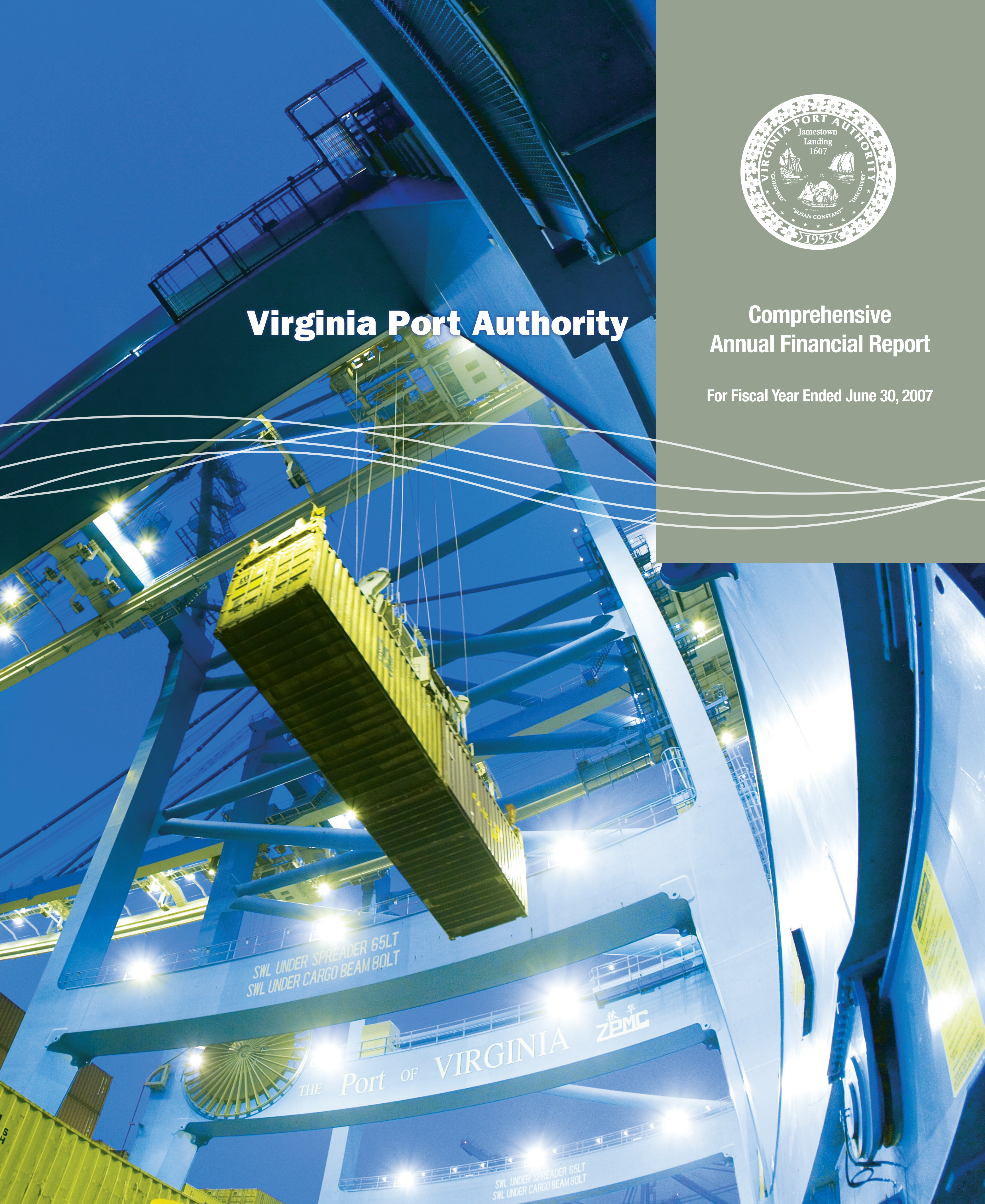
Virginia Port Authority



Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Prepared by the Finance Department of the
Virginia Port Authority

- TABLE OF CONTENTS -

Virginia Port Authority

INTRODUCTORY SECTION

COMMONWEALTH of VIRGINIA

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia 23510-1679
Telephone (757) 683-8000
Fax (757) 683-8500

Jerry A. Bridges
Executive Director

October 31, 2007

Board of Commissioners
Virginia Port Authority
600 World Trade Center
Norfolk, Virginia 23510

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Virginia Port Authority (the Authority) for the fiscal year ended June 30, 2007, as required by §62.1-139 of the Code of Virginia for submission to the Governor and General Assembly on or before November 1 of each year, is hereby submitted.

Responsibility for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities and operations have been included.

Management is also responsible for establishing and maintaining internal controls over its operations. Internal controls are designed to provide a reasonable, though not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Management strongly believes that the inherent financial accounting controls coupled with the ongoing independent financial audit performed by the Authority's independent financial auditors, the Auditor of Public Accounts, as well as numerous other audit functions, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

The Auditor of Public Accounts has issued an unqualified opinion on the Virginia Port Authority's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the beginning of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Virginia Port Authority

The Virginia Port Authority was established in 1952, as a political subdivision of the Commonwealth of Virginia, for the purpose of performing any act or function which may be useful in developing, improving, or increasing the commerce of the ports of the Commonwealth. The Authority, over the years has acquired and unified certain port facilities for the benefit of the Commonwealth. The Authority owns and is responsible for the operations and security of three marine terminals: Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), and Newport News Marine Terminal (NNMT), and an inland intermodal facility, the Virginia Inland Port (VIP) located in Front Royal, Virginia. These facilities primarily handle import and export containerized, breakbulk, and bulk cargoes.

The Authority is managed by a 12 member Board of Commissioners - the State Treasurer and 11 citizens appointed by the Governor. The Board of Commissioners, the VPA Executive Director and his staff, and the management of our component unit Virginia International Terminals, Inc. (VIT), work to promote, develop, and increase commerce at the Ports of Virginia, and other port related industries in the Commonwealth.

VIT was established in 1982 to operate the facilities owned by the Authority. VIT operates the state-owned ports through a Service Agreement with the Authority. The Virginia Port Authority Board of Commissioners makes appointments to the VIT Board. The Executive Director of the Virginia Port Authority is a permanent member of the VIT Board along with 6 appointed citizens from the localities. VIT's financial information is presented in the Authority's financial statements as a discrete component unit to emphasize that it is legally separate from the Authority, and that it serves or benefits those outside of the Authority. The financial statements of VIT were audited by other auditors. The VIT budget is prepared annually and approved by the VPA Board of Commissioners prior to July 1 of each fiscal year. More detailed information can be found in the footnotes to the financial statements.

The Authority is included in the Commonwealth of Virginia's budget. Authority staff prepares and submits budget requests for each upcoming biennium to the Department of Planning and Budget (DPB) and the Governor, based on expected revenues and expenditures. The Governor submits the recommended budget for the Commonwealth to the General Assembly which enacts appropriations for each year of a biennium for operating and capital expenditures. The resulting Appropriation Act provides summary expenditure limitations. The appropriations are effective on July 1 of each year. The Authority's Board of Commissioners gives final approval of the detailed budget prior to July 1 based on the appropriations.

Virginia Port Authority and the Economy

The Port's success has generated huge economic spin-off benefits to the Commonwealth. Annually, port-related business provides over 165,000 jobs, $4.8 billion in payroll revenues, and $665 million in local tax revenues. Since 1996, port-related warehousing and distribution investment has increased by over $416 million and employed over 12,000 people in the Hampton Roads area alone. The Virginia Inland Port, located in Front Royal Virginia, has stimulated the attraction of some 24 warehousing and distribution centers providing a total income of $599 million with over 6 million square feet of space together with employee levels of over 7,000 workers. Household names like Wal-Mart, Target, Home Depot, Dollar Tree, Lillian Vernon, and Cost Plus have all set up distribution facilities in the Commonwealth in large measure due to the presence of a world class port facility and structure.

In April 2004, APM Terminals, a sister company of Maersk-Sealand shipping line – the largest shipping line in the world, announced plans to invest $600 million in Virginia to construct a new 300 acre container terminal in Portsmouth. This announcement is the largest investment in a company owned container terminal in the U.S. and is a huge investment in the Commonwealth's future. This is the first time that a shipping line has invested its own money to construct a marine terminal from the ground up. The completed terminal is expected to generate $6.4 billion in economic impact to the Commonwealth over its first 15 years of operation.

Over the next twenty years, containerized cargo volume is expected to triple, far exceeding the current capacity of the port network in the U.S. The Port of Virginia has two unique opportunities to meet this demand with the opening of the APM terminal in 2007 and the proposed development of a new container terminal on the eastward side of Craney Island. The Hampton Roads region is beginning to mobilize around the opportunity to develop 20-60 million square feet of supporting distribution center space. Combined with port facilities, this will position Virginia to become the international gateway for the East Coast.

The VPA/VIT organization is unique in the industry and has a proven track record for success. For nearly 25 years, this structure has resulted in phenomenal growth, benefiting not only Virginians but also the entire U.S. The Authority leadership had been under the same Executive Director since 1978. In 2007, with the retirement of J. Robert Bray, the Authority transitioned to a new leader. We expect to continue to build on past successes and develop the port into the primary gateway for international cargo transported through the Mid-Atlantic and Mid-West regions of the United States.

Finance and Risk Management

Enterprise funds are used to account for proprietary operations, similar to private business operations where the operating costs are funded through user charges. The Virginia Port Authority has one such enterprise fund to which all accounts are organized and accounted for as a single reporting entity. The Authority's primary source of funding for its operations is through the net revenues generated from terminal operations and subsequently transferred from VIT. Capital improvements are primarily funded through long-term debt and allocations of certain revenues collected by the Commonwealth.

Certain statistical information included in the CAFR were not obtained from the financial records of the Authority but are presented for the CAFR user's information and understanding of the Authority and the environment in which the Authority operates.

The Virginia Port Authority, together with its component unit (VIT), maintains a comprehensive risk management program, the purpose of which is the maximum protection of the assets, customers and employees of the Authority, and the reduction of the cost of risk through an innovative and professional risk management program. It is the intent of the Authority that it be protected against accidental loss or losses that would significantly affect Authority personnel, property or the ability of the organization to continue to fulfill its responsibilities. In accordance with the service agreement between VIT and the Authority, VIT maintains property and liability insurance on all terminal equipment and facilities. The Authority maintains property and liability insurance only on non-terminal assets and facilities. The Authority also maintains general liability, fiduciary liability, worker's compensation insurance and an umbrella policy.

Major Initiatives and Accomplishments

1. **TEU (twenty-foot equivalent container unit) volume and increase from fiscal year (FY) 2007:**

FY2006	2,045,065
FY2007	2,055,864 = .5% Increase

2. **Increase in rail volume in 2007:**

FY 2006	241,311 containers
FY 2007	253,590 containers = 5.1% Increase

3. **New shipline services and contracts:**

- Maersk Line/Hapag Lloyd – Oceania Americas Pendulum Service; **Tradelane:** Australia/New Zealand, Caribbean/Central America; **Route:** Panama Canal
- New World Alliance, Evergreen, CMA CGM – Asia–US East Coast, ESX/SAX; **Tradelane:** Asia, Central America; **Route:** Panama Canal
- New World Alliance, CMA CGM, Evergreen – Suez Express Service-SZX; **Tradelane:** Indian Subcontinent, Asia; **Route:** Suez Canal
- Grand Alliance - North & Central China East Coast Express (NCE) and South China East Coast Express (SCE) (reconfigured); **Tradelane:** Asia; **Route:** Panama Canal

In addition, VIT signed over 81% of existing shipline customers to 10-year contracts.

4. **New or expanded distribution centers and warehouses:**

- NYK Logistics – Chesapeake
- Ozburn-Hessey Logistics – Winchester
- Massimo Zanetti Beverage – Portsmouth
- Flexa Furniture – Suffolk
- Evans Distribution – Suffolk
- Preferred Freezer – Chesapeake
- ProLogis – Chesapeake
- Johnson Development – Windsor
- Liberty Property Trust – Suffolk
- McDonald Development – Suffolk
- Regional Properties – Suffolk
- West Park Lane – Hampton
- Devon Properties / American Port Services – Hampton
- American Port Services - Suffolk

5. **Norfolk International Terminal (NIT) Improvements:**

- Completed the renovation of 19 acres of container storage yard immediately behind the north wharf. Began adding a second ship berth that includes: (1) extending the north wharf 800 feet; (2) renovating and improving 11 additional acres of container yard; (3) purchasing container handling equipment (three additional 100-foot gage container cranes, Straddle Carriers, and Gantry Cranes); and (4) constructing a new truck interchange. The project will increase the capacity of NIT North by 34 percent.

- Began the expansion of the central rail yard to add approximately 12,000 feet of new track increase the rail capacity by 50%.

6. **Craney Island Eastward Expansion:**

In October 2006, the Virginia Port Authority completed a joint feasibility study with the Army Corps of Engineers in connection with a potential eastward expansion of the Craney Island Dredged Material Management Area (CIDMMA). The study determined that the Craney Island Marine Terminal will save the nation $6B in transportation costs and result in an economic impact to the state of more than $5B annually. Without the Craney Island Marine Terminal, the Port of Virginia will not have adequate capacity to handle the tripling of import cargo that is expected in the next two decades. The eastward expansion of Craney Island is crucial to the long-term viability of the Port of Virginia.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting the Virginia Port Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Preparation of the Comprehensive Annual Financial Report (CAFR), as always, represents the combined effort of the entire Finance Department of the Virginia Port Authority and the Auditor of Public Accounts. Finally, we express our deepest appreciation to the members of the Virginia Port Authority Board of Commissioners for their continued guidance and leadership towards ensuring the fiscal integrity of the Virginia Port Authority.

Respectfully Submitted,

Jerry A. Bridges
Executive Director

Rodney W. Oliver
Director of Finance and
Treasurer to the Board

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Virginia Port Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

VIRGINIA PORT AUTHORITY

Norfolk, Virginia

BOARD OF COMMISSIONERS

John G. Milliken, Chairman

Robert C. Barclay, IV, Vice Chairman

Stephen M. Cumbie
Joe B. Fleming
Mark B. Goodwin
William M. Grace
Virginia M. Murphy

Michael J. Quillen
Ranjit K. Sen
Deborah K. Stearns
Thomas M. Wolf

J. Braxton Powell, State Treasurer
(ex-officio member of the Board)

Jerry A. Bridges, Executive Director

Rodney W. Oliver, Treasurer to the Board

Debra J. McNulty, Clerk to the Board

Jodie L. Asbell, Deputy Clerk to the Board

Virginia Port Authority
Agency Organizational Chart
August 28, 2007

Virginia Port Authority

FINANCIAL SECTION

Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

October 31, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

Board of Commissioners
Virginia Port Authority

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of the **Virginia Port Authority** (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Virginia International Terminals, Inc., a component unit of the Authority, which is discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amount included for the component unit of the authority is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Virginia Port Authority as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 13 through 20 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Virginia Port Authority's basic financial statements. The introductory, statistical, and compliance sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory, statistical, and compliance sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2007, on our consideration of the Virginia Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Walter J. Kucharski

AUDITOR OF PUBLIC ACCOUNTS

WJK:clj

VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

(Unaudited)

Our discussion and analysis of the Virginia Port Authority's (the Authority's) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Authority's financial statements and notes to financial statements. Virginia International Terminals, Inc. (VIT) is presented in the Authority's financial statements as a discrete component unit to emphasize that it is legally separate from the Authority, and that it serves or benefits those outside of the Authority. The financial statements of VIT were audited by other auditors. VIT's Management Discussion and Analysis is included in those audited financial statements.

ABOUT THE AUTHORITY

The Virginia Port Authority was established in 1952 as a political subdivision of the Commonwealth of Virginia for the purpose of stimulating commerce of the ports of the Commonwealth, promoting the shipment of goods and cargoes through the ports, improving the navigable tidal waters within the Commonwealth, and in general to perform any act or function which may be useful in developing, improving, or increasing the commerce of the ports of the Commonwealth. The Authority owns and is responsible for the operations and security of three marine terminals: Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), and Newport News Marine Terminal (NNMT), and an inland intermodal facility, the Virginia Inland Port (VIP) located in Front Royal, Virginia. These facilities primarily handle import and export containerized, breakbulk, and bulk cargoes.

A Board of Commissioners composed of 12 members manages the Authority. The Commissioners consist of 11 citizens appointed by the Governor in addition to the State Treasurer who is an ex-officio member of the Board. While the Commissioners remain on the Board at the continuing pleasure of the Governor, they serve staggered five-year terms. Commissioners may serve a maximum of two consecutive terms.

FINANCIAL HIGHLIGHTS

- Operating revenues for the Authority were $72.3 million. Container volume in the port for the fiscal year ended June 30, 2007 was 2,055,864 TEU's (twenty-foot equivalent container units), an increase of .5% from fiscal year 2006.

- The Authority's net assets increased by $32.5 million for the fiscal year ended June 30, 2007.

- The assets of the Authority exceeded its liabilities by $324.3 million at the fiscal year ended June 30, 2007. Of this amount, $39.6 million was unrestricted and may be used to meet the Authority's ongoing obligations to creditors.

- The Authority's total assets increased $107.1 million during fiscal year ended June 30, 2007, and total liabilities increased $74.6 million during fiscal year ended June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

Governmental accounting policy, practice and procedures fall under the auspices of the Governmental Accounting Standards Board (GASB). The Authority's financial transactions and subsequent statements are prepared according to the GASB Statement 34 reporting model, as mandated by GASB. The purpose of the GASB 34 reporting model is to consolidate two basic forms of governmental accounting, governmental (such as municipalities) and proprietary (those entities which generate their own revenues and therefore are similar to a private business such as the Authority) operations, into statements that give the reader a clearer picture of the financial position of the government as a whole. The Authority is considered a proprietary form of government and its financial transactions are recorded in a single Enterprise Fund.

As stated above, the Authority operates as a single Enterprise Fund with one component unit, Virginia International Terminals, Inc. (VIT). The financial statements are prepared on the accrual basis of accounting, therefore revenues are recognized when earned and expenses are recognized when incurred. Capital assets, except land, are capitalized and depreciated over their useful life. Please refer to Note 1 in the accompanying notes to the financial statements for a summary of the Authority's significant accounting policies. Following this MD&A are the basic financial statements and supplementary information of the Authority. These statements and the statistical information, along with the MD&A are designed to provide readers with a complete understanding of the Authority's finances.

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and notes to the financial statements. The report includes the following three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net assets, the difference between total assets and total liabilities, is an indicator of the current fiscal health of the organization and the Authority's financial position over time. A condensed summary of the Authority's assets, liabilities, and net assets at June 30, 2007 and 2006 are as follows:

Authority Net Assets
(in Millions)

	2007	2006
ASSETS:		
Current assets	$ 81.6	$ 66.4
Noncurrent assets	782.2	690.3
Total assets	863.8	756.7
LIABILITIES:		
Current liabilities	56.8	47.4
Noncurrent liabilities	482.7	417.5
Total liabilities	539.5	464.9
NET ASSETS:		
Invested in capital assets, net of debt	246.9	224.1
Restricted for debt service	37.9	41.7
Unrestricted	39.5	26.0
Total net assets	$ 324.3	$ 291.8

Current assets increased $15.2 million from fiscal year 2006 primarily as a result of an increase in unrestricted cash and cash equivalents of $12.2 million due to positive financial performance during fiscal year 2007, and an increase in restricted current assets of $3.7 million required primarily to meet new debt service obligations. Noncurrent assets increased $91.9 million primarily as a result of the issuance of $90 million in debt for capital projects. Current liabilities increased $9.4 million during fiscal year ended June 30, 2007 primarily due to a $7.3 million increase in accounts payable and accrued expenses. In addition, retainage payable on capital projects increased $1.2 million during fiscal year 2007. Noncurrent liabilities increased $65.2 million primarily as a result of the issuance of $90 million in debt for capital projects, net of principal payments on other long-term debt.

The largest portion of the Authority's net assets (76.1% at June 30, 2007) represents its investment in capital assets (e.g. land, buildings, infrastructure, improvements, and equipment), less the related debt outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to major steamship lines and their agents for movement of maritime cargo; consequently these assets are not available for future spending. Although the Authority's investment in capital assets reported is shown net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and appropriation, since the capital assets themselves generally are not sold to liquidate liabilities.

An additional portion of the Authority's net assets (11.7% at June 30, 2007) represents resources that are subject to external restrictions on how they can be used under bond resolutions and federal regulations. The remaining unrestricted net assets (12.2% at June 30, 2007) may be used to meet any of the Authority's ongoing obligations.

Consolidated Statement of Revenues, Expenses, and Changes in Net Assets

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations and can be used to determine whether the Authority's fiscal condition has improved or worsened during the year. A summary of the Authority's revenues, expenses, and changes in net assets for the years ended June 30, 2007 and 2006 are as follows:

Authority Revenues, Expenses, and Changes in Net Assets
(in Millions)

	2007	2006
Operating revenues	$ 72.3	$ 59.3
Operating expenses	61.0	54.6
Operating earnings (loss)	11.3	4.7
Non-operating revenues and expenses	(12.6)	(14.7)
Loss before capital contributions and transfers	(1.3)	(10.0)
Capital contributions and transfers:		
Commonwealth port fund allocation	36.5	37.7
Contributions to component unit, net	(2.5)	(10.1)
Commonwealth rail relocation income/(expense), net	(.3)	
Channel dredging expense - federal government	-	(6.7)
Capital grants from the federal government	.3	.8
Transfers to Commonwealth of Virginia	(.2)	(.3)
Increase(decrease) in net assets	$ 32.5	$ 11.4

Total operating revenues increased $13 million (or 21.9%) during fiscal year 2007. The increase was due primarily to an $8.9 million increase in demurrage charges by VIT for empty containers stored on the terminals. In addition, several operating improvement initiatives at the component unit level contributed to the increase in Authority operating revenues. Container volume in the port for the fiscal year ended June 30, 2007 was 2,055,864 TEU's, an increase of .5% from fiscal year 2006. Operating expenses for the fiscal year ended June 30, 2007, were $6.4 million over fiscal year 2006 primarily as a result of a $4.2 million increase in depreciation and amortization expenses as a result of the recent completion of several large capital projects.

During the fiscal year ended June 30, 2007, net nonoperating revenues and expenses decreased by $2.1 million from fiscal year 2006. The decrease was primarily due to an increase in interest income of $2.8 million as a result of interest earnings on new bond proceeds and favorable interest rates.

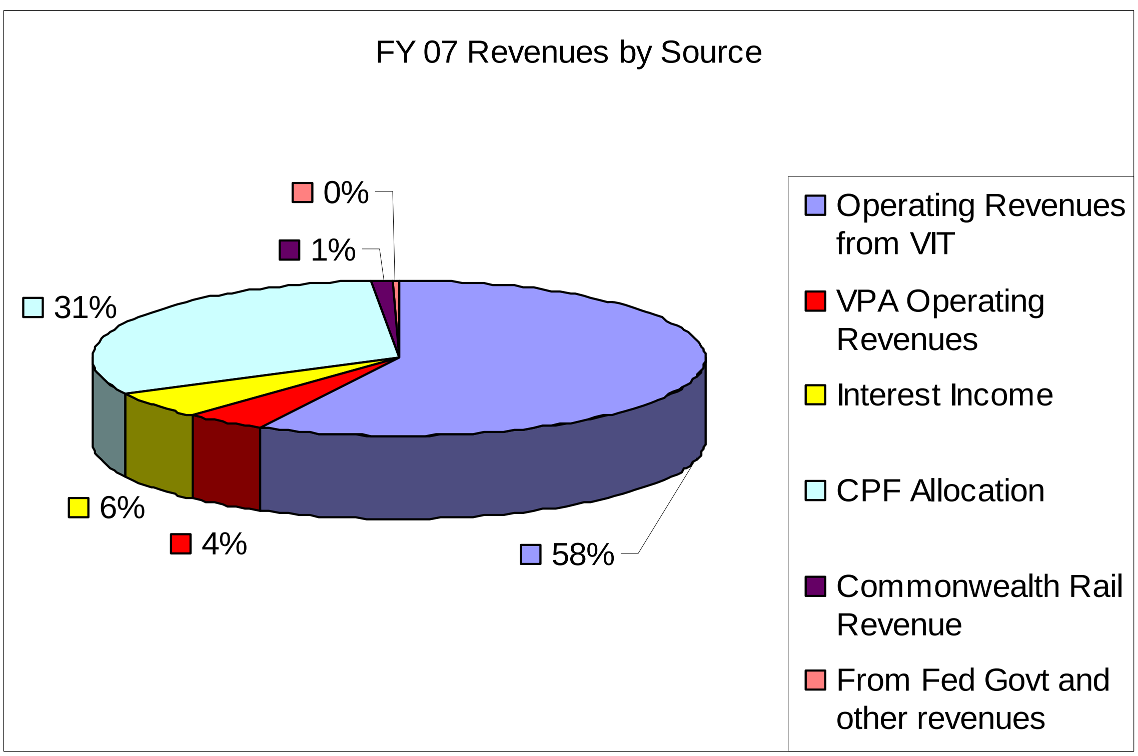
The Commonwealth port fund allocation represents the Authority's 4.2% allocation of revenues from the Commonwealth's Transportation Trust Fund, a combination of a portion of the state sales tax, and motor vehicle fuel and related taxes and fees. Commonwealth port fund collections by the Commonwealth were 3.4% below the previous fiscal year.

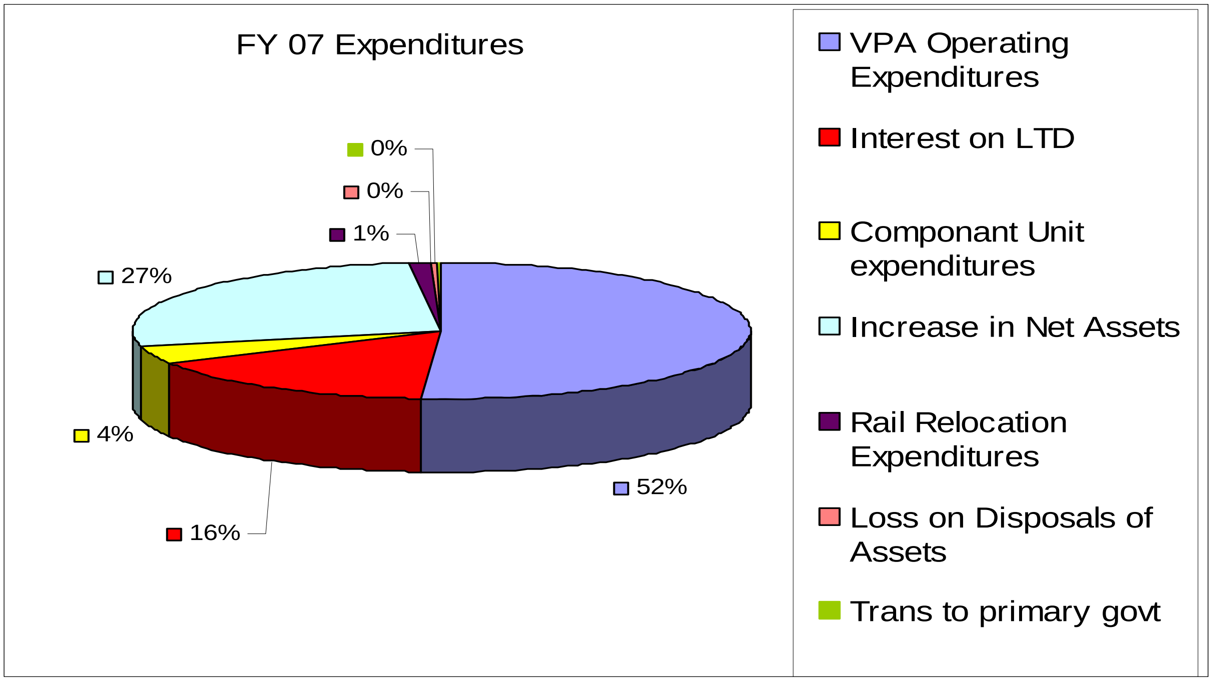
Contributions to component unit, net, included transfers to VIT to fully fund bond resolution reserve requirements and to complete certain capital projects, net of leasehold improvements made by VIT and transferred to the Authority. The Authority transferred $1.6 million and $7.2 million to VIT to complete certain capital projects during fiscal year 2007 and 2006, respectively.

During the fiscal year ended June 30, 2007, the Authority agreed to serve as the project administrator for managing the design and construction of a rail relocation project on behalf of the Commonwealth. Expenses incurred, net of revenues received, on this project totaled $.3 million during the current fiscal year.

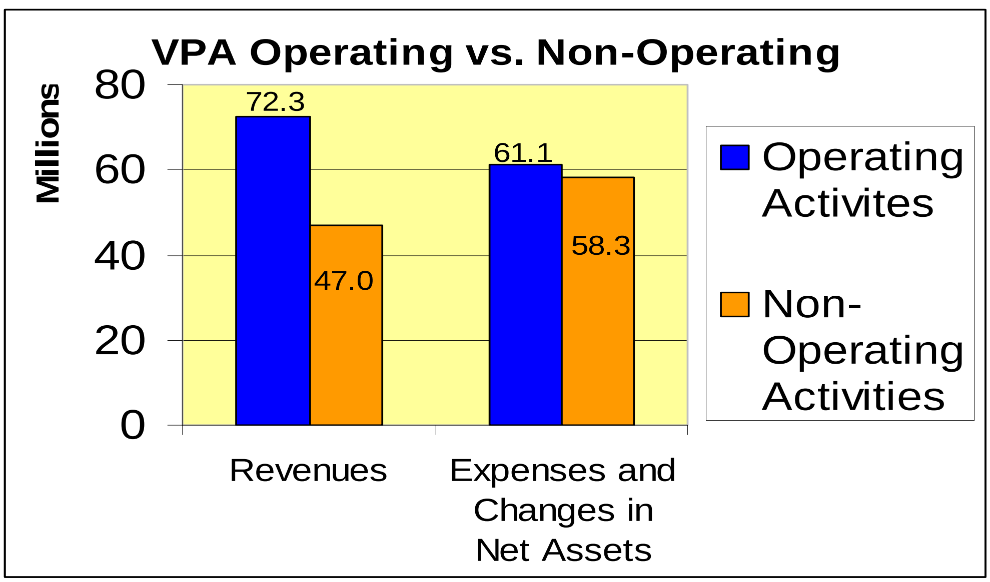
During the fiscal year ended June 30, 2006 the Authority incurred $6.7 million expenses for dredging the Hampton Roads federal channel to a depth of 50ft. No such expenses were incurred during the current fiscal year. (During the fiscal year ended June 30, 2003 the Authority recorded revenue and received $17.5 million from the Priority Transportation Fund to fund the Commonwealth's portion of this U.S. Army Corps of Engineers project.) To date expenses for the project total $16.3 million.

A graphical view of the Authority's revenues by source includes operating and non-operating revenues, transfers and contributions for the fiscal year ended June 30, 2007 by percentage.





A similar graph shows, by percentage, the Authority's operating and non-operating expenses, and changes in net assets for the fiscal year ended June 30, 2007.



The bar graph shows operating vs. non-operating activities (interest, capital improvements and acquisitions as well as their funding sources) for fiscal year ended June 30, 2007.

Consolidated Statement of Cash Flows

The Statement of Cash Flows provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as where did cash come from, what was it used for, and what was the change in cash balance during the reporting period.

Statement of Cash Flows
(in Millions)

	2007	2006
Cash flow from operating activities	$ 50.0	$ 29.1
Cash flow from noncapital financing activities	(.2)	(.3)
Cash flow from capital and related financing activities	(6.6)	(86.3)
Cash flow from investing activities	47.8	35.4
Net increase (decrease) in cash and cash equivalents	91.0	(22.1)
Cash and cash equivalents		
Beginning of year	55.4	77.5
End of year	146.4	$ 55.4

Cash flow from operating activities increased $20.9 million in fiscal year 2007 primarily as a result of increased transfers from VIT, and lower cash payments for operating activities due to the timing of payments for accounts payable for large capital projects. Cash flow from capital and related financing activities decreased $80.6 million in fiscal year 2007 primarily as a result of the Authority completing a $90 million bond issue in fiscal year 2007 to fund construction projects. No such bond issue was completed in fiscal year 2006.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority's investment in capital assets as of June 30, 2007, amounted to $691.3 million (net of accumulated depreciation). This investment in capital assets primarily includes land, buildings, wharves, roads, drainage and lighting systems, and equipment. Major capital asset events during the current fiscal year included the following:

- Expenditures of $25.5 million on the renovation of NIT South.
- Expenditures of $26.3 million on a wharf, dredging, container yard, and rail yard expansion at NIT North.
- Expenditures of $4 million to begin expansion of the central rail yard at NIT.
- The acquisition of six new straddle carriers totaling $4.7 million.
- Expenditures of $4.5 million for modifications and upgrades to three cranes at PMT.
- Expenditures of $2.7 million for improvements to the transfer zone at PMT.
- Capitalized interest (net of capitalized income) of $4 million was added to the cost of capital assets in fiscal year 2007.

Long-term Debt

Bonds. At June 30, 2007, the Authority had $482.7 million in long-term debt, excluding current maturities. Of this amount, $467.1 million is in the form of revenue bonds issued by the Authority. During 2007, the Authority issued $90 million in new bonds for capital projects noted above. In addition, the Authority issued $74.3 million in new bonds to take advantage of lower interest rates and refund certain revenue bonds originally issued in 1997.

Commonwealth Port Fund Revenue bonds issued in 1996, 1998, 2002, 2005, and 2006 are supported by the Authority's 4.2% allocation of the Commonwealth's Transportation Trust Fund. The bonds are also backed by a sum sufficient appropriation from the Commonwealth and carry underlying ratings of AA+ from Fitch Ratings, Inc. and Standard and Poor's, and an Aa1 rating from Moody's Investor Services.

Port Facilities Revenue bonds issued in 1997, 2003, and 2007 are supported by terminal revenues and insurance policies and carry underlying ratings of A+ from Fitch Ratings, Inc., A (with a positive outlook) from Standard and Poor's, and an Aa3 underlying rating from Moody's Investor Services. With insurance the ratings on the bonds are AAA from Fitch Ratings, Inc. and Standard and Poor's, and Aaa from Moody's Investor Services. The Authority's bond covenants require that revenues available to pay debt service, as defined in the bond resolution, exceed 110% and 135% of the annual debt service amount. The debt service coverage test for fiscal year 2007 was met and exceeded.

More details on long-term debt and capital asset activities can be found in the footnote disclosures to the financial statements.

ECONOMIC FACTORS

Many of the Authority's capital projects, either directly or indirectly through bond issues, are funded from an operating grant from the Commonwealth of Virginia's Transportation Trust Fund. The Authority receives 4.2% of Transportation Trust Fund collections, which are revenues generated primarily by state motor vehicle fuel and sales taxes. Trust Fund collections are subject to the economic conditions existing throughout the Commonwealth, and are not controlled by the Authority.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money we receive. If you have any questions about this report or need additional financial information, contact the Authority's Director of Finance at 600 World Trade Center, Norfolk, VA 23510.

Financial Statements

VIRGINIA PORT AUTHORITY
STATEMENT OF NET ASSETS
As of June 30, 2007

	Primary Government	Component Unit			
	Authority	Virginia International Terminals, Inc.	Eliminations	Total	June 30, 2006
ASSETS					
Current assets:					
Cash and cash equivalents	$ 35,644,951	$ 4,987,488	$ -	$ 40,632,439	$ 30,851,639
Restricted assets:					
Cash and cash equivalents	29,993,490	6,844,961	-	36,838,451	36,493,026
Investments	1,131,000	16,273,207	-	17,404,207	20,554,813
Investments held by Treasurer of VA	2,160,370	-	-	2,160,370	1,369,134
Accounts receivable, net	588,205	27,362,143	-	27,950,348	20,409,717
Due from transportation trust	6,035,160	-	-	6,035,160	6,278,577
Due from component unit	5,750,889	-	(5,750,889)	-	-
Inventories	-	13,347,385	-	13,347,385	12,249,952
Prepaid expenses and other	382,467	14,167,922	-	14,550,389	14,330,604
Total current assets	81,686,532	82,983,106	(5,750,889)	158,918,749	142,537,462
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	80,804,712	-	-	80,804,712	26,191,120
Investments	3,394,309	10,000	-	3,404,309	23,161,751
Pension plan assets	1,127,803	2,453,128	-	3,580,931	3,602,009
Bond issue costs, net	5,480,113	-	-	5,480,113	3,031,442
Other	83,636	-	-	83,636	99,517
Non-depreciable capital assets	212,131,122	-	-	212,131,122	187,832,660
Depreciable capital assets, net	479,138,539	21,398,607	-	500,537,146	468,255,634
Total noncurrent assets	782,160,234	23,861,735	-	806,021,969	712,174,133
Total assets	863,846,766	106,844,841	(5,750,889)	964,940,718	854,711,595

The accompanying Notes to the Financial Statements are an integral part of this statement.

VIRGINIA PORT AUTHORITY
STATEMENT OF NET ASSETS
As of June 30, 2007

	Primary Government	Component Unit			
	Authority	Virginia International Terminals, Inc.	Eliminations	Total	June 30, 2006
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	16,677,643	8,807,293	(470,313)	25,014,623	19,697,775
Interest payable	10,405,484	-	-	10,405,484	10,518,099
Retainage payable	2,699,025	-	-	2,699,025	1,499,508
Long-term debt - current portion	23,723,889	-	-	23,723,889	22,774,173
Compensated absences - current portion	471,681	2,313,934	-	2,785,615	2,568,848
Payroll withholdings	89,612	249,990	-	339,602	179,246
Obligations under securities lending	2,708,747	-	-	2,708,747	2,752,636
Due to Authority	-	5,280,576	(5,280,576)	-	-
Total current liabilities	56,776,081	16,651,793	(5,750,889)	67,676,985	59,990,285
Noncurrent liabilities:					
Long-term debt	482,588,168	-	-	482,588,168	416,277,681
Compensated absences	133,011	1,531,006	-	1,664,017	1,558,497
Workers compensation costs	-	5,205,534	-	5,205,534	4,646,524
Accrued pension obligation	-	4,420,115	-	4,420,115	4,944,857
Due to subsidiary	-	-	-	-	103,881
Total noncurrent liabilities	482,721,179	11,156,655	-	493,877,834	427,531,440
Total liabilities	539,497,260	27,808,448	(5,750,889)	561,554,819	487,521,725
NET ASSETS					
Invested in capital assets, net of related debt	246,841,187	21,381,417	-	268,222,604	243,872,459
Restricted net assets	37,919,827	22,700,000	-	60,619,827	70,264,584
Unrestricted net assets	39,588,492	34,954,976	-	74,543,468	53,052,827
Total net assets	$ 324,349,506	$ 79,036,393	$ -	$ 403,385,899	$ 367,189,870

The accompanying Notes to the Financial Statements are an integral part of this statement.

VIRGINIA PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For The Year Ended June 30, 2007

	Primary Government	Component Unit			
	Authority	Virginia International Terminals, Inc.	Eliminations	Total	June 30, 2006
Operating Revenues:					
Terminal operating revenues	$ -	$ 244,205,984	$ -	$ 244,205,984	$ 226,009,758
Other revenues	4,946,483	-	-	4,946,483	2,997,586
Operating revenues from component unit	67,399,813	-	(67,399,813)	-	-
Total operating revenues	72,346,296	244,205,984	(67,399,813)	249,152,467	229,007,344
Operating Expenses:					
Terminal operations	1,842,680	113,585,533	-	115,428,213	109,804,658
Terminal maintenance	4,586,595	41,908,918	-	46,495,513	46,192,550
General and administrative	21,153,082	17,245,816	-	38,398,898	33,850,395
Depreciation and amortization	33,501,778	4,635,200	-	38,136,978	34,347,956
Total operating expenses	61,084,135	177,375,467	-	238,459,602	224,195,559
Operating income (loss)	11,262,161	66,830,517	(67,399,813)	10,692,865	4,811,785
Non-operating revenues (expenses)					
Interest income	6,983,909	1,748,982	-	8,732,891	4,773,220
Interest expense	(19,249,296)	-	-	(19,249,296)	(18,904,385)
Other income (expense)	166,303	-	-	166,303	100,339
Gain (loss) on asset disposals	(430,311)	(15,991)	-	(446,302)	(252,956)
Income (loss) before capital contributions and transfers	(1,267,234)	68,563,508	(67,399,813)	(103,539)	(9,471,997)
Capital contributions and transfers					
Commonwealth Port Fund allocation	36,500,057	-	-	36,500,057	37,769,900
Commonwealth rail relocation revenue	1,120,000	-	-	1,120,000	-
Commonwealth rail relocation expenses	(1,447,474)	-	-	(1,447,474)	-
Operating revenues to Authority	-	(67,399,813)	67,399,813	-	-
Operating expenses - component unit	(4,498,144)	4,498,144	-	-	-
Capital contributions (to) from component unit, net	1,968,604	(1,968,604)	-	-	-
Channel dredging expense - federal government	-	-	-	-	(6,762,000)
Proceeds from federal government	300,787	-	-	300,787	840,276
Transfers (to) from primary government	(173,802)	-	-	(173,802)	(325,365)
Increase (decrease) in Net Assets	32,502,794	3,693,235	-	36,196,029	22,050,814
Net Assets - Beginning of Year	291,846,712	75,343,158	-	367,189,870	345,139,056
Net Assets - End of Year	$ 324,349,506	$ 79,036,393	$ -	$ 403,385,899	$ 367,189,870

The accompanying Notes to the Financial Statements are an integral part of this statement.

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2007

	Authority	June 30, 2006
Cash flows from operating activities:		
Receipts from customers and users	$72,976,380	$57,109,402
Payments for operating expenses	(17,105,123)	(21,969,318)
Payments to employees	(5,835,712)	(6,028,447)
Net cash provided by (used in) operating activities	**50,035,545**	**29,111,637**
Cash flows from noncapital financing activities:		
Transfer (to) from Primary Government	(173,802)	(325,365)
Net cash provided by (used in) investing activities	**(173,802)**	**(325,365)**
Cash flows from capital and related financing activities:		
Proceeds from long-term debt	170,567,196	26,393,170
Commonwealth Port Fund allocation	36,702,749	35,447,264
Acquisition of capital assets	(88,674,949)	(72,413,584)
Loss on capital transactions	(430,311)	(40,372)
Principal paid on long-term debt	(103,306,993)	(41,401,711)
Interest paid on long-term debt	(19,361,911)	(18,330,086)
Proceeds from federal government	300,787	840,276
Proceeds from sale of capital assets	464,518	92,527
Transfer to component unit, net	(2,529,540)	(10,065,269)
Transfer to federal government - channel dredging	-	(6,762,000)
Proceeds from Commonwealth - rail relocation	1,120,000	-
Expenditures for rail relocation	(1,447,474)	-
Net cash provided by (used in) capital and related financing activities	**(6,595,928)**	**(86,239,785)**
Cash flows from investing activities:		
Proceeds from sales and maturities	100,316,938	106,812,555
Payments for investments	(59,587,884)	(75,618,159)
Interest and dividends received	7,024,634	4,181,708
Net cash provided by (used in) investing activities	**47,753,688**	**35,376,104**
Net increase (decrease) in cash and cash equivalents	91,019,503	(22,077,409)
Cash and cash equivalents at beginning of year	$55,423,650	$77,501,059
Cash and cash equivalents at the end of period	**$146,443,153**	**$55,423,650**

The accompanying Notes to the Financial Statements are an integral part of this statement.

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2007

	Authority	June 30, 2006
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income/(loss)	$11,262,161	$4,715,381
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	33,501,778	29,269,085
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	236,279	58,164
(Increase) decrease in due from VIT	393,805	(2,276,450)
(Increase) decrease in prepaid expenses	(208,014)	(5,281)
(Increase) decrease in other noncurrent assets	(2,608,669)	(205,007)
Increase (decrease) in accounts payable	8,543,428	(2,168,682)
Increase (decrease) in accrued expenses	76,319	15,450
Increase (decrease) in short-term liabilities	(34,547)	(19,227)
Increase (decrease) in long-term liabilities	(1,126,995)	(271,796)
Net cash provided by (used in) operating activities	**$50,035,545**	**$29,111,637**

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Virginia Port Authority became a separate agency in 1952 and assumed responsibility for supervising port operations. A Board of Commissioners composed of 12 members manages the Authority. The Authority's major activities are developing water transportation facilities; providing security services; maintaining ports, facilities, and services; providing public relations and domestic and international advertising; and, with offices in the United States and several foreign countries, developing Virginia's ports through cargo solicitation and promotion throughout the world.

Virginia International Terminals, Inc., (VIT) was incorporated as a non-stock, nonprofit corporation on June 30, 1981, for the purpose of operating all the marine terminals owned by the Authority. In accordance with GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, for financial reporting purposes, the Authority's reporting entity includes VIT as a component unit organization for which the Authority is financially accountable. The following criteria for financial accountability, as described by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, are present in the relationship between the Authority and VIT: (1) the Authority appoints a voting majority of VIT's governing body; (2) the Authority has the ability to impose its will on VIT; and (3) VIT provides a specific financial benefit to the Authority. VIT is presented in the Authority's financial statements as a discrete component unit to emphasize that it is legally separate from the Authority, and that it serves or benefits those outside of the Authority. VIT is audited by the independent accounting firm Witt Mares, PLC. VIT’s audit report can be obtained by contacting VIT’s Director of Financial Services at 600 World Trade Center, Norfolk, VA 23510.

Virginia Port Properties, Inc., (VPP) was incorporated as a nonprofit corporation on March 23, 1988, for the purpose of managing all foreign and domestic leases on behalf of the Authority. Because the operations of VPP are an integral part of the Authority, VPP has been included in the Authority's financial statements.

The Authority is a component unit of the Commonwealth of Virginia. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Authority is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, all funds of the Authority are included in the financial statements of the Commonwealth as a part of the reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

In accordance with GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* the activities of the Authority are accounted for in an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Authority follows all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those conflict with or contradict GASB pronouncements.

The Authority prepares its financial statements on the accrual basis of accounting in conformity with generally accepted accounting principles, which provides that revenues are recorded when earned and expenses are recorded when incurred. Grants are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Use of Estimates

The Authority prepares its financial statements in conformity with generally accepted accounting principles, which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Authority invests available cash balances into overnight deposits daily.

Investments

All investments of the Authority are reported at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets are generally assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Capital assets are comprised of land, buildings, infrastructure, other improvements, equipment, and construction in progress. Infrastructure assets are considered capital assets that can be preserved for a significantly greater number of years than most capital assets. Examples include roads, wharves, dredging, and lighting and drainage systems. Depreciation on capital assets is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	3 - 41 years
Improvements	5 - 50 years
Infrastructure	4 - 41 years
Equipment	3 - 36 years

The cost for maintenance and repairs is charged to operations as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss on such dispositions is reflected in non-operating revenues or expenses.

Interest costs associated with the construction of the Authority's capital assets are capitalized and reflected as part of the cost of the asset. Interest capitalized for the fiscal year ended June 30, 2007 is $3,957,139.

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. If determined to be permanently impaired, capital assets should be reported at the lower of carrying or fair value. Any insurance recoveries associated with events leading to an asset impairment should be netted against impairment losses.

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In accordance with paragraph 146 of GASB Statement No. 34, the Authority elected to apply this policy prospectively beginning July 1, 2001.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by employees of the Authority, but not taken at June 30, 2007. The amount reflects all earned vacation, sick, and compensatory leave and related payroll taxes, expected to be paid under the Authority's leave pay-out policy upon employment termination.

Budgets and Budgetary Accounting

The Appropriation Act as enacted by the General Assembly of Virginia established the Authority's budget for the year ended June 30, 2007. No payments can be made out of the state treasury except in pursuance of appropriations made by law.

Restricted Assets

Restricted assets are utilized in accordance to the restrictions placed upon the resources. When an expense is incurred, for which both restricted and unrestricted net assets are available, management determines on an individual basis how resources are allocated.

Operating vs. Nonoperating

Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal revenue for the Authority is funds collected from VIT in accordance with a service agreement. The Authority also recognizes other operating revenue in the form of rents, license agreements, and charges for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interest Income

Interest income, including net realized and unrealized gains or losses on investment transactions and investment expenses, is recorded as nonoperating revenue.

Recently Issued Accounting Pronouncements

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* establishes standards for reporting of plan assets and liabilities, note disclosures, and required supplementary information in OPEB trust and agency funds included in plan sponsors, employers, and stand alone financial reports. The statement has been implemented and did not have a material impact on the Authority's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section,* which provides guidance on the tables and narratives in the statistical section. The requirements of this statement are effective for fiscal periods beginning after June 15, 2005. The statement has been implemented and did not have a material impact on the Authority's financial statements.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This statement addresses financial statement and disclosure requirements for reporting by employers that include other postemployment benefits plan assets as trust or agency funds in their financial reports. It requires employers to report a liability when they do not entirely fund the future OPEB costs they have incurred. GASB 45 allows options for reporting the employer OPEB activity when an OPEB *plan* is separately issued, reported in the employer report, or when a *pay as you go* employer has not established an irrevocable trust. Because GASB 45 presents the option for reporting OPEB activity when a formal trust fund is **not** reported it duplicates many of the disclosure and RSI requirements in GASB 43. This statement will be effective for fiscal year 2008.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation: an amendment of GASB Statement No. 34*, clarifies the meaning of legally enforceable as applied to restrictions on net asset use imposed by enabling legislation. This statement is effective for periods beginning after June 15, 2006. The statement was implemented and did not have a material impact on the Authority’s financial statements.

GASB Statement No. 47, *Accounting for Termination Benefits*, provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2005. The Authority, having no termination benefit arrangement plans, did not have an impact to its financial statements upon implementation of this statement.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006. Its implementation is not expected to have a material impact on the Authority’s financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* addresses accounting and financial reporting standards for pollution (including contamination) 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. Requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007. Its implementation is not expected to have a material impact on the Authority's financial statements.

GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, requires enhancements to information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement is effective for periods beginning after June 15, 2007. Its implementation is not expected to have a material impact on the Authority's financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement is effective for financial statements for periods beginning after June 15, 2009. Its implementation is not expected to have a material impact on the Authority's financial statements.

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only in the basic financial statements in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2007, the Treasurer of Virginia pursuant to Section 2.2-1800, et seq., <u>Code of Virginia</u>, who is responsible for the collection, disbursement, custody, and investment of state funds, held $8,492,402 in cash and cash equivalents for the Authority.

Certain deposits and investments are held by the Authority or are held by trustees for the Authority. These accounts are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400, et seq., <u>Code of Virginia</u> or covered by federal depository insurance. Short-term investments represent deposits and securities with maturities of one year or less. Long-term investments represent securities with maturities of greater than one year.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS -continued

Statutes authorize the investment of funds held by the Authority in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the Authority may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements, and money market funds comprised of investments which are note rated but are otherwise legal investments of the Authority.

As of June 30, 2007, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer):

Short-Term Restricted Investment Maturities (in Years)

Investment Type	Fair Value	Less Than 1	1-5
FNMA	$ 1,131,000	$ 1,131,000	-
	$ 1,131,000	$ 1,131,000	$ -

Long-Term Restricted Investment Maturities (in Years)

Investment Type	Fair Value	Less Than 1	1-5
FHLB	$ 3,394,309	-	$ 3,394,309
	$ 3,394,309	-	$ 3,394,309

Interest Rate Risk

The Authority follows the Commonwealth of Virginia's investment policy and holds all its investments to maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - Continued

Credit Risk

As of June 30, 2007 the Authority's FHLB/FNMA securities were rated AAA or A-1+ by Standard and Poor's Incorporated.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. More than 5 percent of the Authority's investments are in FHLB and FNMA securities. These investments are 75.0% and 25.0%, respectively, of the Authority's total investments.

Investments held by the Treasurer of Virginia

Investments and cash equivalents held by the Treasurer of Virginia represent the Authority's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginian's Comprehensive Annual Financial Report.

Component Unit – VIT

As of June 30, 2007, Virginia International Terminals, Inc. held restricted cash equivalents and short-term restricted investments.

The following shows the segmented time distribution of the VIT's investments:

		Investment Maturities (in Years)			
Investment Type	**Fair Market Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasuries	3,400,374	1,060,153	1,439,755	740,913	159,553
U.S. Agencies	6,795,685	1,853,911	2,683,321	578,991	1,679,462
Corporate Bonds	1,864,590	646,139	1,033,296	185,155	-
Money-Market/Mutual Funds	4,212,558	4,212,558	-	-	-
Repurchase Agreements	11,832,449	11,832,449	-	-	-
	$ 28,105,656	$ 19,605,210	$ 5,156,372	$1,505,059	$1,839,015

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - Concluded

Concentration of Credit Risk

Financial instruments that potentially subject VIT to concentrations of credit risk consist principally of cash balances and temporary cash investments. VIT maintains checking accounts and a money market deposit account in excess of the $100,000 limit of federal insurance with major financial institutions. Deposits in excess of the $100,000 limit totaled approximately $15,677,000 and $18,746,000 at June 30, 2007 and 2006, respectively.

3. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets of the Authority follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land and improvements	$ 97,625,560	$ -	$ -	$ 97,625,560
Construction in progress	90,207,100	89,080,955	64,782,493	114,505,562
	187,832,660	89,080,955	64,782,493	212,131,122
Depreciable capital assets:				
Infrastructure	344,350,182	56,261,837	-	400,612,019
Buildings	75,132,114	1,000,835	-	76,132,949
Improvements other than buildings	27,958,946	452,177	-	28,411,123
Equipment	237,716,679	7,248,272	2,167,485	242,797,466
	685,157,921	64,963,121	2,167,485	747,953,557
Less accumulated depreciation for:				
Infrastructure	98,229,188	12,645,076	-	110,874,264
Buildings	38,308,536	4,496,708	-	42,805,244
Improvements other than buildings	14,846,797	1,677,125	-	16,523,922
Equipment	85,220,931	14,659,314	1,268,657	98,611,588
Total accumulated depreciation	236,605,452	33,478,223	1,268,657	268,815,018
Depreciable capital assets, net	448,552,469	31,484,898	898,828	479,138,539
Total capital assets, net	$ 636,385,129	$120,565,853	$ 65,681,321	$ 691,269,661

3. CHANGES IN CAPITAL ASSETS - Concluded

During the fiscal year ended June 30, 2007, the Authority had three capital asset impairments. Two of these resulted in net losses on disposal of $90,285 and $10,592 after applying insurance proceeds of $188,000 and $276,518, respectively. The third impairment led to a $323,233 write-down of the asset, bringing the carrying value to zero at June 30, 2007. In five other insurance claims, proceeds from insurance of $17,782 were applied to the cost of repairs.

Component Unit – VIT

A summary of the changes in capital assets of Virginia International Terminals, Inc. follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Property & Equipment	$ 62,498,895	$ 6,714,853	$ 4,039,958	$ 65,173,790
Less: Accumulated Depreciation	42,795,730	5,004,316	4,024,863	43,775,183
Net Property & Equipment	$ 19,703,165	$ 1,710,537	$ 15,095	$ 21,398,607

4. LONG-TERM DEBT

Changes in Long-Term Indebtedness

A summary of changes in long-term indebtedness (including current portion) for the Authority follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within one Year
Revenue Bonds	$ 385,995,000	$ 164,255,000	$ 94,515,000	$ 455,735,000	$ 20,625,000
Issuance Premium	6,711,767	6,312,196	380,817	12,643,146	685,990
Less: Deferred Refunding	369,981	939,014	47,731	1,261,264	103,259
Total Revenue Bonds	392,336,786	169,628,182	94,848,086	467,116,882	21,207,731
Installment Purchases	46,015,790	-	6,820,615	39,195,175	2,516,158
Contracts	699,278	-	699,278	-	-
Compensated Absences	511,255	424,614	331,177	604,692	471,681
Total	$ 439,563,109	$ 170,052,796	$ 102,699,156	$ 506,916,749	$ 24,195,570

Details of Long-Term Indebtedness

	Balance as of June 30, 2007
Revenue Bonds	
On October 23, 1996, Commonwealth Port Fund Revenue Bonds, dated October 15, 1996, were issued in the principal amount of $38,300,000. On April 4, 2006 $22,925,000 of these bonds were refunded. The remaining serial bonds are payable in an annual installment of $1,935,000 with interest of 5.75% payable semiannually, with the final installment due July 1, 2007. The bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.	$ 1,935,000

4. LONG-TERM DEBT - continued

On June 26, 1997, Port Facilities Revenue Bonds, dated June 1, 1997, were issued in the principal amount of $98,065,000. On April 11, 2007, funds were placed in escrow, with irrevocable instructions to refund, on July 1, 2007, $76,800,000 of bonds maturing in 2010 and beyond. The remaining serial bonds are payable in annual installments varying from $2,220,000 to $2,470,000 with interest of 5.10% to 6.00% payable semiannually, the final installment due July 1, 2009. The bonds are payable from net revenues of the Authority.	7,040,000
On April 2, 1998, Commonwealth Port Fund Revenue Refunding Bonds, dated April 1, 1998, were issued in the principal amount of $71,015,000. The bonds are payable in annual installments varying from $9,560,000 to $10,085,000 with interest of 5.50% payable semiannually, the final installment due July 1, 2008. These bonds were issued to refund the outstanding principal amount of the Series 1988 Bonds of the Authority. The bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.	19,645,000
On July 23, 2002, Commonwealth Port Fund Revenue Bonds, dated July 11, 2002, were issued in the principal amount of $135,000,000. Serial bonds issued in the principal amount of $90,850,000 are payable in annual installments varying from $3,620,000 to $7,590,000 with interest of 3.25% to 5.50% payable semiannually, the final installment due July 1, 2022. Term bonds issued in the principal amounts of $16,360,000 and $27,790,000 with interest of 5.125% and 5.00% are due July 1, 2024 and July 1, 2027, respectively. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.	129,545,000

4. LONG-TERM DEBT - continued

On June 26, 2003, Port Facilities Fund Revenue Bonds, dated June 18, 2003, were issued in the principal amount of $55,155,000. Serial bonds issued in the principal amount of $18,880,000 are payable in annual installments varying from $1,015,000 to $2,210,000 with interest of 4.00% to 5.25% payable semiannually, the final installment due July 1, 2024. Term bonds issued in the principal amounts of $4,945,000, $6,090,000, $4,945,000, $5,000,000, $15,295,000 with interest of 4.00%, 4.375%, 5.00%, 4.75% and 4.50% are due July 1, 2013, 2023, 2028, 2028, and 2033, respectively. These bonds are payable from the net revenues of the Authority.	52,830,000
On April 14, 2005, Commonwealth Port Fund Revenue Bonds, dated April 6, 2005, were issued in the principal amounts of $55,095,000 (AMT bonds) and $4,905,000 (non-AMT bonds). AMT serial bonds issued in the principal amount of $31,465,000 are payable in annual installments varying from $1,275,000 to $3,055,000 with interest of 5.0% to 5.25% payable semiannually, the final installment due July 1, 2024. AMT term bonds issued in the principal amount of $6,745,000 and $16,885,000 with interest of 5.25% and 4.875% are due July 1, 2019 and 2029, respectively. Non-AMT term bonds issued in the principal amount of $4,905,000 with interest of 5.00% are due July 1, 2030. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.	58,755,000
On April 6, 2006, Commonwealth Port Fund Refunding Bonds, dated the same, were issued in the principal amount of $21,730,000. The bonds are payable in annual installments varying from $1,000,000 to $2,885,000 with interest of 5.00% to 5.50% payable semiannually, the final installment due July 1, 2016. These bonds are payable primarily from the Commonwealth Port Fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.	21,730,000
On October 17, 2006, Port Facilities Fund Revenue Bonds, dated the same, were issued in the principal amount of $90,000,000. Serial bonds issued in the principal amount of $20,005,000 are payable in annual installments varying from $75,000 to $145,000 with interest of 4.00% to 4.375% payable semiannually, the final installment due July 1, 2026. Term bonds issued in the principal amounts of $30,300,000 and $57,695,000 with interest of 4.75% and 5.00%, respectively, are due July 1, 2031 and July 1, 2036. These bonds are payable from the net revenues of the Authority.	90,000,000

4. LONG-TERM DEBT - continued

On April 11, 2007, Port Facilities Fund Revenue Bonds, dated the same, were issued in the principal amount of $74,255,000. The bonds are payable in annual installments varying from $35,000 to $6,040,000 with interest of 4.00% to 5.00% payable semiannually, the final installment due July 1, 2027. The bonds are payable from the net revenues of the Authority.	74,255,000
Sub-total revenue bonds	455,735,000
Issuance premium, net	12,643,146
Deferred refunding amount	(1,261,264)
Total revenue bonds	**467,116,882**

Installment Purchases

A contract dated November 20, 2000, for the lease purchase of terminal equipment totaling $4,963,000 with initial payment of $90,398 and monthly payments of $69,992 for a period of seven years at an interest rate of 4.93% was refinanced beginning September 1, 2004 with monthly payments of $67,837 for a period of forty-one months at an interest rate of 3.10%.	402,851
A contract dated December 11, 2003, for the lease purchase of terminal equipment totaling $6,750,000 with initial payment of $13,838 and semi-annual payments of $406,659 for a period of ten years at an interest rate of 3.69%.	4,662,419
A contract dated April 15, 2004 for the lease purchase of terminal equipment totaling $802,269 with initial payment of $4,199 and semi-annual payments of $85,798 for a period of five years at an interest rate of 2.4795%.	332,815
A contract dated July 9, 2004 for the lease purchase of terminal equipment totaling $2,776,800 with initial payment of $166,433 and semi-annual payments of $169,172 for a period of ten years at an interest rate of 3.9185%.	2,053,926
A contract dated July 9, 2004 for the lease purchase of terminal equipment totaling $11,500,000 with initial payment of $522,958 and semi-annual payments of $536,365 for a period of fifteen years at an interest rate of 4.6387%.	9,787,142

4. LONG-TERM DEBT - continued

A contract dated January 6, 2005 for the lease purchase of terminal equipment totaling $23,170,930 with semi-annual payments of $1,386,681 for a period of ten years at an interest rate of 3.563%.	18,112,564
A contract dated August 18, 2005 for the lease purchase of terminal equipment totaling $4,663,170 with semi-annual payments of $279,607 for a period of ten years at an interest rate of 3.69%.	3,843,458
Total installment purchases	**39,195,175**

Contracts

A contract dated May 15, 1986, for the construction of certain harbor projects to increase the depth of shipping channels at Hampton Roads totaling $928,077. The agreement requires annual payments for a period of 30 years including interest at the current Treasury rate, plus 1/8 of 1% for transaction costs beginning May 1997. Every 5 years the interest rate will be recalculated using the Treasury rate in effect at that time. The last recalculation was performed as of May 2003. This debt was paid in full in June 2007.	0

Compensated Absences

VPA's salaried employees' attendance and leave regulations make provision for the granting of a specified number of days of leave each year. The amount of leave earned but not taken is recorded as a liability on the Statement of Net Assets. At June 30, 2007 the amounts reflect all earned vacation and compensatory leave not taken, and the amount payable under the Authority's sick leave pay-out policy upon termination, which is the lesser of 25 percent of sick leave not taken or $5,000 per employee for employees hired prior to July 1, 1997. The compensated absence liability also includes related payroll taxes.	604,692
Total long-term indebtedness	**$506,916,749**

4. LONG-TERM DEBT - continued

Annual Long-Term Debt Requirements

A summary of future principal and interest obligations under long-term debt as of June 30, 2007 (excluding compensated absences), is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
2008	$ 20,625,000	$ 21,297,156	$ 41,922,156
2009	20,750,000	21,251,346	42,001,346
2010	11,205,000	20,432,533	31,637,533
2011	11,895,000	19,870,508	31,765,508
2012	12,465,000	19,280,908	31,745,908
2013-2017	69,595,000	86,230,562	155,825,562
2018-2022	74,475,000	67,609,584	142,084,584
2023-2027	95,260,000	46,344,901	141,604,901
2028-2032	75,245,000	23,864,976	99,109,976
2033-2037	64,220,000	8,303,262	72,523,262
Total Bonds	455,735,000	334,485,736	790,220,736
Issuance Premium	12,643,146	-	12,643,146
Deferred Refunding	(1,261,264)	-	(1,261,264)
Total	$467,116,882	$334,485,736	$801,602,618

Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2008	$ 2,516,158	$ 755,845	$ 3,272,003
2009	4,345,666	1,382,900	5,728,567
2010	4,423,652	1,219,116	5,642,768
2011	4,504,696	1,052,273	5,556,969
2012	4,676,887	880,082	5,556,969
2013-2017	16,223,244	1,890,241	18,113,485
2018-2022	2,504,872	176,954	2,281,825
Total	$ 39,195,175	$ 7,357,411	$ 46,552,586

4. LONG-TERM DEBT - concluded

Component Unit – VIT

VIT permits employees to accumulate unused personal leave and up to 25 days of vacation leave benefits that can be utilized in future periods or partially paid upon separation from employment. VIT has recorded a liability of $3,844,940 at June 30, 2007 to the extent of the benefits that are payable. VIT is also contingently liable for personal and vacation leave of $5,094,409 at June 30, 2007 representing amounts employees could use during their period of employment.

5. DEFEASANCE OF DEBT

Prior Years

During fiscal year 1997, certain 1993 Port Facilities General Revenue Bonds were defeased by the Authority. A portion of the net proceeds from the sale of the 1997 bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements. At June 30, 2007, $4,915,000 of defeased bonds were outstanding.

Current Refundings

On April 11, 2007 the Authority issued $74,255,000 of Port Facility Revenue Bonds to currently refund all but $7,040,000 in principal amount of the Authority's Port Facilities Revenue Bonds, Series 1997 issued in the original par amount of $98,065,000. The refunding was undertaken to take advantage of the lower interest rates available to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $939,014. This amount is netted against the old debt and amortized over the life of the new debt which is same as the refunded debt. The transaction also resulted in a net present value savings of $7,000,743.

Proceeds from the sale, along with other funds available from the Authority, were placed in an irrevocable trust with an escrow agent to repay the bonds in full on or about July 1, 2007. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements.

6. RENT OF TERMINAL FACILITIES AND EQUIPMENT

Virginia International Terminals, Inc., (VIT) was incorporated as a nonprofit corporation on June 30, 1981, for the purpose of operating all marine terminals owned by the Authority. Lease agreements with Port Authority Terminals, Inc., and Portsmouth Terminals, Inc., to operate Newport News Marine Terminal, Norfolk International Terminals, and Portsmouth Marine Terminal, respectively, were assigned to VIT.

Effective June 1997, the service agreement with VIT was amended to comply with the 1997 Series Bond Resolution that restructured the payments. The payments are now based on the overall monthly cash flow of VIT operating results.

7. COMMITMENTS AND CONTINGENCIES

As of June 30, 2007, the Authority has commitments to construction contracts totaling $253,572,035 of which $104,603,867 has been incurred.

The Authority established a Master Equipment Lease Program on October 15, 2003. All equipment financed subsequent to that date serves as collateral for all debt outstanding under the Master Lease.

The Authority is committed under various operating lease agreements for office facilities and equipment. The commitments range from two months to seven years and generally include renewal options and escalation clauses relating to property tax and cost of living increases. Operating leases to rent office space in Singapore, Brussels, Korea and Hong Kong are subject to the currency exchange rate at the time of each rent payment. Rent expense under operating lease agreements amounted to $713,503 for the year.

A summary of future obligations under lease agreements as of June 30, 2007, follows:

Year Ending June 30,	Amount
2008	609,170
2009	603,278
2010	619,400
2011	611,727
2012	611,733
Thereafter	311,013
Total	$3,366,321

7. COMMITMENTS AND CONTINGENCIES- continued

Escrow funds

On April 23, 2003 the Authority, acting as agent for the Commonwealth, signed a Project Cooperation Agreement (PCA) with the Department of the Army for dredging the inbound channel of the Norfolk Harbor, and related channels, to a depth of 50 feet. In connection with the PCA, the Authority received $17.475 million from the Priority Transportation Fund of the Commonwealth as matching funds required under the PCA. The matching funds were invested in a short-term government security and a money market account in the name of the Authority. However, the Department of the Army has the sole and unrestricted right to draw upon all or any part of the principal funds deposited in the escrow account. As of June 30, 2007, the escrow account balance was $1,769,887.

Federal Grants

The Authority receives federal grant funding from the United States Department of Transportation, Maritime Administration to improve security around the ports of Virginia in the wake of the terrorist attack on September 11, 2001. The grants are subject to review and audit under the "Office of Management and Budget Circular A-133." Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for allowable purposes. The Authority is required to comply with various federal regulations issued by the Office of Management and Budget.

Median Rail Project

During the fiscal year ended June 30, 2007, the Authority entered into an agreement with the Virginia Department of Rail and Public Transportation for the assignment of responsibility for project administration of the Commonwealth Rail Relocation Project (also known as the 164/I-664 Median Rail Relocation project) and for the pass-through of rail enhancement funds allocated by the Commonwealth Transportation Board to Commonwealth Rail, Inc. The Authority is facilitating the design and construction of the project on behalf of the Commonwealth. The Virginia Port Authority resolution 06-6, dated May 23, 2006 prohibits entering into any contracts creating a liability greater than the funds being transferred. All funds received and expenditures incurred will be classified as nonoperating for this flow-through project.

7. COMMITMENTS AND CONTINGENCIES- concluded

Lawsuits and Claims

The Authority is a defendant in a lawsuit generally incident to its business. The amount of potential loss as a direct result of the suit cannot presently be determined. As such, no provision has been recorded in the accompanying financial statements for this contingency. The Authority intends to vigorously defend itself against all legal actions.

Component Unit – VIT

VIT is a defendant in various lawsuits generally incidental to its business. It is management's opinion that the financial position of the Company will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2007.

At June 30, 2007, VIT had a letter of credit issued in the amount of $2,000,000 for workers' compensation claims. The letter of credit bears interest at prime and is set to expire at March 31, 2008. At June 30, 2007, there were no borrowings outstanding.

8. PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The Authority maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their status as a State employee, and their benefits maintained under the Virginia Retirement System (VRS), or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired after July 1, 1997.

Employees of the Authority who elected to remain employees of the Commonwealth participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the Authority, has overall responsibility for contributions to these plans.

8. PENSION PLANS AND OTHER POST RETIREMENT BENEFITS–continued

The VPA Defined Benefit Plan is a single employer, noncontributory defined benefit pension plan administered by the Authority. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Board of Commissioners of the Authority. The latest actuarial report on the VPA Defined Benefit Plan may be obtained by contacting the Finance Department of the Authority.

As the plan sponsor for the VPA Defined Benefit Plan, the Authority sets a contribution rate annually based on recommendations provided by the plan's Actuary. The Authority elected to contribute 7.80% of base pay in 2007, 7.05% of base pay in 2006 and 6.87% of base pay in 2005 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

In November 2001, the Board of Commissioners voted to amend the VPA Defined Benefit Plan to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Enforcement Officers Retirement System program. The effect of those changes is included in the accompanying pension data.

The components of annual pension cost and net pension obligation are as follows:

	2007	2006	2005
Service cost-benefits earned during the year	$532,378	$514,545	$329,902
Interest on projected benefit obligation	299,507	223,047	157,419
Expected return on assets	(434,736)	(165,669)	(107,220)
Net amortization and deferral	387,386	191,195	83,198
Annual pension cost	784,535	763,118	463,299
Contributions made	(1,654,371)	(896,505)	(506,915)
Additional minimum liability	(1,402,080)	(126,285)	945,384
Increase(Decrease) in pension obligation	(2,271,916)	(259,672)	901,768
Pension obligation, beginning of year	1,144,113	1,403,785	502,017
Pension obligation(prepayment), end of year	($1,127,803)	$1,144,113	$1,403,785

The annual pension cost for the current year was determined as part of the August 2007 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Actual value of assets was determined using market value. The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.25% for 2007, 6.25% for 2006 and 5.25% for 2005. The estimated rate of increase in future compensation levels used was 4.00%. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00%.

8. PENSION PLANS AND OTHER POST RETIREMENT BENEFITS–continued

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2007, 2006 and 2005.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	$ 784,535	211%	($ 1,127,803)
June 30, 2006	$ 763,118	117%	$ 1,144,113
June 30, 2005	$ 463,299	109%	$ 1,403,785

In addition, the Authority maintains two deferred compensation plans and a matching savings plan under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under a deferred compensation plan administered by VRS. Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

The VPA Deferred Compensation Plan covers all employees hired after July 1, 1997, and those employees electing coverage under the Authority's deferred compensation plan. The Matching Savings Plan covers substantially all employees. The matching savings plan requires VPA to match contributions in an amount equal to 50% of the first 6% of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was $145,962 and $135,170 for the years ended June 30, 2007 and 2006, respectively.

The right to modify, alter, amend, or terminate the Authority's Deferred Compensation Plan and the Matching Savings Plan vests with the Board of Commissioners of the Authority. Effective January 1, 2002, the plans were amended in order to comply with provisions in the Economic Growth & Tax Reconciliation Act (EGTRRA).

Component Unit – VIT

The Virginia International Terminals, Inc. Pension Plan is a single employer, noncontributory defined benefit pension plan administered by Virginia International Terminals, Inc. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the Board of Directors of Virginia International Terminals, Inc.

On October 1, 2001, the Plan was amended and restated in order to comply with the GUST II requirements, brought about by the Uniformed Service Employment and Reemployment Rights Act of 1994, the Uruguay Round Agreements Act, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Internal Revenue Service Restructuring and Reform Act of 1998.

8. PENSION PLANS AND OTHER POST RETIREMENT BENEFITS–Continued
Component Unit – VIT continued

The annual pension cost for the current year was determined as part of the October 1, 2006 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. The discount rate used in determining the actuarial present value of the projected benefit obligation was 6.75% for all three years. The estimated rate of increase in future compensation levels used was 5.00% for all three years for all post-1996 hires and 6% for all pre-1997 hires for all three years. The expected long-term rate of return on assets used in determining net periodic pension cost was 8.00% for all three years.

The components of annual pension cost and prepaid pension obligation are as follows:

	2007	2006	2005
Service cost - benefits earned	$ 2,036,800	$ 1,801,800	$ 1,642,100
Interest cost of projected benefit obligation	3,316,900	2,903,200	2,653,000
Expected return on assets	(3,729,500)	(3,213,200)	(2,972,100)
Net amortization and deferral	941,500	709,500	643,600
Annual pension cost	2,565,700	2,201,300	1,966,600
Contributions made	(2,634,600)	(4,216,500)	(1,104,900)
Decrease (Increase) in pension obligation	(68,900)	(2,015,200)	861,700
Prepaid pension obligation, beginning of year	(9,321,300)	(7,306,100)	(8,167,800)
Prepaid pension obligation, end of year	($ 9,390,200)	($ 9,321,300)	($ 7,306,100)

The following table sets forth the plan's funded status and the related amounts recorded in the Company's balance sheets at June 30, 2007, 2006, and 2005.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
June 30, 2007	$ 2,565,700	103%	($ 9,390,200)
June 30, 2006	$ 2,201,300	192%	($ 9,321,300)
June 30, 2005	$ 1,966,600	56%	($ 7,306,100)

8. PENSION PLANS AND OTHER POST RETIREMENT BENEFITS–concluded
Component Unit – VIT - concluded

VIT also sponsors two noncontributory supplemental plans covering certain key employees. Assets of $2,453,128 and $2,199,929 in 2007 and 2006, respectively, have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was $$4,420,115 and $3,800,744 as of June 30, 2007 and 2006, respectively. Contributions to the plans were $132,358 and $427,000 for the years ended June 30, 2007 and 2006, respectively.

In addition, VIT sponsors a deferred compensation plan and a matching savings plan under Internal Revenue Code Sections 457 and 401(a), respectively, that cover substantially all nonunion employees with 90 days or more of service. The matching savings plan requires VIT to match employee contributions in an amount equal to 50% of the first 3% of the participant's base pay contributed to the deferred compensation plan. VIT's total contribution to the matching savings plan was $319,336 and $300,442 for the years ended June 30, 2007 and 2006, respectively.

Virginia Intermodal Management, LLC (VIM) sponsors a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) and provides a matching savings plan under Internal Revenue Code Section 408(p). All employees with annual earnings greater than $5,000 are eligible to participate in the plan. The plan requires VIM to match 3% of each eligible employee's salary. VIM's total contribution to the Plan was $18,705 and $18,460 for the years ended June 30, 2007 and 2006, respectively.

9. ACCRUED WORKERS' COMPENSATION COSTS

Included in accrued workers' compensation costs for VIT are a workers' compensation claims component and an accrued Department of Labor assessment component. The workers' compensation claims component consists of VIT's estimate of its continuing liability for injuries, which occurred during periods of self-insurance. The balances at June 30, 2007 and 2006 are classified as follows:

	2007	2006
Workers' compensation claims	$ 350,503	$1,632,402
Workers' compensation claims, noncurrent portion	1,325,808	446,122
	$1,676,311	$2,078,524

9. ACCRUED WORKERS' COMPENSATION COSTS-concluded

The accrued Department of Labor (DOL) assessment component is the VIT's estimate of the present value of its future liability to the Department of Labor for participation in the U.S. Department of Labor's Second Injury Fund. The total liability has been discounted using a rate of 6.75% for June 30, 2007 and 2006. The undiscounted liability totaled approximately $7,150,100 and $7,531,000, at June 30, 2007 and 2006, respectively.

VIT expects to pay these assessments annually through 2034. The balances at June 30, 2007 and 2006 are classified as follows:

	2007	2006
Accrued DOL assessment	$ 894,274	$ 867,598
Accrued DOL assessment, noncurrent portion	3,879,726	4,200,402
	$ 4,774,000	$ 5,068,000

10. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS

The Authority is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Authority participates in a General/Law Enforcement Liability plan called "VARisk 2" maintained by the Commonwealth of Virginia. Health care related benefits for employees hired prior to July 1, 1997 are covered by the state employee health care plan administered by the Department of Human Resource Management. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR).

Through its operating agreement, the Authority requires Virginia International Terminals, Inc. to maintain property insurance coverage on all plant and equipment located on the terminals.

The Authority maintains its own insurance coverage for health (for employees hired on or after July 1, 1997), property, auto, workers compensation, and international liabilities, as well as an umbrella policy providing excess liability coverage over and above losses not covered in primary policies.

Virginia Port Authority

STATISTICAL SECTION

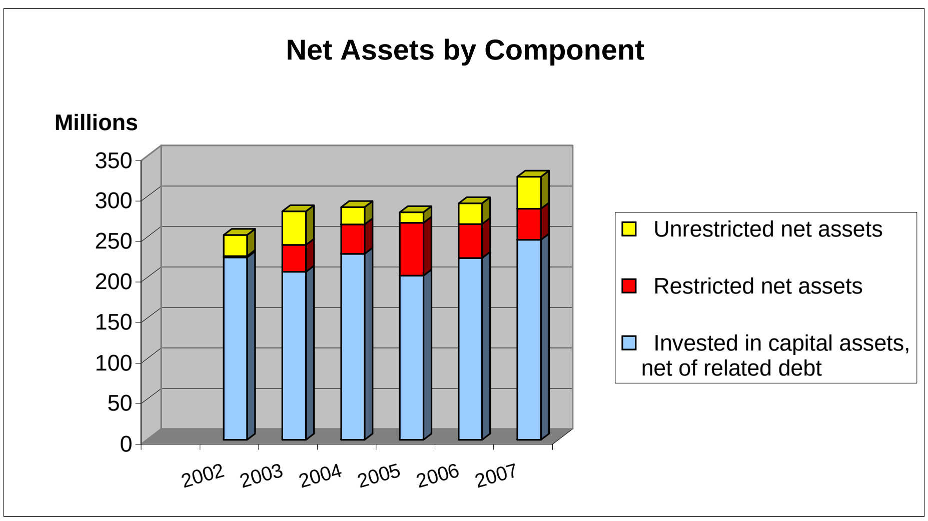
STATISTICAL SECTION
(unaudited)

The objective of the statistical section is to provide information about the economic condition within which the Virginia Port Authority operates, to enable the user to more fully understand what the information in the financial statements, notes and supplementary information says about the Authority's overall financial condition.

VIRGINIA PORT AUTHORITY
Net Assets by Component
For the Years 2002 Through 2007[1]

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Net Assets:						
Invested in capital assets, net of related debt	$ 224,908,267	$ 207,191,158	$ 229,345,578	$ 202,336,198	$ 224,220,031	$ 246,841,187
Restricted net assets	1,437,520	33,181,531	36,386,020	65,355,495	41,764,584	37,919,827
Unrestricted net assets	26,348,479	41,574,603	21,008,849	12,724,958	25,862,097	39,588,492
Total Net Assets	$ 252,694,266	$ 281,947,292	$ 286,740,447	$ 280,416,651	$ 291,846,712	$ 324,349,506

[1] The Authority implemented GASB34 in 2002, therefore no "Net Assets by Component" information is available prior to that date. Results will be added each year until ten years are presented.

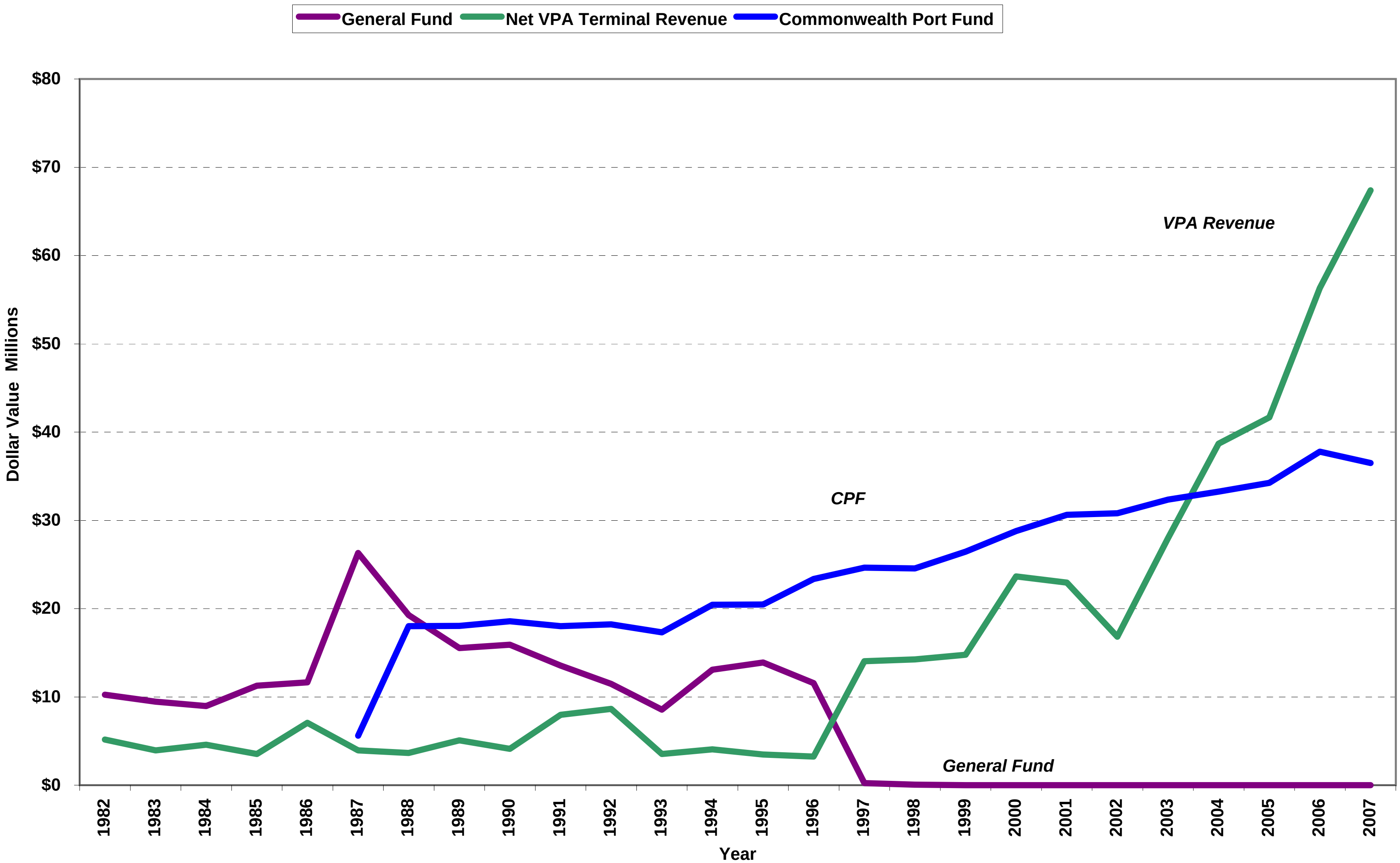


VIRGINIA PORT AUTHORITY
Changes in Net Assets
For the Years 2002 Through 2007[1]

	2002	2003	2004	2005	2006	2007
Operating Revenues:						
Operating revenues from component unit	$ 15,896,034	$ 31,299,217	$ 37,935,241	$ 41,678,561	$ 56,330,102	$ 67,399,813
Other revenues	1,313,613	1,756,837	1,458,786	2,239,387	2,997,586	4,946,483
Total operating revenues	17,209,647	33,056,054	39,394,027	43,917,948	59,327,688	72,346,296
Operating Expenses:						
Terminal operations	1,651,621	1,821,989	2,033,564	2,067,755	2,572,812	1,842,680
Terminal maintenance	5,309,458	4,773,651	3,733,194	4,221,083	5,773,381	4,586,595
General and administrative	14,084,993	14,431,437	14,280,061	15,941,738	16,997,029	21,153,082
Depreciation and amortization	16,835,559	18,614,871	22,128,718	22,805,086	29,269,085	33,501,778
Total operating expenses	37,881,631	39,641,948	42,175,537	45,035,662	54,612,307	61,084,135
Operating income (loss)	(20,671,984)	(6,585,894)	(2,781,510)	(1,117,714)	4,715,381	11,262,161
Non-operating revenues (expenses)						
Interest income	1,750,168	3,121,391	2,227,921	2,513,724	4,181,708	6,983,909
Interest expense	(10,442,365)	(16,228,649)	(18,700,271)	(15,721,684)	(18,904,385)	(19,249,296)
Other income (expense)	-	-	-	(56,518)	100,339	166,303
Gain (loss) on disposals	(633,123)	44,015	(614,981)	(10,685,443)	(120,524)	(430,311)
Income (loss) before capital contributions and transfers	(29,997,304)	(19,649,137)	(19,868,841)	(25,067,635)	(10,027,481)	(1,267,234)
Capital contributions and transfers						
Commonwealth Port Fund allocation	31,837,309	29,877,485	33,128,055	34,236,656	37,769,900	36,500,057
Commonwealth Rail Relocation Income						1,120,000
Commonwealth Rail Relocation Expense						(1,447,474)
Operating expenses to component unit	-	-	(6,781,000)	(8,367,186)	(5,424,620)	(4,498,144)
Capital contributions (to) from component unit, net	-	-	(4,982,210)	4,071,724	(4,640,649)	1,968,604
Capital contribution to City of Norfolk	-	-	-	(5,000,000)	-	-
Channel dredging Income/Expenses - Fed Govt	-	17,675,000	(2,400,726)	(7,100,005)	(6,762,000)	-
Proceeds from federal government	-	869,940	7,242,502	1,322,558	840,276	300,787
Transfers (to) from primary government	(161,168)	(1,445,987)	(1,544,625)	(419,908)	(325,365)	(173,802)
Increase (decrease) in Net Assets	1,678,837	27,327,301	4,793,155	(6,323,796)	11,430,061	32,502,794
Net Assets - Beginning of Year	252,941,154	254,619,991	281,947,292	286,740,447	280,416,651	291,846,712
Net Assets - End of Year	$ 254,619,991	$ 281,947,292	$ 286,740,447	$ 280,416,651	$ 291,846,712	$ 324,349,506

[1] The Authority implemented GASB34 in 2002, therefore no "Net Assets by Component" information is available prior to that date. Results will be added each year until ten years are presented.

VIRGINIA PORT AUTHORITY - Revenue Comparisons



VIRGINIA PORT AUTHORITY
Commonwealth Port Fund (CPF) Revenue Bonds[1]
Debt Service Requirements

Period Ending June 30,	Series 1996 Principal	Series 1996 Interest	Series 1996 Debt Service	Series 1998 Principal	Series 1998 Interest	Series 1998 Debt Service	Series 2002 Principal	Series 2002 Interest	Series 2002 Debt Service
2008	1,935,000	51,762	1,986,762	9,560,000	817,576	10,377,576	3,620,000	6,516,981	10,136,981
2009	-	-	-	10,085,000	277,338	10,362,338	3,755,000	6,354,269	10,109,269
2010	-	-	-	-	-	-	3,945,000	6,163,987	10,108,987
2011	-	-	-	-	-	-	4,140,000	5,964,082	10,104,082
2012	-	-	-	-	-	-	4,345,000	5,751,959	10,096,959
2013	-	-	-	-	-	-	4,560,000	5,532,314	10,092,314
2014	-	-	-	-	-	-	4,785,000	5,305,466	10,090,466
2015	-	-	-	-	-	-	5,015,000	5,051,726	10,066,726
2016	-	-	-	-	-	-	5,290,000	4,768,339	10,058,339
2017	-	-	-	-	-	-	5,580,000	4,469,414	10,049,414
2018	-	-	-	-	-	-	5,890,000	4,153,989	10,043,989
2019	-	-	-	-	-	-	6,215,000	3,821,101	10,036,101
2020	-	-	-	-	-	-	6,555,000	3,486,313	10,041,313
2021	-	-	-	-	-	-	6,885,000	3,150,313	10,035,313
2022	-	-	-	-	-	-	7,225,000	2,797,563	10,022,563
2023	-	-	-	-	-	-	7,590,000	2,422,444	10,012,444
2024	-	-	-	-	-	-	7,975,000	2,023,591	9,998,591
2025	-	-	-	-	-	-	8,385,000	1,604,366	9,989,366
2026	-	-	-	-	-	-	8,815,000	1,169,125	9,984,125
2027	-	-	-	-	-	-	9,255,000	717,375	9,972,375
2028	-	-	-	-	-	-	9,720,000	243,000	9,963,000
2029	-	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-	-
	$ 1,935,000	$ 51,762	$ 1,986,762	$ 19,645,000	$ 1,094,914	$ 20,739,914	$ 129,545,000	$ 81,467,717	$ 211,012,717

[1] The bonds are payable primarily from the Commonwealth Port fund. Such revenues currently consist of a portion of the additional revenues derived from certain increases in motor vehicle fuel taxes, sales and use taxes, and annual motor vehicle registration fees.

Series 2005A (AMT)			Series 2005B (Non-AMT)			Series 2006			Total Bonds
Principal	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Debt Service**
1,275,000	2,695,981	3,970,981	-	245,250	245,250	1,000,000	1,121,650	2,121,650	28,839,200
1,370,000	2,629,856	3,999,856	-	245,250	245,250	2,015,000	1,046,275	3,061,275	27,777,988
1,440,000	2,559,606	3,999,606	-	245,250	245,250	2,120,000	942,900	3,062,900	17,416,743
1,515,000	2,485,731	4,000,731	-	245,250	245,250	2,230,000	834,150	3,064,150	17,414,213
1,590,000	2,408,106	3,998,106	-	245,250	245,250	2,335,000	720,025	3,055,025	17,395,340
1,670,000	2,326,606	3,996,606	-	245,250	245,250	2,455,000	594,138	3,049,138	17,383,308
1,750,000	2,241,106	3,991,106	-	245,250	245,250	2,590,000	455,401	3,045,401	17,372,223
1,840,000	2,151,356	3,991,356	-	245,250	245,250	2,735,000	308,963	3,043,963	17,347,295
1,930,000	2,057,106	3,987,106	-	245,250	245,250	2,885,000	154,413	3,039,413	17,330,108
2,025,000	1,955,700	3,980,700	-	245,250	245,250	1,365,000	37,538	1,402,538	15,677,902
2,135,000	1,846,500	3,981,500	-	245,250	245,250	-	-	-	14,270,739
2,245,000	1,731,525	3,976,525	-	245,250	245,250	-	-	-	14,257,876
2,365,000	1,610,513	3,975,513	-	245,250	245,250	-	-	-	14,262,076
2,485,000	1,483,201	3,968,201	-	245,250	245,250	-	-	-	14,248,764
2,620,000	1,349,195	3,969,195	-	245,250	245,250	-	-	-	14,237,008
2,755,000	1,208,101	3,963,101	-	245,250	245,250	-	-	-	14,220,795
2,900,000	1,059,657	3,959,657	-	245,250	245,250	-	-	-	14,203,498
3,055,000	903,338	3,958,338	-	245,250	245,250	-	-	-	14,192,954
3,215,000	744,779	3,959,779	-	245,250	245,250	-	-	-	14,189,154
3,370,000	584,270	3,954,270	-	245,250	245,250	-	-	-	14,171,895
3,535,000	415,960	3,950,960	-	245,250	245,250	-	-	-	14,159,210
3,705,000	239,485	3,944,485	-	245,250	245,250	-	-	-	4,189,735
3,060,000	74,588	3,134,588	825,000	224,625	1,049,625	-	-	-	4,184,213
-	-	-	4,080,000	102,000	4,182,000	-	-	-	4,182,000
$ 53,850,000	$ 36,762,266	$ 90,612,266	$ 4,905,000	$ 5,722,125	$ 10,627,125	$ 21,730,000	$ 6,215,453	$ 27,945,453	$ 362,924,237

VIRGINIA PORT AUTHORITY
Port Facilities Revenue Bonds[1]
Debt Service Requirements

Period Ending June 30,	Series 1997 Bonds Principal	Series 1997 Bonds Interest	Series 1997 Bonds Total	Series 2003 Bonds Principal	Series 2003 Bonds Interest	Series 2003 Bonds Total	Series 2006 Bonds Principal	Series 2006 Bonds Interest	Series 2006 Bonds Total	Series 2007 Bonds Principal	Series 2007 Bonds Interest	Series 2007 Bonds Total	Total Bonds Debt Service
2008	2,220,000	2,509,373	4,729,373	1,015,000	2,469,900	3,484,900	75,000	4,407,619	4,482,619	35,000	3,712,050	3,747,050	16,443,942
2009	2,350,000	248,290	2,598,290	1,065,000	2,419,150	3,484,150	75,000	4,404,619	4,479,619	35,000	3,710,650	3,745,650	14,307,709
2010	2,470,000	128,440	2,598,440	1,120,000	2,365,900	3,485,900	75,000	4,401,619	4,476,619	2,635,000	3,709,250	6,344,250	16,905,209
2011				1,165,000	2,321,100	3,486,100	80,000	4,398,619	4,478,619	2,770,000	3,577,500	6,347,500	14,312,219
2012				1,210,000	2,274,500	3,484,500	85,000	4,395,419	4,480,419	2,905,000	3,439,000	6,344,000	14,308,919
2013				1,260,000	2,226,100	3,486,100	90,000	4,392,019	4,482,019	3,050,000	3,293,750	6,343,750	14,311,869
2014				1,310,000	2,175,700	3,485,700	90,000	4,388,419	4,478,419	3,210,000	3,141,250	6,351,250	14,315,369
2015				1,360,000	2,123,300	3,483,300	95,000	4,384,819	4,479,819	3,365,000	2,980,750	6,345,750	14,308,869
2016				1,430,000	2,053,600	3,483,600	100,000	4,381,019	4,481,019	3,535,000	2,812,500	6,347,500	14,312,119
2017				1,505,000	1,980,313	3,485,313	100,000	4,377,019	4,477,019	3,710,000	2,635,750	6,345,750	14,308,082
2018				1,585,000	1,901,300	3,486,300	105,000	4,373,019	4,478,019	3,900,000	2,450,250	6,350,250	14,314,569
2019				1,665,000	1,818,088	3,483,088	115,000	4,368,688	4,483,688	4,090,000	2,255,250	6,345,250	14,312,026
2020				1,755,000	1,730,675	3,485,675	115,000	4,363,800	4,478,800	4,295,000	2,050,750	6,345,750	14,310,225
2021				1,845,000	1,638,538	3,483,538	120,000	4,358,913	4,478,913	4,510,000	1,836,000	6,346,000	14,308,451
2022				1,945,000	1,541,675	3,486,675	125,000	4,353,813	4,478,813	4,740,000	1,610,500	6,350,500	14,315,988
2023				2,030,000	1,456,581	3,486,581	135,000	4,348,500	4,483,500	4,970,000	1,373,500	6,343,500	14,313,581
2024				2,115,000	1,367,769	3,482,769	135,000	4,342,594	4,477,594	5,220,000	1,125,000	6,345,000	14,305,363
2025				2,210,000	1,275,238	3,485,238	145,000	4,336,688	4,481,688	5,480,000	864,000	6,344,000	14,310,926
2026				2,310,000	1,173,025	3,483,025	145,000	4,330,344	4,475,344	5,760,000	590,000	6,350,000	14,308,369
2027				2,425,000	1,060,400	3,485,400	155,000	4,324,000	4,479,000	6,040,000	302,000	6,342,000	14,306,400
2028				2,545,000	942,213	3,487,213	7,020,000	4,316,638	11,336,638				14,823,851
2029				2,665,000	818,163	3,483,163	7,355,000	3,983,188	11,338,188				14,821,351
2030				2,795,000	688,275	3,483,275	7,705,000	3,633,825	11,338,825				14,822,100
2031				2,920,000	562,500	3,482,500	8,065,000	3,267,838	11,332,838				14,815,338
2032				3,055,000	431,100	3,486,100	8,455,000	2,884,750	11,339,750				14,825,850
2033				3,190,000	293,625	3,483,625	8,875,000	2,462,000	11,337,000				14,820,625
2034				3,335,000	150,075	3,485,075	12,805,000	2,018,250	14,823,250				18,308,325
2035							13,445,000	1,378,000	14,823,000				14,823,000
2036							14,115,000	705,750	14,820,750				14,820,750
	$ 7,040,000	$ 2,886,103	$ 9,926,103	$ 52,830,000	$ 41,258,803	$ 94,088,803	$ 90,000,000	$ 112,081,781	$ 202,081,781	$ 74,255,000	$ 47,469,700	$ 121,724,700	$ 427,821,387

[1] The bonds are payable from the net revenues of the Authority.

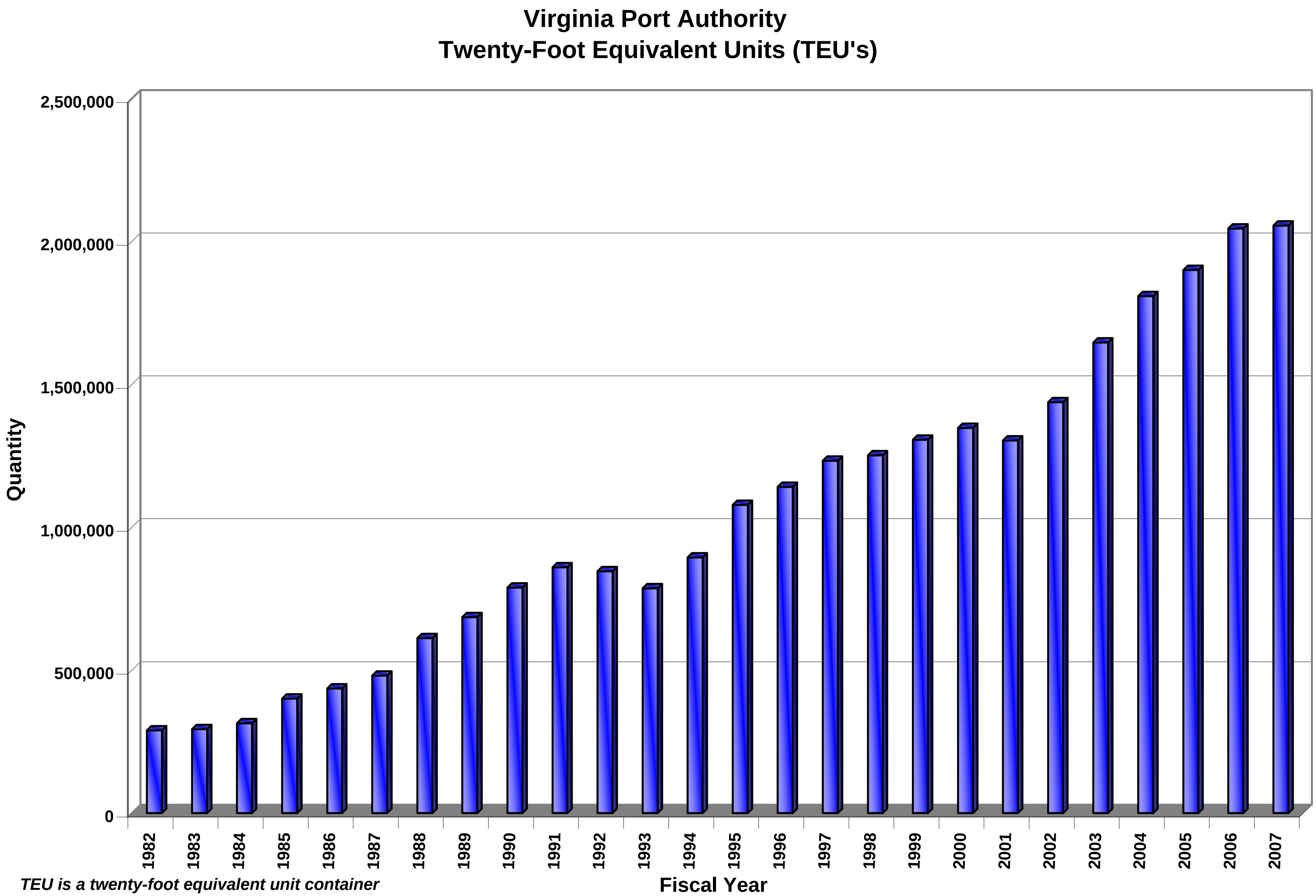
VIRGINIA PORT AUTHORITY
Debt Service Requirements

Period Ending June 30,	Commonwealth Port Fund Bonds Debt Service	Port Facilities Revenue Bonds Debt Service	Total Bonds Debt Service
2008	28,839,200	16,443,942	45,283,142
2009	27,777,988	14,307,709	42,085,697
2010	17,416,743	16,905,209	34,321,952
2011	17,414,213	14,312,219	31,726,432
2012	17,395,340	14,308,919	31,704,259
2013	17,383,308	14,311,869	31,695,177
2014	17,372,223	14,315,369	31,687,592
2015	17,347,295	14,308,869	31,656,164
2016	17,330,108	14,312,119	31,642,227
2017	15,677,902	14,308,082	29,985,984
2018	14,270,739	14,314,569	28,585,308
2019	14,257,876	14,312,026	28,569,902
2020	14,262,076	14,310,225	28,572,301
2021	14,248,764	14,308,451	28,557,215
2022	14,237,008	14,315,988	28,552,996
2023	14,220,795	14,313,581	28,534,376
2024	14,203,498	14,305,363	28,508,861
2025	14,192,954	14,310,926	28,503,880
2026	14,189,154	14,308,369	28,497,523
2027	14,171,895	14,306,400	28,478,295
2028	14,159,210	14,823,851	28,983,061
2029	4,189,735	14,821,351	19,011,086
2030	4,184,213	14,822,100	19,006,313
2031	4,182,000	14,815,338	18,997,338
2032		14,825,850	14,825,850
2033		14,820,625	14,820,625
2034		18,308,325	18,308,325
2035		14,823,000	14,823,000
2036		14,820,750	14,820,750
	$ 362,924,237	$ 427,821,387	$ 790,745,624

VIRGINIA PORT AUTHORITY
Operating Results and Debt Service Coverage[1]
Cash Basis

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Virginia International Terminals									
VIT Gross Receipts	129,021,565	130,715,250	138,139,565	129,316,922	144,304,559	170,344,524	197,703,653	222,966,322	238,319,892
VIT Current Expenses	(106,934,640)	(105,729,213)	(112,152,594)	(103,845,605)	(113,109,405)	(130,802,285)	(151,068,932)	(164,865,110)	(173,427,457)
* VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	(3,120,733)	441,800	0	0	1,641,000	0	0	0	5,800,000
VIT Deposits to CEMA	(559,870)	(2,938,221)	(3,005,698)	(5,666,237)	(2,099,601)	(2,342,407)	(5,392,809)	(4,412,064)	(2,862,031)
VIT Net Revenue	18,406,322	22,489,616	22,981,273	19,805,080	30,736,553	37,199,832	41,241,912	53,689,148	67,830,404
Virginia Port Authority									
VPA Gross Revenues									
VIT Net Revenue	18,406,322	22,489,616	22,981,273	19,805,080	30,736,553	37,199,832	41,241,912	53,689,148	67,830,404
Other Income	1,081,845	1,035,573	1,189,206	1,250,475	1,289,158	1,459,007	2,233,236	2,767,678	4,227,669
Interest Income	67,586	129,116	363,575	220,607	122,754	28,700	270,488	450,524	928,880
Total VPA Gross Revenues	19,555,753	23,654,305	24,534,054	21,276,162	32,148,465	38,687,539	43,745,636	56,907,350	72,986,953
VPA Current Expenses	(16,385,083)	(18,356,967)	(19,022,785)	(18,674,909)	(18,726,869)	(19,577,245)	(19,718,980)	(23,093,131)	(26,502,895)
Prior Obligations	(112,280)	(112,280)	(112,280)	(112,280)	(112,280)	(112,280)	(112,280)	(9,356)	0
VPA Net Revenues	3,058,390	5,185,058	5,398,989	2,488,973	13,309,316	18,998,014	23,914,376	33,804,863	46,484,058
VPA CPF for O & M	4,577,017	6,548,359	6,463,088	6,256,145	4,898,973	5,542,764	4,218,866	5,424,467	5,096,647
Debt Service Coverage									
Series 1997, 2003, 2006 & 2007 Bonds Net Debt Service	1,454,894	6,342,535	6,316,635	6,309,393	6,416,000	9,373,336	9,771,261	9,677,370	13,166,322
Pledged Net Revenues	3,618,260	8,123,279	8,404,687	8,155,210	15,408,917	21,340,421	29,307,185	38,216,927	49,346,089
Pledged Adjusted Net Revenues	8,195,277	14,671,638	14,867,775	14,411,355	20,307,890	26,883,185	33,526,051	43,641,394	54,442,736
Pledged Net Revenue Coverage	2.49	1.28	1.33	1.29	2.40	2.28	3.00	3.95	3.75
Pledged Adjusted Net Revenue Coverage	5.63	2.31	2.35	2.28	3.17	2.87	3.43	4.51	4.13

* - For 2004 and 2005 the required CE reserve deposit was funded by a transfer from the VPA Reserve, Maintenance and Improvement Fund.
[1] Results will be added each year until ten years are presented



TEU is a twenty-foot equivalent unit container

The Port of Virginia
2006 Key Performance Indicators - Calendar Year

Economic/Historical Indicators						
	Total Trade		**Import**		**Export**	
	Short Tons (Thousands)	**US Dollars (Millions)**	**Short Tons (Thousands)**	**US Dollars (Millions)**	**Short Tons (Thousands)**	**US Dollars (Millions)**
Total Cargo	37,411.03	47,081.15	13,862.20	29,725.32	23,548.83	17,355.84
General Cargo	16,583.09	45,138.77	8,950.49	28,529.72	7,632.60	16,609.05
Bulk Cargo	20,827.94	1,942.38	4,911.72	1,195.60	15,916.23	746.78
Containerized Cargo	16,105.84	39,342.59	8,531.17	26,917.71	7,574.67	12,424.88
Breakbulk Cargo	477.25	5,796.18	419.32	1,612.01	57.93	4,184.17

Twenty Foot Equivalent Units	2,046,286	990,531	1,055,755
Containers	1,177,628	571,724	605,904
Vessel Calls	2,934		

Coal Loadings (International and Domestic) in Thousands of Short Tons	21,587.42

Total Cargo in Thousands of Short Tons

Top 10 Trading Partners

	Exports			**Imports**	
1	Italy	3,444.43	1	Norway	2,151.25
2	Brazil	2,718.76	2	China	1,887.05
3	Belgium	1,920.58	3	Canada	1,166.94
4	United Kingdom	1,482.64	4	Brazil	977.73
5	France	1,396.57	5	Germany	684.60
6	Netherlands	1,191.36	6	Iceland	477.97
7	China	1,078.20	7	India	465.45
8	Spain	1,067.51	8	Italy	441.79
9	India	938.16	9	France	387.43
10	Egypt	900.95	10	Bulgaria	372.02

Top 10 Commodities

	Exports			**Imports**	
1	Mineral Fuel, Oil Etc	15,072.72	1	Mineral Fuel, Oil Etc	3,685.59
2	Cereals	1,288.36	2	Salt;Sulfur;Earth,Stone	1,355.79
3	Wood	838.45	3	Beverages	1,012.31
4	Woodpulp, Etc.	832.53	4	Machinery	912.86
5	Misc Grain,Seed,Fruit	615.80	5	Wood	649.23
6	Paper,Paperboard	494.32	6	Vehicles, Not Railway	552.30
7	Food Waste; Animal Feed	433.17	7	Furniture And Bedding	547.68
8	Plastic	393.82	8	Fertilizers	362.74
9	Machinery	341.90	9	Plastic	353.65
10	Iron And Steel	324.50	10	Rubber	326.17

Trade Lanes

	Export	**Import**
Africa	1,699.22	324.70
Asia, Northeast	2,039.43	2,248.96
Asia, Southeast	405.86	602.45
Carribbean	512.87	184.37
Central America	166.98	72.24
Europe, North	7,817.72	5,257.69
India & Others	1,040.34	551.84
Mediterranean	5,810.89	1,779.50
Middle East	457.88	151.59
North America	83.97	1,175.11
Oceania	91.59	75.23
South America	3,422.05	1,438.47

Coal Exports by Country

1	Italy	3,165.84
2	Brazil	2,532.02
3	Belgium	1,608.58
4	France	1,259.81
5	United Kingdom	1,145.03
6	Spain	855.89
7	Netherlands	843.26
8	India	726.95
9	Turkey	576.58
10	Egypt	486.18

Top U.S. Ports

1	Houston, TX	149,838.89
2	New Orleans, LA	106,448.92
3	Los Angeles, CA	85,774.77
4	Morgan City, LA	65,030.77
5	Newark, NJ	62,980.18
6	Philadelphia, PA	61,512.27
7	Corpus Christi, TX	52,567.92
8	Gramercy, LA	52,012.26
9	Port Arthur, TX	45,262.52
10	Long Beach, CA	38,782.74
11	The Port of Virginia	37,411.03

Source: U.S. Dept. of Commerce, Bureau of Census, Virginia Maritime Association and the Virginia Port Authority

Compiled by VPA, Marketing

June 2007

The Port of Virginia
2006 Key Performance Indicators - Calendar Year

Economic/Historical Indicators						
	Total Trade		Import		Export	
	Short Tons (Thousands)	US Dollars (Millions)	Short Tons (Thousands)	US Dollars (Millions)	Short Tons (Thousands)	US Dollars (Millions)
Total Cargo	37,411.03	47,081.15	13,862.20	29,725.32	23,548.83	17,355.84
General Cargo	16,583.09	45,138.77	8,950.49	28,529.72	7,632.60	16,609.05
Bulk Cargo	20,827.94	1,942.38	4,911.72	1,195.60	15,916.23	746.78
Containerized Cargo	16,105.84	39,342.59	8,531.17	26,917.71	7,574.67	12,424.88
Breakbulk Cargo	477.25	5,796.18	419.32	1,612.01	57.93	4,184.17

	Total Trade	Import	Export
Twenty Foot Equivalent Units	2,046,286	990,531	1,055,755
Containers	1,177,628	571,724	605,904
Vessel Calls	2,934		

Coal Loadings (International and Domestic) in Thousands of Short Tons	21,587.42

Total Cargo in Millions of U.S. Dollars

Top 10 Trading Partners

	Exports			Imports	
1	China	1411.16	1	China	4982.50
2	Germany	1387.84	2	Germany	3616.43
3	United Kingdom	1265.19	3	United Kingdom	2222.63
4	Belgium	1087.78	4	Brazil	1983.28
5	Netherlands	1072.40	5	France	1733.12
6	Brazil	700.96	6	Japan	1696.26
7	Japan	674.51	7	Italy	1596.28
8	Saudi Arabia	621.42	8	India	1302.33
9	Egypt	596.71	9	Netherlands	771.61
10	Spain	538.85	10	Spain	684.89

Top 10 Commodities

	Exports			Imports	
1	Machinery	3189.85	1	Machinery	5297.92
2	Vehicles, Not Railway	1319.29	2	Vehicles, Not Railway	2366.59
3	Tobacco	1170.52	3	Pharmaceutical Products	2121.08
4	Plastic	1105.76	4	Electrical Machinery	1688.91
5	Electrical Machinery	973.23	5	Furniture And Bedding	1466.04
6	Pharmaceutical Products	747.86	6	Mineral Fuel, Oil Etc	1099.83
7	Wood	635.79	7	Inorg Chem;Rare Erth Mt	1033.34
8	Organic Chemicals	585.90	8	Beverages	892.96
9	Paper,Paperboard	467.88	9	Plastic	833.63
10	Misc. Chemical Products	452.60	10	Toys And Sports Equipmt	794.84

Trade Lanes

	Export	Import
Africa	1,182.13	620.52
Asia, Northeast	2,790.32	7,194.74
Asia, Southeast	616.79	1,427.90
Carribbean	155.03	48.41
Central America	244.12	228.92
Europe, North	7,221.26	11,776.01
India & Others	451.33	1,744.87
Mediterranean	1,551.70	3,147.24
Middle East	1,473.45	524.14
North America	27.71	427.69
Oceania	267.12	70.45
South America	1,374.85	2,513.94

Top U.S. Ports

1	Los Angeles, CA	225,842.29
2	Newark, NJ	107,835.69
3	Houston, TX	102,990.14
4	Long Beach, CA	79,284.10
5	Charleston, SC	55,200.49
6	The Port of Virginia	47,081.15
7	Savannah, GA	39,681.81
8	New York, NY	37,784.33
9	Baltimore, MD	36,671.09
10	Seattle, WA	36,533.81
11	Oakland, CA	34,408.27

Source: U.S. Dept. of Commerce, Bureau of Census, Virginia Maritime Association and the Virginia Port Authority

Compiled by VPA, Marketing

June 2007

Virginia Port Authority
The Port of Virginia
2006 Key Performance Indicators - Calendar Year

Major U.S. East Coast Container Ports		TEUs	Market Share %
1	New York/New Jersey	5,092,806	40%
2	Savannah	2,160,168	17%
3	Virginia	2,046,286	16%
4	Charleston	1,968,474	15%
5	Miami (fy)	976,514	8%
6	Baltimore	627,947	5%

Major U.S. East Coast General Cargo Ports		Short Tons (Thousands)	Metric Tons (Thousands)	Market Share %
1	New York / New Jersey	34,385.96	31,194.42	40%
2	Savannah	16,831.20	15,269.01	20%
3	Virginia	16,583.09	15,043.93	20%
4	Miami (fy)	8,654.37	7,851.12	10%
5	Baltimore	8,555.11	7,761.06	10%

(fy)-Fiscal Year
Source: AAPA and various Port Authorities

Virginia Port Authority

VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2007

COMMONWEALTH PORT FUND REVENUE BONDS,
SERIES 1996

COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS,
SERIES 1998

COMMONWEALTH PORT FUND REVENUE BONDS (2002 RESOLUTION),
SERIES 2002

COMMONWEALTH PORT FUND REVENUE BONDS (2002 RESOLUTION),
SERIES 2005A and B

COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS
(2002 RESOLUTION), SERIES 2006

BASE CUSIP NUMBER: 928075

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2007

Commonwealth Port Fund Revenue Bonds, Series 1996

Commonwealth Port Fund Revenue Refunding Bonds, Series 1998

Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2002

Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2005A and B

Commonwealth Port Fund Revenue Refunding Bonds (2002 Resolution), Series 2006

Table of Contents

TABLE 1 - TAXES APPROPRIATED TO COMMONWEALTH PORT FUND

For each of the biennia ended June 30, 1992, 1994, 1996, 1998, 2000, 2002, 2004, and 2006 the General Assembly of the Commonwealth of Virginia (the "Commonwealth") has appropriated the net additional revenues from the tax and fee increases enacted pursuant to Chapters 11, 12 and 15 of the Acts of Assembly, 1986 Special Session, to the Commonwealth's Transportation Trust Fund (the "Transportation Fund") and directed the Commonwealth's Transportation Board to allocate 4.2% thereof to the Commonwealth Port Fund (the "Port Fund").

The following table sets forth the annual collections of the taxes that have been allocated to the Transportation Trust Fund beginning with the fiscal year ended June 30, 2002.

TRANSPORTATION TRUST FUND
STATEMENT OF REVENUE COLLECTIONS
FISCAL YEARS 2002 THROUGH 2007

Transportation Trust Fund
(in millions)

Fiscal Year	2002	2003	2004	2005	2006	2007
Retail Sales and Use Tax	$388.1	$375.7	$415.0	$449.9	$476.3	$517.3
Motor Vehicle Sales and Use Tax[(1)]	190.2	194.8	215.4	219.3	215.9	215.4
Motor Fuel Taxes[(2)]	117.8	120.1	118.1	119.1	118.5	118.0
Motor Vehicle Registration Fees	19.3	19.7	20.5	20.6	21.1	21.3
Total Transportation Trust Fund Revenues[(3)]	$715.4	$710.3	$769.0	$808.9	$831.8	$872.0

(1) Motor Vehicle Sales and Use Tax and Motor Vehicle Rental Tax.
(2) Motor Fuel Tax, Special Fuel Tax, Aviation Special Fuel Tax and Road Tax.
(3) Does not reflect investment income credited to such Fund.

Source: Commonwealth of Virginia/Department of Accounts and Department of Transportation.

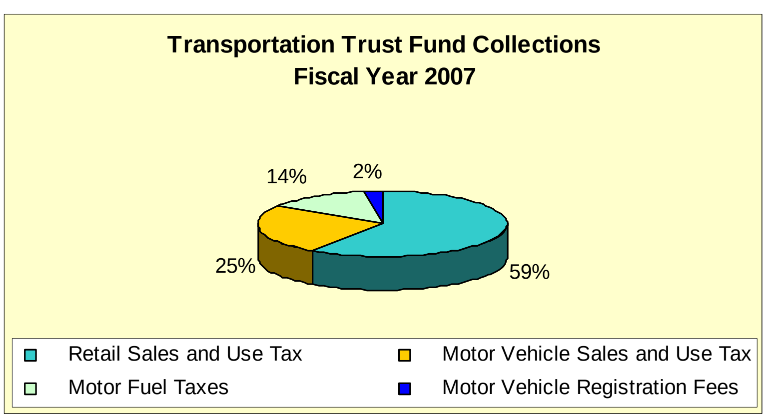


TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

The following table shows the allocation of Transportation Trust Fund revenue to the Port Fund, the interest credited to the Port Fund prior to its transfer to the Income Account under the Authority's Commonwealth Port Fund Revenue Bond Resolution (the "Bond Resolution") and the expenses charged thereto for the fiscal years 1998 through 2007. The net transfers to the Income Account ("Primary Income") are pledged to the payment of bonds issued under the Bond Resolution.

Fiscal Year	Allocation[1]	(+)	Interest Earned[2]	(—)	Indirect Expenses[2]	(=)	Net Transfers
1998	24,691,902		140,998		40,100		24,792,800
1999	26,495,208		447,823		37,700		26,905,331
2000	28,397,110		723,756		43,600		29,077,266
2001	29,447,966		1,144,001		47,600		30,544,367
2002	29,910,418		868,381		48,765		30,730,034
2003	30,597,359		468,452		49,100		31,016,711
2004	32,165,316		124,575		45,600		32,244,291
2005	33,834,570		200,301		47,600		33,987,271
2006	34,785,494		393,119		46,700		35,131,913
2007	36,480,142		421,590		48,300		36,853,432

(1) 4.2% of total Transportation Trust Fund revenues less certain estimated expenses.

(2) The allocation to the Port Fund is proportionally (i) assessed the indirect cost recovery charges imposed on the Transportation Trust Fund by the General Assembly, (ii) credited with the allocable investment income of the Transportation Trust Fund and (iii) charged up to 20 basis points for the services of the Department of the Treasury in managing such investments.

Source: Commonwealth of Virginia/Department of Accounts and Department of Transportation.

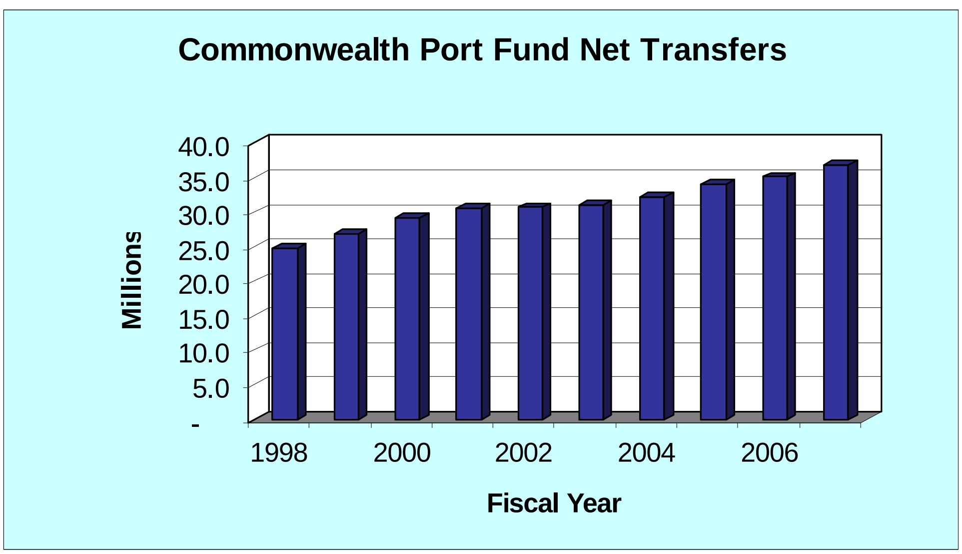


TABLE 3 - DEBT SERVICE REQUIREMENTS AND COVERAGE

Debt Service Requirements

The following table sets forth for the periods ended each June 30, the amounts required to be made available in each annual period for payment on January 1 of the interest on, and on the following July 1 of the principal (whether at maturity or pursuant to mandatory redemption) of and interest on the Authority's outstanding Commonwealth Port Fund Revenue Bonds, Series 1996 (the "1996 Bonds"), Series 2002 (the "2002 Bonds"), and Series 2005 (the "2005 Bonds), outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 1998 (the "1998 Bonds") and Series 2006 (the "2006 Bonds").

Fiscal Year Ending June 30,	**Senior Bonds Debt Service**		Series 2002 Bonds Debt Service	Series 2005 Bonds Debt Service	Series 2006 Bonds Debt Service	**Total Bonds Debt Service**
	Senior 1996 Bonds Debt Service*	Senior 1998 Bonds Debt Service	Total	Total	Total	Total
2008	0	10,639,675	10,203,143	4,279,356	3,111,650	28,233,824
2009	0	0	10,205,393	4,280,856	3,115,900	17,602,149
2010	0	0	10,207,583	4,283,856	3,119,900	17,611,339
2011	0	0	10,205,583	4,283,106	3,113,400	17,602,089
2012	0	0	10,203,333	4,283,606	3,116,650	17,603,589
2013	0	0	10,206,293	4,280,106	3,116,625	17,603,024
2014	0	0	10,204,638	4,282,606	3,119,175	17,606,419
2015	0	0	10,203,813	4,280,606	3,118,750	17,603,169
2016	0	0	10,202,863	4,279,106	1,440,075	15,922,044
2017	0	0	10,205,963	4,282,794	0	14,488,757
2018	0	0	10,207,013	4,280,706	0	14,487,719
2019	0	0	10,205,188	4,282,844	0	14,488,032
2020	0	0	10,207,438	4,278,681	0	14,486,119
2021	0	0	10,203,188	4,283,219	0	14,486,407
2022	0	0	10,206,938	4,280,669	0	14,487,607
2023	0	0	10,202,950	4,281,031	0	14,483,981
2024	0	0	10,204,231	4,283,781	0	14,488,012
2025	0	0	10,204,500	4,283,394	0	14,487,894
2026	0	0	10,203,750	4,281,663	0	14,485,413
2027	0	0	10,206,000	4,282,375	0	14,488,375
2028	0	0	0	4,280,044	0	4,280,044
2029	0	0	0	4,279,425	0	4,279,425
2030	0	0	0	4,284,000	0	4,284,000

*Does not include the Refunded Bonds

Debt Service Coverage

Coverage of maximum annual debt service on the 1996, 1998, 2002, 2005, and 2006 Bonds by Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2007 is shown below:

Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2007	$36,853,432
Maximum Annual Debt Service (FY 2007)	$29,279,572
Pro Forma Maximum Annual Debt Service Coverage	1.26

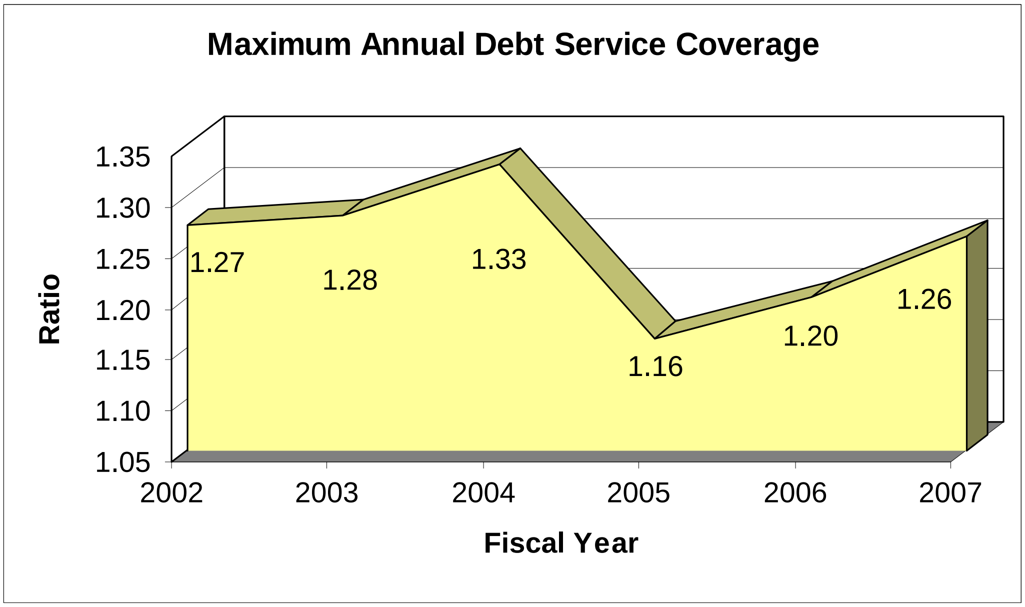


TABLE 4 - AUTHORITY REVENUES AND EXPENSES

VIRGINIA PORT AUTHORITY
FIVE-YEAR SCHEDULE OF REVENUES AND EXPENDITURES
(Cash Basis)

Fiscal Year	2003	2004	2005	2006	2007
Special Fund	$28,010,851	$38,687,538	$43,874,216	$56,984,725	$73,466,314
Commonwealth Port Fund	31,452,602	32,405,905	34,886,277	35,755,962	38,227,476
General Fund and Other[1]	18,513,795	4,683,600	1,760,034	971,921	809,294
Total Revenues	77,977,248	75,777,043	80,520,527	93,712,608	112,503,084
Expenditures[2]					
Economic Development Services:					
National & International Trade Services	4,513,720	4,694,687	5,063,016	6,262,186	7,659,014
Port Traffic Rate Management	174,390	178,537	186,590	158,132	193,116
Commerce Advertising	642,241	669,581	777,249	1,063,243	952,512
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	22,006,756	9,957,308	6,010,164	7,934,733	4,988,176
Port Facilities Planning	516,796	587,527	607,186	632,786	593,025
Debt Service for Port Facilities	28,037,610	32,504,738	37,304,994	41,864,119	50,031,174
Financial Assistance for Port Activities:					
Aide to Local Ports	1,233,494	515,288	776,647	533,966	689,768
Payment in Lieu of Taxes	801,792	864,145	848,315	1,049,019	1,099,478
Administration & Support Services:					
General Management & Direction	3,796,670	3,476,954	3,818,067	3,897,359	4,300,001
Security Services	4,268,821	5,009,447	5,474,080	6,041,075	7,714,357
Total Operating Expenditures	65,992,290	58,458,212	60,866,308	69,436,618	78,220,621
Funds Available for Capital Projects	$11,984,958	$17,318,831	$19,654,219	$24,275,990	$34,282,463

(1) General Fund and Other appropriations were made for specific projects and studies. The net affect on Funds Available for Capital Projects is zero.

(2) Expenditures by Program were reorganized for FY2007. Prior years have been restated to reflect the same classifications.

TABLE 5 - CARGO DATA

The Authority's ports handle a variety of general cargo. Bulk cargo, such as petroleum products, grain and coal, is not handled at the Port Facilities but is handled at facilities owned by railroads and other private operators. Set forth below are the major categories of general cargo handled by the Port Facilities.

LEADING EXPORTED AND IMPORTED GENERAL CARGO COMMODITIES*
CALENDAR YEAR 2001-2006 (Short Tons)

Exports	2001	2002	2003	2004	2005	2006
Woodpulp	563,574	609,240	618,157	622,151	762,916	832,534
Wood	1,113,800	706,397	580,433	823,828	715,116	838,449
Paper & Paperboard	340,322	405,814	413,284	408,051	489,120	494,322
Machinery	255,404	266,738	263,892	308,014	344,996	341,899
Plastic	293,413	295,837	309,137	296,339	322,911	393,818
Imports						
Machinery	483,020	607,112	675,578	774,534	863,628	912,860
Wood	383,922	599,957	555,722	674,324	598,579	649,231
Autos and Auto Parts	322,172	439,088	462,817	472,426	533,486	552,297
Beverages	357,356	387,771	443,829	478,541	524,914	1,012,307
Furniture and Bedding	211,370	302,322	443,506	506,807	520,085	547,675

* This table includes data for all facilities that comprise the Port of Virginia, some of which are not owned by the Authority. The Authority believes that the VPA Facilities handle in excess of 95% of the general cargo transported through the Port of Virginia.

Sources: U.S. Maritime Administration and U.S. Department of Commerce, Bureau of Census

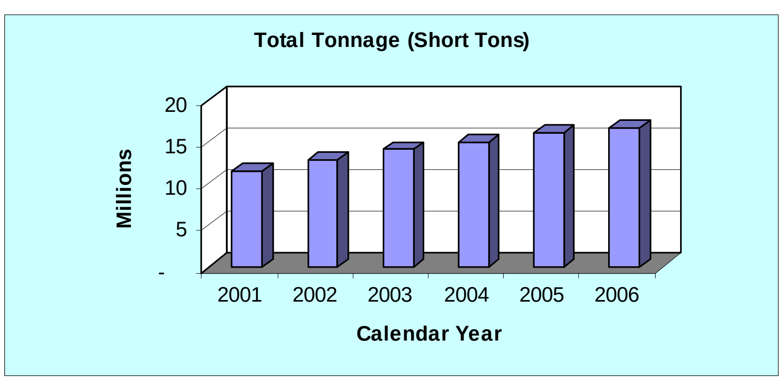
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

GENERAL CARGO STATISTICS FOR THE PORT OF VIRGINIA*
CALENDAR YEAR 2001-2006 (Short Tons)

Total for Port Facilities	2001	2002	2003	2004	2005	2006
Breakbulk Tons	460,852	608,128	644,863	584,860	498,745	477,252
Container Tons	11,078,554	12,216,302	13,338,754	14,272,820	15,465,273	16,105,838
Total Tons	11,539,406	12,824,430	13,983,617	14,857,680	15,964,018	16,583,090

* This table includes data for all facilities that comprise the Port of Virginia, some of which are not owned by the Authority. The Authority believes that the VPA Facilities handle in excess of 95% of the general cargo transported through the Port of Virginia.

Source: Terminal Operators' Statistics



VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2007

PORT FACILITIES REVENUE BONDS,
SERIES 1997

PORT FACILITIES REVENUE BONDS,
SERIES 2003

PORT FACILITIES REVENUE BONDS,
SERIES 2006

PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2007

BASE CUSIP NUMBER: 928077

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2007

Port Facilities Revenue Bonds, Series 1997
Port Facilities Revenue Bonds, Series 2003
Port Facilities Revenue Bonds, Series 2006
Port Facilities Revenue Refunding Bonds, Series 2007

Table of Contents

TABLE 1 - AUTHORITY REVENUES AND EXPENSES

VIRGINIA PORT AUTHORITY
FIVE-YEAR SCHEDULE OF REVENUES AND EXPENDITURES
(Cash Basis)

Fiscal Year	2003	2004	2005	2006	2007
Special Fund	$28,010,851	$38,687,538	$43,874,216	$56,984,725	$73,466,314
Commonwealth Port Fund	31,452,602	32,405,905	34,886,277	35,755,962	38,227,476
General Fund and Other[1]	18,513,795	4,683,600	1,760,034	971,921	809,294
Total Revenues	77,977,248	75,777,043	80,520,527	93,712,608	112,503,084
Expenditures[2]					
Economic Development Services:					
National & International Trade Services	4,513,720	4,694,687	5,063,016	6,262,186	7,659,014
Port Traffic Rate Management	174,390	178,537	186,590	158,132	193,116
Commerce Advertising	642,241	669,581	777,249	1,063,243	952,512
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	22,006,756	9,957,308	6,010,164	7,934,733	4,988,176
Port Facilities Planning	516,796	587,527	607,186	632,786	593,025
Debt Service for Port Facilities	28,037,610	32,504,738	37,304,994	41,864,119	50,031,174
Financial Assistance for Port Activities:					
Aide to Local Ports	1,233,494	515,288	776,647	533,966	689,768
Payment in Lieu of Taxes	801,792	864,145	848,315	1,049,019	1,099,478
Administration & Support Services:					
General Management & Direction	3,796,670	3,476,954	3,818,067	3,897,359	4,300,001
Security Services	4,268,821	5,009,447	5,474,080	6,041,075	7,714,357
Total Operating Expenditures	65,992,290	58,458,212	60,866,308	69,436,618	78,220,621
Funds Available for Capital Projects	$11,984,958	$17,318,831	$19,654,219	$24,275,990	$34,282,463

(1) General Fund and Other appropriations were made for specific projects and studies. The net affect on Funds Available for Capital Projects is zero.

(2) Expenditures by Program were reorganized for FY2007. Prior years have been restated to reflect the same classifications.

TABLE 2 - VIT REVENUES AND EXPENSES

VIRGINIA INTERNATIONAL TERMINALS, INC. ("VIT")
FIVE YEAR SCHEDULE OF REVENUES AND EXPENSES

Fiscal Year	2003	2004	2005	2006	2007
Revenues:					
Operating	$150,095,364	$173,104,337	$202,674,827	$226,009,758	$244,205,984
Nonoperating	991,876	136,548	772,187	591,512	1,748,982
Gross Revenues	151,087,240	173,240,885	203,447,014	226,601,270	245,954,966
Expenses:					
Operating & Maintenance Expenses	$100,522,422	$119,443,256	$140,572,293	$150,427,063	$157,916,984
Administrative Expenses	15,664,615	16,144,392	17,347,095	19,288,621	19,474,474
Total Expenses	116,187,037	135,587,648	157,919,388	169,715,684	177,391,458
Income Before Transfers and Contributions[(1)]	$34,900,203	$37,653,237	$45,527,626	$56,885,586	$68,563,508

Source: VIT accrual basis financial statements for the indicated fiscal years.

(1) The financial information relative to VIT set forth in this table is computed on an accrual basis. As a result, the amounts set forth in the line item "Income Before Transfers and Contributions" does not represent net cash transferred by VIT to the Authority. However, such information is an accurate representation of the financial performance of VIT.

TABLE 3 - OPERATING RESULTS AND DEBT SERVICE COVERAGE

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Virginia International Terminals					
VIT Gross Receipts	$ 144,304,559	$ 170,344,524	$ 197,703,653	$ 222,966,322	$ 238,319,892
VIT Current Expenses	(113,109,405)	(130,802,285)	(151,068,932)	(164,865,110)	(173,427,457)
* VIT CE Reserve (Deposit)/Withdrawal	1,641,000	-	-	-	5,800,000
VIT Deposits to CEMA	(2,099,601)	(2,342,407)	(5,392,809)	(4,412,064)	(2,862,031)
VIT Net Revenue	30,736,553	37,199,832	41,241,912	53,689,148	67,830,404
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	30,736,553	37,199,832	41,241,912	53,689,148	67,830,404
Other Income	1,289,158	1,459,007	2,233,236	2,767,678	4,227,669
Interest Income	122,754	28,700	270,488	450,524	928,880
Total VPA Gross Revenues	32,148,465	38,687,539	43,745,636	56,907,350	72,986,953
VPA Current Expenses	(18,726,869)	(19,577,245)	(19,718,980)	(23,093,131)	(26,502,895)
Prior Obligations	(112,280)	(112,280)	(112,280)	(9,356)	-
VPA Net Revenues	13,309,316	18,998,014	23,914,376	33,804,863	46,484,058
VPA CPF for O & M	4,898,973	5,542,764	4,218,866	5,424,467	5,096,647
Debt Service Coverage					
Port Facilities Revenue Bonds Net Debt Service	6,416,000	9,373,336	9,771,261	9,677,370	13,166,322
Pledged Net Revenues	15,408,917	21,340,421	29,307,185	38,216,927	49,346,089
Pledged Adjusted Net Revenues	20,307,890	26,883,185	33,526,051	43,641,394	54,442,736
Pledged Net Revenue Coverage	2.40	2.28	3.00	3.95	3.75
Pledged Adjusted Net Revenue Coverage	3.17	2.87	3.43	4.51	4.13

* For 2002, 2004, 2005 and 2006 the required CE reserve deposit was funded by a transfer from the VPA Reserve, Maintenance and Improvement Fund.

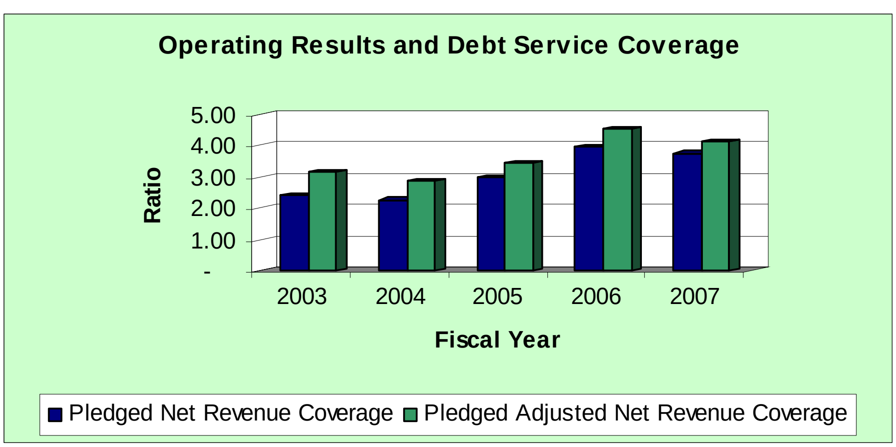


TABLE 4 - DEBT SERVICE REQUIREMENTS

The following table sets forth for the periods ended each June 30 (the end of the Authority's Fiscal Year) the aggregate amounts required to be made available in each annual period for payment on January 1 of the interest on, and on the following July 1 of the principal (whether at maturity or pursuant to mandatory redemption) of and interest on the Authority's outstanding Port Facilities Revenue Bonds, Series 1997, Series 2003, Series 2006 and Port Facilities Revenue Refunding Bonds, Series 2007.

Outstanding Series 1997 Bonds ,Series 2003, Series 2006, Series 2007 Bonds

					Aggregate Series 1997, Series 2003,Series 2006 and Series 2007 Bonds
Period Ending June 30,	Series 1997 Debt Service	Series 2003 Debt Service	Series 2006 Debt Service	Series 2007 Debt Service	Total Debt Service
2008	2,598,290	3,484,150	4,482,619	3,747,050	14,312,109
2009	2,598,440	3,485,900	4,479,619	3,745,650	14,309,609
2010		3,486,100	4,476,619	6,344,250	14,306,969
2011		3,484,500	4,478,619	6,347,500	14,310,619
2012		3,486,100	4,480,419	6,344,000	14,310,519
2013		3,485,700	4,482,019	6,343,750	14,311,469
2014		3,483,300	4,478,419	6,351,250	14,312,969
2015		3,483,600	4,479,819	6,345,750	14,309,169
2016		3,485,313	4,481,019	6,347,500	14,313,832
2017		3,486,300	4,477,019	6,345,750	14,309,069
2018		3,483,088	4,478,019	6,350,250	14,311,357
2019		3,485,675	4,483,688	6,345,250	14,314,613
2020		3,483,538	4,478,800	6,345,750	14,308,088
2021		3,486,675	4,478,913	6,346,000	14,311,588
2022		3,486,581	4,478,813	6,350,500	14,315,894
2023		3,482,769	4,483,500	6,343,500	14,309,769
2024		3,485,238	4,477,594	6,345,000	14,307,832
2025		3,483,025	4,481,688	6,344,000	14,308,713
2026		3,485,400	4,475,344	6,350,000	14,310,744
2027		3,487,213	4,479,000	6,342,000	14,308,213
2028		3,483,163	11,336,638		14,819,801
2029		3,483,275	11,338,188		14,821,463
2030		3,482,500	11,338,825		14,821,325
2031		3,486,100	11,332,838		14,818,938
2032		3,483,625	11,339,750		14,823,375
2033		3,485,075	11,337,000		14,822,075
2034			14,823,250		14,823,250
2035			14,823,000		14,823,000
2036			14,820,750		14,820,750

TABLE 5 - CARGO DATA

The Authority's ports handle a variety of general cargo. Bulk cargo, such as petroleum products, grain and coal, is not handled at the Port Facilities but is handled at facilities owned by railroads and other private operators. Set forth below are the major categories of general cargo handled by the Port Facilities.

LEADING EXPORTED AND IMPORTED GENERAL CARGO COMMODITIES*
CALENDAR YEAR 2001-2006 (Short Tons)

Exports	2001	2002	2003	2004	2005	2006
Woodpulp	563,574	609,240	618,157	622,151	762,916	832,534
Wood	1,113,800	706,397	580,433	823,828	715,116	838,449
Paper & Paperboard	340,322	405,814	413,284	408,051	489,120	494,322
Machinery	255,404	266,738	263,892	308,014	344,996	341,899
Plastic	293,413	295,837	309,137	296,339	322,911	393,818
Imports						
Machinery	483,020	607,112	675,578	774,534	863,628	912,860
Wood	383,922	599,957	555,722	674,324	598,579	649,231
Autos and Auto Parts	322,172	439,088	462,817	472,426	533,486	552,297
Beverages	357,356	387,771	443,829	478,541	524,914	1,012,307
Furniture and Bedding	211,370	302,322	443,506	506,807	520,085	547,675

* This table includes data for all facilities that comprise the Port of Virginia, some of which are not owned by the Authority. The Authority believes that the VPA Facilities handle in excess of 95% of the general cargo transported through the Port of Virginia.

Sources: U.S. Maritime Administration and U.S. Department of Commerce, Bureau of Census

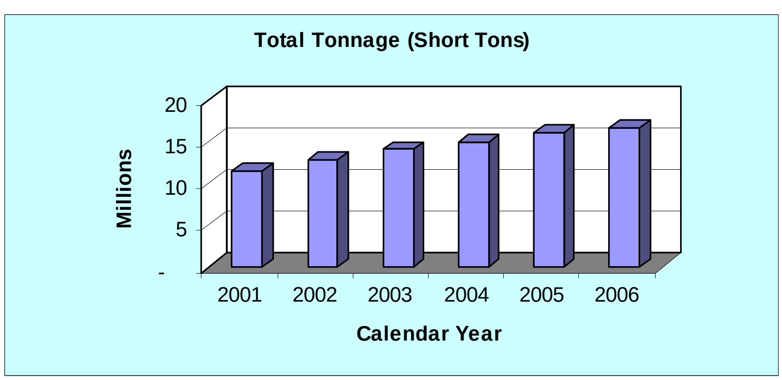
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

GENERAL CARGO STATISTICS FOR THE PORT OF VIRGINIA*
CALENDAR YEAR 2001-2006 (Short Tons)

Total for Port Facilities	2001	2002	2003	2004	2005	2006
Breakbulk Tons	460,852	608,128	644,863	584,860	498,745	477,252
Container Tons	11,078,554	12,216,302	13,338,754	14,272,820	15,465,273	16,105,838
Total Tons	11,539,406	12,824,430	13,983,617	14,857,680	15,964,018	16,583,090

* This table includes data for all facilities that comprise the Port of Virginia, some of which are not owned by the Authority. The Authority believes that the VPA Facilities handle in excess of 95% of the general cargo transported through the Port of Virginia.

Source: Terminal Operators' Statistics



Virginia Port Authority

600 World Trade Center
Norfolk, VA 23510 USA
757-683-8000 • 800-446-8098
www.vaports.com