867)	(4,916)	39,414
<b>Total capital assets not being depreciated</b>	<b>586,596</b>	<b>35,136</b>	<b>(32,568)</b>	<b>(6,547)</b>	<b>582,617</b>
Capital assets being depreciated:					
Buildings	109,315	---	531	(7,228)	102,618
Improvements	617,977	---	30,340	(9,027)	639,290
Machinery and equipment	114,183	---	1,697	(1,293)	114,587
<b>Total capital assets being depreciated</b>	<b>841,475</b>	<b>---</b>	<b>32,568</b>	<b>(17,548)</b>	<b>856,495</b>
Less accumulated depreciation:					
Buildings	(70,791)	(3,193)	---	4,246	(69,738)
Improvements	(310,709)	(21,157)	---	4,504	(327,362)
Machinery and equipment	(79,758)	(7,170)	---	1,239	(85,689)
<b>Total accumulated depreciation</b>	<b>(461,258)</b>	<b>(31,520)</b>	<b>---</b>	<b>9,989</b>	<b>(482,789)</b>
<b>Net, capital assets being depreciated</b>	<b>380,217</b>	<b>(31,520)</b>	<b>32,568</b>	<b>(7,559)</b>	<b>373,706</b>
<b>Net, capital assets</b>	<b>\$ 966,813</b>	<b>\$ 3,616</b>	<b>\$ ---</b>	<b>\$(14,106)</b>	<b>\$ 956,323</b>

### NOTE 3 – CAPITAL ASSETS (CONT.)

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
<b>Total capital assets not being depreciated</b>	<b>559,423</b>	<b>42,203</b>	<b>(15,828)</b>	<b>798</b>	<b>586,596</b>
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
<b>Total capital assets being depreciated</b>	<b>849,897</b>	<b>---</b>	<b>15,828</b>	<b>(24,250)</b>	<b>841,475</b>
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)
<b>Total accumulated depreciation</b>	<b>(446,579)</b>	<b>(31,546)</b>	<b>---</b>	<b>16,867</b>	<b>(461,258)</b>
<b>Net, capital assets being depreciated</b>	<b>403,318</b>	<b>(31,546)</b>	<b>15,828</b>	<b>(7,383)</b>	<b>380,217</b>
<b>Net, capital assets</b>	<b>\$ 962,741</b>	<b>\$ 10,657</b>	<b>\$ ---</b>	<b>\$ (6,585)</b>	<b>\$966,813</b>

### 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. The draws are secured by a bank letter of credit that expires in April 2016. The Port is in negotiations to extend the letter of credit for a term of 3 years.

The term of the commercial paper ranges from 1 to 270 days and the interest rate on the amount outstanding at December 31, 2015, was 0.08 percent. At December 31, 2014, the interest rate on the amount outstanding was 0.10 percent.

Commercial paper activity during 2014 and 2015 is as follows: (dollars in thousands)

<b>Beginning balance January 1, 2014</b>	<b>\$ 92,585</b>
Advances	550,510
Repayments	(561,095)
<b>Ending December 31, 2014</b>	<b>82,000</b>
Advances	410,000
Repayments	(410,000)
<b>Ending December 31, 2015</b>	<b>\$ 82,000</b>

### NOTE 5 – LONG-TERM DEBT

Long-term debt activity during 2015 and 2014 consists of the following (dollars in thousands):

#### 2015

Description and Date of Issue	Original Interest Rate	Earliest Year of Call	Last Year of Maturity	December 31, 2014	Issuance	Repayments	December 31, 2015
<b>GENERAL OBLIGATION BONDS</b>							
12/20/06	4.00-5.50%	2016	2033	\$ 55,955	\$---	\$(1,985)	\$ 53,970
01/17/08 A	5.00%	2018	2038	107,240	---	(2,410)	104,830
01/17/08 B	4.75-4.875%	2018	2038	21,270	---	(495)	20,775
				184,465	\$---	\$(4,890)	179,575
Less current portion				4,890			5,130
<b>Total long-term general obligation bonds, net of current portion</b>				<b>\$179,575</b>			<b>\$174,445</b>
<b>REVENUE BONDS</b>							
12/20/06	4.00-4.45%	2016	2034	45,335	---	(150)	45,185
3/7/08	Variable Rate	*	2036	88,700	---	(5,105)	83,595
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	90,635	---	(1,990)	88,645
10/24/14 B	2.55%	2018	2029	34,345	---	(1,100)	33,245
				400,540	---	(8,345)	392,195
Less current portion				8,345			8,800
<b>Total long-term revenue bonds, net of current portion</b>				<b>\$392,195</b>			<b>\$383,395</b>

#### 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
<b>GENERAL OBLIGATION BONDS</b>							
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
<b>Total long-term general obligation bonds, net of current portion</b>				<b>\$184,465</b>			<b>\$179,575</b>
<b>REVENUE BONDS</b>							
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
<b>Total long-term revenue bonds, net of current portion</b>				<b>\$407,685</b>			<b>\$392,195</b>

\* 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 percent of the assessed value of the taxable property in the Port district. The Port is able to issue up to \$29.9 million new general obligation bonds at this time. All current general obligation bonds are non-voted bond debt. At December 31, 2015, the assessed value of the taxable property was \$82,178,125,000, which will serve as the basis for the 2016 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:

U.S. Bank  
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 net operating revenues as defined by bond documents. Revenue bond proceeds finance acquisition, expansion, improvement and equipping Port terminal and industrial development facilities. The Port has pledged future net operating revenues to repay \$594.4 million in bond principal and interest through 2044. During 2015, revenue bond principal and interest paid and total operating revenues were \$26.1 million and \$143.9 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 percent to refund Series 2004A Revenue Bonds par value of \$8,505,000 and an interest rate of 5.25 percent. 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 called and retired. 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.

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 million of hedged commercial paper debt. This refunding allows the Port to reduce total debt by the amount of commercial 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 percent 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 with an interest rate of 5.0 percent. 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 call dates on December 1, 2014 and December 1, 2015 when the bonds were retired. 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.

In October 2014, the Port issued Revenue Refunding Bonds par value \$34,345,000 with interest rate of 2.55

percent 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 December 1, 2014 call date and retired. 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.

### 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, 2015, 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	Original Notional Amount	Outstanding Notional Amount	Options	Contract Start Date	Effective Date	Maturity Date	Terms
1	Pay-fixed interest rate swap	\$70,000	\$58,940	(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	25,260	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	76,545	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	124,735	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	19,235	None	9/20/07	7/25/13	12/1/42	Pay 4.229%, receive 70% of LIBOR (2)
		<b>\$330,000</b>	<b>\$304,715</b>					

(1) Cancellable - Port may call at par 12/1/2016

(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, 2015	Outstanding Principal December 31, 2015
2008	\$83,595	\$88,700
2008B	133,000	133,000
2014A	88,645	90,635
Unhedged debt	(525)	(255)
	<b>\$304,715</b>	<b>\$312,080</b>

## NOTE 5 – LONG-TERM DEBT (CONT.)

The following summarizes the change in fair value of the Port's pay-fixed, receive variable interest rate payment agreements at December 31, 2015 (dollars in thousands):

SWAP Reference	2015 Changes in Fair Value		Fair Value at 12/31/15		Notional Amount
	Classification	Amount	Classification	Amount	
1	Deferred outflow	\$1,524	Debt	\$(2,627)	\$ 70,000
2	Deferred outflow	(17)	Debt	(4,866)	30,000
3	Deferred outflow	21	Debt	(24,372)	80,000
4	Deferred outflow	(76)	Debt	(41,662)	130,000
5	Deferred outflow	(30)	Debt	(6,685)	20,000
<b>Total</b>		<b>\$1,422</b>		<b>\$(80,212)</b>	<b>\$330,000</b>

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):

SWAP Reference	2014 Changes in Fair Value		Fair Value at 12/31/14		Notional Amount
	Classification	Amount	Classification	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
<b>Total</b>		<b>\$(24,460)</b>		<b>\$(81,634)</b>	<b>\$330,000</b>

### 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):

SWAP Reference	Notional Amount	Bank Counterparty	Credit Worthiness		Termination Value
			Moody's	S&P	
1	\$ 70,000	Morgan Stanley	A3	BBB+	\$ 2,627
2	30,000	Goldman Sachs	A1	A-	4,866
3	80,000	Dexia	Baa3	BBB	24,372
4	130,000	Dexia	Baa3	BBB	41,662
5	20,000	Merrill Lynch	Baa1	BBB+	6,685
<b>Total</b>	<b>\$ 330,000</b>				<b>\$80,212</b>

### 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 Port's derivative instruments are denominated in U.S. dollars.

### 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, 2015.

### Debt Service for Fixed Rate Bonds

The debt service requirements for fixed rate general obligation and revenue bonds outstanding as of December 31, 2015, are as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
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	8,634	10,415	19,049
2021-2025	63,994	45,663	109,657
2026-2030	74,050	31,322	105,372
2031-2035	64,915	14,752	79,667
2036-2040	25,290	2,559	27,849
<b>Total</b>	<b>\$266,530</b>	<b>\$149,281</b>	<b>\$415,811</b>

### 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 \$83.6 million and the 2014A Subordinate Lien Variable-Rate Revenue Bonds with a balance of \$88.6 million, and active swaps with Goldman Sachs, Morgan Stanley and Dexia outstanding as of December 31, 2015, are as follows (dollars in thousands):

Year	Principal Payment	Variable Interest	Interest Rate Swap, Net (1)	Total
2016	\$ 7,425	\$ 380	\$ 11,451	\$ 19,256
2017	7,770	368	11,147	19,285
2018	5,120	355	10,830	16,305
2019	5,335	346	10,501	16,182
2020	5,570	337	10,159	16,066
2021-2025	31,795	1,539	45,155	78,489
2026-2030	44,310	1,251	34,272	79,833
2031-2035	64,915	900	21,013	86,828
2036-2040	---	566	7,001	7,567
2041-2044	133,000	355	46	133,401
<b>Total</b>	<b>\$305,240</b>	<b>\$6,397</b>	<b>\$161,575</b>	<b>\$473,212</b>



(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 2015 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 was extended until in May 2018.

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 Subordinate Lien Variable Rate Revenue bonds through December 2015.

In December 2015, the Port changed the mode on the 2014A subordinate lien variable rate bonds from taxable to tax exempt by executing a new Continuing Covenant Agreement with the lender that reduced the non-hedged fee portion paid by the Port to a lower fee. At the time of the mode change, the lender extended the direct purchase agreement until October 1, 2018. The change in mode did not require a refunding of any of the bonds or the issuance of a new CUISP and no cash was exchanged. The interest rate portion of the direct purchase agreement (70% of one month LIBOR) in the bank document and Port resolution were unchanged.

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 an agreed to amortization schedule (until new agreements are reached), usually 3 to 5 years.

#### 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, sublimits of \$75 million and \$100 million apply, respectively. Insurance coverage for earthquake and flood damage is subject to a deductible defined as five percent 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 coverage. The liability for unpaid medical claims totaling \$1,316,000 at December 31, 2015, is included in payroll and taxes payable on the accompanying statement

of net position and is expected to be paid in 2016. Liability for unpaid claims at December 31, 2014, was \$1,303,000. Excess loss coverage has been purchased through an outside provider to limit individual loss to \$110,000. Total claims paid under the plan during 2015 and 2014 were \$4,856,000 and \$4,622,000, 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, 2015, the estimated self-insurance liability for workers' compensation was \$530,000 and this amount is expected to be paid in 2016. At December 31, 2014, the estimated self-insurance liability for workers' compensation was \$330,000. 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, 2015 and 2014, are as follows (dollars in thousands):

	2015	2014
Claims liability, beginning of year	\$330	\$321
Claims incurred during the year	382	129
Changes in estimate for prior year claims	392	73
Payments on claims	(574)	(193)
<b>Claims liability, end of year</b>	<b>\$530</b>	<b>\$330</b>

At December 31, 2011 and 2010, cash reserves for workers' compensation were \$325,000 and are included in restricted investments on the statements of net assets.

#### 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 noncancellable operating leases are as follows (dollars in thousands):

Year	
2016	\$ 815
2017	796
2018	796
2019	796
2020	538
Thereafter	280
<b>Total minimum payments required</b>	<b>\$4,021</b>

Total rent expense under noncancellable operating leases for the years ended December 31, 2015 and 2014, was \$691,000 and \$956,000, 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. Minimum future rents receivable under noncancellable operating leases and subleases are as follows (dollars in thousands):

Year	
2016	\$ 60,570
2017	56,134
2018	43,432
2019	41,063
2020	40,298
Thereafter	303,449
<b>Total minimum payments required</b>	<b>\$544,946</b>

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

	2015	2014
Land	\$486,309	\$465,909
Buildings, improvements and equipment, net	213,184	250,713
<b>Total, net of accumulated depreciation</b>	<b>\$699,493</b>	<b>\$716,622</b>

#### NOTE 8 – PENSION PLANS

In 2015, the Port adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 25 and GASB Statement No. 71. GASB 71 which amends GASB 68 regarding the deferred outflows of resources for current year pension contributions that are reported subsequent to the measurement date. These new pension statements revise pension accounting and financial reporting requirements for state and local governments and establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

The adoption of these standards required the restatement of net position in 2014 to reflect the Port's share of the State of Washington PERS net pension liability. The restatement resulted in a decrease to the beginning balance of net position of \$21.6 million and the restatement for pension expense in 2014 increased the results of operations by \$0.8 million. The pension liability at December 31, 2015 and 2014, was \$18.4 million and \$15.1 million, respectively.

#### Pension Plan

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](http://www.drs.wa.gov)

## NOTE 8 – PENSION PLANS (CONT.)

### Plan Description and Benefits

PERS was established in 1947, and its retirement benefit provisions are contained in chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the Legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs (HERPs).

PERS is composed of and 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 benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as the terms of the plans define. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

As of June 30, 2015, 511 employers and 649 non-employer contributing entities were participating in PERS Plan 1. The plan is closed to new entrants. PERS 1 members were vested after the completion of five years of eligible service. PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated using 2 percent of the member's Average Final Compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Members retiring from inactive status before the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional Cost-of-Living Adjustment (COLA), and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

The PERS Plan 1 member contribution rate is established by statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of

that service are earned after age 44. PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated using 2 percent of the member's Average Final Compensation (AFC) times the member's years of service. Retirement defined benefits for Plan 3 are calculated using 1 percent of AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. PERS Plan 2/3 has no cap on years of service credit.

Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments; a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3 percent annually; and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability and an administrative expense that is currently set at 0.18 percent.

PERS Plan 3 members are immediately vested in the defined contribution portion of their plan. PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate when joining membership and can change rates only when changing employers. As established by chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5 percent and a maximum of 15 percent; members have six rate options to choose from. Employers do not contribute to the defined contribution benefits.

### Contributions

The required contribution rates, expressed as a percentage of covered payrolls, as of December 31, 2015, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	11.18%	11.18%	11.18%**
Employee	6.00%	4.92%	***

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 employer rates include the employer administrative expense fee of 0.18% for 2015 and 2014

\*\* 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
2015	\$9	\$1,926	\$271	\$2,206
2014	17	1,711	238	1,966
2013	38	1,521	197	1,756

### Pension liabilities, pension expense, and deferred inflows and outflows of resources and related to pensions

At December 31, 2015, the Port reported a liability of \$18.4 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2015, the Port's proportion share of net pension liability and the change in proportionate share from June 30, 2014, is presented in the following tables: (dollars in thousands)

Port's proportionate share of the net pension liability	PERS 1	PERS 2/3	Total
2015	\$ 9,803	\$ 8,565	\$18,368
2014	10,081	5,017	\$15,098
Change of Port's proportionate share from 2014 to 2015	-0.013%	-0.008%	

For the years ended December 31, 2015 and 2014, the Port recognized pension expense of \$654,000 and \$1,184,000, respectively. At December 31, 2015 and 2014, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (dollars in thousands)

2015	PERS 1	PERS 2/3	Total
Sources of Deferred Outflow of resources:			
Changes in Assumptions	\$ ---	\$15	\$15
Differences between expected and actual experience	---	910	910
Port contributions subsequent to measurement date	523	695	1,218
Total	\$523	\$1,620	\$2,143

2015	PERS 1	PERS 2/3	Total
<b>Sources of Deferred Outflow of resources:</b>			
Net difference between projected and actual earnings on pension plan investments	\$(536)	\$(2,286)	\$(2,822)
Changes in proportion and differences between Port contributions and proportionate share of contributions	---	(218)	(218)
<b>Total</b>	<b>\$(536)</b>	<b>\$(2,504)</b>	<b>\$(3,040)</b>

2014	PERS 1	PERS 2/3	Total
<b>Sources of Deferred Outflow of resources:</b>			
Port contributions subsequent to measurement date	\$ 429	\$ 549	\$ 978
<b>Sources of Deferred inflow of resources:</b>			
Net difference between projected and actual earnings on pension plan investments	\$(1,261)	\$(5,318)	\$(6,579)
Changes in proportion and differences between Port contributions and proportionate share of contributions	---	(118)	(118)
<b>Total</b>	<b>\$(1,261)</b>	<b>\$(5,436)</b>	<b>\$(6,697)</b>

(1) The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement date.

(2) The recognition period is closed, five-year period for all plans.

As of December 31, 2015, \$1.2 million reported as deferred outflows of resources related to pensions resulting from Port's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3	Total
2016	\$(213)	\$(705)	\$(918)
2017	(213)	(705)	(918)
2018	(213)	(688)	(901)
2019	103	519	622
<b>Total</b>	<b>\$(536)</b>	<b>\$(1,579)</b>	<b>\$(2,115)</b>

Year	PERS 1	PERS 2/3	Total
2015	\$(315)	\$(1,363)	\$(1,678)
2016	(315)	(1,363)	(1,678)
2017	(315)	(1,363)	(1,678)
2018	(316)	(1,347)	(1,663)
<b>Total</b>	<b>\$(1,261)</b>	<b>\$(5,436)</b>	<b>\$(6,697)</b>

### Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the Entry Age Cost Method), assumed interest and actual benefit payments.

### Inflation

3.0 percent total economic inflation; 3.75 percent salary inflation.

### Salary Increases

In addition to the base 3.75 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.

### Investment Rate of Return

7.50 percent

Mortality rates were based on the *RP-2000* report's Combined Healthy Table and Combined Disabled Table. The Society of Actuaries published the document. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB.

Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

### Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs).

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

The long-term expected rate of return of 7.50% approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire 50-year measurement period.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 and 2014 are summarized in the tables below.

The inflation component used to create the table is 2.20% and 2.70% for June 30, 2015 and 2014, respectively, and represents WSIB's most recent long-term estimate of broad economic inflation.

2015		
Asset Class	Target allocation	% Long-term expected real rate of return arithmetic
Fixed income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
<b>Total</b>	<b>100%</b>	

2014		
Asset Class	Target allocation	% Long-term expected real rate of return arithmetic
Fixed income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
<b>Total</b>	<b>100%</b>	

### Discount Rate

The discount rate used to measure the total pension liability was 7.50% for all plans. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the asset sufficiency test included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 liability).

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50% was used to determine the total liability.

### Sensitivity Net Pension Liability to Changes in the Discount Rate

The table below presents the net pension liability of employers, calculated using the discount rate of 7.50% as well as what employers' net pension liability would be if it were calculated using a discount rate



1 percentage point lower (6.5%) or 1 percentage point higher (8.50 percent) than the current rate.

	Pension Trust	1% Decrease	Discount Rate	1% Increase
<b>2015</b>				
Discount Rate		6.50%	7.50%	8.50%
Proportionate share of net pension liability	PERS 1	\$11,936	\$9,803	\$7,970
Proportionate share of net pension liability/(asset)	PERS 2/3	25,044	8,565	(4,053)
<b>2014</b>				
Discount Rate		6.50%	7.50%	8.50%
Proportionate share of net pension liability	PERS 1	\$2,427	\$10,081	\$8,069
Proportionate share of net pension liability/(asset)	PERS 2/3	20,926	5,017	(7,135)

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial reports. Additional actuarial and pension plan information is included in the DRS 2015 CAFR, including descriptions of actuarial data, assumptions, methods, and plan provisions relied on for the preparation of GASB 67 and GASB 68. Additional details regarding this information is included in OSA's 2014 Actuarial Valuation Report.

## 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. See Note 10. Post-Employment Health Care Benefits Trust for information on the DB Plan.

### 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 \$214 and \$210 per month in 2015 and 2014, respectively, to the VEBA accounts of eligible employees. The Port contributed \$411,000 and \$423,000 to eligible employee VEBA accounts in 2015 and 2014, 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, 2015 and 2014, 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.

### 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. The deposits are covered by the Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority under Chapter 39.58 RCW. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC by requiring banks and thrifts to pledge securities as collateral.

The DB Plan does not limit the amount invested in any one issuer. At December 31, 2013, 2014, and 2015, the DB Plan had the following investments (dollars in thousands):

Investment Type	2013	2014	2015
Money market fund	\$ 487	\$ 471	\$ 265
Fixed income securities	6,006	5,862	5,626
	<b>\$6,493</b>	<b>\$6,333</b>	<b>\$5,891</b>

### 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, 2013, 2014 and 2015, 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 expected long-term investment return on plan assets is developed by netting the investment earnings at the assumed valuation investment return rate to the prior year valuation asset value, expenses, benefit payments and assets expected from future contributions. The health care cost trend rate assumptions are 7.5% graded uniformly to 5% over 5 years for December 31, 2015. 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 are 9.0% graded uniformly to 5% over 8 years for December 31, 2013.



The actuarial value of assets was determined using market value. The actuarial accrued liability is fully funded at December 31, 2015, 2014 and 2013, 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, 2013, 2014 and 2015 (dollars in thousands):

Investment Type	2013	2014	2015
Annual required contribution	\$ 186	\$ 488	\$ 331
Annual OPEB expense	186	488	331
Claims paid	(186)	(488)	(331)
<b>End OPEB liability</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>

### 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, 2013, 2014 and 2015, are as follows (dollars in thousands):

Year	Annual OPEB Cost	Percentage of Annual OPBEB Cost Contributed to a Trust Fund	Net OPEB Obligation/(Asset)
12/31/13	\$186	100%	\$ ---
12/31/14	488	100%	---
12/31/15	331	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)
2013	\$6,493	\$3,536	---*	183.6%	\$2,025	---
2014	\$6,333	3,941	---*	160.7%	1,925	---
2015	\$5,891	3,077	---*	191.5%	1,551	---

\*There is no unfunded AAL at December 31, 2013, 2014 and 2015, 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 non-represented 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 2015 and 2014.

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:

- 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.
- The Port may voluntarily levy taxes at a lower rate.

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

In 2015 the Port's regular tax levy was \$0.183 per \$1,000 on a total assessed valuation of \$77,383,384,000, for a total regular levy amount of \$14,217,000. 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.

### 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, 2015, these future commitments are as follows (dollars in thousands):

Description	Remaining Commitments
Environmental	\$ 6,945
Terminal projects	4,214
Infrastructure	631
Other (including professional services)	8,940
<b>Total</b>	<b>\$20,730</b>

#### 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 statements of net position at December 31, 2015 and 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 LIABILITIES

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 \$20.0 million at December 31, 2015, and \$20.3 million at December 31, 2014. 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 predesign stage for the reconfiguration of a pier and recorded an estimated remediation obligation of \$7.6 million. In 2015, the obligation was increased to \$8.1 million. Expenditures in 2015 were \$5.0 million resulting in a remaining obligation of \$3.1 million at December 31, 2015. The Port also recorded \$5.2 million in 2014 for contamination discovered on a parcel on the Blair Peninsula that entered the predesign stage for a new terminal. At December 31, 2015, the obligation was increased to \$5.7 million, based on current estimates.

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 entered into a land swap agreement for several of the same parcels for the development of marine terminals. The environmental remediation obligation was \$5.0 million and \$4.3 million at December 31, 2015 and 2014, respectively.

The Port owns land within the boundaries of the Commencement Bay near the Shore Tideflats Superfund Site, for which a Remedial Investigation and 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 environmental remediation obligation for the Hylebos waterway superfund site was \$1.7 million at December 31, 2015.

At December 31, 2015, the estimated cost of the environmental remediation projects expected to be capitalized in future periods is approximately \$7.3 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.

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.

## NOTE 16 – MAJOR CUSTOMERS

Operating revenues for the year ended December 31, 2015, of \$143.9 million included \$114.9 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, 42% of operating revenues. 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. Receivables from those customers totaled \$9.0 million, or 88% of total trade receivables, and \$9.1 million, or 78% of total trade receivables at December 31, 2015 and 2014, 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):

	2015		2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 3,193	\$3,193	\$ 840	\$ 840
Investments	225,533	225,533	207,817	207,817
Financial liabilities:				
Commercial paper	\$ 82,000	\$82,000	\$ 82,000	\$ 82,000
Interest rate swaps	80,212	80,212	81,634	81,634
Long-term debt	571,770	540,226	585,005	559,259

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 followed FASB authoritative amended guidance on fair values prior to 2015, when the Port adopted GASB issued Statement No. 72, Fair Value Measurement and Application. The amended guidance did not materially change the Port's 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, 2015 and 2014.

The table below presents the balances of assets and liabilities measured at fair value by level within the hierarchy at December 31, 2015 and 2014 (dollars in thousands):

Fair Value of Assets and Liabilities as of December 31, 2015			
	Level 1	Level 2	Total
Investments - Enterprise Fund			
Federal Agricultural Mortgage Corp.	\$ ---	\$ 995	995
Federal Farm Credit Bank	---	11,001	11,001
Federal Home Loan Bank	3,073	16,307	19,380
Federal Home Loan Mortgage Corporation	2,987	28,937	31,924
Federal National Mortgage Association	8,194	13,706	21,900
Financing Corporation	---	1,005	1,005
Housing Urban Development	---	7,197	7,197
Municipal Bonds	2,291	37,010	39,301
United States Treasury Bonds	6,030	---	6,030
<b>Total Enterprise Fund</b>	<b>\$ 22,575</b>	<b>\$116,158</b>	<b>\$138,733</b>
Post-Employment Health Care Benefits Trust Fund			
Federal Home Loan Bank	\$852	\$401	\$1,253
Federal Home Loan Mortgage Corporation	1,353	198	1,551
Federal National Mortgage Association	1,522	250	1,772
United States Treasury Bonds	1,050	---	1,050
<b>Total Post-Employment Health Care Benefits Trust Fund</b>	<b>\$4,777</b>	<b>\$849</b>	<b>\$5,626</b>
<b>Total Assets</b>	<b>\$ 27,352</b>	<b>\$117,007</b>	<b>\$144,359</b>
<b>Long-term Debt - Interest rate swaps</b>	<b>\$ ---</b>	<b>\$ 80,212</b>	<b>\$ 80,212</b>

Fair Value of Assets and Liabilities as of December 31, 2014			
	Level 1	Level 2	Total
Investments - Enterprise Fund			
Federal Farm Credit Banks	1,963	5,054	7,017
Federal Home Loan Bank	999	40,576	41,575
Federal Home Loan Mortgage Corporation	4,641	40,165	44,806
Federal National Mortgage Association	4,026	13,747	17,773
Municipal Bonds	---	20,093	20,093
United States Treasury Bonds	13,311	---	13,311
<b>Total Enterprise Fund</b>	<b>\$24,940</b>	<b>\$119,635</b>	<b>\$144,575</b>
Post-Employment Health Care Benefits Trust Fund			
Federal Home Loan Bank	\$ 1,079	\$706	\$ 1,785
Federal Home Loan Mortgage Corporation	1,360	---	1,360
Federal National Mortgage Association	1,665	---	1,665
United States Treasury Bonds	1,052	---	1,052
<b>Total Post-Employment Health Care Benefits Trust Fund</b>	<b>\$ 5,156</b>	<b>\$706</b>	<b>\$ 5,862</b>
<b>Total Assets</b>	<b>\$30,096</b>	<b>\$120,341</b>	<b>\$150,437</b>
<b>Long-term Debt - Interest rate swaps</b>	<b>\$ ---</b>	<b>\$ 81,634</b>	<b>\$ 81,634</b>

#### NOTE 19 – SUBSEQUENT EVENTS

On January, 1, 2016, The Northwest Seaport Alliance became a separate legal entity to be accounted for as a joint venture. Accordingly, the Port transferred \$39 million of cash to the NWSA on January 4, 2016, for its 50 percent share in the entity. The resulting reduction of cash was offset by an increase in the investment in joint venture reflected as a non-current asset on the Port's statements of net position. Additional future contributions to the Northwest Seaport Alliance will be funded on a pro rata share basis (50%) or as determined by the Managing Members of the alliance.

In February 2016, the Port issued General Obligation Bonds par value \$26,384,000 to refund 2008A General Obligation Bonds par value of \$23,850,000. The newly issued General Obligation Bonds were issued at par and, after paying issuance costs of \$60,000, the net proceeds were \$26,383,000. The net proceeds from the issuance of the General Obligation Bonds were used to purchase State and Local Government Series securities in the amount of approximately \$26,383,000. 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 \$23,850,000 of the Series 2008A General Obligation Bonds were removed from the Port's financial statements. As a result of the advance partial refunding of the 2008A General Obligation Bonds, the Port reduced its total debt service requirements by \$2,655,000 which accumulates into an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,362,000 over the life of the bonds.

## Independent Auditor's Report

The Board of Commissioners  
Port of Tacoma  
Tacoma, Washington



RSM US LLP

### 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, 2015 and 2014, 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 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, 2015 and 2014, 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.

### Emphasis of Matter

As discussed in Note 8 to the financial statements, the Port retroactively adopted GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date and No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

### 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 3-10 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.

*RSM US LLP*

Tacoma, Washington  
March 21, 2016

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# 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)

	2015	2014	2013	2012	2011
<b>REVENUES</b>					
<b>Total Operating Revenues</b>	<b>\$143,897</b>	<b>\$134,322</b>	<b>\$125,342</b>	<b>\$124,377</b>	<b>\$114,095</b>
Non-operating Revenues (1), (2), (3), (4)	2,381	2,775	2,508	3,256	2,830
<b>Total Revenues Available for Senior Debt Service</b>	<b>146,277</b>	<b>137,096</b>	<b>127,850</b>	<b>127,633</b>	<b>116,926</b>
<b>EXPENSES</b>					
<b>Total Operating Expenses, excluding depreciation</b>	<b>72,577</b>	<b>81,951</b>	<b>68,212</b>	<b>65,863</b>	<b>59,598</b>
Non-operating Expenses (5), (6), (7), (8)	201	461	121	34	31
<b>Total Expenses, excluding depreciation</b>	<b>72,778</b>	<b>82,412</b>	<b>68,333</b>	<b>65,897</b>	<b>59,629</b>
Less Levy Available for Capital Improvement (9)	348	---	1,497	2,500	3,721
<b>Net Expenses</b>	<b>72,430</b>	<b>82,412</b>	<b>66,836</b>	<b>63,396</b>	<b>55,907</b>
<b>Net Revenues Available for Senior Debt Service</b>	<b>73,847</b>	<b>54,684</b>	<b>61,013</b>	<b>64,237</b>	<b>61,018</b>
Debt Service Senior Lien debt	4,399	7,403	11,770	11,774	11,791
<b>DEBT SERVICE COVERAGE (Senior Lien Debt)</b>	<b>16.79</b>	<b>7.39</b>	<b>5.18</b>	<b>5.46</b>	<b>5.17</b>
<b>Net Revenues Available for Senior Debt Service</b>	<b>73,847</b>	<b>54,684</b>	<b>61,013</b>	<b>64,237</b>	<b>61,018</b>
Less Subordinate Lien Rate Stabilization (10)	(6,000)	---	---	(4,500)	(5,250)
Less Senior Lien Debt Service	(4,399)	(7,403)	(11,770)	(11,774)	(11,791)
<b>Net Revenues Available for Subordinate Debt Service</b>	<b>63,448</b>	<b>47,281</b>	<b>49,243</b>	<b>47,963</b>	<b>43,977</b>
Debt Service Subordinate Debt (11) (12)	22,034	22,125	19,219	15,556	11,699
<b>DEBT SERVICE COVERAGE (Subordinate Lien Debt) (11), (12)</b>	<b>2.88</b>	<b>2.14</b>	<b>2.56</b>	<b>3.08</b>	<b>3.76</b>
<b>Net Revenues Available for Senior Debt Service</b>	<b>73,847</b>	<b>54,684</b>	<b>61,013</b>	<b>64,237</b>	<b>61,018</b>
Less Subordinate Lien Rate Stabilization	(6,000)	---	---	(4,500)	(5,250)
<b>Net Revenues Available for fully Diluted Debt Service</b>	<b>67,847</b>	<b>54,684</b>	<b>61,013</b>	<b>59,737</b>	<b>55,768</b>
Debt Service; Senior, Subordinate and lowest lien debt (11), (12), (13)	26,432	29,529	30,989	27,330	23,490
<b>DEBT SERVICE COVERAGE - Fully Diluted (11), (12), (13)</b>	<b>2.57</b>	<b>1.85</b>	<b>1.97</b>	<b>2.19</b>	<b>2.37</b>
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	\$ 7	\$ 6	\$ 2	\$ 7	\$ 3
Construction funds	---	21	9	---	9
(2) Excluded from non-operating revenues is capital contribution and other miscellaneous non-operating income	1,686	2,636	6,815	14,257	16,838
(3) Excluded from non-operating revenues is gain(loss) on disposal or impairment of property	(5,846)	(5,030)	(1,786)	(850)	(8,538)
(4) Excluded from non-operating revenues is gain(loss) on market value of investments	72	2,505	(5,135)	777	892
(5) Excluded from non-operating expenses is cost of bond issue, net of discounts, premiums and other debt costs and election expense	767	(113)	627	(261)	212
(6) Excluded from non-operating expense is interest expense and interest funded from bond proceeds	18,087	21,649	23,549	20,544	17,150
(7) Excluded from interest expense is capitalized Interest	597	654	285	165	1,078
(8) Excluded from non-operating expense are contributions to other agencies and other expenses not attributable to operations	4,813	2,537	7,804	4,822	3,843
(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 of calculation					
(12) Included payment made to credit and liquidity providers					
(13) Included the debt service of lowest lien					

# REVENUE BOND 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
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										0	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	\$45,185	\$26,427	\$71,612	\$83,595	\$38,320	\$121,915	\$133,000	\$106,350	\$239,350	\$8,525	\$966	\$9,491	\$88,645	\$49,229	\$137,874	\$33,245	\$6,822	\$40,067	\$392,195	\$228,113	\$620,308

The 2008 Subordinate, 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 12/31/15	% Collected
2015	\$14,217	\$13,905	97.80%
2014	13,116	\$13,015	99.23%
2013	12,666	\$12,612	99.57%
2012	13,719	\$13,709	99.93%
2011	14,797	\$14,791	99.96%

#### PORT TAXING DISTRICT ASSESSED VALUATION

2016	\$82,178,125,733
2015	77,383,384,063
2014	71,547,746,398
2013	69,124,565,890
2012	75,697,857,587

#### PROPERTY TAX LEVY AVAILABLE FOR CAPITAL IMPROVEMENTS (DOLLARS IN THOUSANDS)

	2015	2014	2013	2012	2011
Total Levy	\$14,217	\$13,116	12,666	13,719	14,797
Less Designation for G.O. Debt Service	13,669	13,665	11,280	11,275	11,281
<b>Subtotal</b>	<b>548</b>	<b>(549)</b>	<b>1,386</b>	<b>2,444</b>	<b>3,516</b>
Supplements, Cancellations Refunds-Net	(19)	(33)	(69)	(56)	(205)
<b>Levy Available for Capital Improvement</b>	<b>529</b>	<b>-</b>	<b>1,317</b>	<b>2,388</b>	<b>3,311</b>

#### 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

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