VIRGINIA PORT AUTHORITY

USA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2011

THE PORT OF VIRGINIA

Norfolk International Terminals . Newport News Marine Terminal . Portsmouth Marine Terminal . APM Terminals Virginia . Virginia Inland Port

The Virginia Port Authority is a component unit of the Commonwealth of Virginia.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by the Finance Department of the
Virginia Port Authority

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Jerry A. Bridges
Executive Director

ISO Certified: 9001
Quality Management System -
14001 Environmental
Management System

October 31, 2011

To the Board of Commissioners and Stakeholders:

In this past fiscal year, we saw container volumes begin to rebound and a genuine interest in doing business with The Port of Virginia. I attribute these positive trends to an economy that is showing signs of improvement and to the fact that many in our industry view this port as the premier, deep-water terminal complex on the East Coast. Our year was also marked by a number of new and ongoing initiatives that will position the port and the Commonwealth for growth. A final highlight was the 30th anniversary of Virginia International Terminals, Inc., the Virginia Port Authority's private terminal operating company.

Investing in our Future

The most important event of this past fiscal year was the start of construction on the eastward expansion of Craney Island, a long-term project that truly is the future of this port. The construction will make way for a 600-acre container terminal that will be built in multiple phases over the next three decades. Another critical moment for this port was the arrival of a new class of larger vessels that require the 50-foot channels that Virginia has to offer. This is a trend that will continue and as such, the industry will further realize how unique The Port of Virginia is on the East Coast.

There were several significant accomplishments during fiscal 2011; among them were:

- Partial financing ($27.4 million) for construction of the eastward expansion of Craney Island was secured in the President's 2012 budget.
- Service began along the new Commonwealth Railway Mainline, a secure, dual-purpose rail corridor that eliminated 14 at-grade crossings in the City of Portsmouth while improving the efficiency of the port's rail service.
- The Heartland Corridor, this port's direct, double-stack rail connection to Columbus and Chicago opened. Today, double-stack trains more than a mile long are using the time-saving route on a daily basis.
- The smooth transition of ships and containers from Portsmouth Marine Terminal (PMT) to APM Terminals. The money-saving move went ahead of schedule and paved the way for the VPA to begin the process of leasing PMT, in whole or in part, to a private operator.

- The passage of legislation designed to encourage growth at the port by providing tax incentives for certain port users based on increased cargo volumes, job creation, facility expansion and use of barge and rail services.
- The lease agreement with the Port of Richmond that unified all container cargo terminals in the Commonwealth under the VPA flag.

Reaching out to the Community

This agency is a driver of economic activity both locally and across the Commonwealth. While we continue to work to achieve operational and financial success, we also embrace our responsibility as a community leader. During the past year, the agency continued its efforts to sign contracts with more small, women, and minority-owned businesses. We established a social media outreach program that includes Facebook and Twitter accounts, a Flickr photo page and a YouTube channel; all focused on increasing public awareness of what is going on inside our terminals and the larger benefit of the industry to Virginia.

In addition, countless VPA employees and their families continue to participate in "Clean the Bay Day" and are signing up to volunteer to work on the house the agency is sponsoring for Habitat for Humanity. The time our staff gives to the community is a true source of pride for this agency.

Creating a better place to live

The agency is the leading steward of the environment among East Coast ports. Presently, all of the VPA's marine terminals and the Virginia Inland Port are certified under the ISO 14001 environmental management system; we are the only major port on the East Coast with the ISO 14001 certification. Additionally, our Green Operator, or *GO*, program is the recipient of this year's Environmental Enhancement Award from the American Association of Port Authorities, a trade group representing leading port authorities throughout the Western Hemisphere. Moreover, the *GO* program's success has led it to become the model for development of the Mid-Atlantic Dray Truck Replacement Program that offers financial support to replace older, more polluting short-haul trucks that serve ports in the Mid-Atlantic.

In Conclusion

Despite some economic uncertainty, we are poised for the future. All of the points I made above coupled with the Commonwealth's ranking as the #1 place for business by a number of publications and media outlets are testament to our preparedness for growth. I am bullish on the VPA and the maritime industry in Virginia because I know we have great people, great customers and relationships, and the demonstrated ability to lead.

Sincerely,

Jerry A. Bridges
Executive Director

Virginia Port Authority
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Jerry A. Bridges
Executive Director

THE PORT OF VIRGINIA
Building A Brighter, Cleaner, Greener Future.

ISO Certified: 9001
Quality Management System -
14001 Environmental
Management System

October 31, 2011

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

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Virginia Port Authority (the Authority) for the fiscal year ended June 30, 2011, 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 Authority's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the end of the financial section of this report after the footnotes.

Management's discussion and analysis (MD&A) can be found at the beginning of the financial section 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. In addition, the Authority has an operating lease for the use and operation of the APM Terminal in Portsmouth (APM). These facilities primarily handle import and export containerized, break-bulk, 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 1981 and in 1982 began to operate the facilities controlled by the Authority. VIT operates the state-controlled 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 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 343,000 jobs, $41 billion in revenues, $13.5 billion in payroll compensation, and $1.2 billion 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 near the Inland Port providing a total investment 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, Family Dollar, 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.

Despite the recent downturn, 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 ability to further expand the APM terminal and the proposed development of a new container terminal on the eastward side of Craney Island. The Hampton Roads region is also 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. 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 on non-terminal assets owned by the Authority. The Authority also maintains general liability, fiduciary liability, worker's compensation insurance and an umbrella policy.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Port Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the fifth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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,

Rodney W. Oliver

Rodney W. Oliver
Deputy Executive Director &CFO
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, 2010

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

VIRGINIA PORT AUTHORITY

Norfolk, Virginia

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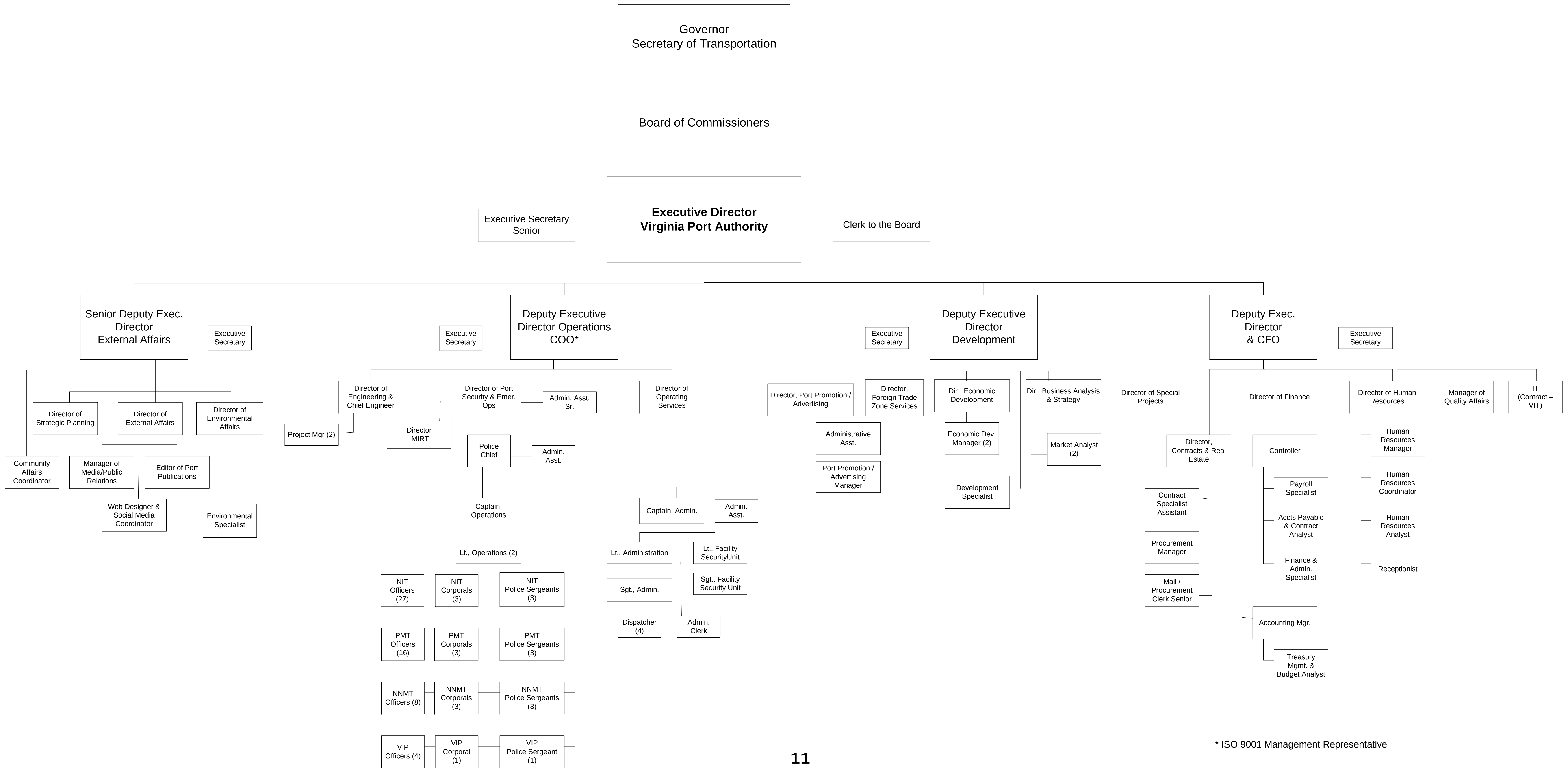
Jerry A. Bridges, Executive Director

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
Organizational Chart
June 30, 2011



* ISO 9001 Management Representative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VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

(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, 2011. 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 and break-bulk cargoes. As of July 6, 2010, the Authority also leases and is responsible for the operations of a privately owned terminal located in Portsmouth known as APM Terminals (APMT).

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. On July 22, 2011, the Governor replaced 10 of the 11 citizen members of the Board, only four of which had terms expiring June 30, 2011.

FINANCIAL HIGHLIGHTS

- Operating revenues for the Authority were $91.2 million. Container volume in the port for the fiscal year ended June 30, 2011 was 1,903,162 TEU's (twenty-foot equivalent container units), an increase of 2.93% from fiscal year 2010.

- The Authority's net assets increased by $8.5 million for the fiscal year ended June 30, 2011.

- The assets of the Authority exceeded its liabilities by $377.9 million at the fiscal year ended June 30, 2011. Of this amount, $26.4 million was unrestricted and may be used to meet the Authority's ongoing obligations to creditors.

- The Authority's total assets increased $18.2 million and total liabilities decreased $9.7 million during fiscal year ended June 30, 2011.

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, 2011 and 2010 are as follows:

Authority Net Assets
(in Millions)

	2011	2010
ASSETS:		
Capital assets	$ 831.9	$ 807.9
Other assets	139.0	144.8
Total assets	970.9	952.7
LIABILITIES:		
Current liabilities	68.6	49.8
Noncurrent liabilities	524.4	533.5
Total liabilities	593.0	583.3
NET ASSETS:		
Invested in capital assets, net of debt	302.4	289.4
Restricted for debt service	49.1	45.3
Unrestricted	26.4	34.7
Total net assets	$ 377.9	$ 369.4

Capital assets increased $24.0 million from year 2010, primarily due to completion of NIT infrastructure projects and acquisition of APM Terminal (APMT) assets as part of the long term lease. Other assets decreased $5.8 million from fiscal year 2010 primarily as a result of funding the capital assets.

Current liabilities increased $18.8 million primarily a result of taking out a short-term Treasury note of $13.9 million to start projects scheduled to be funded with the 2011 Commonwealth Port Fund Bonds issued in July 2011, and additional obligations for principal and interest for the 2010 Terminal Revenue Bonds that were issued in July 2010. Noncurrent liabilities decreased $9.1 million primarily as a result of payments on long term debt of $22.4 million net of an APMT Lease Asset obligation of $13.3 million.

The largest portion of the Authority's net assets (80.0% at June 30, 2011) 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 (13.0% at June 30, 2011) 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 (7.0% at June 30, 2011) may be used to meet any of the Authority's ongoing obligations.

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, 2011 and 2010 are as follows:

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

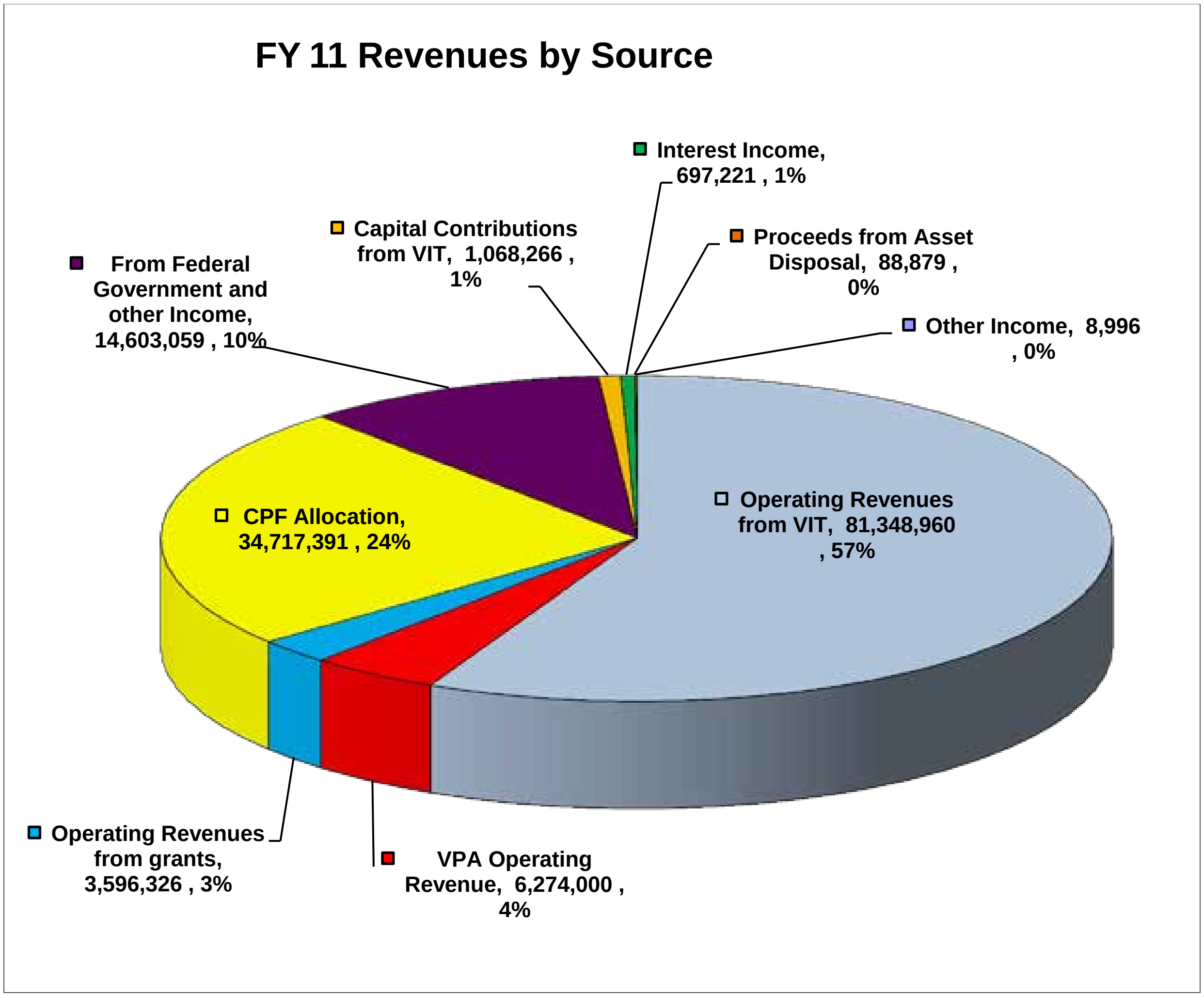
	2011	2010
Operating revenues	$ 91.2	$ 51.9
Operating expenses	108.4	72.3
Operating earnings (loss)	($17.2)	(20.4)
Non-operating revenues and expenses	(10.1)	(25.1)
Loss before capital contributions and transfers	($27.3)	(45.5)
Capital contributions and transfers:		
Commonwealth port fund allocation	34.7	32.8
Capital contribution from Component Unit	1.1	.7
Increase(decrease) in net assets	$ 8.5	$ (12.0)

Total operating revenues increased $39.3 million (or 75.7%) during fiscal year 2011. The change was due primarily to revenues associated with the APMT operating lease and an increase in operational grants funding the James River Barge Service. Operating expenses for the fiscal year ended June 30, 2011, were $36.1 million (or 49.9%) over fiscal year 2010 primarily as a result of $32.5 million in rent associated with the APMT operating lease. During the fiscal year ended June 30, 2011, net non-operating revenues and expenses increased by $15.0 million from fiscal year 2010. The increase was primarily due to an $8.5 million increase in Federal Grant revenues and a $6.0 million decrease in expenses on the substantially completed Commonwealth Rail Relocation project.

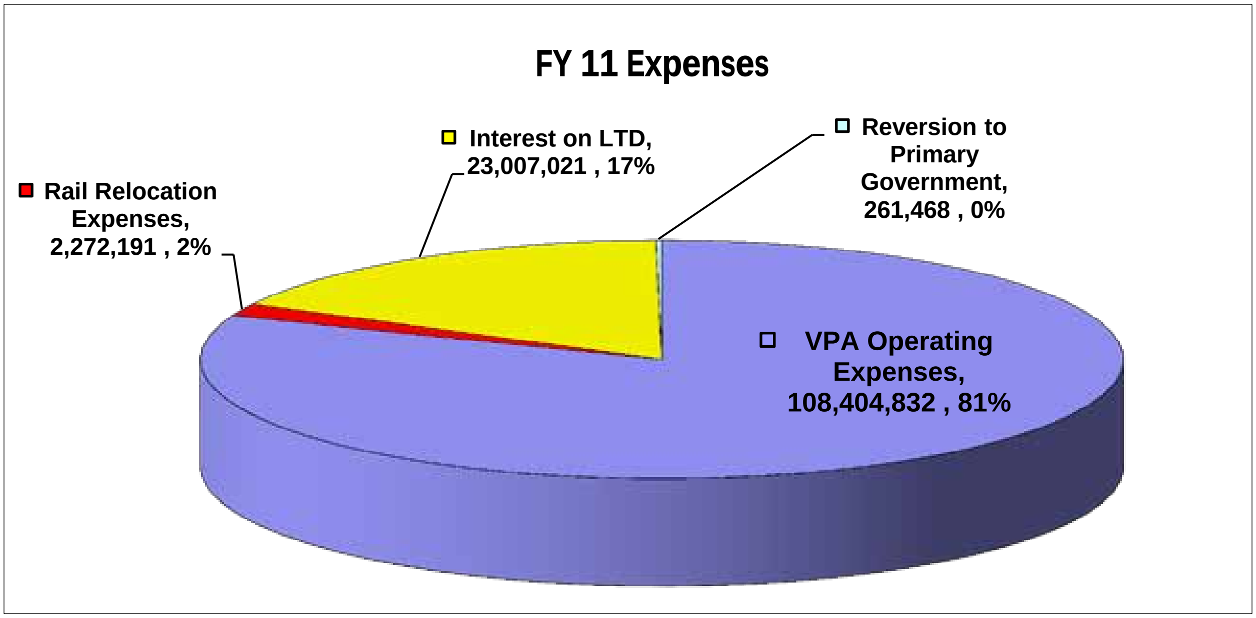
The Commonwealth port fund allocation represents the Authority's 4.2% allocation of revenues from the Commonwealth's Transportation Trust Fund, a combination of a portion of the state sales tax, and motor vehicle fuel and related taxes and fees. Commonwealth port fund collections were $1.9 million or 5.9% higher than the previous fiscal year.

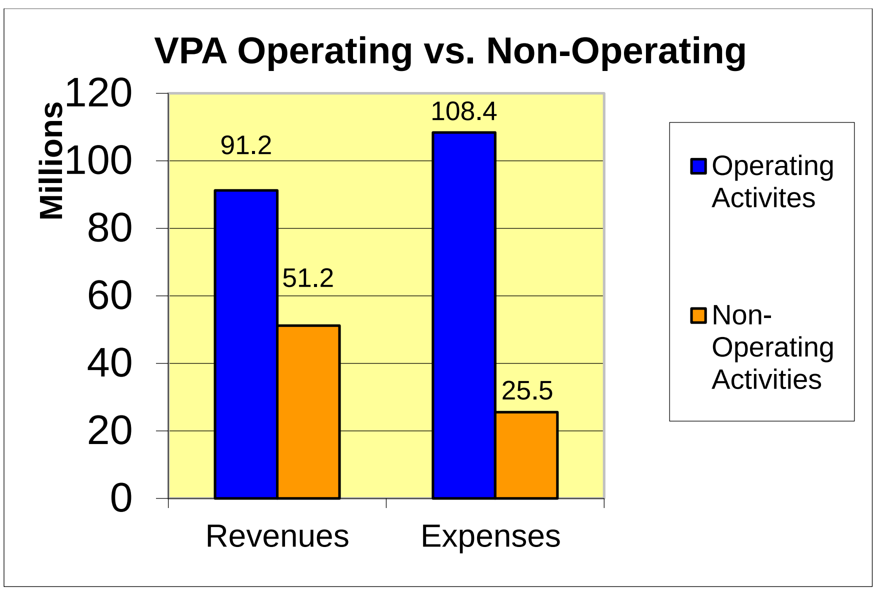
The Authority received $1.1 million in capital improvements from VIT in fiscal year 2011, primarily relating to improvements made by VIT to the central rail yard.

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, 2011 by dollar amount and percentage.



A similar graph shows, by dollar amount and percentage, the Authority's operating and non-operating expenses, and changes in net assets for the fiscal year ended June 30, 2011.





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, 2011. Net Assets increased by $8.5 million with capital contributions being greater than the net losses from operations and non-operating activities.

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)

	2011	2010
Cash flow from operating activities	$ 27.7	$ 17.1
Cash flow from noncapital financing activities	(0.3)	(0.8)
Cash flow from capital and related financing activities	(38.2)	(28.5)
Cash flow from investing activities	(23.7)	11.4
Net increase (decrease) in cash and cash equivalents	(34.5)	(.8)
Cash and cash equivalents		
Beginning of year	113.1	113.9
End of year	$ 78.6	$ 113.1

Cash flow from operating activities increased $10.6 million in fiscal year 2011 primarily as a result of higher transfers from VIT due to the changes in operations and the APMT operating lease. Outflows from noncapital financing activities decreased by $.5 million as a result of the Authority not being required to revert funds back to the Commonwealth. Cash flow out from capital and related financing activities increased $9.7 million in fiscal year 2011 primarily as a result of completing capital improvements at NIT of $32.7 million, offset by an increase in short-term debt of $13.9 million and an increase in Federal Grant proceeds of $8.5 million. Cash flow from investing activities was down $35.1 million primarily due to the lower sales and maturing of securities and an increase in the purchasing of securities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority's investment in capital assets as of June 30, 2011, amounted to $831.9 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 $7.9 million for NIT Central Rail Yard – Phase II
- Expenditures of $3.6 million for NIT Backlands improvements
- Completion of $3.8 million of various NIT Infrastructure projects
- Expenditures of $18.9 million for Craney Island terminal expansion

- Completion of land acquisition for Craney Island of $2.0 million and Fuel Depot of $2.4 million.
- Expenditures of $6.3 million on Equipment purchases and modifications at APMT
- Capitalized interest (net of capitalized income) of $1.9 million was added to the cost of capital assets in fiscal year 2011
- Completion of $989 thousand in dredging at NNMT
- Completion of $4.2 million in security related equipment purchases

More details on capital asset activities can be found in the footnote disclosures to the financial statements, footnote 4.

Long-term Debt

Bonds. At June 30, 2011, the Authority had $510.6 million in long-term debt, excluding current maturities. Of this amount, $457.5 million is in the form of revenue bonds issued by the Authority and $53.1 million in Lease Purchases. During 2011, the Authority requested approval for up to $70 million in Treasury Loans to cover project costs for the development of Craney Island as short-term financing. Of that amount, $23.9 million was approved for FY2011 and $13,911,029 was actually drawn upon.

Commonwealth Port Fund Revenue bonds issued in 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. an AA+ rating from Standard and Poor's, and an Aa1 rating from Moody's Investor Services. The bonds issued in 2006 are insured by FSA and carry the ratings of the insurer or the Authority's underlying rating as previously listed, whichever is higher.

Port Facilities Revenue bonds issued in 2003, 2006, 2007 and 2010 are supported by terminal revenues and insurance policies and carry underlying ratings of A from Fitch Ratings, Inc., A+ from Standard and Poor's, and an Aa3 underlying rating from Moody's Investor Services. The bonds issued in 2003 are insured by MBIA, the bonds issued in 2006 are insured by FGIC and the bonds issued in 2007 are insured by FSA. These bonds carry the ratings of the insurer or the Authority's ratings listed previously, whichever is higher. 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 2011 was met and exceeded.

More details on long-term debt can be found in the footnote disclosures to the financial statements, footnote 7.

ECONOMIC AND OTHER 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.

On July 6, 2010 per an agreement between the Virginia Port Authority (lessee), APM Terminals Virginia, Inc. (lessor), Virginia International Terminals, Inc. (operator) and APM Terminals North America, Inc. (owner), APM Terminals in Portsmouth, Virginia, became a facility under the umbrella of the Authority. Lease commitments extend to June 30, 2030. The transition resulted in a significant increase in volume, revenue, and operating expenses resulting from the increased operations, acquisition of contracts, improved technology, and modernization of equipment inherent in this transaction.

The Authority has also negotiated with the City of Richmond to lease the Port of Richmond beginning in July 2011, with plans to increase volume on the James River Barge Line as soon as possible, taking more container movements off of Virginia's highways.

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 Finance Department at 600 World Trade Center, Norfolk, VA 23510.

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, INC.
STATEMENT OF NET ASSETS
As of June 30, 2011
with Summarized Information for 2010

	Primary Government	Component Unit			
	Authority	Virginia International Terminals, Inc.	Eliminations	Total	June 30, 2010
ASSETS					
Current assets:					
Cash and cash equivalents	$ 35,652,568	$ 4,371,104	$ -	$ 40,023,672	$ 35,912,130
Restricted assets:					
Cash and cash equivalents	16,593,250	3,130,181	-	19,723,431	27,698,028
Investments [Footnote 2]	7,963,236	2,424,494	-	10,387,730	15,616,997
Investments held by Treasurer of VA	852,819	-	-	852,819	1,304,397
Accounts receivable, net	5,913,684	35,318,312	-	41,231,996	30,452,104
Due from transportation trust	5,897,969	-	-	5,897,969	5,431,356
Due from component unit	7,553,133	-	(7,553,133)	-	-
Inventories	-	10,655,288	-	10,655,288	11,274,798
Prepaid expenses and other [Footnote 4]	383,790	6,293,834	-	6,677,624	12,698,329
Total current assets	80,810,449	62,193,213	(7,553,133)	135,450,529	140,388,139
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	26,364,686	-	-	26,364,686	57,522,094
Investments [Footnote 2]	24,864,465	14,338,857	-	39,203,322	7,969,309
Pension plan assets [Footnote11]	1,788,052	3,053,827	-	4,841,879	6,950,334
Bond issue costs, net	5,222,091	-	-	5,222,091	5,460,223
Non-depreciable capital assets [Footnote 5]	255,750,456	-	-	255,750,456	218,134,141
Depreciable capital assets, net [Footnote 5]	576,086,964	15,630,129	-	591,717,093	606,397,364
Total noncurrent assets	890,076,714	33,022,813	-	923,099,527	902,433,465
Total assets	$ 970,887,163	$ 95,216,026	$ (7,553,133)	$ 1,058,550,056	$ 1,042,821,604

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

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, INC.
STATEMENT OF NET ASSETS
As of June 30, 2011
with Summarized Information for 2010

	Primary Government	Component Unit			
	Authority	**Virginia International Terminals, Inc.**	**Eliminations**	**Total**	**June 30, 2010**
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	$ 14,154,886	$ 12,203,682	$ -	$ 26,358,568	$ 19,612,401
Interest payable	12,449,395	-	-	12,449,395	11,231,603
Retainage payable	1,509,869	-	-	1,509,869	1,842,792
Short-term debt [Footnote 6]	13,911,029	-	-	13,911,029	-
Long-term debt - current portion [Footnote 7]	22,454,846	-	-	22,454,846	21,555,171
Compensated absences - current [Footnote 7]	394,539	2,273,507	-	2,668,046	2,451,710
Payroll withholdings	84,884	-	-	84,884	5,910
Obligations under securities lending	3,633,987	-	-	3,633,987	3,724,615
Due to Authority	-	7,553,133	(7,553,133)	-	-
Total current liabilities	68,593,435	22,030,322	(7,553,133)	83,070,624	60,424,202
Noncurrent liabilities:					
Long-term debt [Footnote 7]	510,607,877	-	-	510,607,877	533,052,557
Compensated absences [Footnote 7]	313,618	2,029,665	-	2,343,283	2,171,422
Workers compensation costs	-	3,897,663	-	3,897,663	4,118,716
Accrued pension & OPEB obligations [Footnotes 11&12	130,129	3,569,294	-	3,699,423	6,425,560
Other noncurrent liabilities [Footnote 10]	13,328,225	-	-	13,328,225	37,347
Total noncurrent liabilities	524,379,849	9,496,622	-	533,876,471	545,805,602
Total liabilities	592,973,284	31,526,944	(7,553,133)	616,947,095	606,229,804
NET ASSETS					
Invested in capital assets, net of related debt	302,390,370	15,630,129	-	318,020,499	305,972,237
Restricted for:					
Debt service	49,148,810	19,446,103	-	68,594,913	64,266,192
Unrestricted	26,374,699	28,612,850	-	54,987,549	66,353,371
Total net assets	$ 377,913,879	$ 63,689,082	$ -	$ 441,602,961	$ 436,591,800

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

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For The Twelve Months Ended June 30, 2011
with Summarized Information for 2010

	Primary Government	Component Unit			
	Authority	Virginia International Terminals, Inc.	Eliminations	Total	June 30,2010
Operating Revenues:					
Terminal operating revenues	$ -	$ 277,856,791	$ -	$ 277,856,791	$ 203,485,054
Other revenues	6,274,000	-	-	6,274,000	4,742,848
Other Revenues - Grants	3,596,326	-		3,596,326	1,030,769
Operating revenues from component unit	81,348,960	-	(81,348,960)	-	-
Total operating revenues	91,219,286	277,856,791	(81,348,960)	287,727,117	209,258,671
Operating Expenses:					
Terminal operations	1,995,005	119,988,400	-	121,983,405	91,215,794
Terminal maintenance	7,962,089	46,783,509	-	54,745,598	44,018,197
General and administrative	52,340,515	28,103,265	-	80,443,780	43,951,276
Depreciation and amortization	46,107,223	4,495,334	-	50,602,557	48,580,856
Payments due to Authority	-	81,348,960	(81,348,960)	-	-
Total operating expenses	108,404,832	280,719,468	(81,348,960)	307,775,340	227,766,123
Operating income (loss)	(17,185,546)	(2,862,677)	-	(20,048,223)	(18,507,452)
Non-operating revenues (expenses)					
Interest income	697,221	484,518	-	1,181,739	1,507,788
Interest expense	(23,007,021)	-	-	(23,007,021)	(21,386,830)
Commonwealth Rail Relocation-ARRA income	2,014,416	-	-	2,014,416	-
Commonwealth Rail Relocation expenses	(2,272,191)	-	-	(2,272,191)	(8,223,576)
Revenues from Federal Government	12,588,643	-	-	12,588,643	6,076,191
Revenues/Expenses (Primary Government)	(261,468)	-	-	(261,468)	(105,427)
Other income (expense)	8,996	-	-	8,996	7,787
Gain (loss) on disposals	88,879	-	-	88,879	(2,093,785)
Income (loss) before capital contributions and transfers	(27,328,071)	(2,378,159)	-	(29,706,230)	(42,725,304)
Capital contributions					
Commonwealth Port Fund allocation	34,717,391	-	-	34,717,391	32,784,966
Capital contributions (to) from component unit	1,068,266	(1,068,266)	-	-	-
Increase (decrease) in Net Assets	8,457,586	(3,446,425)	-	5,011,161	(9,940,338)
Net Assets - Beginning of Year	369,456,293	67,135,507	-	436,591,800	446,532,138
Net Assets - End of Year	$ 377,913,879	$ 63,689,082	$ -	$ 441,602,961	$ 436,591,800

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For The Twelve Months Ended June 30, 2011
with Summarized Information for 2010

	Authority	June 30, 2010
Cash flows from operating activities:		
Receipts from customers and users	$83,574,884	$49,593,006
Receipts from operating grants	3,596,326	-
Payments for operating expenses	(53,852,281)	(26,838,116)
Payments to employees	(5,651,562)	(5,589,229)
Net cash provided by (used in) operating activities	**27,667,367**	**17,165,661**
Cash flows from noncapital financing activities:		
Transfer to primary government	(261,468)	(837,760)
Net cash provided by (used in) noncapital financing activities	**(261,468)**	**(837,760)**
Cash flows from capital and related financing activities:		
Proceeds from (principal & interest paid on) short-term debt	13,911,029	(65,941,850)
Proceeds from long-term debt	-	70,452,877
CPF contribution	34,250,778	32,983,770
Acquisition of capital assets	(56,654,241)	(23,871,657)
Principal paid on long-term debt	(21,531,152)	(20,647,074)
Interest paid on long-term debt	(21,789,229)	(23,355,305)
Expenditures for Commonwealth Rail relocation	(2,272,191)	(8,223,576)
Transfer from primary government	-	732,333
Capital payments to component unit	(501,538)	(369,962)
Capital payments from component unit	1,569,804	1,038,949
Proceeds from federal government	14,603,059	6,076,191
Proceeds from sale of capital assets	255,982	4,664,807
Expenses for capital asset disposals	-	(2,093,785)
Net cash provided by (used in) capital and related financing activities	**(38,157,699)**	**(28,554,281)**
Cash flows from investing activities:		
Proceeds from sales and maturities	30,768,402	50,863,353
Payments for investments	(55,214,275)	(39,996,556)
Interest and dividends received	697,221	578,313
Net cash provided by (used in) investing activities	**(23,748,652)**	**11,445,110**
Net increase (decrease) in cash and cash equivalents	(34,500,452)	(781,270)
Cash and cash equivalents at beginning of year	113,110,956	113,892,226
Cash and cash equivalents at the end of period	**$78,610,504**	**$113,110,956**

Supplemental Schedule of noncash investing and financing activities:

Capital Equipment funded by APMT Lease Guarantee	$13,277,025	-
Trade-in of used equipment on new equipment	-	$402,000

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For The Twelve Months Ended June 30, 2011

	Authority	June 30, 2010
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income/(loss)	$ (17,185,546)	$ (20,388,679)
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	46,107,223	43,831,880
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,903,662)	(3,667,348)
(Increase) decrease in due from VIT	(2,144,414)	1,301,867
(Increase) decrease in prepaid expenses	2,691	691,345
(Increase) decrease in other noncurrent assets	(27,925)	(1,007,302)
Increase (decrease) in accounts payable	2,784,840	(936,996)
Increase (decrease) in accrued expenses	(25,199)	(70,241)
Increase (decrease) in short-term liabilities	(11,654)	(2,847,487)
Increase (decrease) in long-term liabilities	71,013	258,622
Net cash provided by (used in) operating activities	**$ 27,667,367**	**$ 17,165,661**

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

NOTES TO THE 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, 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 14, *The Financial Reporting Entity*, for financial reporting purposes, the Authority's reporting entity includes VIT as a component unit organization as there is financial accountability as a result of fiscal dependency to the Authority. 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 Treasurer and Director of Financial Services at 600 World Trade Center, Norfolk, VA 23510.

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 meeting the component unit definition. 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 per GASB Codification P80 "Proprietary Fund Accounting and Financial Reporting," 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, 2011 was $1,865,270.

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. If determined to be permanently impaired, capital assets are reported at the lower of carrying or fair value. Any insurance recoveries associated with events leading to an asset impairment are 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, 2011. 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, 2011. 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 with 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 are 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. Depreciation for the Authority and VIT are expressed as individual line items within the VPA statements.

Interest Income

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements

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 periods beginning after June 15, 2009. Its implementation did not have a material impact on the Authority's financial statements.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. This statement is effective for periods beginning after June 15, 2009. Its implementation did not have a material impact on the Authority's financial statements.

GASB Statement No. 57. *OPEB measurements by Agent Employers and Agent Multiple-Employer Plans,* addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This statement was issued in December 2009 and is effective beginning with fiscal year 2012. This statement is not expected to have a material impact on the Authority's financial statements.

GASB Statement No. 58, *Accounting and Financial reporting for Chapter 9 Bankruptcies* provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. This statement is effective for fiscal year 2010. Its implementation did not have a material impact on the Authority's financial statements.

GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of GASBS No. 59 are effective for fiscal year 2011 and thereafter. Its implementation did not have a material impact on the Authority's financial statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements of GASBS No. 60 are effective for fiscal year 2013 and thereafter. This statement is not expected to have a material impact on the Authority's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - concluded

Recently Issued Accounting Pronouncements - concluded

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* amends GASBS No. 14 and GASBS No. 34, to modify certain requirements for inclusion of component units in the financial reporting entity, to amend the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. The requirements of GASBS No. 61 are effective for fiscal year 2013 and thereafter. This statement is not expected to have a material impact on the Authority's financial statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASBS No. 62 are effective for fiscal year 2013 and thereafter. This statement is not expected to have a material impact on the Authority's financial statements.

Summarized Comparative Data/Reclassifications

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2010 from which the summarized information was derived. 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, 2011, the Treasurer of Virginia pursuant to Section 2.2-1800, et seq., Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds, held $17,663,003 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., Code of Virginia 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.

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, 2011, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer) and its credit risk category:

Short-Term Restricted Investment Maturities (in Years)

Investment Type	Reported Value	Fair Value Less Than 1	Fair Value 1 - 5	Category
FHLB	$ 7,963,236	$ 7,963,236	$ -	1
	$ 7,963,236	$ 7,963,236	$ -	

Long-Term Restricted Investment Maturities (in Years)

Investment Type	Reported Value	Fair Value Less Than 1	Fair Value 1 - 5	Category
FHLB	$ 1,707,387	$ 1,707,387	$ -	1
FHA	16,421,678	16,421,678	-	1
FNMA	1,729,763	1,729,763	-	1
	$ 19,858,828	$ 19,858,828	$ -	

As of June 30, 2011 the Authority's FHLB/FHA/FNMA securities were rated AAA by Standard and Poor's Incorporated.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – continued

Category 1 - Insured or registered securities or securities held by VPA or its agent in VPA's name.

Category 2 - Uninsured and unregistered, with securities held by the counterpart's trust department or agent in VPA's name.

Category 3 - Uninsured and unregistered, with securities held by the counterpart, or by its trust department or agent but not in VPA's name.

As of June 30, 2011, the following shows the distribution of the Authority's investments (not held by the Treasurer) and its credit risk category:

	Category 1 Reported Value	Category 2 Reported Value	Category 3 Reported Value	Fair Value
Short-Term Investments:				
Asset-Backed Securities	$ 7,963,236	$ -	$ -	$ 7,963,236
Short-Term Investments Total	7,963,236	-	-	7,963,236
Long-Term Investments:				
Asset-Backed Securities	19,858,828	-	-	19,858,828
Long-Term Investments Total	19,858,828	-	-	19,858,828
Investments Total	$ 27,822,064	$ -	$ -	$ 27,822,064

Other investments listed as Restricted Investments include Other Cash and Investments Held by Trustees in the amount of $47,317,644 with VPA holding cash accounts in the amount of $18,635,494.

Investments held by the Treasurer of Virginia

Investments 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. The Commonwealth's policy is to record unrealized gains and losses in the General Fund in the Commonwealth's basic financial statements. When gains or losses are realized, the actual gains and losses are recorded by the affected agencies. 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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – concluded

Component Unit – VIT

Virginia International Terminals, Inc.'s, cash and cash equivalents, restricted and investments at June 30, 2011, are categorized below by credit risk. The three types of credit risks are:

Category 1 - Insured or registered securities or securities held by VIT or its agent in VIT's name.

Category 2 - Uninsured and unregistered, with securities held by the counterpart's trust department or agent in VIT's name.

Category 3 - Uninsured and unregistered, with securities held by the counterpart, or by its trust department or agent but not in VIT's name.

VIT – Cash and Cash Equivalents, Restricted

	Category				
June 30, 2011	1	2	3	Reported Amount	Fair Value
Money Market Instruments	$ -	$ -	$ 3,130,181	$ 3,130,181	$ 3,130,181
Total	$ -	$ -	$ 3,130,181	$ 3,130,181	$ 3,130,181

VIT –Investments, Restricted

	Category				
June 30, 2011	1	2	3	Reported Amount	Fair Value
Municipal Bonds		$ 3,303,955		$ 3,303,955	$ 3,303,955
Corporate Bonds	4,809,906			4,809,906	4,809,906
U.S. Treasury & Agency		8,639,490		8,639,490	8,639,490
Total	$ 4,809,906	$ 11,943,445	$ -	$ 16,753,351	$ 16,753,351

Under the terms of the Service Agreement between the VPA and VIT, the Trustee of the Money Market Instruments has a security interest in these investments, for the benefit of the holders of bonds issued by the VPA.

3. CONCENTRATION OF RISK

Interest Rate Risk-VPA

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.

Credit Risk-VPA

The Authority follows the Commonwealth of Virginia's credit quality limitations and places emphasis on securities of high credit quality and marketability. Policy details can be found in the **General Account Investment Guidelines** document at http://www.trs.virginia.gov/Documents/Cash/GenAcctInvstPolicy.pdf

Concentration of Credit Risk-VPA

The Authority places no limit on the amount it may invest in any one issuer. More than 5% of the Authority's investments are in FHLB, FHA and FNMA securities. These investments are 34.8%, 59.0% and 6.2%, respectively, of the Authority's total investments.

Concentration of Risk - VIT

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 $250,000 limit of federal insurance with major financial institutions.

Other financial instruments that potentially subject VIT to credit risk consist of accounts receivable. VIT provides labor-intensive services to major shipping-lines that import and export products through the marine terminals that it operates in Hampton Roads. VIT can hold cargo shipped through the terminals as collateral for these receivables. Since VIT controls the movement of cargo through the terminals, it has ready access to the collateral.

For the year ended June 30, 2011, approximately 28% of VIT total revenue was derived from two customers. For the year ended June 30, 2010, approximately 25% of VIT total revenue was derived from two customers. Receivables outstanding at June 30, 2011 and 2010 for these concentrations totaled $8,944,800 and $7,363,332, respectively.

A significant portion of VIT's labor is provided by contract with the International Longshoremen's Association. The current contract expires September 30, 2012.

4. PREPAID EXPENSES AND OTHER ASSETS

Authority Prepaid expenses and other assets as of June 30, 2011 include:

	2011
Prepaid Expenses	$ 116,383
Reimbursable Expenses	1,350
Current Portion – MELP Issue Costs	9,250
Current Portion – Bond Issue Costs	256,807
	$ 383,790

Component Unit – VIT

VIT Prepaid expenses and other assets as of June 30, 2011 include:

	2011
Prepaid Expenses	$ 5,922,834
Deposits	371,000
	$ 6,293,834

5. CHANGES IN CAPITAL ASSETS

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land and improvements	$ 97,423,841	$2,744,350	$ -	$100,168,191
Construction in progress	120,710,300	56,567,546	21,695,581	155,582,265
	218,134,141	59,311,896	21,695,581	255,750,456
Depreciable capital assets:				
Infrastructure	511,475,425	6,776,583	-	518,252,008
Buildings	94,184,113	1,504,261	-	95,688,374
Improvements other than buildings	29,144,478	111,600	-	29,256,078
Equipment	314,998,205	23,849,805	12,321,679	326,526,331
	949,802,221	32,242,249	12,321,679	969,722,791
Less accumulated depreciation for:				
Infrastructure	158,501,273	19,267,026	-	177,768,299
Buildings	48,038,105	3,251,917	-	51,290,022
Improvements other than buildings	20,893,803	1,220,344	-	22,114,147
Equipment	132,588,758	22,101,878	12,227,277	142,463,359
Total accumulated depreciation	360,021,939	45,841,165	12,227,277	393,635,827
Depreciable capital assets, net	589,780,282	(13,598,916)	94,402	576,086,964
Total capital assets, net	$807,914,423	$ 45,712,980	$ 21,789,983	$831,837,420

5. CHANGES IN CAPITAL ASSETS- Concluded

Insurance Proceeds- VIT

In fiscal year 2011, proceeds from insurance amounted to $333,493 for Virginia International Terminals, none of which were attributable to impairment of assets.

Component Unit – VIT

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets	$ 69,931,531	$ 3,840,903	$ 1,974,403	$ 71,798,031
Accumulated depreciation	53,314,449	4,495,334	1,641,881	56,167,902
Net Capital assets	$ 16,617,082			$ 15,630,129

6. SHORT-TERM DEBT

On October 21, 2010, the Virginia Port Authority was authorized to draw on a Treasury Loan of up to $70 million as a short term financing, pursuant to section 4-3.02 b, Chapter 874, 2010 Acts of Assembly, for the development at Craney Island, to include dredging work. $23.9 million could be drawn in FY2011 with the balance available upon request in FY2012. This note was issued in anticipation of the issuance by the Authority of a series of Commonwealth Port Fund Bonds, the proceeds of which are to be used to retire the Treasury Note, develop Craney Island and other such expenses as authorized. The 2010 CPF Treasury Note is due and payable on August 30, 2011 with interest. $ 13,911,029

Short-term debt activity for the year ended June 30, 2011 is summarized as follows:

Short-Term Debt	Beginning Balance	Proceeds /Draws	Repayment	Ending Balance
2010 CPF Treasury Note (ST)	$ -	$ 13,911,029	$ -	$ 13,911,029

7. 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, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within one Year
Revenue Bonds	$ 471,785,000	$ -	$ 11,760,000	$ 460,025,000	$ 12,330,000
Issuance Premium	12,180,380	-	829,337	11,351,043	844,259
Less: Deferred Refunding	914,048	-	106,541	807,507	92,039
Total Revenue Bonds	483,051,332	-	12,482,796	470,568,536	13,082,220
Installment Purchases	71,556,396	-	9,062,209	62,494,187	9,372,626
Compensated Absences	679,126	407,395	378,364	708,157	394,539
Total	$ 555,286,854	$ 407,395	$ 21,923,369	$ 533,770,880	$ 22,849,385

Details of Long-Term Indebtedness

Revenue Bonds	Balance as of June 30, 2011
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 $3,945,000 to $7,590,000 with interest of 3.8% 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.	$ 114,085,000

7. LONG-TERM DEBT – continued

Details of Long-Term Indebtedness - continued	Balance as of June 30, 2011
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.	\$ 48,465,000
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.	53,155,000
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.	14,365,000

7. LONG-TERM DEBT – continued

Details of Long-Term Indebtedness - continued

	Balance as of June 30, 2011
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 first 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 July1, 2031 and July 1, 2036. These bonds are payable from the net revenues of the Authority.	$ 89,775,000
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.	71,550,000
On May 6, 2010, Port Facilities Revenue Refunding Bond Series 2010 (the "Series 2010 Bonds"), dated April 21, 2010, were issued in the principal amount of $68,630,000. The bonds are payable in annual installments varying from $265,000 to $4,590,000 beginning July 1, 2016. Semi-annual interest payments commence January 1, 2011 with interest of 3.375% to 5.00% payable semiannually, the final installment due July 1, 2040. The bonds are payable from the net revenues of the Authority. Proceeds of the Series 2010 Bonds have been used, together with other funds, (a) to currently refund in full the outstanding principal amount of the Authority's $65,000,000 Subordinate Port Facilities Revenue Bond Anticipation Note, Series 2009 (the "Series 2009 BAN"), (b) to fund a Debt Service Reserve Account for the Series 2010 Bonds as required under the Resolution, and (c) to pay all or a portion of the expenses incurred with respect to the issuance of the Series 2010 Bonds and the refunding of the Series 2009 BAN.	68,630,000
Sub-total revenue bonds	$ 460,025,000
Issuance premium, net	11,351,043
Deferred refunding amount	(807,507)
Total revenue bonds	**$ 470,568,536**

7. LONG-TERM DEBT – continued

Installment Purchases - continued	Balance as of June 30, 2011
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%.	$ 2,289,835
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%.	1,096,597
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%.	7,464,931
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%.	10,254,442
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%.	2,299,197
A contract dated February 6, 2008 for the lease purchase of terminal equipment totaling $1,507,965 with semi-annual payments of $87,842 for a period of ten years at an interest rate of 3.06%.	1,099,472
A contract dated February 6, 2008 for the lease purchase of terminal equipment totaling $6,982,922 with semi-annual payments of $406,768 for a period of ten years at an interest rate of 3.06%.	5,091,319
A contract dated July 29, 2008 for the lease purchase of terminal equipment totaling $26,492,035 with semi-annual payments of $1,572,258 for a period of ten years at an interest rate of 3.43%.	20,639,852
A contract dated January 5, 2009 for the lease purchase of terminal equipment totaling $345,560 with payments beginning September 2009 at $26,354 and continuing with semi-annual payments each March and September of $26,010 for a period of seven years at an interest rate of 1.38%.	250,487

7. LONG-TERM DEBT – continued

Installment Purchases - concluded	Balance as of June 30, 2011
A contract dated January 9, 2009 for the lease purchase of terminal equipment totaling $8,156,830 with payments beginning September 2009 at $471,204 and continuing with semi-annual payments of $459,739 each March and September for a period of ten years at an interest rate of 2.30%.	$ 6,683,822
A contract dated January 21, 2009 for the lease purchase of terminal equipment totaling $6,497,610 with payments beginning September 2009 at $370,373 and continuing with semi-annual payments of $366,222 each March and September for a period of ten years at an interest rate of 2.30%.	5,324,233
Total installment purchases	**$ 62,494,187**

Compensated Absences	Balance as of June 30, 2011
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, 2011 the amounts reflect all earned "paid time off" and compensatory leave not taken, and the amount payable under the Authority's sick leave pay-out policy upon termination, the latter which is the lesser of 25 % of sick leave not taken or $5,000 per employee for employees hired prior to July 1, 1997. The compensated absence liability also includes related payroll taxes.	708,157
Total long-term indebtedness	**$ 533,770,880**

7. 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, 2011 (excluding compensated absences), is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
2012	$ 12,330,000	$ 23,396,464	$ 35,726,464
2013	12,935,000	22,287,427	35,222,427
2014	13,575,000	21,647,812	35,222,812
2015	14,250,000	20,977,707	35,227,707
2016	14,995,000	20,225,657	35,220,657
2017-2021	80,415,000	89,130,362	169,545,362
2022-2026	100,995,000	67,105,278	168,100,278
2027-2031	97,955,000	41,056,226	139,011,226
2032-2036	77,585,000	20,638,138	98,223,138
2037-2041	34,990,000	3,938,500	38,928,500
Total Bonds	460,025,000	330,403,571	790,428,571
Issuance Premium	11,351,043		11,351,043
Deferred Refunding	(807,507)		(807,507)
Total	$ 470,568,536	$ 330,403,571	$ 800,972,107

Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2012	$ 9,372,626	$ 2,022,021	$ 11,394,647
2013	9,694,011	1,700,637	11,394,648
2014	10,026,761	1,367,884	11,394,645
2015	9,381,296	1,030,861	10,412,157
2016	6,450,610	739,406	7,190,016
2017-2021	17,568,883	981,170	18,550,053
Total	$ 62,494,187	$ 7,841,979	$ 70,336,166

7. 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 $4,303,172 at June 30, 2011 to the extent of the benefits that are payable. VIT is also contingently liable for personal and vacation leave of $5,669,479 at June 30, 2011 representing amounts employees could use during their period of employment.

8. 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, 2010, these defeased bonds were paid in full.

On April 11, 2007, the Authority issued $74,255,000 of Port Facility Revenue Bonds to 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. At June 30, 2010, all of the unrefunded bonds were paid in full.

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.

9. 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. As of July 6, 2010, VIT also operates APM Terminals, a terminal leased by the Virginia Port Authority, in Portsmouth Virginia.

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.

As of June 30, 2011, the Virginia Port Authority was in negotiations with the City of Richmond to lease the Port of Richmond, and also in negotiation with the current terminal operator, to continue after the Authority leases the facility.

10. COMMITMENTS AND CONTINGENCIES

As of June 30, 2011 the Authority has commitments to construction contracts totaling $267,644,849 of which $221,827,202 has been incurred.

On July 31, 2008 the Authority entered into an agreement to purchase 3 “green” yard switching locomotives in three years with a total due, subject to appropriations, of $2,064,500. Due to circumstances beyond the Authority’s control, this purchase has been delayed until FY2014.

The Authority established a Master Equipment Lease Program on October 15, 2003. All equipment financed subsequent to that date and prior to May 25, 2007 serves as collateral for all debt outstanding under the original Master Lease.

The Authority established a second Master Equipment Lease Program on May 25, 2007. All equipment financed subsequent to that date serves as collateral for all debt outstanding under the second Master Lease.

Payments for rent under an operating lease agreement amounted to $525,635 for the year paid by VIT and recorded as a transfer to the Authority for space rental of offices at the World Trade Center.

Expenses for operating lease agreements amounted to $32,538,640 in fiscal year 2011.

10. COMMITMENTS AND CONTINGENCIES - continued

Lease commitments in aggregate are as follows:

Year Ending June 30,	Amount
2012	$ 39,700,195
2013	41,772,436
2014	44,791,595
2015	44,809,476
2016	44,827,831
2017-2021	224,056,241
2022-2026	224,589,244
2027-2031	177,487,802
Total	$ 842,034,820

The Authority has various rental and sub-lease agreements ranging from one to twenty years. Rental and sub-lease income received under these agreements totaled $24,693 during the year ended June 30, 2011. Future payments to be received under these agreements are expected to be $205,423 in 2012.

Component Unit – VIT Leases

VIT leases administrative office space, equipment, and land. Each of the leases has different rates and renewal dates.

Applicable lease commitments in the aggregate are as follows:

Year Ending June 30,	Amount
2012	$ 1,284,411
2013	524,732
Total	$ 1,809,143

Rental expense incurred under all operating leases (including less than one year and cancellable) was $2,883,833 for the year ended June 30, 2011. Rental expense incurred is net of rents paid on behalf of the VPA which were recorded as a transfer to the VPA totaling $525,635 in 2011.

VIT has various rental and sub-lease agreements ranging from one to three years. Rental and sub-lease income received under these agreements totaled $3,653,432 during the year ended June 30, 2011. Future payments to be received under these agreements are expected to be $1,473,079 in 2012.

10. 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, 2011, the escrow account balance was $22,187.

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. In addition, the Authority has also been awarded grants from the Environmental Protection Agency and other federal agencies. 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 fiscal year 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 expenses incurred are classified as non-operating for this flow-through project. As of June 30, 2011, $69,017 remained of the General Fund appropriation received for this project.

10. COMMITMENTS AND CONTINGENCIES - concluded

Imposed Non Exchange Transaction

The Authority, through a Joint Memorandum of Agreement, received $1.9 million in fiscal year 2009 as a mitigation payment from Virginia Natural Gas to fund Army Corps of Engineers approved enhancements to Anchorage K or future dredging and navigation activities associated with the provision of a deeper anchorage area in the waters that are contiguous to the area known as Hampton Roads. As of June 30, 2011, $2,001,490 remains in the account, having earned $101,490 in interest through June 30, 2011.

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.

Conference on World Trade

The Authority entered an agreement with the Virginia Economic Development Partnership to co-sponsor the annual “Virginia Conferences on World Trade”. Under this agreement, the entities are to share equally in any profits and losses resulting from each year’s conference activities. If either party terminates their participation, or the event was to be cancelled, funds would be divided in accordance with the terms of the agreement. The Authority made notice of their intent to discontinue this co-sponsorship after the 2010 conference. The net earnings from participation per the agreement has been included in other revenues.

Other NonCurrent Liabilities

The Authority, through the APM Terminal lease, acquired $13.3 million in terminal assets. The lease agreement requires that upon dissolution of the lease, terminal assets are to be transferred back to the terminal owner. The Authority is committed to transferring back $13.3 million in operational assets. Assets transfered at the end of the lease with a net book value greater than $13.3 million will be purchased by the terminal owner in accordance with the agreement.

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, 2011.

At June 30, 2011, VIT has a letter of credit available in the amount of $1,600,000 for workers' compensation claims. The letter of credit bears interest at prime and is set to expire at May 31, 2012. At June 30, 2011, there were no borrowings outstanding.

11. PENSION PLANS

Pensions

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.

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.

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.

Funding Policy

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 11.44% of base pay in 2011, 11.25% of base pay in 2010 and 7.01% of base pay in 2009 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

11. PENSION PLANS- continued

The following table illustrates the funding progress required by GASB.

		June 30, 2011	June 30, 2010
Interest Rate		7.5%	7.5%
Covered Payroll		$ 7,266,223	$ 7,302,177
Assets		$ 7,529,820	$ 5,152,924
Accrued Liability as of the Fiscal Year End			
	Active	$ 6,250,270	$ 5,177,264
	Inactive	$ 3,451,971	$ 3,379,725
	Total	$ 9,702,241	$ 8,556,989
Unfunded Actuarial Accrued Liability		$ 2,172,421	$ 3,404,065
Funded Ratio		77.61%	60.22%
Unfunded as a Percent of Covered Payroll		29.90%	46.62%

The components of annual pension cost and net pension obligation are as follows for the years ending June 30, 2011 ad June 30, 2010:

	2011	2010
Normal Cost	$1,101,909	$1,111,163
Amortization of Unfunded Accrued Liability	-	-
Interest	82,643	83,337
Annual Required Contribution(ARC)	$1,184,552	$1,194,500
Interest on Net Pension Obligation(NPO)	(109,452)	(135,251)
Amortization of NPO	171,448	208,410
Annual Pension Cost (APC)	1,246,548	1,267,659
Actual (Contribution)/Income toward Pension cost	(1,575,234)	(923,681)
Increase (Decrease) Net Pension Obligation (NPO)	(328,686)	343,978
NPO, beginning of year	(1,459,366)	(1,803,344)
NPO (prepayment), end of year	($1,788,052)	($1,459,366)

11. PENSION PLANS- continued

The following table illustrates the development of the Annual Pension Cost and the fiscal year end Net Pension Obligation (NPO) required by GASB 27.

	June 30, 2011	June 30, 2010
Interest Rate	7.50%	7.50%
Annual Pension Cost (APC)		
Annual Required Contribution of Employer (ARC)	$ 1,184,552	$ 1,194,500
Amortization of NPO	171,448	208,410
Interest on NPO	(109,452)	(135,251)
Total APC	1,246,548	1,267,659
End of Year Net Pension Obligation (NPO)		
Actual Beginning of Year NPO	(1,459,366)	(1,803,344)
Plus Actual APC	1,246,548	1,267,659
Minus Contributions	(1,575,234)	(923,681)
End of Year NPO	$ (1,788,052)	$(1,459,366)

Actuarial Methods and Assumptions

The annual pension cost for the current year was determined as part of the July 2011 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities, because of this, information about the funded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Actual value of assets was determined using market value. The discount rate used in determining the actuarial liability was based on a 7.5% discount rate and a 4.0% future compensation level was used for future years.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2011, 2010 and 2009.

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 1,246,548	$ 1,575,234	126%	$ (1,788,052)
June 30, 2010	$ 1,267,659	$ 923,681	73%	$ (1,459,366)
June 30, 2009	$ 876,359	$ 1,185,944	135%	$ (1,803,344)

11. PENSION PLANS- continued

The funded status of the plan as of the most recent actuarial valuation date and the four preceding valuations is set forth in the following table:

Actuarial Valuation Date	Actuarial Assets	Accrued Actuarial Liability	Unfunded Actuarial Liability	Fund Ratio	Annual Covered Payroll	Unfunded Actuarial Liability to Annual Covered Payroll
06/30/11	$7,529,820	$9,702,241	$2,172,421	77.61%	$7,266,223	29.90%
06/30/10	$5,152,924	$8,556,989	$3,404,065	60.22%	$7,302,177	46.62%
06/30/09	$4,206,867	$7,633,409	$3,426,542	55.11%	$7,452,049	45.98%
06/30/08	$5,227,855	$6,433,273	$1,205,418	81.26%	$7,359,043	16.38%
06/30/07	$4,596,802	$5,833,592	$1,236,790	78.80%	$6,098,584	20.28%

Information generally required to be disclosed as supplementary information in accordance with GASB 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No.27*, has been included as part of the basic consolidated financial statements.

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 $140,696 and $136,561 for the years ended June 30, 2011 and June 30, 2010, 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).

11. PENSION PLANS - continued

Component Unit – VIT

The VIT Pension Plan is a single employer, noncontributory defined benefit pension plan administered by VIT. 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 VIT. The plan issues a stand-alone financial report. The most recent report is as of September 30, 2010 and is available upon request from Management.

VIT's components of annual pension cost and prepaid pension obligation are as follows:

	2011	2010	2009
Net Prepaid pension obligation, beginning of year	$ (8,246,800)	$ (7,592,800)	$ (8,740,800)
Annual pension cost	7,853,200	7,266,000	3,630,000
Contributions made	-	(7,920,000)	(2,482,000)
Net Prepaid pension obligation, end of year	$ (393,600)	$ (8,264,800)	$ (7,592,800)

Actuarial Cost Method

Costs have been computed in accordance with the aggregate cost method. The normal cost is computed in the aggregate equal to the present value of future benefits less assets, divided by a temporary annuity. The temporary annuity equals the present value of future compensation divided by the current compensation for those active participants who have not reached their assumed retirement age.

Changes in plan provisions and actuarial assumptions, and actuarial gains and losses are not separately amortized under this method. Rather the impact is spread through the nominal cost component over the future working lifetime of participants.

Asset Valuation Method

In the determination of market values, securities traded on national securities exchanges are valued at the last reported sales price on the last trading day on or before the statement date, or at the last reported bid quotation if not traded on that last trading date. Purchases and sales of investment assets are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

11. PENSION PLANS - continued

Component Unit – VIT – continued

Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on the employees' highest average of total earnings, as defined in the Plan documents, in a consecutive 60-month period. The accumulated plan benefits for active employees are based on their average compensation during the five years ending on the valuation date. Benefits payable under all circumstances are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from Plan assets are excluded from accumulated Plan benefits.

The actuarial present value of accumulated plan benefits is determined by an actuary using end of year benefit information as of September 30, 2010 and 2009, respectively, and is determined by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money and the probability of payment.

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants, (b) retirement age (age 65), (c) investment return (average rate of return of 7.5%), (d) taxable wage base (4%), (e) salary scale for post-1996 hires (5.5%), (f) salary scale assumption of 6.5%, applied to valuation pay, was added for pre-1997 hires and (g) blended discount rate of 5.43%. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

VIT's funding policy is to make annual contributions to the Plan in amounts that are necessary to comply with the applicable law and regulations, such that all employees' benefits will be fully provided for by the time they retire. Although it has not expressed any intention to do so, VIT has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

11. PENSION PLANS - continued

Component Unit – VIT – continued

The following tables set forth the plan's funded status and the related amounts recorded in VIT's balance sheets at June 30, 2011, 2010 and 2009.

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
June 30, 2011	$ 7,853,200	-%	$ (393,600)
June 30, 2010	$ 7,266,000	109%	$ (8,264,800)
June 30, 2009	$ 3,630,000	68%	$ (7,592,800)

The funded status of the plan as of the most recent actuarial valuation date and the two preceding valuations is set forth in the following table:

Actuarial Valuation Date	Actuarial Assets	Accrued Actuarial Liability	Unfunded Actuarial Accrued Asset (Liability)	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability to Annual Covered Payroll
09/30/10	$60,481,000	$62,121,000	$(1,640,000)	97.36%	$29,176,000	5.62%
09/30/09	$55,514,000	$54,788,000	$ 726,000	101.33%	$26,751,000	-
09/30/08	$50,620,000	$51,816,000	$(1,196,000)	97.69%	$29,194,000	4.10%

Information generally required to be disclosed as supplementary information in accordance with GASB Codification P20, “Pension Activities – Employer Reporting,” has been included as part of the basic consolidated financial statements.

VIT also sponsors noncontributory supplemental plans covering certain key employees. Assets of $3,053,827 and $5,490,968 in 2011 and 2010, respectively, have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was $3,569,294 and $6,312,214 as of June 30, 2011 and 2010, respectively. Contributions to the plans were $0 and $2,500,000 for the years ended June 30, 2011 and 2010, respectively.

11. PENSION PLANS - concluded

Component Unit – VIT – concluded

In addition, VIT sponsors a deferred compensation plan and a matching savings plan under Internal Revenue Code Sections 457 and 401(a), respectively, which 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 $318,828 and $297,242 for the years ended June 30, 2011 and 2010, respectively.

VIM sponsors a deferred compensation plan under Internal Revenue Code Sections 457 and a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). VIM also 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 6% of each eligible employee's salary. VIM's total contributions to the Plans were $37,430 and $36,971 for the years ended June 30, 2011 and 2010, respectively.

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS

The Virginia Port Authority offers post retirement medical and dental benefits to VPA employees who retire under either VRS or the VPA pension plan. Employees who maintain status under VRS are covered under the state health care 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). For employees and their spouses, who are participants in the VPA medical plan (not participants under the state health care plan under VRS), benefit provisions and obligations are established and may be amended by the Board of Commissioners of the Authority. Under the VPA medical plan, eligible retirees, spouses and surviving spouses ("Retirees") are permitted to participate with active employees in the VPA group health care plan. Retirees, must pay all premiums (100%) assigned to them as determined by the group rate designations as supplied to the Authority by the health care insurance provider. Medicare-eligible employees have post-retirement health care coverage provided through a separate plan known as "Advantage 65" which is priced to be fully supported by retiree contributions.

Retirees under the age of 65 ("Early Retirees") make a contribution for coverage that represents a blended rate of active and retired employee experience. Since claims will normally be higher for Early Retirees than claims for the active workforce, the blended rate is insufficient to cover the true cost for Early Retirees and thus an implicit subsidy exists.

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Authority's initial OPEB actuarial valuation for fiscal year 2010 used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets, which is the Authority's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5% per year, and an annual healthcare cost trend rate of 10.5% initially for fiscal year 2010, reduced to an ultimate rate of 5.5% for the fiscal year ending June 30, 2015. The dental cost trend rate is 6.50% for fiscal year ended June 30, 2010 grading to 4.50% for fiscal year ending June 30, 2012. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years.

Funding Policy

The Port Authority has not advanced-funded or established a funding methodology of the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the fiscal year ended June 30, 2011 as calculated in the actuarial report dated August 31, 2010, retirees and eligible dependents received postemployment health care benefits. The Port Authority estimated cost was $62,950 comprised of benefit payments on behalf of retirees for claims expenses and retention costs. After netting out retiree estimated contributions of $36,492 the contribution towards the annual OPEB costs was $26,458. Required contributions are based on projected pay-as-you-go financing.

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Annual OPEB Cost and Net OPEB Obligation

The following table shows the Authority's annual OPEB cost for the years ended June 30, 2010 and estimations for June 30, 2011, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation:

	FY Ending June 30, 2011	FY Ending June 30, 2010
Normal Cost	$ 29,149	$ 30,211
Amortization of Unfunded Accrued Liability	11,962	12,351
Interest	1,644	1,702
Annual Required Contribution	42,755	44,264
Interest on Net OPEB Obligation (NOO)	4,534	3,403
Amortization of NOO	(4,048)	(3,039)
Total Expense or Annual OPEB Cost (AOC)	43,241	44,628
Less: Actual Contribution* toward OPEB Cost	26,458	16,361
Increase in NOO	16,783	28,267
NOO Beginning of Year	113,346	85,079
NOO End of Year	$ 130,129	$ 113,346

The Authority's historical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year	AOC	Contribution*	Percent of AOC Contributed	NOO
6/30/2011	$ 43,241	$ 26,458	61.2%	$ 130,129
6/30/2010	$ 44,628	$ 16,361	36.7%	$ 113,346
6/30/2009	$ 34,167	$ (7,398)	(21.7%)	$ 85,079
6/30/2008	$ 32,137	$ (11,377)	(35.4%)	$ 43,514

*Note: Contributions include claim payments made outside of the trust less premiums paid by retirees. When claims paid outside of the trust exceed the premiums received it is a net contribution however if the retiree premiums exceed the claims paid outside of the trust, it increases the NOO and shows as negative contributions. Retiree contributed premiums result in additional liability to the Authority.

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Funded Status and Funding Progress

As of June 30, 2011, the estimated actuarial accrued liability for benefits was $321,282, and the actuarial value of the assets was $0, resulting in an unfunded actuarial accrued liability of $321,282. The covered payroll (annual payroll for active employees) was $8,301,582 for fiscal year 2011, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.9%.

The following table illustrates the funding progress for the Authority.

	Fiscal Year Ending	
	June 30, 2011	June 30, 2010
Interest Rate	4.0%	4.0%
Covered Payroll	$ 8,301,582	$ 8,113,550
Assets	-	-
Accrued Liability as of the Fiscal Year End		
Active	197,251	203,056
Inactive	124,031	136,922
Total	321,282	339,978
Unfunded Actuarial Accrued Liability	$ 321,282	$ 339,978
Funded Ratio	0.0%	0.0%
Unfunded as a Percent of Covered Payroll	3.9%	4.2%

The funding progress history is illustrated in the table below:

Actuarial Valuation Date	Actuarial Assets	Accrued Actuarial Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability to Annual Covered Payroll
June 30, 2011	$ 0	$ 321,282	$ (321,282)	-	$ 8,301,582	3.9%
June 30, 2010	$ 0	$ 339,978	$ (339,978)	-	$ 8,113,550	4.2%
June 30, 2009	$ 0	$ 290,740	$ (290,740)	-	$ 8,424,884	3.5%
June 30, 2008	$ 0	$ 270,741	$ (270,741)	-	$ 8,642,275	3.1%

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS - concluded

Actuarial valuations are required at least biennially for OPEB plans with a total membership of 200 or more. The latest actuarial report on the VPA Postemployment Health Care Plan may be obtained by contacting the Finance Department of the Authority.

13. TERMINATION BENEFITS

Component Unit – VIT

In August 2009, due to the current state of the economy and the impact on operating revenues, the Company terminated approximately 90 of its employees. The cost associated with the severance and related benefits totaled $2,652,000 for the year ended June 30, 2010. Additionally, the Company offered a voluntary early retirement package for employees 62 and older. Total future annual compensation savings from the terminations and early retirements are expected to approximate $7,500,000.

14. ACCRUED WORKERS' COMPENSATION COSTS

Component Unit – VIT

Included in accrued workers' compensation costs are a workers' compensation claims component and an accrued Department of Labor assessment component. The workers' compensation claims component consists of the Company's estimate of its continuing liability for injuries which occurred during periods of self-insurance. The balances at June 30, 2011 and 2010, are classified as follows:

	2011	2010
Workers' compensation claims	$ 144,596	$ 144,596
Workers' compensation claims, noncurrent portion	1,015,562	1,025,342
	$ 1,160,158	$ 1,169,938

14. ACCRUED WORKERS' COMPENSATION COSTS - concluded

Component Unit – VIT - concluded

The accrued Department of Labor (DOL) assessment component is the Company'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 5.59% and 5.28% at June 30, 2011 and 2010, respectively. The undiscounted liability totaled approximately $4,888,000 and $5,110,000 at June 30, 2011 and 2010, respectively. The Company expects to pay these assessments annually through 2025. The balances at June 30, 2011 and 2010, are classified as follows:

	2011	2010
Accrued DOL assessment	$ 903,116	$ 883,408
Accrued DOL assessment, noncurrent portion	2,882,101	3,093,374
	$ 3,785,217	$ 3,976,782

15. 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.

16. SUBSEQUENT EVENTS

On July 27, 2011, the Authority issued $57,370,00 of Virginia Port Authority Commonwealth Port Fund Revenue Bonds, Series 2011 (Non-AMT). These bonds were issued pursuant to Section 62.1-128 *et seq.* of the Code of Virginia of 1950, as amended. Serial bonds issued in the principal amount of $57,370,000 are payable in annual installments beginning July 1, 2028 in amounts ranging from $2,565,000 to $9,250,000 with interest of 5.0% payable semiannually, the first interest installment due January 1, 2012 and the final installment due July 1, 2036, with the first optional redemption date being July 1, 2020. 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 mortor vehicle fuel taxes, sales and use tax, and annual motor vehicle registration fees. With the issuance of this bond series, proceeds of $13,911,029 were used for the repayment of the Treasury Loan, at closing, that had been issued to continue projects for which this bond issuance was intended to fund.

On October 25, 2011, the Authority entered into a Memorandum of Understanding (MOU) with the Virginia Department of Transportation obligating a portion of the Authority's Transportation Trust Fund Allocation ("TTF") to fund a portion of the US Route 460 Corridor Improvements Project ("the Project"). On an annual basis, the Authority will provide a minimum of 0.5 percent of the Transportation Trust Fund allocation to fund a portion of the Project construction costs incurred by the Virginia Department of Transportation and/or ongoing operational and maintenance costs. Payments are expected to begin no earlier than July 1, 2013 and will continue for the life of any related "PPTA" concession term for the project, or 90 years if no concession is awarded. In the event the Authority elects to provide contributions of $250 million for Project construction costs by June 30, 2022, the Authority shall have no further obligation to provide any other funding under the terms of the MOU.

Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

October 31, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
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, 2011, 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 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, insofar as it relates to the amounts included for the component unit of the Authority is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the Authority's 2010 financial statements, and in our report dated October 29, 2010, we expressed an unqualified opinion on the respective financial statements of the Authority.

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 and the reports of other auditors provide 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 financial position of the business-type activities and aggregate discretely presented component unit of the Authority as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 21 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 basic financial statements of Authority. The introductory section, statistical schedules, and compliance disclosures are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory schedule, statistical schedules, and compliance disclosures 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, 2011 on our consideration of the 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 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. We anticipate releasing that report on or after November 16, 2011.

Walter J. Kucharski

AUDITOR OF PUBLIC ACCOUNTS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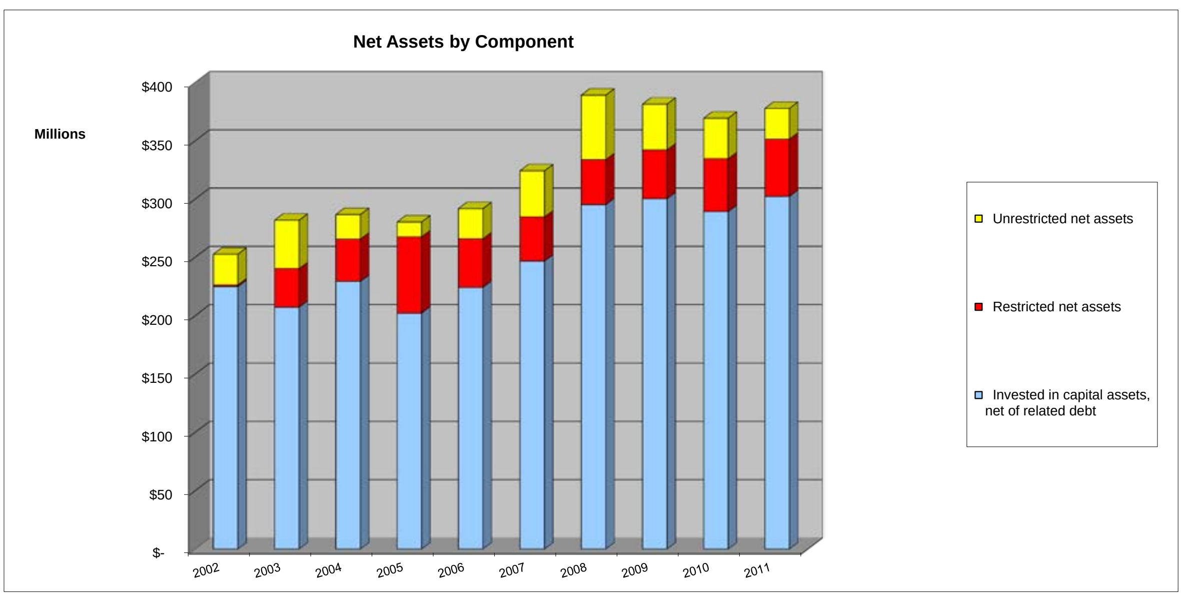
STATISTICAL SECTION
(unaudited)

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. Unlike most governmental agencies, the Virginia Port Authority has no taxing authority and relies predominately on funds generated through business services at the Ports. Their economic conditions are unlike a taxing locality, where population demographics directly affects revenue. The Authority is influenced by worldwide economic conditions as opposed to more localized conditions.

Financial Trends *These schedules and graphs contain trend data about how the financial performance and condition of the Authority has changed over time.*

VIRGINIA PORT AUTHORITY
Net Assets by Component
For the Years 2002 Through 2011

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	$ 295,284,451	$ 300,421,130	$ 289,355,155	$ 302,390,370
Restricted net assets	1,437,520	33,181,531	36,386,020	65,355,495	41,764,584	37,919,827	38,688,565	41,845,940	45,326,982	49,148,810
Unrestricted net assets	26,348,479	41,574,603	21,008,849	12,724,958	25,862,097	39,588,492	55,309,289	39,271,276	34,774,156	26,374,699
Total Net Assets	$ 252,694,266	$ 281,947,292	$ 286,740,447	$ 280,416,651	$ 291,846,712	$ 324,349,506	$ 389,282,305	$ 381,538,346	$ 369,456,293	$ 377,913,879

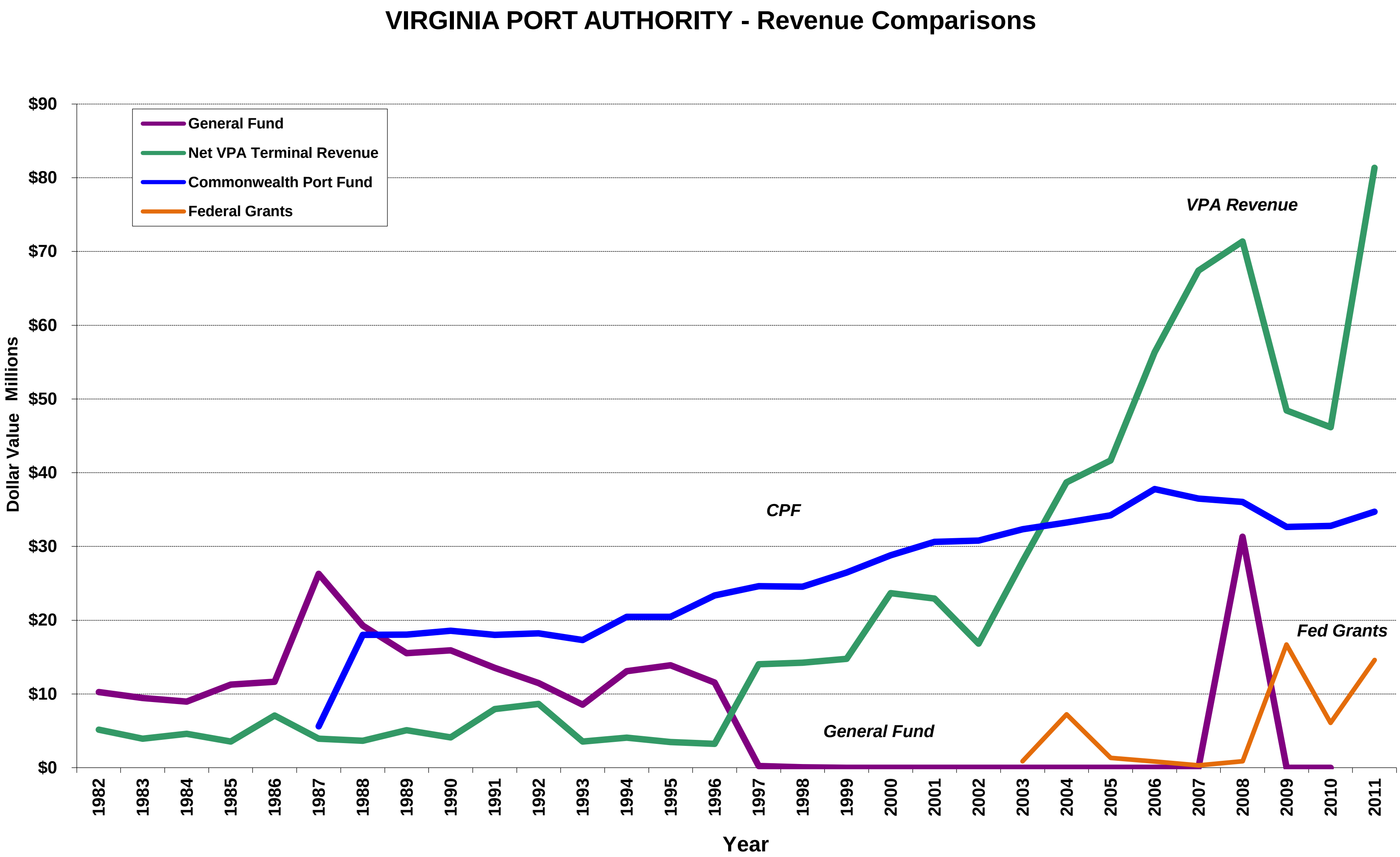


VIRGINIA PORT AUTHORITY
Changes in Net Assets
For the Years 2002 Through 2011

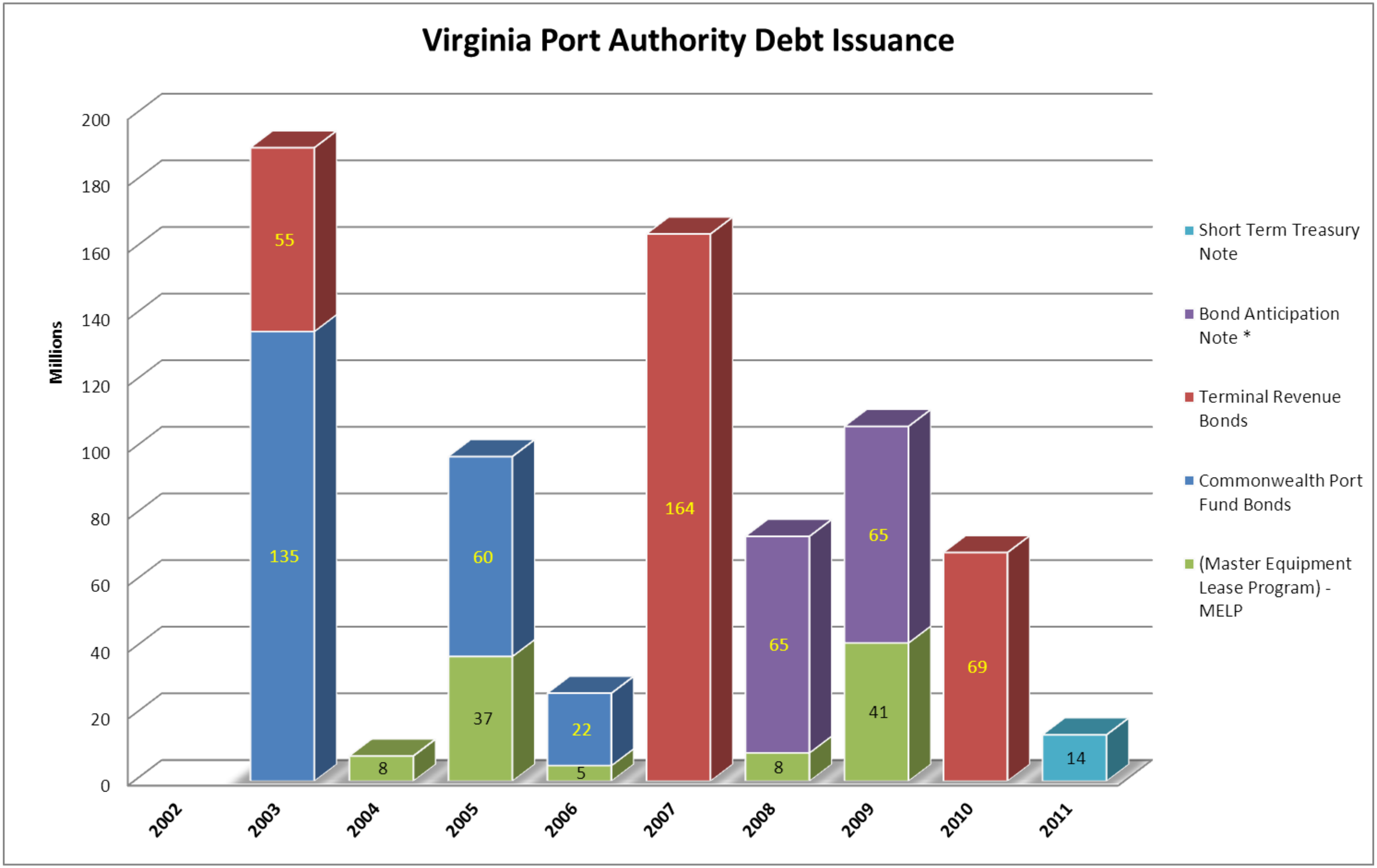
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Revenues:										
Operating revenues from component unit	$ 15,896,034	$ 31,299,217	$ 37,935,241	$ 41,678,561	$ 56,330,102	$ 67,399,813	$ 71,370,049	$ 48,448,053	$ 46,184,870	$ 81,348,960
Operating revenues- grants									1,030,769	3,596,326
Other revenues	1,313,613	1,756,837	1,458,786	2,239,387	2,997,586	4,946,483	6,049,718	4,707,316	4,742,848	6,274,000
Total operating revenues	17,209,647	33,056,054	39,394,027	43,917,948	59,327,688	72,346,296	77,419,767	53,155,369	51,958,487	91,219,286
Operating Expenses:										
Terminal operations	1,651,621	1,821,989	2,033,564	2,067,755	2,572,812	1,842,680	1,842,533	1,875,888	1,917,506	1,995,005
Terminal maintenance	5,309,458	4,773,651	3,733,194	4,221,083	5,773,381	4,586,595	4,878,215	6,055,480	6,849,226	7,962,089
General and administrative	14,084,993	14,431,437	14,280,061	15,941,738	16,997,029	21,153,082	23,263,380	20,191,192	19,748,554	52,340,515
Depreciation and amortization	16,835,559	18,614,871	22,128,718	22,805,086	29,269,085	33,501,778	35,215,703	38,728,738	43,831,880	46,107,223
Total operating expenses	37,881,631	39,641,948	42,175,537	45,035,662	54,612,307	61,084,135	65,199,831	66,851,298	72,347,166	108,404,832
Operating income (loss)	(20,671,984)	(6,585,894)	(2,781,510)	(1,117,714)	4,715,381	11,262,161	12,219,936	(13,695,929)	(20,388,679)	(17,185,546)
Non-operating revenues (expenses)										
Interest income	1,750,168	3,121,391	2,227,921	2,513,724	4,181,708	6,983,909	4,290,858	1,855,775	578,313	697,221
Interest expense	(10,442,365)	(16,228,649)	(18,700,271)	(15,721,684)	(18,904,385)	(19,249,296)	(18,352,451)	(21,625,430)	(21,386,830)	(23,007,021)
Commonwealth Rail Relocation Income	-	-	-	-	-	1,120,000	20,781,163	-	-	2,014,416
Commonwealth Rail Relocation Expense	-	-	-	-	-	(1,447,474)	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)
Operating expenses to component unit	-	-	(6,781,000)	(8,367,186)	(5,424,620)	(4,498,144)	-	(4,852,551)	-	-
Revenues from federal government	-	869,940	7,242,502	1,322,558	840,276	300,787	876,048	16,711,588	6,076,191	12,588,643
Proceeds from other state agencies	-	-	-	-	-	-	7,388,750	-		
Revenues (to) from primary government	(161,168)	(1,445,987)	(1,544,625)	(419,908)	(325,365)	(173,802)	23,948,420	(155,867)	(105,427)	(261,468)
Channel dredging Income/Expenses - Fed Govt	-	17,675,000	(2,400,726)	(7,100,005)	(6,762,000)	-	-	-	-	-
Voluntary Non-Exchange Income	-	-	-	-	-	-	-	1,900,000	-	-
Other income (expense)	-	-	-	(56,518)	100,339	166,303	35,590	38,825	7,787	8,996
Gain (loss) on disposals	(633,123)	44,015	(614,981)	(10,685,443)	(120,524)	(430,311)	(852,527)	3,793	(2,093,785)	88,879
Income (loss) before capital contributions and transfers	(30,158,472)	(2,550,184)	(23,352,690)	(39,632,176)	(10,027,481)	(1,267,234)	28,233,383	(46,636,817)	(45,536,006)	(27,328,071)
Transfers										
Commonwealth Port Fund allocation	31,837,309	29,877,485	33,128,055	34,236,656	37,769,900	36,500,057	36,036,914	32,663,448	32,784,966	34,717,391
Capital contributions (to) from component unit, net	-	-	(4,982,210)	4,071,724	(4,640,649)	1,968,604	662,502	6,229,410	668,987	1,068,266
Capital contribution to City of Norfolk	-	-	-	(5,000,000)	-	-	-	-	-	-
Increase (decrease) in Net Assets	1,678,837	27,327,301	4,793,155	(6,323,796)	11,430,061	32,502,794	64,932,799	(7,743,959)	(12,082,053)	8,457,586
Net Assets - Beginning of Year	252,941,154	254,619,991	281,947,292	286,740,447	280,416,651	291,846,712	324,349,506	389,282,305	381,538,346	369,456,293
Net Assets - End of Year	$ 254,619,991	$ 281,947,292	$ 286,740,447	$ 280,416,651	$ 291,846,712	$ 324,349,506	$ 389,282,305	$ 381,538,346	$ 369,456,293	$ 377,913,879

Note this has been reorganized to reflect non operating incomes and expenses as they are currently depicted in the financial statements presented herein

Revenue Capacity - These schedules and graphs contain trend data about how the revenue sources of the Authority have changed over time.



Debt Capacity *These schedules present information about the Authority's ability to pay debt service and their ability to issue debt in the future.*


Virginia Port Authority Debt Issuance
Millions
200
180
160
140
120
100
80
60
40
20
0
55
135
8
60
37
22
5
164
65
8
65
41
69
14
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Short Term Treasury Note
Bond Anticipation Note *
Terminal Revenue Bonds
Commonwealth Port Fund Bonds
(Master Equipment Lease Program) - MELP

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

Period Ending June 30,	Series 2002 Principal	Series 2002 Interest	Series 2002 Debt Service	Series 2005A (AMT) Principal	Series 2005A (AMT) Interest	Series 2005A (AMT) Debt Service	Series 2005B (Non-AMT) Principal	Series 2005B (Non-AMT) Interest	Series 2005B (Non-AMT) Debt Service	Series 2006 Principal	Series 2006 Interest	Series 2006 Debt Service	Series 2011 (Issued 7/27/2011*) Principal	Series 2011 (Issued 7/27/2011*) Interest	Series 2011 (Issued 7/27/2011*) Debt Service	Total Bonds Debt Service
2012	4,560,000	5,643,334	10,203,334	1,670,000	2,368,356	4,038,356	-	245,250	245,250	2,455,000	661,650	3,116,650		2,661,331	2,661,331	20,264,921
2013	4,785,000	5,421,294	10,206,294	1,750,000	2,284,856	4,034,856	-	245,250	245,250	2,590,000	526,625	3,116,625		2,868,500	2,868,500	20,471,525
2014	5,015,000	5,189,638	10,204,638	1,840,000	2,197,356	4,037,356	-	245,250	245,250	2,735,000	384,175	3,119,175		2,868,500	2,868,500	20,474,919
2015	5,290,000	4,913,814	10,203,814	1,930,000	2,105,356	4,035,356	-	245,250	245,250	2,885,000	233,750	3,118,750		2,868,500	2,868,500	20,471,670
2016	5,580,000	4,622,864	10,202,864	2,025,000	2,008,856	4,033,856	-	245,250	245,250	1,365,000	75,076	1,440,076		2,868,500	2,868,500	18,790,546
2017	5,890,000	4,315,964	10,205,964	2,135,000	1,902,544	4,037,544	-	245,250	245,250			-		2,868,500	2,868,500	17,357,258
2018	6,215,000	3,992,014	10,207,014	2,245,000	1,790,456	4,035,456	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,356,220
2019	6,555,000	3,650,188	10,205,188	2,365,000	1,672,594	4,037,594	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,356,532
2020	6,885,000	3,322,438	10,207,438	2,485,000	1,548,432	4,033,432	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,354,620
2021	7,225,000	2,978,188	10,203,188	2,620,000	1,417,970	4,037,970	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,354,908
2022	7,590,000	2,616,938	10,206,938	2,755,000	1,280,420	4,035,420	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,356,108
2023	7,975,000	2,227,950	10,202,950	2,900,000	1,135,782	4,035,782	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,352,482
2024	8,385,000	1,819,232	10,204,232	3,055,000	983,532	4,038,532	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,356,514
2025	8,815,000	1,389,500	10,204,500	3,215,000	823,144	4,038,144	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,356,394
2026	9,255,000	948,750	10,203,750	3,370,000	666,414	4,036,414	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,353,914
2027	9,720,000	486,000	10,206,000	3,535,000	502,126	4,037,126	-	245,250	245,250	-	-	-		2,868,500	2,868,500	17,356,876
2028			-	3,705,000	329,794	4,034,794	-	245,250	245,250	-	-	-	2,565,000	2,868,500	5,433,500	9,713,544
2029	-	-	-	3,060,000	149,176	3,209,176	825,000	245,250	1,070,250	-	-	-	2,690,000	2,740,250	5,430,250	9,709,676
2030	-	-	-			-	4,080,000	204,000	4,284,000	-	-	-	2,820,000	2,605,750	5,425,750	9,709,750
2031	-	-	-	-	-	-			-	-	-	-	7,245,000	2,464,750	9,709,750	9,709,750
2032													7,610,000	2,102,500	9,712,500	9,712,500
2033													7,990,000	1,722,000	9,712,000	9,712,000
2034	-												8,390,000	1,322,500	9,712,500	9,712,500
2035													8,810,000	903,000	9,713,000	9,713,000
2036													9,250,000	462,500	9,712,500	9,712,500
																-
	$ 109,740,000	$ 53,538,106	$ 163,278,106	$ 46,660,000	$ 25,167,164	$ 71,827,164	$ 4,905,000	$ 4,618,500	$ 9,523,500	$ 12,030,000	$ 1,881,276	$ 13,911,276	$57,370,000	$ 62,880,581	$ 120,250,581	$ 378,790,627
			7/1/2027			7/1/2029			7/1/2030			7/1/2016			7/1/2036	

[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.

* See Footnotes-Subsequent events for details on this newly issued bond

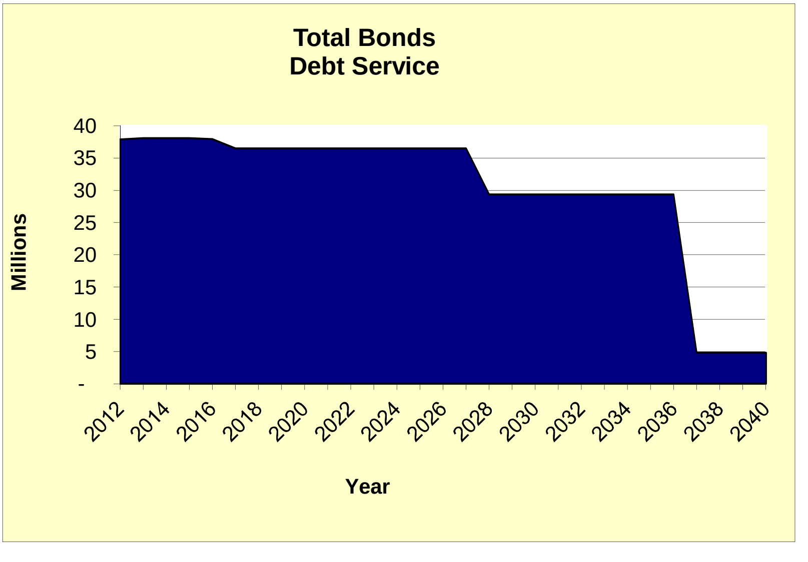
VIRGINIA PORT AUTHORITY
Port Facilities Revenue Bonds[1]
Debt Service Requirements

Period Ending June 30,	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	Series 2010 Bonds Principal	Series 2010 Bonds Interest	Series 2010 Bonds Debt Service	Total Bonds Debt Service
2008	1,065,000	2,419,150	3,484,150	75,000	4,407,619	4,482,619	35,000	3,712,050	3,747,050				14,312,109
2009	1,120,000	2,365,900	3,485,900	75,000	4,404,619	4,479,619	35,000	3,710,650	3,745,650				14,309,609
2010	1,165,000	2,321,100	3,486,100	75,000	4,401,619	4,476,619	2,635,000	3,709,250	6,344,250			-	14,306,969
2011	1,210,000	2,274,500	3,484,500	80,000	4,398,619	4,478,619	2,770,000	3,577,500	6,347,500		3,813,756	3,813,756	18,124,375
2012	1,260,000	2,226,100	3,486,100	85,000	4,395,419	4,480,419	2,905,000	3,439,000	6,344,000		3,308,319	3,308,319	17,618,838
2013	1,310,000	2,175,700	3,485,700	90,000	4,392,019	4,482,019	3,050,000	3,293,750	6,343,750		3,308,319	3,308,319	17,619,788
2014	1,360,000	2,123,300	3,483,300	90,000	4,388,419	4,478,419	3,210,000	3,141,250	6,351,250		3,308,319	3,308,319	17,621,288
2015	1,430,000	2,053,600	3,483,600	95,000	4,384,819	4,479,819	3,365,000	2,980,750	6,345,750		3,308,319	3,308,319	17,617,488
2016	1,505,000	1,980,313	3,485,313	100,000	4,381,019	4,481,019	3,535,000	2,812,500	6,347,500	1,515,000	3,308,319	4,823,319	19,137,151
2017	1,585,000	1,901,300	3,486,300	100,000	4,377,019	4,477,019	3,710,000	2,635,750	6,345,750	1,575,000	3,247,719	4,822,719	19,131,788
2018	1,665,000	1,818,088	3,483,088	105,000	4,373,019	4,478,019	3,900,000	2,450,250	6,350,250	1,655,000	3,168,969	4,823,969	19,135,326
2019	1,755,000	1,730,675	3,485,675	115,000	4,368,688	4,483,688	4,090,000	2,255,250	6,345,250	1,710,000	3,113,113	4,823,113	19,137,726
2020	1,845,000	1,638,538	3,483,538	115,000	4,363,800	4,478,800	4,295,000	2,050,750	6,345,750	1,795,000	3,027,613	4,822,613	19,130,701
2021	1,945,000	1,541,675	3,486,675	120,000	4,358,913	4,478,913	4,510,000	1,836,000	6,346,000	1,865,000	2,955,813	4,820,813	19,132,401
2022	2,030,000	1,456,581	3,486,581	125,000	4,353,813	4,478,813	4,740,000	1,610,500	6,350,500	1,960,000	2,862,563	4,822,563	19,138,457
2023	2,115,000	1,367,769	3,482,769	135,000	4,348,500	4,483,500	4,970,000	1,373,500	6,343,500	2,060,000	2,764,563	4,824,563	19,134,332
2024	2,210,000	1,275,238	3,485,238	135,000	4,342,594	4,477,594	5,220,000	1,125,000	6,345,000	2,140,000	2,682,163	4,822,163	19,129,995
2025	2,310,000	1,173,025	3,483,025	145,000	4,336,688	4,481,688	5,480,000	864,000	6,344,000	2,245,000	2,577,481	4,822,481	19,131,194
2026	2,425,000	1,060,400	3,485,400	145,000	4,330,344	4,475,344	5,760,000	590,000	6,350,000	2,335,000	2,484,875	4,819,875	19,130,619
2027	2,545,000	942,213	3,487,213	155,000	4,324,000	4,479,000	6,040,000	302,000	6,342,000	2,450,000	2,371,900	4,821,900	19,130,113
2028	2,665,000	818,163	3,483,163	7,020,000	4,316,638	11,336,638				2,570,000	2,253,325	4,823,325	19,643,126
2029	2,795,000	688,275	3,483,275	7,355,000	3,983,188	11,338,188				2,695,000	2,128,950	4,823,950	19,645,413
2030	2,920,000	562,500	3,482,500	7,705,000	3,633,825	11,338,825				2,825,000	1,998,375	4,823,375	19,644,700
2031	3,055,000	431,100	3,486,100	8,065,000	3,267,838	11,332,838				2,960,000	1,861,750	4,821,750	19,640,688
2032	3,190,000	293,625	3,483,625	8,455,000	2,884,750	11,339,750				3,110,000	1,713,750	4,823,750	19,647,125
2033	3,335,000	150,075	3,485,075	8,875,000	2,462,000	11,337,000				3,265,000	1,558,250	4,823,250	19,645,325
2034				12,805,000	2,018,250	14,823,250				3,425,000	1,395,000	4,820,000	19,643,250
2035				13,445,000	1,378,000	14,823,000				3,600,000	1,223,750	4,823,750	19,646,750
2036				14,115,000	705,750	14,820,750				3,780,000	1,043,750	4,823,750	19,644,500
2037										3,965,000	854,750	4,819,750	4,819,750
2038										4,165,000	656,500	4,821,500	4,821,500
2039										4,375,000	448,250	4,823,250	4,823,250
2040										4,590,000	229,500	4,819,500	4,819,500
	$ 47,255,000	$ 29,408,253	$ 76,663,253	$ 89,695,000	$ 94,469,306	$ 184,164,306	$ 68,780,000	$ 32,760,250	$ 101,540,250	$ 68,630,000	$ 65,164,267	$ 133,794,267	$ 496,162,076
Final Payment due			7/1/2033			7/1/2036			7/1/2027			7/1/2040	

[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
2012	20,264,921	17,618,838	37,883,759
2013	20,471,525	17,619,788	38,091,313
2014	20,474,919	17,621,288	38,096,207
2015	20,471,670	17,617,488	38,089,158
2016	18,790,546	19,137,151	37,927,697
2017	17,357,258	19,131,788	36,489,046
2018	17,356,220	19,135,326	36,491,546
2019	17,356,532	19,137,726	36,494,258
2020	17,354,620	19,130,701	36,485,321
2021	17,354,908	19,132,401	36,487,309
2022	17,356,108	19,138,457	36,494,565
2023	17,352,482	19,134,332	36,486,814
2024	17,356,514	19,129,995	36,486,509
2025	17,356,394	19,131,194	36,487,588
2026	17,353,914	19,130,619	36,484,533
2027	17,356,876	19,130,113	36,486,989
2028	9,713,544	19,643,126	29,356,670
2029	9,709,676	19,645,413	29,355,089
2030	9,709,750	19,644,700	29,354,450
2031	9,709,750	19,640,688	29,350,438
2032	9,712,500	19,647,125	29,359,625
2033	9,712,000	19,645,325	29,357,325
2034	9,712,500	19,643,250	29,355,750
2035	9,713,000	19,646,750	29,359,750
2036	9,712,500	19,644,500	29,357,000
2037		4,819,750	4,819,750
2038		4,821,500	4,821,500
2039		4,823,250	4,823,250
2040		4,819,500	4,819,500
	$ 378,790,627	$ 496,162,076	$ 874,952,703



OPERATING RESULTS AND DEBT SERVICE COVERAGE
CASH BASIS

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011
Virginia International Terminals										
VIT Gross Receipts	129,316,922	144,304,559	170,344,524	197,703,653	222,966,322	238,319,892	255,622,375	213,953,605	193,786,201	262,193,694
VIT Current Expenses	(103,845,605)	(113,109,405)	(130,802,285)	(151,068,932)	(164,865,110)	(173,427,457)	(185,366,708)	(157,368,268)	(147,306,627)	(178,543,458)
* VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	0	1,641,000	0	0	0	5,800,000	0	0	2,200,000	(900,000)
VIT Deposits to CEMA	(5,666,237)	(2,099,601)	(2,342,407)	(5,392,809)	(4,412,064)	(2,862,031)	(2,079,126)	(7,781,079)	(1,815,981)	(3,842,153)
VPA Expensese								0	0	0
VIT Net Revenue	19,805,080	30,736,553	37,199,832	41,241,912	53,689,148	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083
Virginia Port Authority										
VPA Gross Revenues										
VIT Net Revenue	19,805,080	30,736,553	37,199,832	41,241,912	53,689,148	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083
Other Income	1,250,475	1,289,158	1,459,007	2,233,236	2,767,678	4,227,669	6,520,593	4,825,652	9,430,005	6,126,614
Interest Income	220,607	122,754	28,700	270,488	450,524	928,880	796,621	134,182	44,490	73,737
Total VPA Gross Revenues	21,276,162	32,148,465	38,687,539	43,745,636	56,907,350	72,986,953	75,493,754	53,764,092	56,338,088	85,108,434
VPA Current Expenses	(18,674,909)	(18,726,869)	(19,577,245)	(19,718,980)	(23,093,131)	(26,502,895)	(27,754,385)	(25,071,082)	(22,977,885)	(55,359,088)
Prior Obligations	(112,280)	(112,280)	(112,280)	(112,280)	(9,356)	0	0	0	0	0
VPA Net Revenues	2,488,973	13,309,316	18,998,014	23,914,376	33,804,863	46,484,058	47,739,369	28,693,010	33,360,203	29,749,346
VPA CPF for O & M	6,256,145	4,898,973	5,542,764	4,218,866	5,424,467	5,096,647	3,967,632	3,453,823	4,440,626	5,604,072
Debt Service Coverage										
Series 2003, 2006, 2007 and 2010 Bonds Net Debt Service	6,309,393	6,416,000	9,373,336	9,771,261	9,677,370	13,166,322	13,568,697	13,906,715	14,174,477	17,780,512
Pledged Net Revenues	8,155,210	15,408,917	21,340,421	29,307,185	38,216,927	49,346,089	49,818,495	36,474,089	35,176,184	33,591,499
Pledged Adjusted Net Revenues	14,411,355	20,307,890	26,883,185	33,526,051	43,641,394	54,442,736	53,786,127	39,927,912	39,616,811	39,195,571
Pledged Net Revenue Coverage (1.1x test)	1.29	2.40	2.28	3.00	3.95	3.75	3.67	2.62	2.48	1.89
Pledged Adjusted Net Revenue Coverage (1.35x test)	2.28	3.17	2.87	3.43	4.51	4.13	3.96	2.87	2.79	2.20

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

Demographic and Economic Information *These schedules give economic information regarding the environment in which the Authority operates*

The Port of VIRGINIA

By The Numbers

FAST CONNECTIONS

22 DAYS transit from Asia

47 HOURS to Chicago by train

97+ MILLION people within a day's drive

28 PERCENT of cargo moving inland by rail

POSITIONED FOR GROWTH

50 FEET channel depth

2.5 HOURS from open sea

26 CONTAINERS ACROSS crane reach

3rd LARGEST U.S. East Coast port

1st PORT ISO 9001 certified on the U.S. East Coast

53:47 RATIO of container exports to imports

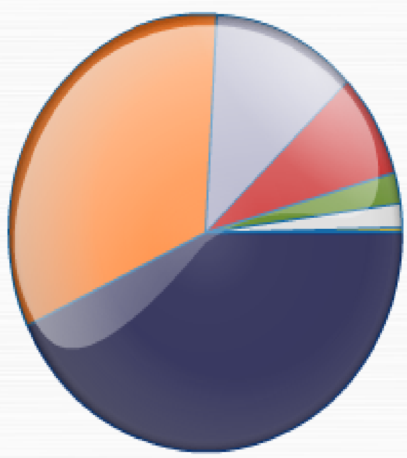
GLOBAL REACH

80+ FOREIGN PORTS linked to with direct service

200+ NATIONS we reach

TRADE BY WORLD REGION

based on loaded TEUs, 2010



- Asia - 43%
- Europe - 33%
- India Subcontinent & Middle East - 12%
- South America - 8%
- Africa - 2%
- Central America & Caribbean - 2%
- Other - 0.4%

ENVIRONMENTAL LEADERSHIP

1st MAJOR PORT ISO 14001 certified on the U.S. East Coast

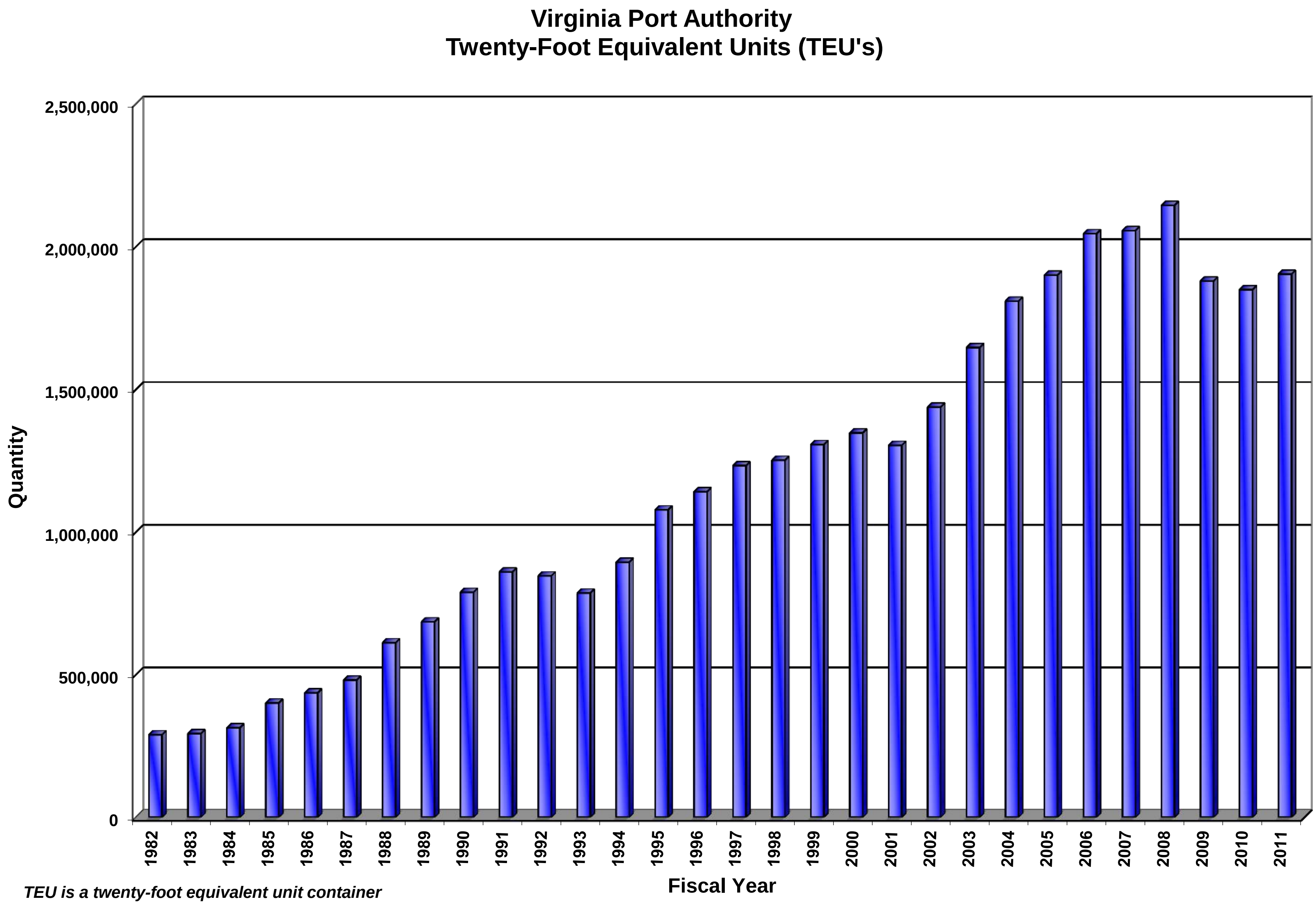
38 PERCENT air emission reduction since 1999

1st PORT to voluntary implement diesel truck retrofit program

ECONOMIC IMPACT

343 THOUSAND jobs

41 BILLION total revenue (U.S. dollars)



TEU is a twenty-foot equivalent unit container

The Port of Virginia
2010 Key Performance Indicators

TOTAL	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	54,131.91	49,108.15
General Cargo	15,322.70	13,900.52
Container Cargo	15,068.85	13,670.23
Breakbulk Cargo	253.85	230.29
Container Units	1,080,736	
TEUs	1,895,017	
Total Cargo Dollar Value (Millions)	48,841.69	
Vessel Calls	2,685	
Coal Loadings* Short Tons (Thousands)	38,110.15	

EXPORT	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	42,555.89	38,606.45
General Cargo	8,501.72	7,712.63
Container Cargo	8,483.56	7,696.15
Breakbulk Cargo	18.16	16.47
Container Units	573,805	
TEUs	1,005,370	
Total Cargo Dollar Value (Millions)	20,480.54	

IMPORT	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	11,576.02	10,501.70
General Cargo	6,820.99	6,187.89
Container Cargo	6,585.29	5,974.08
Breakbulk Cargo	235.70	213.82
Container Units	506,931	
TEUs	889,648	
Total Cargo Dollar Value (Millions)	28,361.15	

*Coal loadings include international and domestic shipments

Top 10 U.S. East Coast Container Ports

Market Share

	TEUs	East Coast Market Share
New York/New Jersey	5,292,025	31%
Savannah	2,825,179	16%
Hampton Roads	1,895,017	11%
Charleston	1,364,504	8%
Jacksonville (FY)	857,374	5%
Miami (FY)	847,249	5%
Port Everglades (FY)	793,227	5%
Baltimore	610,922	4%
Philadelphia	276,106	2%
Wilmington (NC)	265,074	2%

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

The Port of Virginia

2010 Total Cargo in Thousands of Short Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	4,590.67	1	Brazil	2,398.83
2	Netherlands	3,922.78	2	China	1,567.12
3	Italy	2,873.60	3	Colombia	1,187.65
4	India	2,832.28	4	Germany	609.14
5	France	2,427.67	5	India	519.90
6	China	2,178.62	6	Canada	490.70
7	Turkey	2,116.25	7	France	354.06
8	United Kingdom	2,109.56	8	Italy	321.47
9	Ukraine	2,066.69	9	Russia	237.64
10	Belgium	1,582.59	10	Chile	223.22

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	32,180.10	1	Mineral Fuel, Oil Etc	3,754.23
2	Misc Grain,Seed,Fruit	1,434.91	2	Salt;Sulfur;Earth,Stone	630.74
3	Food Waste; Animal Feed	1,139.24	3	Fertilizers	604.88
4	Woodpulp, Etc.	1,020.82	4	Machinery	524.62
5	Cereals	739.74	5	Furniture And Bedding	490.17
6	Paper,Paperboard	627.41	6	Beverages	429.58
7	Iron And Steel	624.74	7	Wood	402.48
8	Plastic	530.38	8	Rubber	352.10
9	Wood	509.93	9	Vehicles, Not Railway	338.45
10	Organic Chemicals	333.70	10	Plastic	317.60

Trade Lanes

	Export	Import
Africa	2,384.00	582.98
Asia, Northeast	5,010.51	1,888.05
Asia, Southeast	1,160.98	521.83
Carribbean	364.26	137.05
Central America	161.53	42.01
Europe, North	15,457.87	2,238.35
India & Others	3,157.87	621.21
Mediterranean	8,066.04	841.49
Middle East	555.25	83.91
North America	810.40	507.65
Oceania	40.01	23.07
South America	5,386.50	4,088.24

Top U.S. Ports

1	Houston, TX	161,400.65
2	New Orleans, LA	96,561.24
3	Los Angeles, CA	70,690.22
4	Gramercy, LA	64,373.49
5	Newark, NJ	57,914.95
6	Port of Virginia	54,131.91
7	Corpus Christi, TX	53,870.99
8	Morgan City, LA	49,420.77
9	Long Beach, CA	47,463.00
10	Port Arthur, TX	42,296.70

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

The Port of Virginia

2010 Total Cargo in Thousands of Metric Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	4,164.63	1	Brazil	2,176.20
2	Netherlands	3,558.73	2	China	1,421.68
3	Italy	2,606.91	3	Colombia	1,077.43
4	India	2,569.42	4	Germany	552.61
5	France	2,202.36	5	India	471.65
6	China	1,976.43	6	Canada	445.16
7	Turkey	1,919.85	7	France	321.20
8	United Kingdom	1,913.78	8	Italy	291.63
9	Ukraine	1,874.89	9	Russia	215.59
10	Belgium	1,435.71	10	Chile	202.50

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	29,193.59	1	Mineral Fuel, Oil Etc	3,405.82
2	Misc Grain,Seed,Fruit	1,301.74	2	Salt;Sulfur;Earth,Stone	572.21
3	Food Waste; Animal Feed	1,033.52	3	Fertilizers	548.75
4	Woodpulp, Etc.	926.08	4	Machinery	475.93
5	Cereals	671.09	5	Furniture And Bedding	444.68
6	Paper,Paperboard	569.18	6	Beverages	389.71
7	Iron And Steel	566.76	7	Wood	365.13
8	Plastic	481.16	8	Rubber	319.42
9	Wood	462.61	9	Vehicles, Not Railway	307.04
10	Organic Chemicals	302.73	10	Plastic	288.12

Trade Lanes

	Export	Import
Africa	2,162.75	528.88
Asia, Northeast	4,545.50	1,712.83
Asia, Southeast	1,053.23	473.40
Carribbean	330.45	124.33
Central America	146.54	38.11
Europe, North	14,023.29	2,030.62
India & Others	2,864.80	563.56
Mediterranean	7,317.46	763.40
Middle East	503.72	76.12
North America	735.19	460.54
Oceania	36.30	20.93
South America	4,886.60	3,708.83

Top U.S. Ports

1	Houston, TX	146,421.70
2	New Orleans, LA	87,599.79
3	Los Angeles, CA	64,129.75
4	Gramercy, LA	58,399.25
5	Newark, NJ	52,540.10
6	Port of Virginia	49,108.15
7	Corpus Christi, TX	48,871.44
8	Morgan City, LA	44,834.23
9	Long Beach, CA	43,058.15
10	Port Arthur, TX	38,371.31

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

The Port of Virginia

2010 Total Cargo in Millions of U.S. Dollars

Top 10 Trading Partners

	Exports			Imports	
1	China	1,939.26	1	China	5,959.84
2	Germany	1,876.76	2	Germany	3,306.64
3	Netherlands	1,160.58	3	Brazil	2,300.24
4	Brazil	1,088.73	4	India	1,747.04
5	United Kingdom	1,067.29	5	France	1,604.05
6	Belgium	1,004.45	6	Japan	1,552.19
7	Japan	866.30	7	Italy	1,461.57
8	India	671.54	8	United Kingdom	1,156.41
9	Saudi Arabia	642.48	9	Indonesia	703.74
10	Egypt	620.14	10	Switzerland	526.29

Top 10 Commodities

	Exports			Imports	
1	Machinery	3,045.25	1	Machinery	4,341.31
2	Plastic	1,562.47	2	Vehicles, Not Railway	2,004.14
3	Pharmaceutical Products	1,217.63	3	Electrical Machinery	1,575.28
4	Vehicles, Not Railway	1,185.33	4	Furniture And Bedding	1,376.39
5	Organic Chemicals	1,085.91	5	Mineral Fuel, Oil Etc	1,363.78
6	Electrical Machinery	923.35	6	Pharmaceutical Products	1,111.81
7	Tobacco	920.46	7	Toys And Sports Equipmt	1,046.31
8	Misc Grain,Seed,Fruit	614.00	8	Inorg Chem;Rare Erth Mt	1,017.11
9	Iron And Steel	581.70	9	Rubber	975.51
10	Paper,Paperboard	579.19	10	Plastic	941.86

Trade Lanes

	Export	Import
Africa	1,629.23	716.00
Asia, Northeast	3,679.84	8,028.44
Asia, Southeast	1,289.49	1,885.63
Carribbean	191.30	81.00
Central America	268.80	166.89
Europe, North	7,519.36	9,315.81
India & Others	907.99	2,254.33
Mediterranean	1,194.35	2,567.36
Middle East	1,615.32	246.08
North America	56.18	175.32
Oceania	142.88	46.83
South America	1,983.93	2,876.12

Top U.S. Ports

1	Los Angeles, CA	236,438.24
2	Houston, TX	130,917.49
3	Newark, NJ	115,867.07
4	Long Beach, CA	88,402.52
5	Savannah, GA	58,620.70
6	New York, NY	55,372.75
7	Charleston, SC	50,182.92
8	Port of Virginia	48,841.69
9	Seattle, WA	42,741.81
10	New Orleans, LA	42,221.26

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

Other Operational Information

These schedules present information about the Authority's service and infrastructure.

4 Years	**VPA Employee Base by Classification**			
Type	**June 30, 2008**	**June 30, 2009**	**June 30, 2010**	**June 30, 2011**
Sworn Officers/ Security Personnel	93	97	82	81
Marketing/Economic Development Personnel	26	6	6	8
Port Promotions Personnel	6	6	5	6
Engineering & Acquisition Personnel	7	9	8	8
Administrative Personnel	20	28	23	23
Agency Totals	**152**	**146**	**124**	**126**

Source and Use Data

For the Fiscal Year Ended June 30, 2011

Operating Revenues	$91,219,286	64%	Operating Expenses	$108,404,832	81%
Non-operating Revenues	51,183,812	36%	Non-operating Expenses	25,540,680	19%
Total Revenues	$142,403,098		Total Expenses	$133,945,512	

The Virginia Port Authority has several revenue sources including *operating revenues from component unit*, *other revenues (primarily security surcharges),* and *operating grants* as operational sources. Capital transfers or non-operating revenues include Commonwealth Port Fund allocations, Capital Grants, Primary Government Transfers and Other State Agency transfers.

Of the operating revenues, $81.3 million or 89.2% are operating transfers from the net cash flows of Virginia International Terminals. Their tariff rates are published at http://www.vit.org/Rates.aspx. Currently 77% of all revenues are based on unit rate contracts which are proprietary, but lock shiplines and alliances into long term contracts with our ports. The remaining revenues are billed at tariff rates.

Biggest. Deepest. Newest. Best.

At The Port of Virginia, we're determined to set ourselves apart. Our Suez-class cranes can handle ships loaded 26 containers across—in fact, they can handle ships larger than any currently built. Our obstruction-free channels are 50 feet deep, making them the deepest channels available on the East Coast. Our renovation of Norfolk International Terminals has included new cranes, new straddle carriers, and a new wharf almost a mile long. Our commitment to the environment has led to new methods for operating our facilities, with the hope that one day we'll be the greenest port in the country.

Come discover more reasons why The Port of Virginia is the superior choice. Visit our website at http://www.portofvirginia.com/

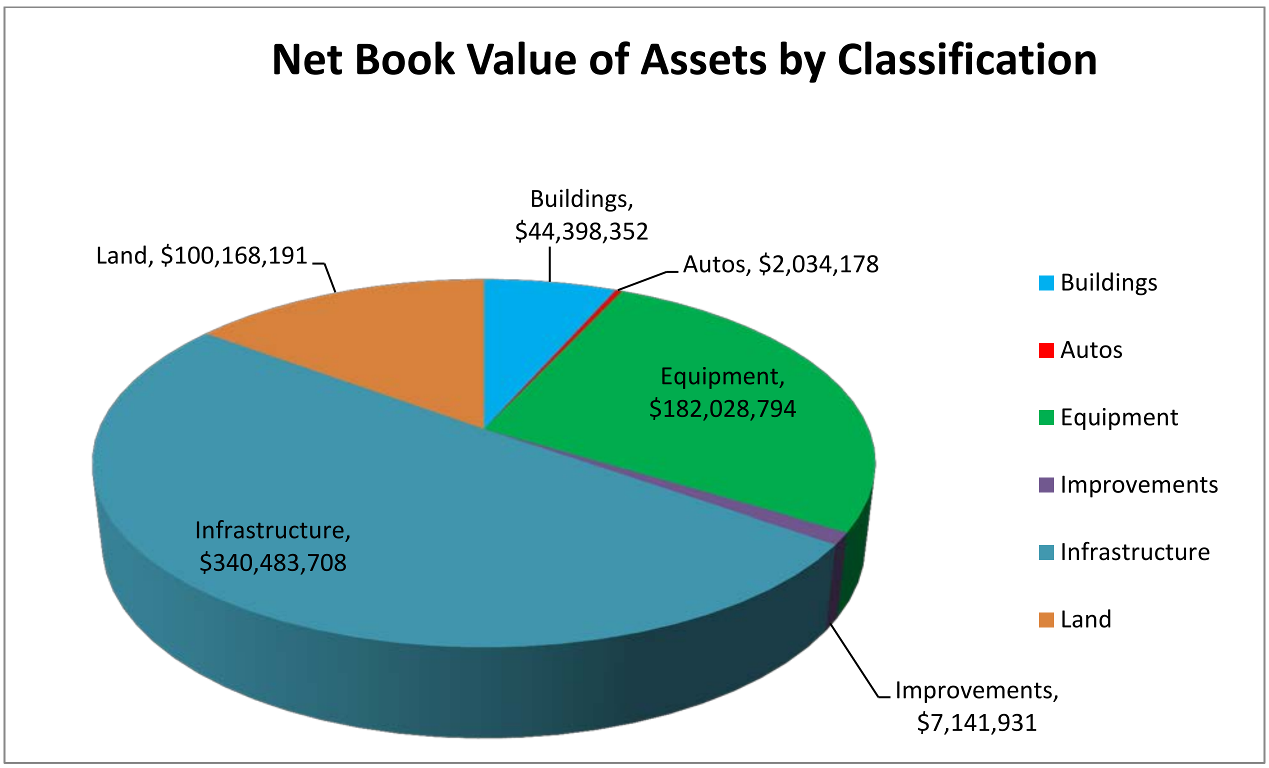
Virginia Port Authority
Capital Assets
Last Ten Fiscal Years

	2002	2003	2004*	2005	2006	2007	2008	2009	2010	2011
Terminals Operated (total)	4	4	4	4	4	4	4	4	4	5
Owned	4	4	4	4	4	4	4	4	4	4
Leased	-	-	-	-	-	-	-	-	-	1
Land (acres)			1,169	1,169	1,169	1,169	1,169	1,235	1,235	1,509
Berth/Wharf (linear feet)			11,815	11,815	11,815	11,815	12,715	12,715	13,385	18,500
Rail Track (linear feet)			169,940	169,940	169,940	169,940	169,940	169,940	169,940	187,457
On-Terminal Warehouse (sq ft)			3,084,471	3,084,471	3,084,471	1,934,471	1,934,471	1,934,471	1,934,471	2,223,000
Net Book Value of Capital Assets	$ 383,310,803	$ 439,265,313	$ 519,639,592	$ 593,253,039	$ 636,385,129	$ 691,269,662	$ 770,489,120	$ 831,940,446	$ 807,914,423	$ 831,837,418
Construction in Process	74,068,002	76,167,833	161,327,112	175,764,112	90,207,100	114,505,562	135,592,358	145,171,046	120,710,300	155,582,264
Land	92,040,001	95,591,514	96,251,606	96,478,044	97,625,560	97,625,560	97,625,560	97,625,560	97,423,841	100,168,191
Buildings and Infrastructure	261,828,530	326,839,641	325,289,170	384,170,742	447,441,242	505,156,092	574,142,858	598,714,860	634,804,016	643,196,459
Equipment	142,690,721	141,474,145	149,351,194	148,114,951	237,716,679	242,797,466	254,434,039	319,554,178	314,998,205	326,526,331
Depreciation (Accumulated)	(187,316,451)	(200,807,820)	(212,579,489)	(211,274,809)	(236,605,453)	(268,815,018)	(291,305,695)	(329,125,198)	(360,021,939)	(393,635,827)

* Terminal Statistics not readily available prior to 2004
Will update annually going forward until 10 years are available

Operating Assets

In conjunction with its mission to stimulate commerce through the ports of the Commonwealth, the Virginia Port Authority is responsible for the maintenance of and improvements to the Commonwealth's port facilities. Fifty-Eight percent (58%) of the Authority's assets are land and infrastructure such as wharfs, piers, container storage, etc. Container handling equipment is also a major operating asset at the port representing 30% of net assets. Container handling equipment consists primarily of cranes, straddle carriers, shuttle carriers and other freight handling equipment. The Authority's remaining asset classifications are buildings (8.9%), improvements (2.7%) and autos (0.4%).




M TERMINALS
ZPMC
102
104
EXIT

VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2011

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, 2011

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
Table 2	Net Transfers to the Commonwealth Port Fund
Table 3	Debt Service Requirements and Coverage
Table 4	Authority Revenues and Expenses
Table 5	Cargo Data

TABLE 1 - TAXES APPROPRIATED TO COMMONWEALTH PORT FUND

For each of the biennia ended June 30, 1992, 1994, 1996, 1998, 2000, 2002, 2004, 2006, 2008 and 2010 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 2011

Transportation Trust Fund
(in millions)

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Retail Sales and Use Tax	$388.1	$375.7	$415.0	$449.9	$476.3	$517.3	$524.9	$499.4	$490.7	$477.3
Motor Vehicle Sales and Use Tax[(1)]	190.2	194.8	215.4	219.3	215.9	215.4	194.3	150.8	162.0	183.6
Motor Fuel Taxes[(2)]	117.8	120.1	118.1	119.1	118.5	118.0	122.4	116.8	115.0	117.7
Motor Vehicle Registration Fees	19.3	19.7	20.5	20.6	21.1	21.3	21.4	21.6	20.8	21.2
Total Transportation Trust Fund Revenues[(3)]	$715.4	$710.3	$769.0	$808.9	$831.8	$872.0	$863.0	$788.6	$788.5	$799.8

(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.

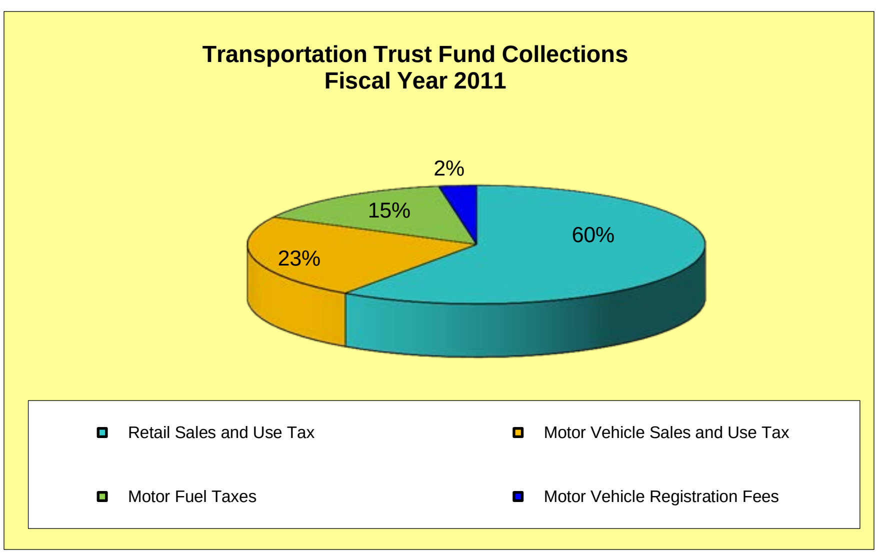


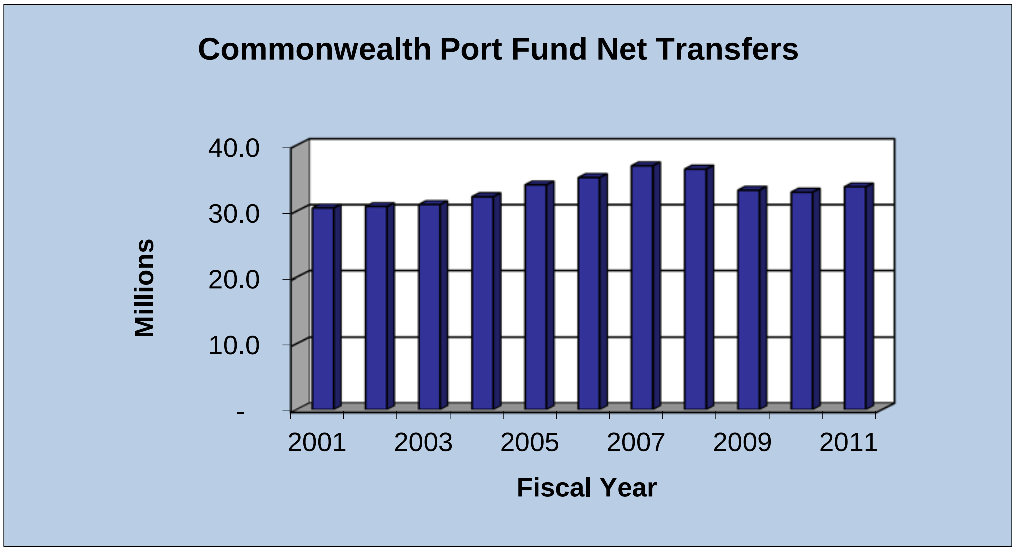
TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

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 2001 through 2011. 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
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
2008	36,086,327		410,267		48,700		36,477,894
2009	32,966,292		257,621		-		33,223,913
2010	32,716,363		232,650		-		32,949,013
2011	33,450,399		149,292		-		33,599,691

(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.



Note: Please see the Subsequent Events section of the Footnotes concerning Transportation Trust Fund Allocation obligations that will begin in FY2014.

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 2002 (the "2002 Bonds"), and Series 2005 (the "2005 Bonds), outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2006 (the "2006 Bonds"), and the debt service on the Commonwealth Port Fund Revenue Bonds, Series 2011 which closed on July 27, 2011.

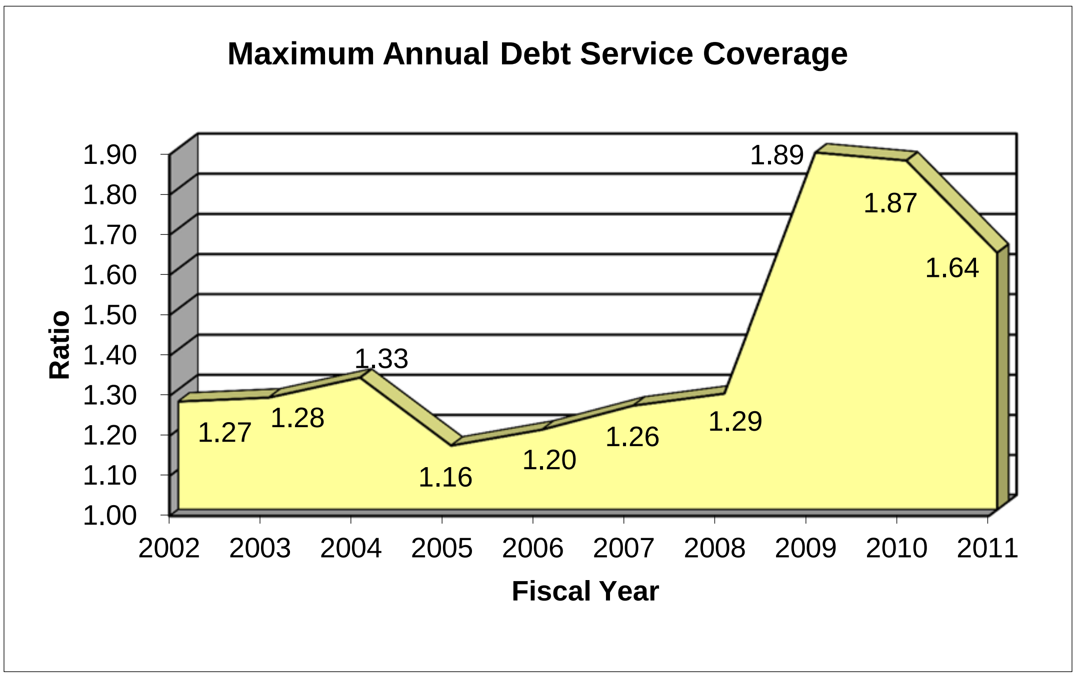
Fiscal Year Ending June 30,	Series 2002 Bonds Debt Service	Series 2005 Bonds Debt Service	Series 2006 Bonds Debt Service	Series 2011 Bonds Debt Service	Total Bonds Debt Service
	Total	Total	Total	Total	Total
2012	10,203,334	4,283,606	3,116,650	2,661,331	20,264,921
2013	10,206,294	4,280,106	3,116,625	2,868,500	20,471,525
2014	10,204,638	4,282,606	3,119,175	2,868,500	20,474,919
2015	10,203,814	4,280,606	3,118,750	2,868,500	20,471,670
2016	10,202,864	4,279,106	1,440,075	2,868,500	18,790,545
2017	10,205,964	4,282,794		2,868,500	17,357,258
2018	10,207,014	4,280,706		2,868,500	17,356,220
2019	10,205,188	4,282,844		2,868,500	17,356,532
2020	10,207,438	4,278,682		2,868,500	17,354,620
2021	10,203,188	4,283,220		2,868,500	17,354,908
2022	10,206,938	4,280,670		2,868,500	17,356,108
2023	10,202,950	4,281,032		2,868,500	17,352,482
2024	10,204,232	4,283,782		2,868,500	17,356,514
2025	10,204,500	4,283,394		2,868,500	17,356,394
2026	10,203,750	4,281,664		2,868,500	17,353,914
2027	10,206,000	4,282,376		2,868,500	17,356,876
2028		4,280,044		5,433,500	9,713,544
2029		4,279,426		5,430,250	9,709,676
2030		4,284,000		5,425,750	9,709,750
2031				9,709,750	9,709,750
2032				9,712,500	9,712,500
2033				9,712,000	9,712,000
2034				9,712,500	9,712,500
2035				9713,000	9,713,000
2036				9,712,500	9,712,500

*Does not include the Refunded Bonds

Debt Service Coverage

Coverage of maximum annual debt service on the 2002, 2005, and 2006 Bonds by Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2011 is shown below:

Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2011	$33,599,691
Maximum Annual Debt Service (FY 2014)	$20,474,919
Pro Forma Maximum Annual Debt Service Coverage	1.64



Please see the footnotes subsequent events section for particulars on the 2011 Commonwealth Port Fund Bond issued on July 27, 2011. Future Debt Service numbers include payments for these bonds.

TABLE 4 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	2007	2008	2009	2010	2011
Special Fund	$73,466,314	$75,497,032	$53,792,050	$51,674,067	$85,108,434
Commonwealth Port Fund	38,227,476	64,775,650	44,877,434	33,143,978	38,037,653
General Fund and Other[1]	809,294	24,960,471	4,075,859	3,595,647	12,528,168
Total Revenues	112,503,084	165,233,153	102,745,343	88,413,692	135,674,255
Expenses					
Economic Development Services:					
National & International Trade Services	7,659,014	8,559,891	5,364,013	3,819,656	3,761,148
Port Traffic Rate Management	193,116	187,868	108,176	226,108	234,152
Commerce Advertising	952,512	734,010	793,841	707,838	709,688
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	4,988,176	26,983,711	27,241,311	18,959,218	18,072,782
Port Facilities Planning	593,025	815,052	832,369	625,205	751,266
Debt Service for Port Facilities	50,031,174	48,429,514	44,825,317	42,984,373	46,158,790
Financial Assistance for Port Activities:					
Aid to Local Ports	689,768	1,254,918	478,883	820,168	643,166
Payment in Lieu of Taxes	1,099,478	901,650	1,002,587	1,022,736	1,017,799
Administration & Support Services:					
General Management & Direction	4,300,001	5,194,953	5,720,365	6,154,384	35,970,599
Security Services	7,714,357	9,503,407	9,804,301	9,263,150	12,039,534
Total Operating Expenditures	78,220,621	102,564,974	96,171,163	84,582,836	119,358,924
Funds Available for Capital Projects	$34,282,463	$62,668,179	$6,574,180	$3,830,856	$16,315,331

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

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 based on the top 5 leading import and export commodities for the most recent calendar year.

Leading Exported and Imported General Cargo Commodities*
(Calendar Year)
(Short Tons)

	2006	2007	2008	2009	2010
Exports					
Paper & Paperboard, incl Waste	788,900	1,013,476	913,901	955,676	790,292
Soybeans & Prods	372,727	682,827	645,821	847,720	530,051
Logs & Lumber	618,349	653,703	569,079	462,248	584,786
Wood Pulp	413,633	407,605	386,023	457,260	508,539
Grocery Prods, Misc	105,995	196,324	348,518	325,731	454,348
Imports					
Furniture	453,456	440,868	425,262	351,779	412,291
Non Alcoholic Beverages	86,584	174,154	207,023	195,219	160,012
Paper & Paperboard, incl Waste	179,211	164,100	173,803	192,187	199,259
Auto Parts	241,415	224,679	269,814	151,273	225,580
Rubber, Natural	189,853	212,504	175,056	120,678	168,259

*This table includes both import and export data for all the facilities that comprise the Port of Virginia, some of which are not owned or operated by the Authority. The Authority believes that the Port Facilities handled in excess of 95% of the general cargo transported through the Port of Virginia in 2010

Source: Port Import Export Reporting Service

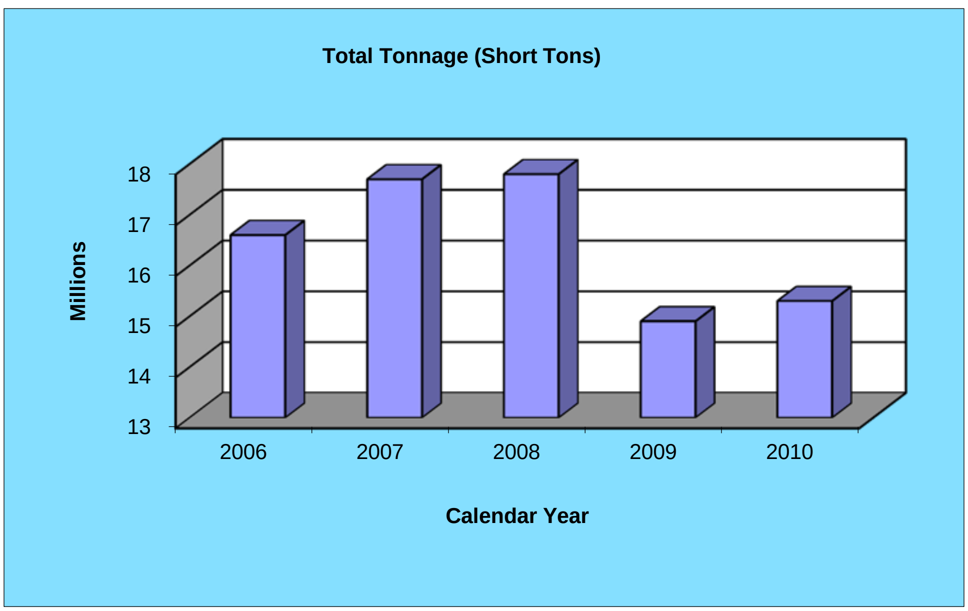
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

GENERAL CARGO STATISTICS FOR THE PORT OF VIRGINIA*
CALENDAR YEAR 2006-2010 (Short Tons)

Total for Port Facilities	2006	2007	2008	2009	2010
Breakbulk Tons	477,641	369,739	342,884	228,905	253,854
Container Tons	16,105,838	17,356,512	17,490,262	14,679,585	15,068,848
Total Tons	16,583,479	17,726,251	17,833,146	14,908,490	15,322,702

* 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, 2011

PORT FACILITIES REVENUE BONDS,
SERIES 2003

PORT FACILITIES REVENUE BONDS,
SERIES 2006

PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2007

PORT FACILITIES REVENUE REFUNDING BONDS,
SERIES 2010

BASE CUSIP NUMBER: 928077

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2010

Port Facilities Revenue Bonds, Series 2003
Port Facilities Revenue Bonds, Series 2006
Port Facilities Revenue Refunding Bonds, Series 2007
Port Facilities Revenue Refunding Bonds, Series 2010

Table of Contents

Table 1	Authority Revenues and Expenses
Table 2	VIT Revenue and Expenses
Table 3	Operating Results and Debt Service Coverage
Table 4	Debt Service Requirements
Table 5	Cargo Data

TABLE 1 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	2007	2008	2009	2010	2011
Special Fund	$73,466,314	$75,497,032	$53,792,050	$51,674,067	$85,108,434
Commonwealth Port Fund	38,227,476	64,775,650	44,877,434	33,143,978	38,037,653
General Fund and Other(1)	809,294	24,960,471	4,075,859	3,595,647	12,528,168
Total Revenues	112,503,084	165,233,153	102,745,343	88,413,692	135,674,255
Expenses					
Economic Development Services:					
National & International Trade Services	7,659,014	8,559,891	5,364,013	3,819,656	3,761,148
Port Traffic Rate Management	193,116	187,868	108,176	226,108	234,152
Commerce Advertising	952,512	734,010	793,841	707,838	709,688
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	4,988,176	26,983,711	27,241,311	18,959,218	18,072,782
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Financial Assistance for Port Activities:					
Aid to Local Ports	689,768	1,254,918	478,883	820,168	643,166
Payment in Lieu of Taxes	1,099,478	901,650	1,002,587	1,022,736	1,017,799
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General Management & Direction	4,300,001	5,194,953	5,720,365	6,154,384	35,970,599
Security Services	7,714,357	9,503,407	9,804,301	9,263,150	12,039,534
Total Operating Expenditures	78,220,621	102,564,974	96,171,163	84,582,836	119,358,924
Funds Available for Capital Projects	$34,282,463	$62,668,179	$6,574,180	$3,830,856	$16,315,331

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

TABLE 2 - VIT REVENUES AND EXPENSES

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

Fiscal Year	2007	2008	2009	2010	2011
Revenues:					
Operating	$244,205,984	$254,132,812	$203,940,988	$203,485,054	$277,860,792
Nonoperating	1,748,982	1,744,606	828,757	929,475	480,515
Gross Revenues	245,954,966	255,877,418	204,769,745	204,414,529	278,341,307
Expenses:					
Operating & Maintenance Expenses	$157,916,984	$170,033,696	$140,063,681	$128,799,069	$168,749,795
Administrative Expenses	19,474,474	20,543,207	22,191,718	26,619,888	30,620,713
Total Expenses	177,391,458	190,576,903	162,255,399	155,418,957	199,370,508
Income Before Transfers and Contributions[1]	$68,563,508	$65,300,515	$42,514,346	$48,995,572	$78,970,799

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 2007	FY 2008	FY 2009	FY 2010	FY 2011
Virginia International Terminals					
VIT Gross Receipts	$ 238,319,892	$ 255,622,375	$213,953,605	$ 193,786,201	$ 262,193,694
VIT Current Expenses	(173,427,457)	(185,366,708)	(157,368,268)	(147,306,627)	(178,543,458)
VIT CE Reserve					
* (Deposit)/Withdrawal	5,800,000	-	-	2,200,000	(900,000)
VIT Deposits to CEMA	(2,862,031)	(2,079,126)	(7,781,079)	(1,815,981)	(3,842,153)
VIT Net Revenue	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083
Other Income	4,227,669	6,520,593	4,825,652	9,430,005	6,126,614
Interest Income	928,880	796,621	134,182	44,490	73,737
Total VPA Gross Revenues	72,986,953	75,493,755	53,764,092	56,338,088	85,108,434
VPA Current Expenses	(26,502,895)	(27,754,385)	(25,071,082)	(22,977,886)	(55,359,088)
Prior Obligations	-	-	-	-	-
VPA Net Revenues	46,484,058	47,739,369	28,693,010	33,360,202	29,749,346
VPA CPF for O & M	5,096,647	3,967,632	3,453,823	4,440,627	5,604,072
Debt Service Coverage					
Port Facilities Revenue Bonds					
Net Debt Service	13,166,322	13,568,697	13,906,715	14,174,477	17,780,512
Pledged Net Revenues	49,346,089	49,818,495	36,474,089	35,176,183	33,591,499
Pledged Adjusted Net Revenues	54,442,736	53,786,127	39,927,912	39,616,811	39,195,571
Pledged Net Revenue Coverage	3.75	3.67	2.62	2.48	1.89
Pledged Adjusted Net Revenue Coverage	4.13	3.96	2.87	2.79	2.20

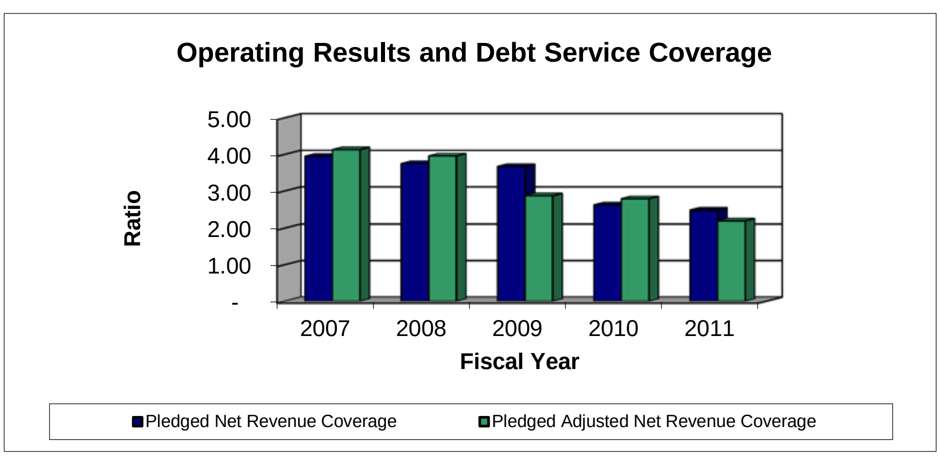

TABLE 4 - DEBT SERVICE REQUIREMENTS

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 2003, Series 2006, Port Facilities Revenue Refunding Bonds, Series 2007 and Port Facilities Revenue Refunding Bonds, Series 2010.

Outstanding Series 2003 Bonds, Series 2006, Series 2007 Bonds and the 2010 Series Bond

Period Ending June 30,	Series 2003 Debt Service	Series 2006 Debt Service	Series 2007 Debt Service	Series 2010 Debt Service	Total Debt Service
2012	3,486,100	4,480,419	6,344,000	3,308,319	17,618,838
2013	3,485,700	4,482,019	6,343,750	3,308,319	17,619,788
2014	3,483,300	4,478,419	6,351,250	3,308,319	17,621,288
2015	3,483,600	4,479,819	6,345,750	3,308,319	17,617,488
2016	3,485,313	4,481,019	6,347,500	4,823,319	19,137,151
2017	3,486,300	4,477,019	6,345,750	4,822,719	19,131,788
2018	3,483,088	4,478,019	6,350,250	4,823,969	19,135,326
2019	3,485,675	4,483,688	6,345,250	4,823,113	19,137,726
2020	3,483,538	4,478,800	6,345,750	4,822,619	19,130,707
2021	3,486,675	4,478,913	6,346,000	4,820,813	19,132,401
2022	3,486,581	4,478,813	6,350,500	4,822,563	19,138,457
2023	3,482,769	4,483,500	6,343,500	4,824,563	19,134,332
2024	3,485,238	4,477,594	6,345,000	4,822,163	19,129,995
2025	3,483,025	4,481,688	6,344,000	4,822,481	19,131,194
2026	3,485,400	4,475,344	6,350,000	4,819,875	19,130,619
2027	3,487,213	4,479,000	6,342,000	4,821,900	19,130,113
2028	3,483,163	11,336,638		4,823,325	19,643,126
2029	3,483,275	11,338,188		4,823,950	19,645,413
2030	3,482,500	11,338,825		4,823,375	19,644,700
2031	3,486,100	11,332,838		4,821,750	19,640,688
2032	3,483,625	11,339,750		4,823,750	19,647,125
2033	3,485,075	11,337,000		4,823,250	19,645,325
2034		14,823,250		4,820,000	19,643,250
2035		14,823,000		4,823,750	19,646,750
2036		14,820,750		4,823,750	19,644,500
2037				4,819,750	4,819,750
2038				4,821,500	4,821,500
2039				4,823,250	4,823,250
2040				4,819,500	4,819,500

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 based on the top 5 leading import and export commodities for the most recent calendar year.

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(Short Tons)

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*This table includes both import and export data for all the facilities that comprise the Port of Virginia, some of which are not owned or operated by the Authority. The Authority believes that the Port Facilities handled in excess of 95% of the general cargo transported through the Port of Virginia in 2010

Source: Port Import Export Reporting Service

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 2006-2010 (Short Tons)

Total for Port Facilities	2006	2007	2008	2009	2010
Breakbulk Tons	477,641	369,739	342,884	228,905	253,854
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* 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.

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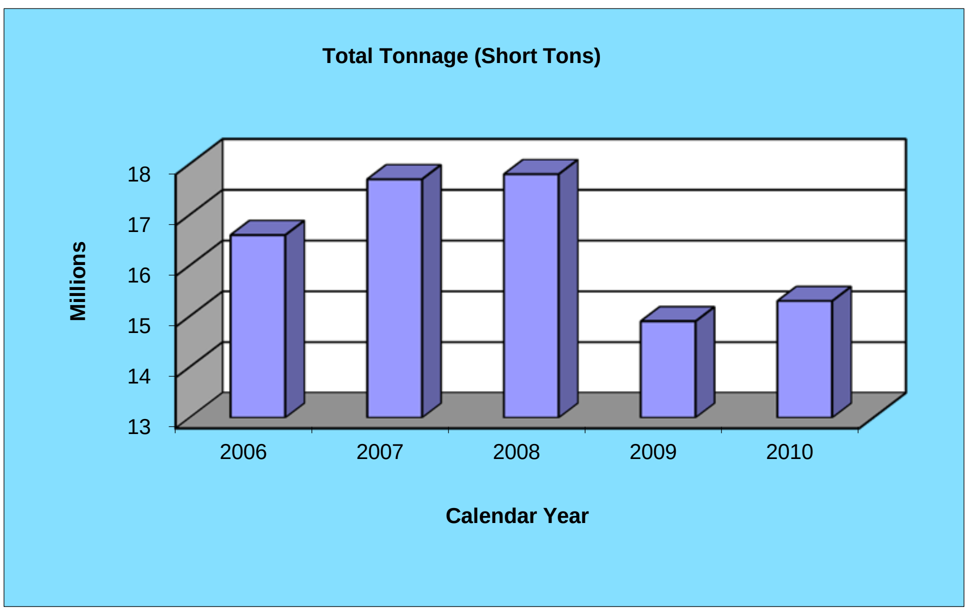

VIRGINIA PORT AUTHORITY

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