VIRGINIA PORT AUTHORITY

USA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2012

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 Commonweath of Virginia

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by the Finance Department of the Virginia Port Authority

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

Rodney W. Oliver
Interim Executive Director

October 19, 2012

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 our focus on marketing The Port of Virginia as the premiere deep-water terminal complex on the East Coast. Our year was also marked by a series of developments that will position the port and the Commonwealth for growth.

Fiscal 2012 was marked by a number of firsts: the opening of the CSX rail cargo operation and APMT; the safe outbound passage of a container vessel that required 48.5 feet of channel depth, thus solidifying Virginia's claims to the deepest channels on the US East Coast; and the start of a weekly rail service to Greensboro, NC, which is a perfect example of the effort to expand the port's market and reach.

There were several significant accomplishments during the fiscal year; among them were:

- The port added a "first-in" port call from Asia – a true first -- which provides importers a distinct advantage in the timely receipt of their goods.
- Likewise, the port gained a "last-out" port call to Asia that affords exporters the advantage of getting their goods into foreign markets quicker.
- A host of accolades were earned by the port that ranged from recognition of environmental stewardship to overall quality award for port operations and an award for innovation.
- A successful effort to have a ban on export logs bound for China lifted, thus allowing for a critical export to begin moving again.
- The bond rating agency Fitch Ratings affirmed its long-term 'A' rating of the VPA's outstanding port facilities revenue and refunding bonds and based on its overall financial picture, gave the agency a "stable" rating outlook.
- The Green Operator, or "GO" program that is aimed at reducing carbon emissions by modernizing the truck fleet serving the port was successfully expanded to include ocean carriers. Through the fuel-switching program ocean carriers can take advantage of a $300,000 incentive from VPA to burn the low-sulfur fuel in its vessels when they are pier side at The Port of Virginia.
- The port experienced record-setting cargo volumes in May and June, a trend that has carried forward into FY 2013.

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. More than ever the employees of this agency are donating their time as VPA employees and private individuals to any one of a number of charitable causes with their respective communities. We encourage this community involvement and will continue to support it.

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, the VPA the Elizabeth River Project and the City of Portsmouth broke ground last fall on one the region's most ambitious environmental projects: the $14 million restoration of Paradise Creek and creation of a park along the waterway. The VPA and its partners are working to create an urban nature park on the Southern Branch of the Elizabeth River.

In Conclusion

Despite some economic uncertainty, we are poised for the future. All of the points I made above coupled with the Commonwealth's progressive business climate will drive growth at this port and in Virginia. I am bullish on the VPA and our maritime industry because I know we have great people, great customers and relationships and the demonstrated ability to lead.

Sincerely,

Rodney W. Oliver

Rodney W. Oliver
Interim Executive Director

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

Rodney W. Oliver
Interim Executive Director

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

October 19, 2012

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, 2012, 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 Auditors at CliftonLarsonAllen, LLP, as well as numerous other audit functions, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

The Auditors at CliftonLarsonAllen, LLP have issued an unqualified opinion on the Authority's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the beginning of the financial section of this report.

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) and also for the Port of Richmond (RIC). 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 (excluding the Port of Richmond) 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 and two VPA Board members. 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.

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. The depth of our harbor, having the ability to accommodate the "post-Panamax" vessels and deep-loaded container ships, makes the Ports of Virginia a viable option for the changing flow of global freight traffic. Virginia is in the position 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 over 30 years, this structure has resulted in phenomenal growth, benefiting not only Virginians but also the entire U.S. There are current proposals under consideration to change our terminal operator. However things play out, the Virginia Port Authority will continue to 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.

Interest rates are at an all-time low and have allowed the restructure of some of our debt through refundings, saving millions of dollars over the lives of the debt. The Authority is working to provide the most benefit to our citizens and customers at the least cost, and will continuously explore cost saving initiatives.

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, 2011. This was the sixth 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 auditors at CliftonLarsonAllen, LLP. 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,

Wendy King

Wendy King
Director of Finance

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, 2011

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.

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

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VIRGINIA PORT AUTHORITY

Norfolk, Virginia

BOARD OF COMMISSIONERS

Michael J. Quillen, Chairman

Jennifer D. Aument
Scott R. Bergeron
James M. Boyd
Juliann J. Clemente
William H. Fralin, Jr.
Frank E. Laughon, Jr.
John N. Pullen
Robert M. Stanton
Jeffrey D. Wassmer
Ting Xu

Manju S. Ganeriwala, State Treasurer
(ex-officio member of the Board)

Jerry A. Bridges, Executive Director
(thru October 31, 2012)

Rodney W. Oliver, Interim Executive Director
(effective October 4, 2012)
and Treasurer to the Board

Debra J. McNulty, Clerk to the Board

Jodie L. Asbell, Deputy Clerk to the Board

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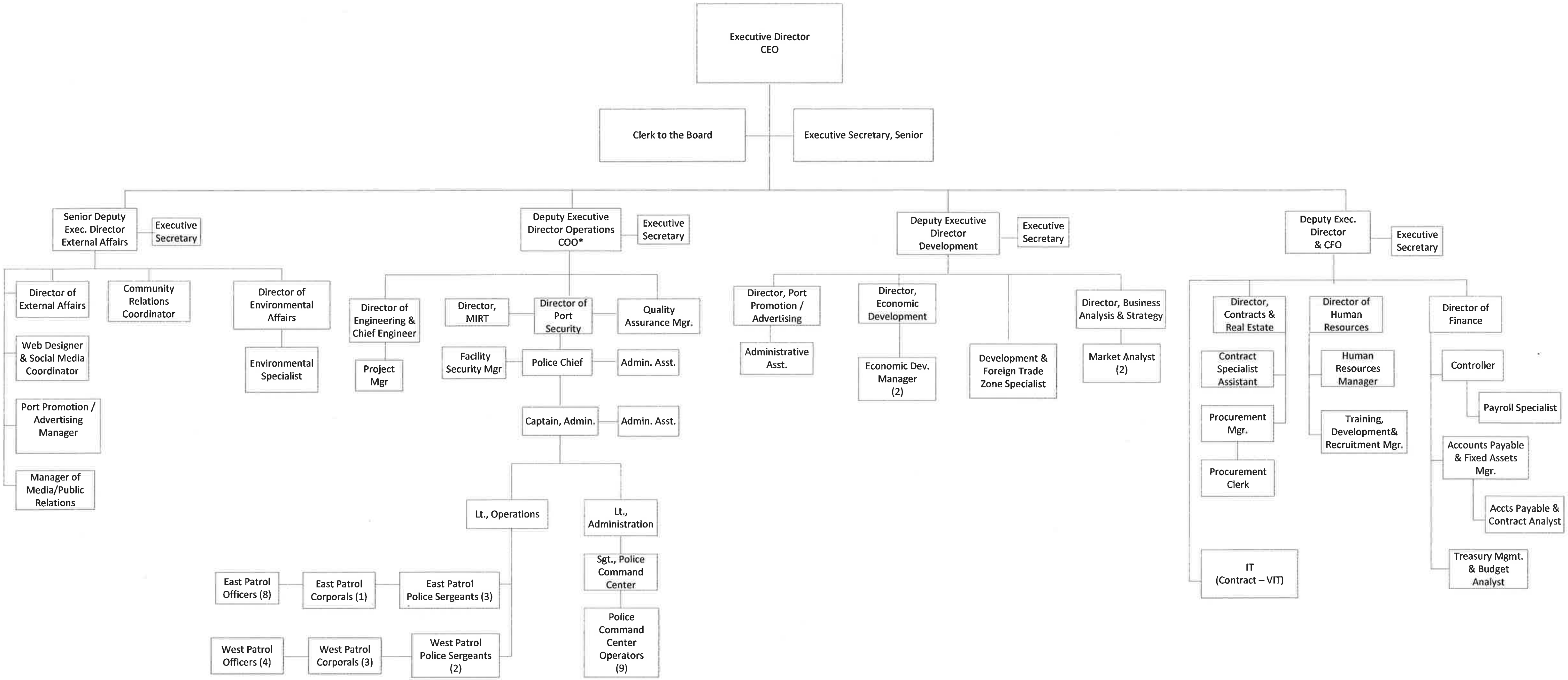
Virginia Port Authority (VPA) Organization Alignment



Total Full Time Employees (FTE)
FTE 83
(Does not include vacant positions)

July 1, 2012

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable John M. O'Bannon III
Chairman, Joint Legislative Audit
and Review Commission

Board of Commissioners
Virginia Port Authority

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets, and cash flows of the Virginia Port Authority (the Authority), along with its discretely presented component unit, Virginia International Terminal, Inc., a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2012, 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 an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Virginia International Terminals, Inc. (VIT), a discretely presented component unit of the Authority, as of and for the year ended June 30, 2012. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for VIT, is based solely on the report of the other auditors. The summarized information was derived from the financial statements of the Authority as of and for the year ended June 30, 2011. These financial statements were audited by other auditors whose report dated October 31, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, and the discretely presented component unit (VIT) as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012, 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, 2012.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

The accompanying introductory, statistical and compliance sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Arlington, Virginia
October 19, 2012

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VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

(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, 2012. 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. The Authority is also responsible for the operations and security of two leased marine terminals: APM Terminals (APMT) located in Portsmouth and the Port of Richmond (RIC) in Richmond on the James River. These facilities primarily handle import and export containerized and break-bulk cargoes.

A Board of Commissioners composed of 12 members manages the Authority. The Commissioners consist of 11 citizens appointed by the Governor in addition to the State Treasurer who is an ex-officio member of the Board. While the Commissioners remain on the Board at the continuing pleasure of the Governor, they serve staggered five-year terms. Commissioners may serve a maximum of two consecutive terms. 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 $101.2 million. Container volume in the port for the fiscal year ended June 30, 2012 was 1,968,849 TEU's (twenty-foot equivalent container units), an increase of 3.45% from fiscal year 2011.

- The Authority's net assets decreased by $14.3 million for the fiscal year ended June 30, 2012 of which $10.6 million was due to the asset write-down to market for cranes held for sale at PMT.

- The assets of the Authority exceeded its liabilities by $363.7 million at the fiscal year ended June 30, 2012. Of this amount, $38.4 million was unrestricted and may be used to meet the Authority's ongoing obligations to creditors.

- The Authority's total assets increased $5.7 million and total liabilities increased $19.9 million during fiscal year ended June 30, 2012.

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, 2012 and 2011 are as follows:

Authority Net Assets
(in Millions)

	2012	2011
ASSETS:		
Capital assets	$ 806.9	$ 831.9
Other assets	169.7	139.0
Total assets	976.6	970.9
LIABILITIES:		
Current liabilities	49.5	68.6
Noncurrent liabilities	563.4	524.4
Total liabilities	612.9	593.0
NET ASSETS:		
Invested in capital assets, net of debt	275.4	302.4
Restricted for debt service	47.7	47.3
Restricted for pension	2.2	1.8
Unrestricted	38.4	26.4
Total net assets	$ 363.7	$ 377.9

Capital assets decreased $25.0 million from year 2011, a large part due to the write-down to FMV of assets no longer used in operations at PMT and reclassed for sale, disposals and the effect of more depreciation expense than new purchases. Please see the footnotes for additional details on capital assets. Other assets increased by $30.7 million due primarily to an increase in cash, cash equivalents and investments of $20 million and $7.4 million in additional prepaid expenses over 2011.

Current liabilities decreased $19.1 million primarily as a result of paying off a short-term Treasury note of $13.9 million through funding by the 2011 Commonwealth Port Fund Bonds issued in July 2011. Noncurrent liabilities increased $39.0 million primarily as the result two new Commonwealth Port Fund bond issues.

The largest portion of the Authority's net assets (75.7% at June 30, 2012) 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 (13.1% at June 30, 2012) represents resources that are subject to external restrictions on how they can be used under bond resolutions and federal regulations. .6% of the Authority's net assets at June 30, 2012 are restricted for pension and the remaining unrestricted net assets (10.6% at June 30, 2012) may be used to meet any other 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, 2012 and 2011 are as follows:

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

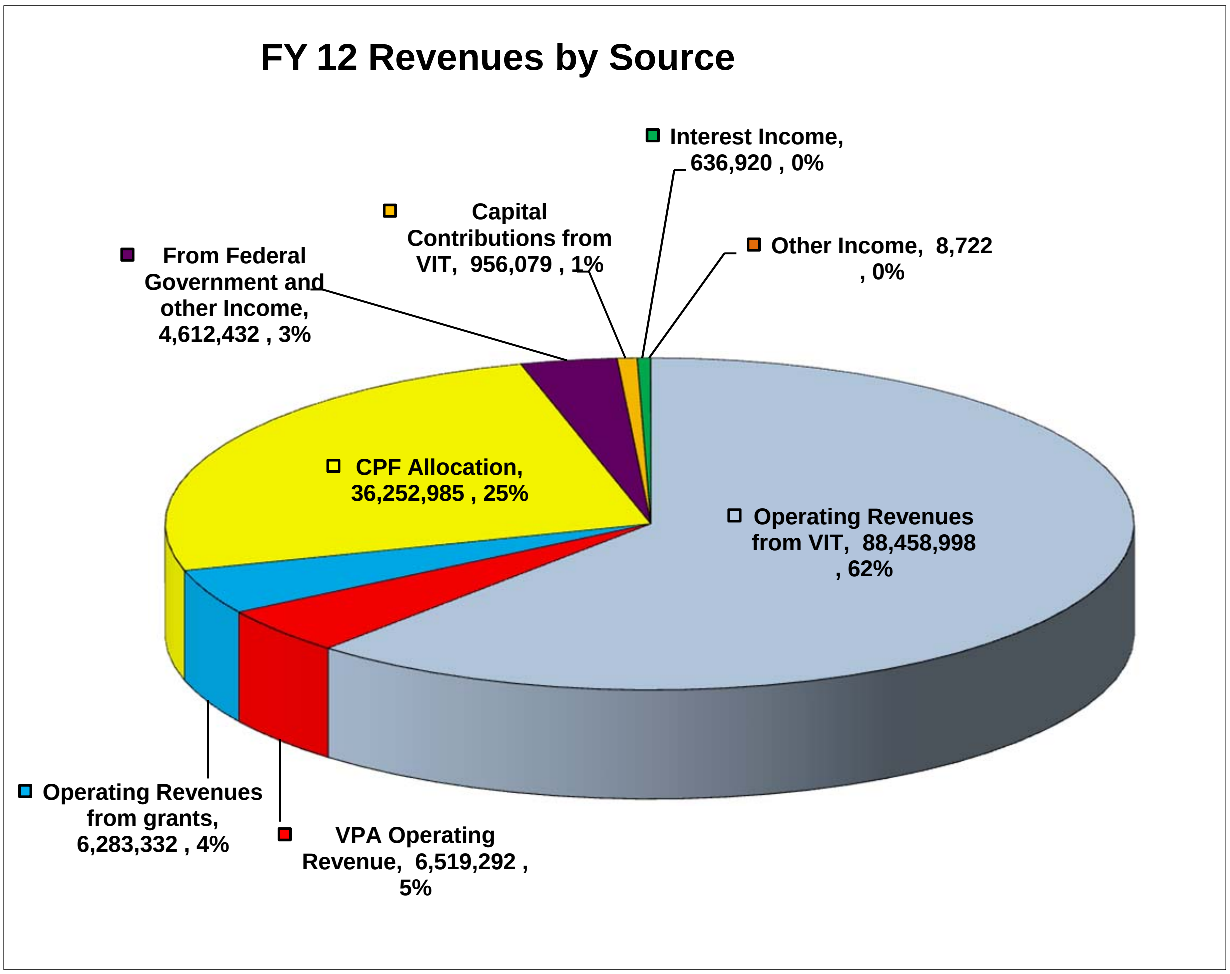
	2012	2011
Operating revenues	$ 101.2	$ 91.2
Operating expenses	116.4	108.4
Operating earnings (loss)	($15.2)	($17.2)
Non-operating revenues and expenses	(36.3)	(10.1)
Loss before capital contributions and transfers	($51.5)	($27.3)
Capital contributions and transfers:		
Commonwealth port fund allocation	36.3	34.7
Capital contribution from Component Unit	.9	1.1
Increase(decrease) in net assets	$ (14.3)	$ 8.5

Total operating revenues increased $10.0 million (or 11.0%) during fiscal year 2012. 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, 2012, were $8.0 million (or 7.4%) over fiscal year 2011 primarily as a result of increase in the James River Barge service and equipment modifications done as part of grant match funding and an increase in the APMT rent as a result of going from transitional rent to the standard lease rate. During the fiscal year ended June 30, 2012, net non-operating revenues and expenses increased by $26.2 million from fiscal year 2011. The increase was primarily due to a decrease in Federal Grant revenues of $7.3 million, increases of $3.1 million for interest expense on debt and a $15.3 million adjustment to assets for a write-down to market on assets held for sale and losses for other asset disposals.

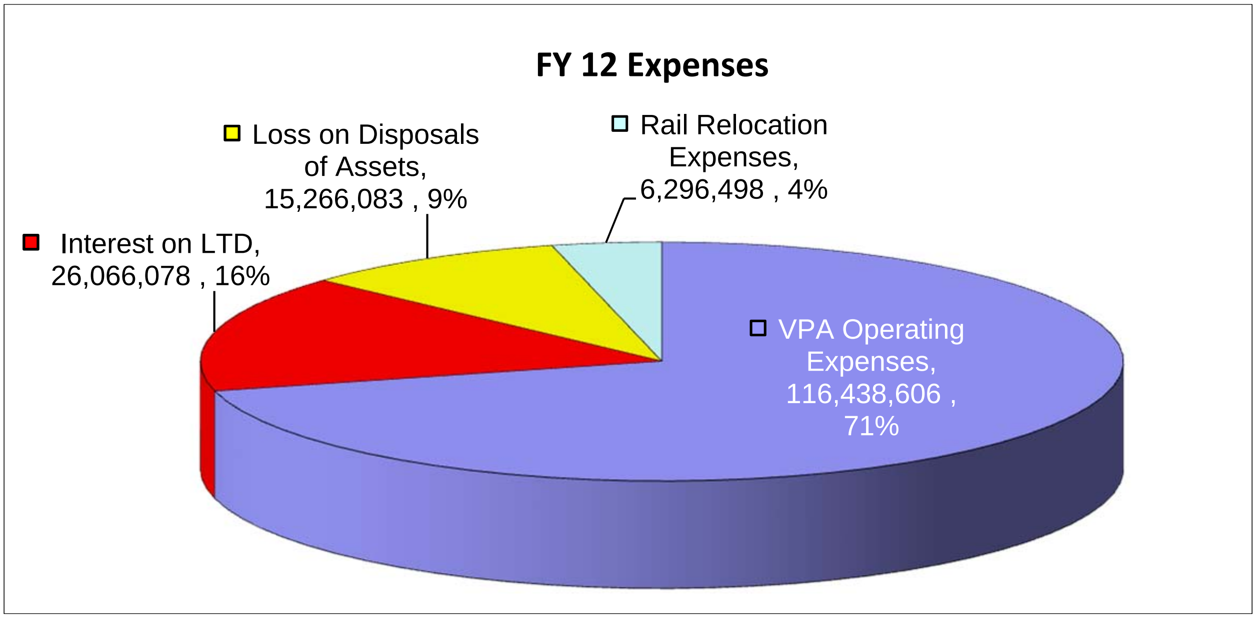
The Commonwealth port fund allocation represents the Authority's 4.2% allocation of revenues from the Commonwealth's Transportation Trust Fund, a combination of a portion of the state sales tax, and motor vehicle fuel and related taxes and fees. Commonwealth port fund collections were $1.6 million or 4.6% higher than fiscal year 2011.

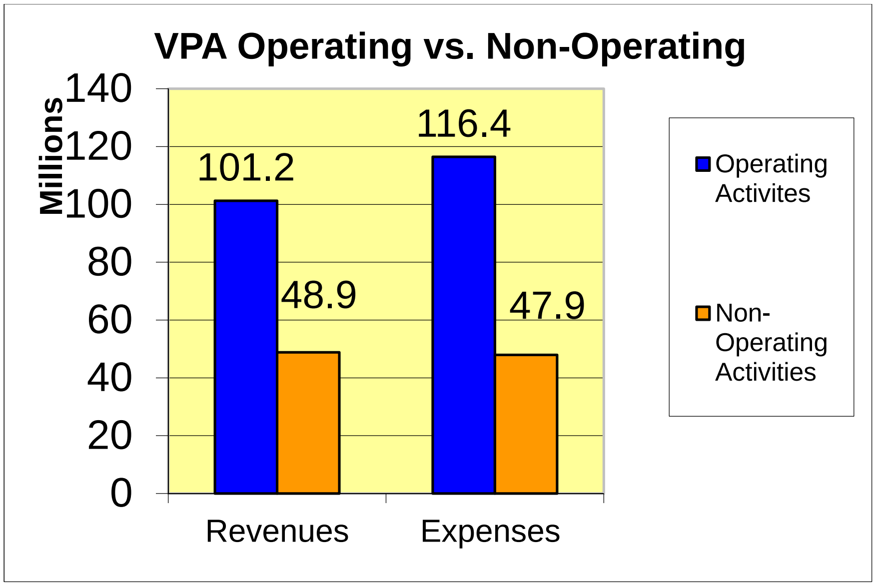
The Authority received $.9 million in capital improvements from VIT in fiscal year 2012, primarily relating to improvements made by VIT for pier renovations, storm water drains and the installation of operational verification systems.

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, 2012 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, 2012.





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, 2012. Net Assets decreased by $14.3 million with net losses from operations being slightly (.9 million) offset by 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)

	2012	2011
Cash flow from operating activities	$ 14.2	$ 27.7
Cash flow from noncapital financing activities	(0.3)	(0.3)
Cash flow from capital and related financing activities	4.7	(38.2)
Cash flow from investing activities	9.0	(23.7)
Net increase (decrease) in cash and cash equivalents	27.6	(34.5)
Cash and cash equivalents		
Beginning of year	78.6	113.1
End of year	$ 106.2	$ 78.6

Cash flow from operating activities decreased $13.5 million in fiscal year 2012 primarily as a result of higher transfers from VIT $8.7 million being offset by increased facility rental expense as we moved from transitional rent at APM to our normal lease obligations. Outflows from noncapital financing activities remained consistent. Cash flow from capital and related financing activities increased $42.9 million in fiscal year 2012 primarily as a result of an increase in long-term debt through the issuance of two new bonds. Cash flow from investing activities was up $32.7 million primarily due to high sales and maturing of securities and a decrease in the purchasing of securities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Authority's investment in capital assets as of June 30, 2012, amounted to $806.9 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 $4.3 million for NIT Central Rail Yard – Phase II
- Expenditures of $5.1 million for NIT S Railway Property purchase
- Completion of $3.3 million of various Infrastructure projects (all terminals)
- Expenditures of $17.6 million for Craney Island terminal expansion
- Capitalized interest (net of capitalized income) of $1.1 million was added to the cost of capital assets in fiscal year 2012
- Expenditures of $1.4 million in security maintenance support systems (all terminals)
- Expenditures of $1.5 million in Lights and Cameras (all terminals)
- Expenditures of $2.6 million in security related equipment purchases/projects (all terminals)

More details on capital asset activities can be found in the footnote disclosures to the financial statements, footnote 5.

Long-term Debt

Bonds. At June 30, 2012, the Authority had $549.9 million in long-term debt, excluding current maturities. Of this amount, $505.7 million is in the form of revenue bonds issued by the Authority and $44.2 million in Lease Purchases. During 2012, the Authority had 2 bond issues. One of $108 million, substantially refunded all of the 2002 CPF Revenue bonds, reducing the amount of interest to be paid over the term of the bond. The second issue was $57.4 million in Commonwealth Port Fund bonds repaying the $13.9 million in treasury loans and other Craney Island Eastward Expansion costs.

Commonwealth Port Fund Revenue bonds issued in 2005, 2006 and 2011 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.

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 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 2012 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. Final acceptance of the terminal at the end of April 2012 ended the transitional rent period.

The Authority began leasing the Port of Richmond 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. The Authority is actively seeking federal grants to help with funding of this venture as well as other projects to increase security, or lessen our environmental foot print.

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
STATEMENT OF NET ASSETS
As of June 30, 2012
with Summarized Information for 2011

	Primary Government	Component Unit			
	Authority	**Virginia International Terminals, Inc.**	**Eliminations**	**Total**	**June 30, 2011**
ASSETS					
Current assets:					
Cash and cash equivalents [Footnote 2]	$ 37,805,165	$ 4,670,342	$ -	$ 42,475,507	$ 40,023,672
Restricted assets:					
Cash and cash equivalents [Footnote 2]	22,443,193	3,281,651	-	25,724,844	19,723,431
Investments [Footnote 2]	-	4,345,864	-	4,345,864	10,387,730
Investments held by Treasurer of VA	165,785	-	-	165,785	852,819
Accounts receivable, net	5,437,194	42,862,597	-	48,299,791	41,231,996
Due from transportation trust	4,889,322	-	-	4,889,322	5,897,969
Due from component unit	10,722,112	-	(10,722,112)	-	-
Inventories	-	10,970,277	-	10,970,277	10,655,288
Assets Held for Sale [Footnote 5]	2,000,000	-	-	2,000,000	-
Prepaid expenses and other [Footnote 4]	7,765,681	5,938,324	-	13,704,005	6,677,624
Total current assets	91,228,452	72,069,055	(10,722,112)	152,575,395	135,450,529
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents [Footnote 2]	46,005,898	-	-	46,005,898	26,364,686
Investments [Footnote 2]	24,707,294	15,112,926	-	39,820,220	39,203,322
Pension plan assets [Footnote 11]	2,192,422	2,685,854	-	4,878,276	4,841,879
Bond issue costs, net	5,603,367	-	-	5,603,367	5,222,091
Non-depreciable capital assets [Footnote 5]	215,735,100	-	-	215,735,100	255,750,456
Depreciable capital assets, net [Footnote 5]	591,143,837	14,624,556	-	605,768,393	591,717,093
Total noncurrent assets	885,387,918	32,423,336	-	917,811,254	923,099,527
Total assets	$ 976,616,370	$ 104,492,391	$ (10,722,112)	$ 1,070,386,649	$ 1,058,550,056

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

VIRGINIA PORT AUTHORITY
STATEMENT OF NET ASSETS
As of June 30, 2012
with Summarized Information for 2011

	Primary Government	Component Unit			
	Authority	Virginia International Terminals, Inc.	Eliminations	Total	June 30, 2011
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	$ 8,627,529	$ 15,369,461	$ -	$ 23,996,990	$ 26,358,568
Interest payable	11,839,518	-	-	11,839,518	12,449,395
Retainage payable	549,776	-	-	549,776	1,509,869
Short-term debt [Footnote 6]	-	-	-	-	13,911,029
Long-term debt - current portion [Footnotes 7, 8]	22,560,964	-	-	22,560,964	22,454,846
Compensated absences - current [Footnote 7]	435,924	2,045,860	-	2,481,784	2,668,046
Payroll withholdings	1,538	-	-	1,538	84,884
Obligations under securities lending	5,527,903	-	-	5,527,903	3,633,987
Due to Authority	-	10,722,112	(10,722,112)	-	-
Total current liabilities	49,543,152	28,137,433	(10,722,112)	66,958,473	83,070,624
Noncurrent liabilities:					
Long-term debt [Footnotes 7, 8]	549,859,472	-	-	549,859,472	510,607,877
Compensated absences [Footnote 7]	97,430	2,244,552	-	2,341,982	2,343,283
Workers compensation costs	-	2,854,331	-	2,854,331	3,897,663
Accrued pension and OPEB obligations [Footnote 12]	185,386	3,677,082	-	3,862,468	3,699,423
Other noncurrent liabilities	13,277,025	-	-	13,277,025	13,328,225
Total noncurrent liabilities	563,419,313	8,775,965	-	572,195,278	533,876,471
Total liabilities	612,962,465	36,913,398	(10,722,112)	639,153,751	616,947,095
NET ASSETS					
Invested in capital assets, net of related debt	275,376,306	14,624,556	-	290,000,862	318,020,499
Restricted for:					
Debt service [Footnote 1]	47,679,723	20,592,632	-	68,272,355	68,594,913
Pension [Footnote 1]	2,192,422	-	-	2,192,422	1,788,052
Unrestricted	38,405,454	32,361,805	-	70,767,259	53,199,497
Total net assets	$ 363,653,905	$ 67,578,993	$ -	$ 431,232,898	$ 441,602,961

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

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VIRGINIA PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Twelve Months Ended June 30, 2012
with Summarized Information for 2011

	Primary Government	Component Unit			
	Authority	**Virginia International Terminals, Inc.**	**Eliminations**	**Total**	**June 30, 2011**
Operating Revenues:					
Terminal operating revenues	$ -	$ 297,835,649	$ -	$ 297,835,649	$ 277,856,791
Other revenues	6,519,292	-	-	6,519,292	6,274,000
Other Revenues - Grants	6,283,332	-	-	6,283,332	3,596,326
Operating revenues from component unit	88,458,998	-	(88,458,998)	-	-
Total operating revenues	101,261,622	297,835,649	(88,458,998)	310,638,273	287,727,117
Operating Expenses:					
Terminal operations	2,068,666	126,713,993	-	128,782,659	121,983,405
Terminal maintenance	10,492,515	44,444,366	-	54,936,881	54,745,598
General and administrative	59,153,087	29,814,652	-	88,967,739	80,443,780
Depreciation and amortization	44,724,338	4,431,557	-	49,155,895	50,602,557
Payments due to Authority	-	88,458,998	(88,458,998)	-	-
Total operating expenses	116,438,606	293,863,566	(88,458,998)	321,843,174	307,775,340
Operating income (loss)	(15,176,984)	3,972,083	-	(11,204,901)	(20,048,223)
Non-operating revenues (expenses)					
Interest income	636,920	873,907	-	1,510,827	1,181,739
Interest expense	(26,066,078)	-	-	(26,066,078)	(23,007,021)
Commonwealth Rail Relocation income	6,375,798	-	-	6,375,798	2,014,416
Commonwealth Rail Relocation expenses	(6,296,498)	-	-	(6,296,498)	(2,272,191)
Revenues from Federal Government	4,612,432	-	-	4,612,432	12,588,643
Revenues/Expenses	(297,267)	-	-	(297,267)	(261,468)
Other income	8,722	-	-	8,722	8,996
Gain (loss) on disposals	(15,266,083)	-	-	(15,266,083)	88,879
Income (loss) before capital contributions and transfers	(51,469,038)	4,845,990	-	(46,623,048)	(29,706,230)
Capital contributions					
Commonwealth Port Fund allocation	36,252,985	-	-	36,252,985	34,717,391
Capital contributions (to) from component unit	956,079	(956,079)	-	-	-
Increase (decrease) in Net Assets	(14,259,974)	3,889,911	-	(10,370,063)	5,011,161
Net Assets - Beginning of Year	377,913,879	63,689,082	-	441,602,961	436,591,800
Net Assets - End of Year	$ 363,653,905	$ 67,578,993	$ -	$ 431,232,898	$ 441,602,961

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

VIRGINIA PORT AUTHORITY
STATEMENTS OF CASH FLOW
For the Twelve Months Ended June 30, 2012 and June 30, 2011

	June 30, 2012	June 30, 2011
Cash flows from operating activities:		
Receipts from customers and users	$92,285,801	$83,574,884
Receipts from operating grants	6,283,332	3,596,326
Payments for operating expenses	(78,526,135)	(53,852,281)
Payments to employees	(5,832,431)	(5,651,562)
Net cash provided by (used in) operating activities	**14,210,567**	**27,667,367**
Cash flows from noncapital financing activities:		
Transfer to Primary Government	(297,267)	(261,468)
Net cash provided by (used in) noncapital financing activities	**(297,267)**	**(261,468)**
Cash flows from capital and related financing activities:		
Proceeds/Payments from short-term debt	(13,911,029)	13,911,029
Proceeds from long-term debt	168,310,851	-
CPF Contribution	37,261,632	34,250,778
Acquisition of capital assets	(36,174,312)	(56,654,241)
Principal paid on long-term debt	(128,953,138)	(21,531,152)
Interest paid on long-term debt	(26,675,955)	(21,789,229)
Receipts/(Expenses) for Commonwealth Rail relocation	79,300	(2,272,191)
Capital payments to component unit	-	(501,538)
Capital payments from component unit	-	1,569,804
Proceeds from federal government	4,612,432	14,603,059
Proceeds from sale of capital assets	131,956	255,982
Net cash provided by (used in) capital and related financing activities	**4,681,737**	**(38,157,699)**
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	36,385,971	30,768,402
Payments for investments	(27,974,177)	(55,214,275)
Interest and dividends received	636,920	697,221
Net cash provided by (used in) investing activities	**9,048,714**	**(23,748,652)**
Net increase (decrease) in cash and cash equivalents	27,643,751	(34,500,452)
Cash and cash equivalents at beginning of year	78,610,504	113,110,956
Cash and cash equivalents at the end of period	**$106,254,256**	**$78,610,504**

Suupplemental Schedule of noncash investing and financing activites:

Capital Equipment funded by APMT Lease Guarantee	-	$13,277,025

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

VIRGINIA PORT AUTHORITY
STATEMENTS OF CASH FLOW
For the Twelve Months Ended June 30, 2012 and June 30, 2011

		June 30, 2012		June 30, 2011
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income/(loss)	$	(15,176,984)	$	(17,185,546)
Adjustments to reconcile earnings to net cash provided by operating activities:				
Depreciation and amortization		44,724,338		46,107,223
Change in assets and liabilities:				
(Increase) decrease in accounts receivable		476,490		(1,903,662)
(Increase) decrease in due from VIT		(3,168,979)		(2,144,414)
(Increase) decrease in prepaid expenses		(7,381,892)		2,691
(Increase) decrease in other noncurrent assets		(671,869)		(27,925)
Increase (decrease) in accounts payable		(6,487,450)		2,784,840
Increase (decrease) in accrued expenses		41,385		(25,199)
Increase (decrease) in short-term liabilities		2,016,459		(11,654)
Increase (decrease) in long-term liabilities		(160,931)		71,013
Net cash provided by (used in) operating activities	**$**	**14,210,567**	**$**	**27,667,367**

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 Codification 2100, *Defining 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.

Accounts Receivable Policy

Accounts receivables represent amounts due from governmental agencies for unreimbursed costs. Management believes these amounts are fully collectible and no allowance has been recorded as of June 30, 2012.

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, 2012 was $1,130,937.

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.

Assets Held for Sale

Assets held for sale consists of container cranes which have been made available for sale by the Authority and are reported at fair value.

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, 2012. 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, 2012. 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.

Net Assets

The Authority separates net assets that are subject to external restrictions based on individual agreements. The restrictions are established by the Authority's governing jurisdictions. These restricted net assets include the Authority's net pension asset, advance contributions for future construction and amounts held for debt service payments.

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. 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 does 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements – continued

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. These elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period. The requirements of GASBS No. 63 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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of GASBS No. 64 are effective for fiscal year 2012 and thereafter. This statement does not have a material impact on the Authority's financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities and requirements for the determination of major funds and addresses other statement of net position and governmental funds balance sheet presentation issues. The requirements of GASBS No. 65 are effective for fiscal year 2014 and thereafter. This statement is not expected to have a material impact on the Authority's financial statements.

GASB Statement No. 66, *Technical Corrections*, Improves accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The requirements of GASBS No. 66 are effective for fiscal year 2014 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

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, 2011 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

As of June 30, 2012, 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 $26,881,437 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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – continued

As of June 30, 2012, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer) and its credit risk category:

Long-Term Restricted Investment Maturities (in Years)

Investment Type	Reported Value	Fair Value Less Than 1	Fair Value 1 - 5	Category
FHLB	$ 1,657,693	$ 1,657,693	$ -	1
FHA	16,297,708	16,297,708	-	1
FNMA	1,746,256	-	1,746,256	1
	$ 19,701,657	$ 17,955,401	$ 1,746,256	

As of June 30, 2012 the Authority's FHLB/FHA/FNMA securities were rated Aaa by Moody's Incorporated.

Long-Term Restricted Investment by Category

As of June 30, 2012, 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	$ 17,955,401	$ -	$ -	$ 17,955,401
Short-Term Investments Total	17,955,401	-	-	17,955,401
Long-Term Investments:				
Asset-Backed Securities	1,746,256	-	-	1,746,256
Long-Term Investments Total	1,746,256	-	-	1,746,256
Investments Total	$ 19,701,657	$ -	$ -	$ 19,701,657

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.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – continued

Other investments listed as Restricted Investments include Other Cash and Investments Held by Trustees in the amount of $72,050,305 with VPA holding cash accounts in the amount of $39,375,373.

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.

Component Unit – VIT

Virginia International Terminals, Inc.’s, cash and cash equivalents, restricted and investments at June 30, 2012, 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

June 30, 2012	Category 1	Category 2	Category 3	Fair Value
Money Market Instruments	$ –	$ –	$3,281,651	$3,281,651
Total	**$ –**	**$ –**	**$3,281,651**	**$3,281,651**

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – concluded

Component Unit – VIT - continued

Investments, Restricted

June 30, 2012	Category 1	Category 2	Category 3	Fair Value
Municipal bonds	$ –	$ 2,822,266	$ –	$ 2,822,266
Corporate bonds	7,268,378	–	–	7,268,378
U.S. Treasury and Agency Securities	–	9,358,146	–	9,358,146
Total	$ 7,268,378	$12,180,412	$ –	$19,448,790

On August 5, 2011, S&P Ratings Services lowered its long-term credit rating on the United States of America to AA+ from AAA. The ratings of the non-U.S. Treasury and Agency securities held at June 30 as rated by S&P are as follows:
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2012

	Corporate Bond	Municipal Bond	Total
AA+	$ 1,131,225	$ 150,823	$ 1,282,048
AA	1,140,090	412,215	1,552,305
AA-	1,316,007	1,031,204	2,347,211
A+	1,293,210	-	1,293,210
A	1,315,538	260,717	1,576,255
A-	1,072,308	261,622	1,333,930
NR	-	705,685	705,685
Total	$ 7,268,378	$ 2,822,266	$ 10,090,644

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 8.4%, 82.7% and 8.9%, respectively, of the Authority's total investments.

Concentration of Risk - VIT

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash balances and temporary cash investments. The Company maintains checking accounts and a money market deposit account in excess of the $250,000 limit of federal insurance with major financial institutions. In addition, the Company maintains investments in excess of the $500,000 that are insured by the Securities Investor Protection Corporation.

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

For the year ended June 30, 2012, approximately 28% of total revenue was derived from two customers. Receivables outstanding at June 30, 2012 for these concentrations totaled $10,207,135.

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, 2012 include:

	2012
Prepaid Bond/MELP	$ 7,226,223
Prepaid Insurance	176,166
Prepaid Expenses-PR	82,767
Reimbursable Expenses	600
Current Portion – MELP Issue Costs	9,250
Current Portion – Bond Issue Costs	270,675
	$ 7,765,681

Component Unit – VIT

VIT Prepaid expenses and other assets as of June 30, 2012 include:

	2012
Prepaid Expenses	$ 5,567,324
Deposits	371,000
	$ 5,938,324

5. CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land and improvements	$ 100,168,191	$ 5,559,796	$ -	$ 105,727,987
Construction in progress	155,582,264	37,023,076	82,598,227	110,007,113
	255,750,455	42,582,872	82,598,227	215,735,100
Depreciable capital assets:				
Infrastructure	518,252,007	72,488,412	1,105,445	589,634,974
Buildings	95,688,374	616,822	195,218	96,109,978
Improvements other than buildings	29,256,078	1,704,461	1,316,079	29,644,460
Equipment	326,526,331	1,692,021	59,036,826	269,181,526
	969,722,790	76,501,716	61,653,568	984,570,938
Less accumulated depreciation for:				
Infrastructure	177,768,299	18,812,339	920,161	195,660,477
Buildings	51,290,022	3,264,597	188,428	54,366,191
Improvements other than buildings	22,114,147	1,126,186	724,226	22,516,107
Equipment	142,463,359	21,230,622	42,809,655	120,884,326
Total accumulated depreciation	393,635,827	44,433,744	44,642,470	393,427,101
Depreciable capital assets, net	576,086,963	32,067,972	17,011,098	591,143,837
Total capital assets, net	$ 831,837,418	$ 74,650,844	$ 99,609,325	$ 806,878,937

5. CHANGES IN CAPITAL ASSETS- Continued

Idle Assets

In January 2011, container operations were moved from Portsmouth Marine Terminal (PMT) to APM Terminals (APMT) and Norfolk International Terminals (NIT). Future plans are to use PMT as a bulk and/or breakbulk terminal and lease parts of the terminal to third parties. Due to this change, a portion of the assets at PMT are currently idle. These assets remain in good condition and will ultimately be used at some point in the future. A review of these assets has shown that due to their current inactive status less depreciation is being incurred than the original useful life indicates. The useful lives of these assets have been extended accordingly.

As of June 30, 2012 the book value of the idle assets included in depreciable capital assets, net is $19,202,383. Depreciation expense recognized for these assets in 2012 was approximately $538,000 lower than it would have been using historical depreciation rates.

Assets Held for Sale

Operational changes have been made to PMT as a result of the down-turn of the economy and the opening of APMT, as a Commonwealth leased port facility. In an effort to best use the Commonwealth's facilities, PMT has ceased to be a container facility for the day to day movement of container cargo. Much of the container handling equipment that had been at PMT has been moved to other facilities but some equipment such as the Container Cranes, are custom made for the dock at PMT and cannot be economically modified for use within any of the other Commonwealth Facilities as they are currently operated. These units are idle. They are of no operational value to the port. In FY 2012, these assets were identified and listed as held for sale. Original cost was $31,447,192 with book value at reclassification of $12,629,307. These assets were written down in FY 2012 by $10,629,307 to their fair market value of $2,000,000. The Virginia Port Authority is actively marketing this equipment for sale.

Insurance Proceeds

In fiscal year 2012, proceeds from insurance amounted to $368,566 for the Virginia Port Authority, none of which were attributable to impairment of assets.

5. CHANGES IN CAPITAL ASSETS- Continued

Insurance Proceeds- VIT

In fiscal year 2012, proceeds from insurance amounted to $207,715 for Virginia International Terminals, none of which were attributable to impairment of assets.

Component Unit – VIT

Changes in capital assets for the year ended June 30, 2012 are summarized as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets	$ 71,798,031	$ 3,561,213	$ 543,780	$ 74,815,464
Accumulated depreciation	56,167,902	4,444,113	421,107	60,190,908
Net Capital assets	$ 15,630,129			$ 14,624,556

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 was due and payable on August 30, 2011 with interest. This note has been fully satisfied. $ -

Short-term debt activity for the year ended June 30, 2012 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, 2011	Additions	Deletions	Balance June 30, 2012	Amounts Due Within one Year
Revenue Bonds	$ 460,025,000	$ 165,385,000	$ 117,510,000	$ 507,900,000	$ 12,935,000
Issuance Premium	11,351,043	3,186,893	2,169,862	12,368,074	767,364
Less:					
Deferred Refunding	807,507	261,042	99,349	969,200	98,750
Total Revenue Bonds	470,568,536	168,310,851	119,580,513	519,298,874	13,603,614
Installment Purchases	62,494,187	-	9,372,625	53,121,562	8,957,350
Compensated Absences	708,157	919,339	1,094,142	533,354	435,924
Total	$ 533,770,880	$169,230,190	$ 130,047,280	$ 572,953,790	$ 22,996,888

Details of Long-Term Indebtedness

Revenue Bonds	Balance as of June 30, 2012
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. This bond was defeased in FY2012 with only the July 1, 2012 payment remaining.	$ 4,560,000

7. LONG-TERM DEBT

Details of Long-Term Indebtedness - continued	Balance as of June 30, 2012
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.	47,255,000
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.	51,565,000
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.	12,030,000
On October 17, 2006 Port Facilities Fund Revenue Bonds, dated the same, were issued in the principal amount of $90,000,000. Serial bonds issued in the principal amount of $20,005,000 are payable in annual installments varying from $75,000 to $145,000 with interest of 4.00% to 4.375% payable semiannually, the 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.	89,695,000

7. LONG-TERM DEBT – continued

Details of Long-Term Indebtedness – continued

	Balance as of June 30, 2012
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.	68,780,000
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
On July 27, 2011, Commonwealth Port Fund Revenue Bonds Series 2011 (Non-AMT),(the “Series 2011 Bonds”), dated the same, were issued in the principal amount of $57,370,000. The bonds are payable in annual installments varying from $2,565,000 to $9,250,000 beginning July 1, 2028. Semi-annual interest payments commence January 1, 2012 with interest of 5.00% payable semiannually, the final installment due July 1, 2036. 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. Proceeds of the Series 2011 Bonds have been used to finance or refinance the costs of the Craney Island Eastward Expansion (the “2011 Project”) and to pay costs of issuance.	57,370,000

7. LONG-TERM DEBT – continued

Details of Long-Term Indebtedness – concluded	Balance as of June 30, 2012
On January 25, 2012, Commonwealth Port Fund Revenue Refunding Bonds Series 2012 (Taxable),(the “Series 2012 Bonds”), dated the same, were issued in the principal amount of $108,015,000. The bonds are payable in annual installments varying from $6,300,000 to $8,730,000 beginning July 1, 2013. Semi-annual interest payments commence January 1, 2012 with interest ranging from .0744% to 3.72% payable semiannually, the final installment due July 1, 2027. 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. Proceeds of the Series 2012 Bonds have been used to (a) to currently refund in full the outstanding principal amount of the Authority’s Commonwealth Port Fund Revenue Bonds (2002 Resolution) (the “Series 2002”) issued on July 23, 2002, and (b) to pay all or a portion of the expenses incurred with respect to the issuance of the Series 2012 Bonds and the refunding of the Series 2002 Bonds.	108,015,000
Sub-total revenue bonds	$ 507,900,000
Issuance premium, net	12,368,074
Deferred refunding amount	(969,200)
Total revenue bonds	**$ 519,298,874**

Installment Purchases

	Balance as of June 30, 2012
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%.	$ 1,554,289
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%.	798,330
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%.	6,730,052

7. LONG-TERM DEBT – continued

Installment Purchases - concluded

	Balance as of June 30, 2012
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%.	7,824,998
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%.	1,820,447
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%.	956,346
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%.	4,428,545
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%.	18,182,388
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%.	201,759
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%.	5,913,668
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 $366,222 each March and September for a period of ten years at an interest rate of 2.30%.	4,710,740
Total installment purchases	**$ 53,121,562**

7. LONG-TERM DEBT – continued

	Balance as of June 30, 2012
Compensated Absences	
VPA's salaried employees' attendance and leave regulations make provision for the granting of a specified number of days of leave each year. The amount of leave earned but not taken is recorded as a liability on the Statement of Net Assets. At June 30, 2012 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 $5,000 per employee for employees hired prior to July 1, 1997. The compensated absence liability also includes related payroll taxes.	533,354
Total long-term indebtedness	**$ 572,953,790**

Annual Long-Term Debt Requirements

A summary of future principal and interest obligations under long-term debt as of June 30, 2012 (excluding compensated absences), is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
2013	$12,935,000	$23,433,923	$36,368,923
2014	15,090,000	21,854,582	36,944,582
2015	15,580,000	21,369,260	36,949,260
2016	16,105,000	20,836,311	36,941,311
2017	16,515,000	20,261,559	36,776,559
2018-2022	84,605,000	92,102,370	176,707,370
2023-2027	103,450,000	73,246,997	176,696,997
2028-2032	103,075,000	49,677,388	152,752,388
2033-2037	123,450,000	23,339,450	146,789,450
2038-2042	17,095,000	2,189,000	19,284,000
Total Bonds	$507,900,000	$348,310,840	$856,210,840
Issuance Premium	$12,368,074		$12,368,074
Deferred Refunding	(969,200)		(969,200)
Total	$519,298,874	$348,310,840	$867,609,714

7. LONG-TERM DEBT – concluded

Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2013	$8,957,350	$1,700,637	$10,657,987
2014	10,763,423	1,367,885	12,131,308
2015	9,381,296	1,030,861	10,412,157
2016	6,450,610	739,406	7,190,015
2017	6,326,542	531,847	6,858,389
2018-2022	11,242,341	449,323	11,691,664
Total	$53,121,562	$5,819,958	$58,941,520

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 $4,290,412 and $4,303,172 at June 30, 2012 and 2011, respectively, to the extent of the benefits that are payable. VIT is also contingently liable for personal and vacation leave of $5,138,354 at June 30, 2012 representing amounts employees could use during their period of employment.

8. DEFEASANCE OF DEBT

On January 25, 2012, the Authority issued $108,015,000 of Port Facility Revenue Bonds to refund all but $4,560,000 in principal amount of the Authority's 2002 Commonwealth Port Fund Revenue Bonds issued in the original par amount of $135,000,000.

The refunding was undertaken to take advantage of the lower interest rates available to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by $261,042.

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 $13,441,707. 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 2, 2012. 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.

On July 1, 2011, the Virginia Port Authority began leasing the Port of Richmond from the City of Richmond. This lease runs through June 30, 2016 with an option to renew for up to three (3) additional five (5) year renewal terms. The current terminal operator is PCI of Virginia, LLC.

As of June 30, 2012, the Virginia Port Authority had received an unsolicited proposal to operate the ports of Virginia, effectively replacing the services of VIT. Because of this proposal, the Commonwealth of Virginia with the Virginia Port Authority, opened up a window to accept proposals from other companies. These proposals to operate the ports are under review and the next benchmark for review is scheduled to take place on November 1, 2012.

10. COMMITMENTS AND CONTINGENCIES

As of June 30, 2012 the Authority has commitments to construction contracts totaling $88,047,723 of which $68,650,212 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. An amendment has been made to this agreement such that the Authority is currently only committed to purchase 2 “green” yard switching locomotives reducing the total due, subject to appropriations, to $1,715,000.

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.

10. COMMITMENTS AND CONTINGENCIES – continued

Payments for rent under an operating lease agreement amounted to $684,063 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 $37,063,827 in fiscal year 2012.

Lease commitments in aggregate are as follows:

Year Ending June 30,	Amount
2013	$ 47,123,766
2014	51,757,885
2015	53,280,311
2016	54,803,164
2017	56,298,456
2018-2022	306,991,014
2023-2027	354,034,301
2028-2032	235,324,779
Total	$ 1,159,613,676

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 $33,123 during the year ended June 30, 2012. Future payments to be received under these agreements are expected to be $50,120 in 2013.

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
2013	$ 1,197,174
2014	1,219,410
2015	955,081
2016	978,170
2017	1,001,818
2018-2022	5,234,080
2023-2027	5,685,616
2028-2032	739,173
	$ 17,010,522

10. COMMITMENTS AND CONTINGENCIES – continued

Component Unit – VIT Leases – concluded

Rental expense incurred under all operating leases (including less than one year and cancellable) was $2,693,827 for the year ended June 30, 2012. Rental expense incurred is net of rents paid on behalf of the VPA which were recorded as a transfer to the VPA totaling $684,063 in 2012.

VIT has various rental and sub-lease agreements ranging from one to three years. Rental and sub-lease income received under these agreements totaled $4,238,271 during the year ended June 30, 2012. Future payments to be received under these agreements are expected to be $726,375 in 2013.

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, 2012, the escrow account balance was $102,465.

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.

10. COMMITMENTS AND CONTINGENCIES - continued

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, 2012, nothing remained of the General Fund appropriation received for this project and the project is complete.

MOU

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 Public-Private Transportation Act (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. No payments were made in the year ending June 30, 2012 with respect to this MOU.

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, 2012, $2,016,511 remains in the account, having earned $116,511 in interest through June 30, 2012.

10. COMMITMENTS AND CONTINGENCIES – concluded

Lawsuits and Claims

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

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 transferred 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, 2012

At June 30, 2012, VIT has a letter of credit available in the amount of $1,600,000 for workers' compensation claims. The letter of credit was renewed during 2012. It bears interest at prime and is set to expire at May 31, 2013. At June 30, 2012, 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 11.92% of base pay in 2012, 11.44% of base pay in 2011 and 11.25% of base pay in 2010 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

11. PENSION PLANS- continued

Funding Policy-continued

The following table illustrates the funding progress required by GASB.

		June 30, 2012	June 30, 2011
Interest Rate		7.5%	7.5%
Covered Payroll		$ 5,474,834	$ 7,266,226
Assets		$ 7,561,096	$ 7,529,820
Accrued Liability as of the Fiscal Year End			
	Active	$ 5,170,475	$ 6,250,270
	Inactive	$ 6,642,761	$ 3,451,971
	Total	$ 11,813,236	$ 9,702,241
Unfunded Actuarial Accrued Liability		$ 4,252,140	$ 2,172,421
Funded Ratio		64.01%	77.61%
Unfunded as a Percent of Covered Payroll		77.67%	29.90%

The components of annual pension cost and net pension obligation are as follows for the years ending June 30, 2012 and June 30, 2011:

	2012	2011
Normal Cost	$965,081	$1,101,909
Amortization of Unfunded Accrued Liability	-	-
Interest	72,381	82,643
Annual Required Contribution(ARC)	$1,037,462	$1,184,552
Interest on Net Pension Obligation(NPO)	(134,104)	(109,452)
Amortization of NPO	215,428	171,448
Annual Pension Cost (APC)	1,118,786	1,246,548
Actual (Contribution)/Income toward Pension cost	(1,523,156)	(1,575,234)
Increase (Decrease) Net Pension Obligation (NPO)	(404,370)	(328,686)
NPO, beginning of year	(1,788,052)	(1,459,366)
NPO (prepayment), end of year	($2,192,422)	($1,788,052)

11. PENSION PLANS- continued

Funding Policy-concluded

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, 2012	June 30, 2011
Interest Rate	7.50%	7.50%
Annual Pension Cost (APC)		
Annual Required Contribution of Employer (ARC)	$ 1,037,462	$ 1,184,552
Amortization of NPO	215,428	171,448
Interest on NPO	(134,104)	(109,452)
Total APC	1,118,786	1,246,548
End of Year Net Pension Obligation (NPO)		
Actual Beginning of Year NPO	(1,788,052)	(1,459,366)
Plus Actual APC	1,118,786	1,246,548
Minus Contributions	(1,523,156)	(1,575,234)
End of Year NPO	$ (2,192,422)	$(1,788,052)

Actuarial Methods and Assumptions

The annual pension cost for the current year was determined as part of the July 2012 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.

Funded Status

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2012, 2011 and 2010.

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$ 1,118,786	$ 1,523,156	136%	$ (2,192,422)
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)

11. PENSION PLANS- continued

Funded Status - concluded

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
06/30/12	$7,561,096	$11,813,236	$4,252,140	64.01%	$5,474,834	77.67%
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%

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.

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 $152,346 and $140,696 for the years ended June 30, 2012 and June 30, 2011, 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, 2011 and is available upon request from Management.

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

	2012	2011	2010
Net Prepaid pension obligation, beginning of year	$ (393,600)	$ (8,246,800)	$ (7,592,800)
Annual pension cost	7,051,777	7,853,200	7,266,000
Contributions made	(2,583,263)	-	(7,920,000)
Net Prepaid pension obligation, end of year	$ 4,074,914	$ (393,600)	$ (8,264,800)

Actuarial Cost Method

Costs have been computed in accordance with the projected unit credit cost method. Under this method, the benefit for each participant is projected to retirement and a pro-rata part of this benefit is then assigned to each year of service from hire date to the participant's retirement date. The service cost for each participant is the present value of the pro-rata benefit assigned to the current year. The service cost for the fiscal year is equal to the sum of the individual service costs for all participants. The service cost represents the value of benefits earned each year.

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, 2011, 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 5.59%. 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.

Funding Policy

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 the Company's balance sheets at June 30, 2012, 2011 and 2010.

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Accrued (Prepaid) Pension Obligation
June 30, 2012	$ 7,051,777	37%	$ 4,074,914
June 30, 2011	$ 7,853,200	-%	$ (393,600)
June 30, 2010	$ 7,266,000	109%	$ (8,264,800)

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
6/30/2012	$67,162,000	$117,235,000	$(50,073,000)	57.29%	$29,197,000	171.50%
6/30/2011	$67,080,000	$ 95,751,000	$(28,671,000)	70.06%	$29,176,000	98.27%
6/30/2010	$57,434,000	$ 96,465,000	$(38,931,000)	59.64%	$26,751,000	145.53%

The funded status table above has been revised from the prior year disclosures to reflect certain date and computational methodology changes. Disclosures of the funded status of the plan in the June 30, 2011 financial statements and prior years were based on September 30th presentation dates which coincides with the fiscal year end of the defined benefit retirement plan. The Company's actuary provide funded status information as of June 30, 2012, 2011, and 2010 for the current year's financial statement disclosures which are included in the funded status table above.

Additionally, the accrued actuarial liability amounts disclosed in the June 30, 2011 financial statements and prior years reflected a funding target that does not include assumptions as to future compensation levels as required by generally accepted accounting principles. This resulted in a significant increase to the projected benefit obligation compared to previously disclosed accrued actuarial liability amounts. The revised estimate for the Projected Benefit Obligation for June 30, 2011 is now $96 million, compared to a $52 million Accrued Actuarial Liability (as of September 30, 2010) previously reported in prior year financial statements.

11. PENSION PLANS - concluded

Component Unit – VIT – concluded

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 $2,685,854 and $3,053,827 in 2012 and 2011, respectively, have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was $3,677,082 and $3,569,294 as of June 30, 2012 and 2011, respectively. Contributions to the plans were $0 for the years ended June 30, 2012 and 2011.

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 $316,041 and $318,828 for the years ended June 30, 2012 and 2011, 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 $36,271 and $37,430 for the years ended June 30, 2012 and 2011, 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.

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS – continued

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.

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. General inflation is 2.5%.

Funding Policy

The Port Authority has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2011-12 fiscal year, retirees and eligible dependents received postemployment health care benefits. The Port Authority paid $41,455 comprised of benefit payments made on behalf of retirees for claims expenses and retention costs. After netting out retiree contributions totaling $22,415 the contribution/(Income) towards the annual OPEB costs was $19,040. 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 Port Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Port Authority's net OPEB obligation:

	Fiscal Year Ending	
	June 30, 2012	June 30, 2011
(1) Normal Cost	$30,315	$29,149
(2) Amortization of Unfunded Accrued Liability	$12,945	$11,963
(3) Interest	$1,730	$1,644
(4) Annual Required Contribution	$44,990	$42,756
(5) Interest on Net OPEB Obligation (NOO)	$6,350	$4,534
(6) Amortization of NOO	($5,670)	($4,048)
(7) Total Expense or Annual OPEB Cost (AOC)	$45,670	$43,242
(8) Actual (Contribution)*/Income Toward OPEB Cost	($19,040)	$2,168*
(9) Increase in NOO	$26,630	$45,410
(10) NOO Beginning of Year	$158,756	$113,346
(11) NOO End of Year	$185,386	$158,756

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
06/30/2012	$45,670	$19,040	41.7%	$185,386
06/30/2011	$43,242	($2,168)*	(5.0%)	$158,756
06/30/2010	$44,628	$16,361	36.7%	$113,346
06/30/2009	$34,167	($7,398)	(21.7%)	$85,079
06/30/2008	$32,137	($11,377)	(35.4%)	$43,514

*Note: 2011 #8 presented in past was an estimated number and has since been replaced with the actual number. Estimate of NOO at year end 2011 was $28,627 lower than actual. 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

Annual OPEB Cost and Net OPEB Obligation- continued

The following table illustrates the development of the Annual OPEB Cost and an estimate of the fiscal year end Net OPEB Obligation required by GASB 45.

		Fiscal Year Ending	
		June 30, 2012	June 30, 2011
(1) Interest Rate		4.0%	4.0%
(2)	Annual OPEB Cost (AOC)		
(a)	Annual Required Contribution of Employer (ARC)	$44,990	$42,756
(b)	Less Amortization of NOO	5,670	4,048
(c)	Plus Interest on NOO	$6,350	4,534
(d)	Total AOC	45,670	43,242
(3)	End of Year Net OPEB Obligation (NOO)		
(a)	Actual Beginning of Year NOO	158,756	113,346
(b)	Plus Actual AOC	45,670	43,242
(c)	Minus Contributions	19,040	(2,168)
(d)	End of Year NOO	$185,386	$158,756

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability for benefits was $1,320,613, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,320,613. The covered payroll (annual payroll for active participating employees) was $8,354,829 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.8%.

The following table illustrates the funding progress for the Authority as required by GASB:

	Fiscal Year Ending June 30, 2012	Fiscal Year Ending June 30, 2011
(1) Interest Rate	4.0%	4.0%
(2) Covered Payroll	$8,354,829	$8,301,582
(3) Assets	0	0
(4) Accrued Liability as of the Fiscal Year End based on prior years valuation data		
(a) Active	102,123	197,251
(b) Inactive	1,218,490	124,031
(c) Total	1,320,613	321,282
(5) Unfunded Actuarial Accrued Liability	$1,320,613	$321,282
(6) Funded Ratio	0.0%	0.0%
(7) Unfunded as a Percent of Covered Payroll	15.8%	3.9%

12. OTHER POST RETIREMENT EMPLOYEE BENEFITS - concluded

Funded Status and Funding Progress

The following table illustrates the funding progress history required by GASB:

Actuarial Valuation Date	Actuarial Assets	Accrued Actuarial Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability to Annual Covered Payroll
6/30/2012	0	1,320,613	1,320,613	-	8,354,829	15.8%
6/30/2011	0	321,282	321,282	-	8,301,582	3.9%
6/30/2010	0	339,978	339,978	-	8,113,550	4.2%
6/30/2009	0	290,740	290,740	-	8,424,884	3.5%
6/30/2008	0	270,741	270,741	-	8,642,275	3.1%

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

Early Retirement Incentive

On September 27, 2011, the Board of Commissioners for the Virginia Port Authority adopted Resolution 11-10 and the Eleventh Amendment to the Pension Plan, approving an immediate retirement incentive window, to offer a one-time incentive to allow participants aged 55 or older with at least 5 years of creditable service or at least 50 years of age with 10 years of more of creditable service or Law Enforcement eligible employees aged 50 or older with at least 5 years of creditable service to receive up to three years of credited service—not to exceed what would have been earned at age 65—in exchange for termination of their employment. ERI eligible employees were offered an option to receive a portion as a lump sum benefit in addition to being offered health insurance at the employee rate for the lesser of 3 years or until age 65. Thirty-one (31) participants elected to accept this offer, resulting in additional pension expense of $2,011,422 and additional health care expense of $384,048.

13. TERMINATION BENEFITS - concluded

Layoff Benefits

Seven (7) employees were laid off receiving severance benefits to include wages amounting to $49,546 and a year of continued health care at current employee cost. Health care benefits for the layoff are $57,864.

Component Unit – VIT

In August 2009, due to the 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.

In February 2012, due to the current state of the economy, the Company(VIT) amended its pension plan to offer a one-time incentive to allow participants aged 59 to 62 with at least 27 years of credited service to receive up to three years of credited service—not to exceed what would have been earned at age 65—in exchange for termination of their employment. Twenty nine participants elected to accept this offer, resulting in additional pension expense of $1,150,545. This amount is included in the annual pension cost disclosed in Note 11 (VIT Financials note 6).

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, 2012 and 2011, are classified as follows:

	2012	2011
Workers' compensation claims	$ 123,796	$ 144,596
Workers' compensation claims, noncurrent portion	975,070	1,015,562
	$ 1,098,866	$ 1,160,158

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 4.03% and 5.59% at June 30, 2012 and 2011, respectively. The undiscounted liability totaled approximately $3,866,000 and $4,888,000 at June 30, 2012 and 2011, respectively. The Company expects to pay these assessments annually through 2025. The balances at June 30, 2012 and 2011, are classified as follows:

	2012	2011
Accrued DOL assessment	$ 926,672	$ 903,116
Accrued DOL assessment, noncurrent portion	1,879,261	2,882,101
	$ 2,805,933	$ 3,785,217

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. There is no self-insurance.

15. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS - concluded

Component Unit – VIT

VIT participates in a workers compensation insurance pool. VIT remains obligated under its former self-insured plan for future losses as a result of accidents that occurred prior to April 12, 1999. VIT is partially self-insured for those workers' compensation claims and maintains insurance coverage of $5,000,000 per claim, but is obligated to pay the first $1,000,000 of any individual's claims per incident.

VIT is also partially self-insured for employee health coverage. The Company is responsible for actual claim costs up to $125,000 per individual for calendar year 2012 and 2011. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of $5,122,917 and $5,349,751 in calendar year 2012 and 2011, respectively.

Insurance expense under these policies totaled $7,288,922 and $5,825,511 for the years ended June 30, 2012 and 2011, respectively.

16. SUBSEQUENT EVENTS

PPTA

In April 2012, the Commonwealth received an unsolicited conceptual proposal to operate certain facilities of the Virginia Port Authority. The proposal was accepted for further review, and as such, alternative conceptual proposals were solicited. The deadline for alternative conceptual proposal submissions was August 13, 2012. Three conceptual proposals were received. Detailed proposals have been requested from the proposers and are anticipated to be received before calendar year end. Upon acceptance, the detailed proposals will be reviewed by the Virginia Port Authority Board of Commissioners, the Virginia Secretary of Transportation, and the Office of Transportation Public-Private Partnerships, and a decision will be made as to whether any proposal will be accepted. The Authority also has the option at any time to suspend or end the public-private partnership discussions.

Bond Issue

On September 26, 2012, the Authority issued $45,230,000 of Virginia Port Authority Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (Taxable) and $4,795,000 of Virginia Port Authority Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C. These bonds were issued pursuant to Chapter 3 of the 2012 Acts of Assembly and issued pursuant to a bond resolution adopted by the Authority on May 28, 2002, a series resolution for each series of Bonds adopted by the Authority on July 24, 2012. The Series 2012B Bonds are being issued to refund all or a portion of the outstanding principal amount of the Authority's $55,095,000 Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2005A (AMT) issued on April 14, 2005, and to pay costs of issuance.

16. SUBSEQUENT EVENTS – concluded

Bond Issue - Concluded

The Series 2012C Bonds are being issued to refund all or a portion of the outstanding principal amount of the Authority's $4,905,000 Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2005B (NON-AMT) issued on April 14, 2005, and to pay costs of issuance. Serial bonds issued for the 2012B series in the principal amount of $45,203,000 are payable in annual installments beginning July 1, 2013 in amounts ranging from $635,000 to $3,630,000 with interest ranging from .38% to 3.376%, payable semiannually, the first interest installment due January 1, 2013 and the final installment due July 1, 2029. Serial bonds issued for the 2012C series in the principal amount of $4,795,000 are payable in annual installments beginning July 1, 2029 in amounts ranging from $780,000 to $4,015,000 with interest ranging from 3% to 5%, payable semiannually, the first interest installment due January 1, 2013 and the final installment 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 tax, and annual motor vehicle registration fees.

ILA Contract

Prior to October 1, the International Longshoremen's Association (ILA) agreed to postpone the threatened labor action along the US East and Gulf Coasts for 90 days while the ILA and United States Maritime Alliance (USMX) continue with local and master contract negotiations effectively extending the current contract until late December.

Management has evaluated subsequent events through October 19, 2012, which is the date the financial statements were available to be issued.

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STATISTICAL SECTION

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STATISTICAL SECTION

(unaudited)

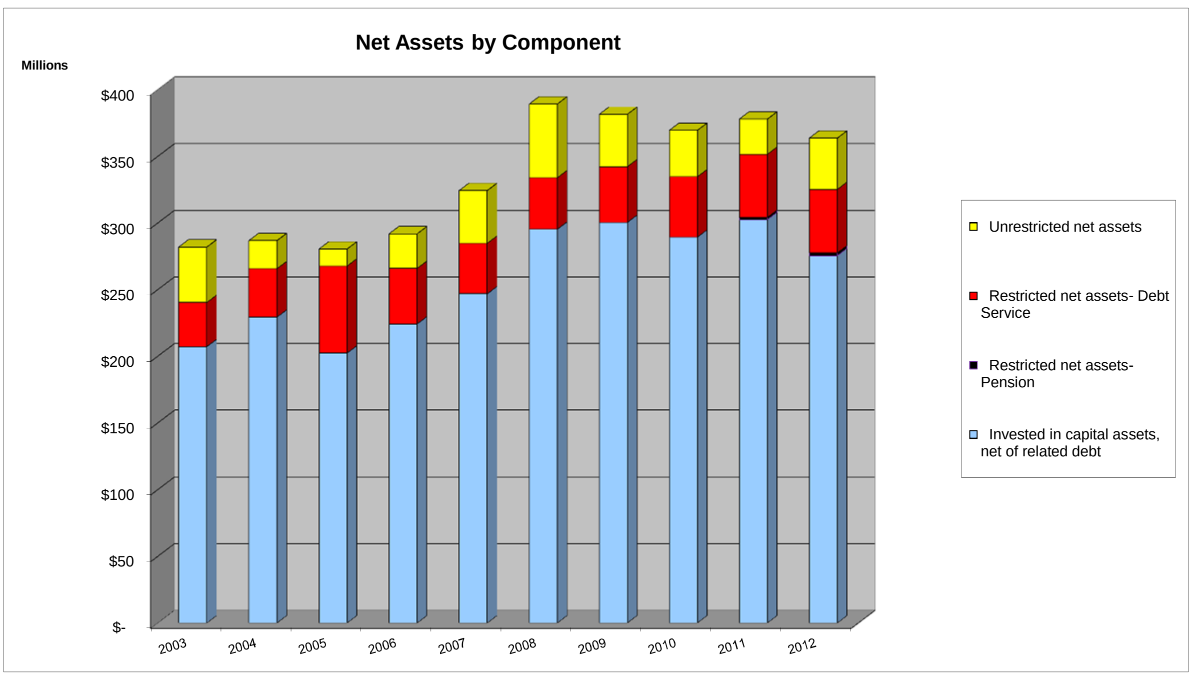
The objective of the statistical section is to provide information about the economic condition within which the Virginia Port Authority operates, to enable the user to more fully understand what the information in the financial statements, notes and supplementary information says about the Authority's 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 2003 Through 2012

	Fiscal Year 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Assets:										
Invested in capital assets, net of related debt	$ 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	$ 275,376,306
Restricted net assets- Debt Service	33,181,531	36,386,020	65,355,495	41,764,584	37,919,827	38,688,565	41,845,940	45,326,982	47,360,758	47,679,723
Restricted net assets- Pension									1,788,052	2,192,422
Unrestricted net assets	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	38,405,454
Total Net Assets	$ 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	$ 363,653,905

FY 2011 going forward, Restricted for Pension will be broken out



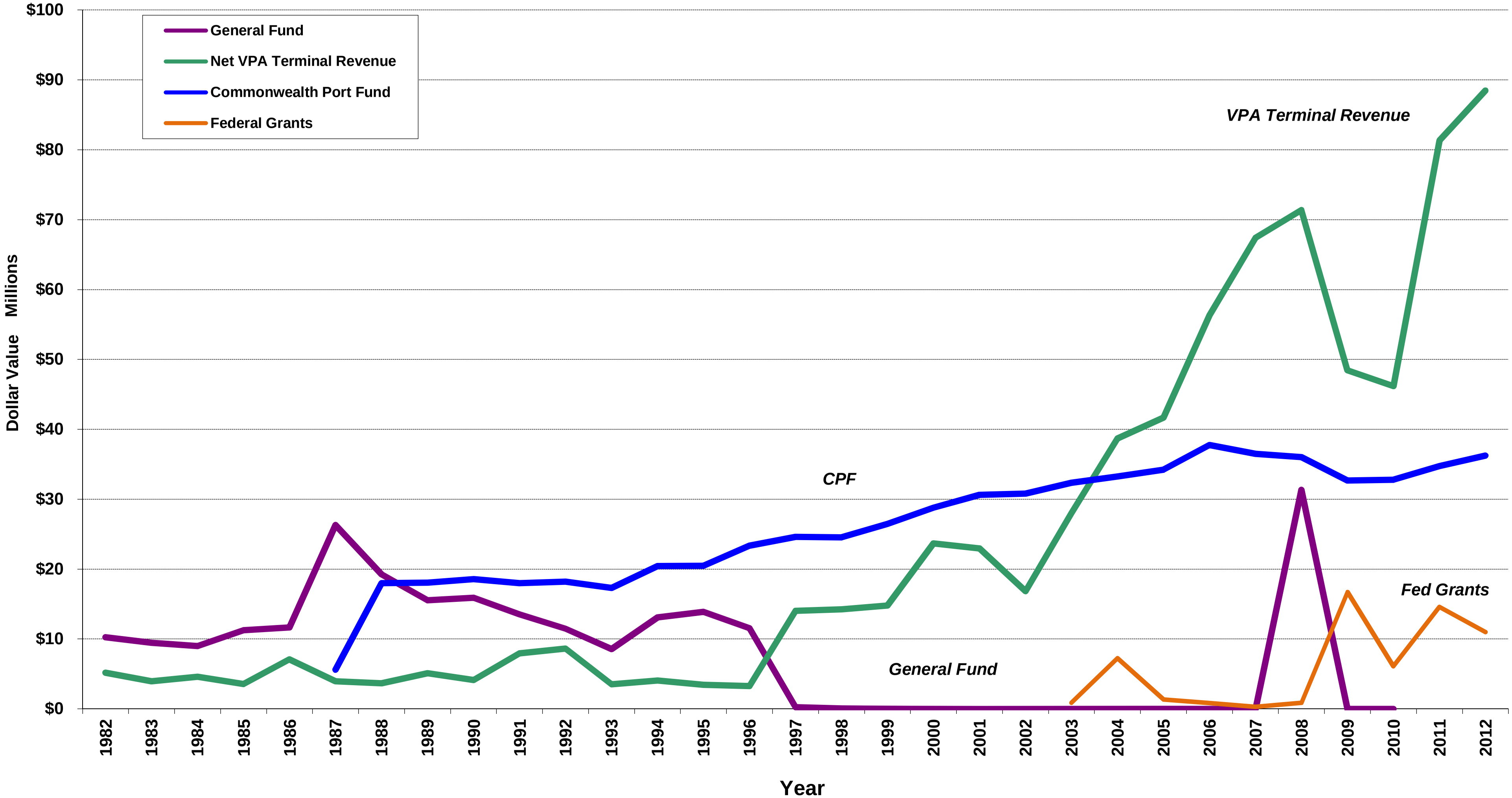
VIRGINIA PORT AUTHORITY
Changes in Net Assets
For the Years 2003 Through 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues:										
Operating revenues from component unit	$ 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	$ 88,458,998
Operating revenues- grants								1,030,769	3,596,326	6,283,332
Other revenues	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	6,519,292
Total operating revenues	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	101,261,622
Operating Expenses:										
Terminal operations	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	2,068,666
Terminal maintenance	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	10,492,515
General and administrative	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	59,153,087
Facility Rental										
Depreciation and amortization	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	44,724,338
Total operating expenses	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	116,438,606
Operating income (loss)	(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)	(15,176,984)
Non-operating revenues (expenses)										
Interest income	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	636,920
Interest expense	(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)	(26,066,078)
Commonwealth Rail Relocation Income	-	-	-	-	1,120,000	20,781,163	-	-	2,014,416	6,375,798
Commonwealth Rail Relocation Expense	-	-	-	-	(1,447,474)	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)
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	4,612,432
Proceeds from other state agencies	-	-	-	-	-	7,388,750	-			-
Revenues (to) from primary government	(1,445,987)	(1,544,625)	(419,908)	(325,365)	(173,802)	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)
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	8,722
Gain (loss) on disposals	44,015	(614,981)	(10,685,443)	(120,524)	(430,311)	(852,527)	3,793	(2,093,785)	88,879	(15,266,083)
Income (loss) before capital contributions and transfers	(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)	(51,469,038)
Transfers										
Commonwealth Port Fund allocation	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	36,252,985
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	956,079
Capital contribution to City of Norfolk	-	-	(5,000,000)	-	-	-	-	-	-	-
Increase (decrease) in Net Assets	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	(14,259,974)
Net Assets - Beginning 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
Net Assets - End of Year	$ 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	$ 363,653,905

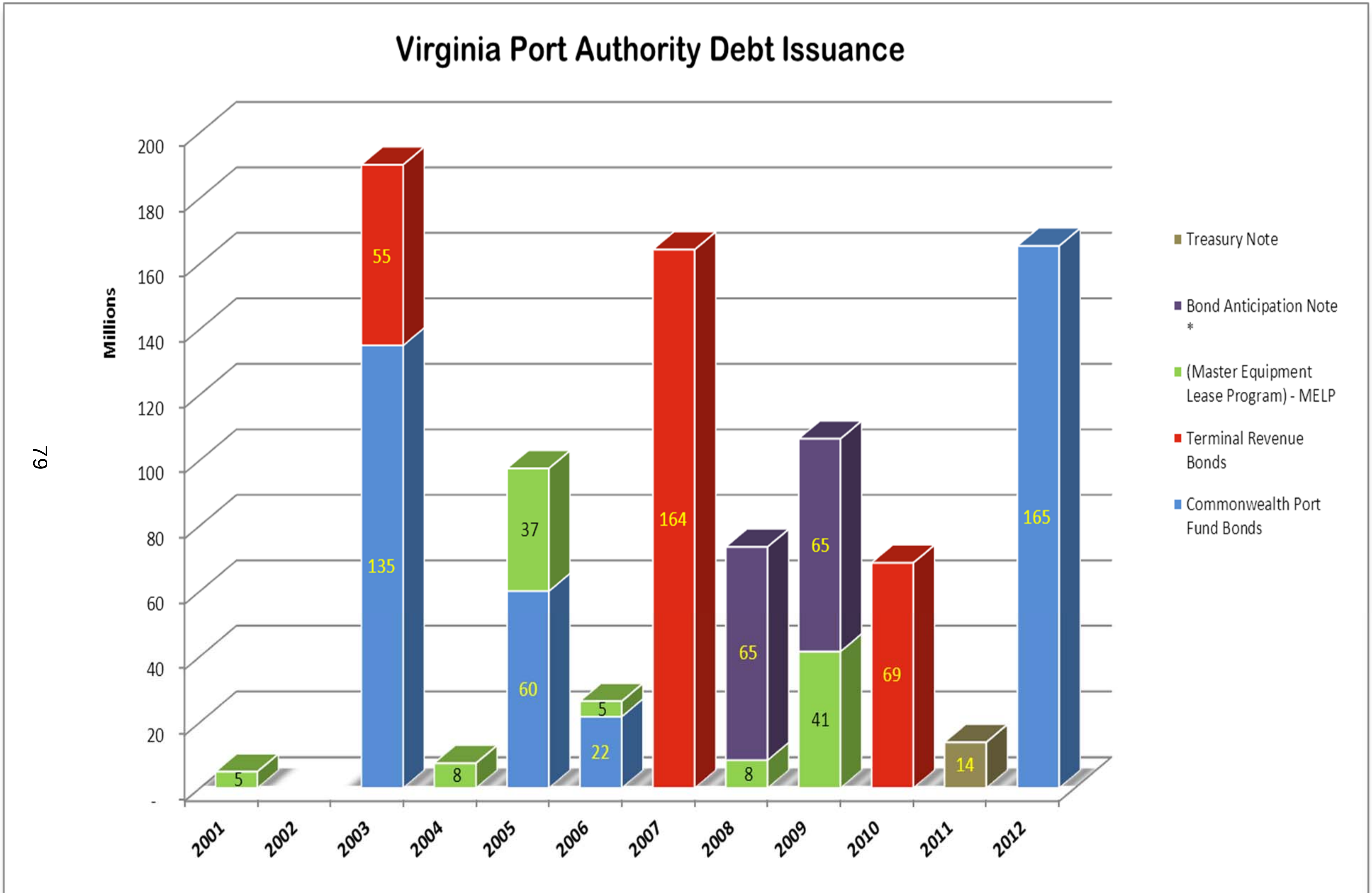
Note this has been reorganized to reflect non operating incomes and expenses as they are currently depicted in the financial statements presented herein

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

VIRGINIA PORT AUTHORITY - Revenue Comparisons



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
-
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
5
135
55
8
60
37
22
5
164
8
65
41
65
69
14
165
Treasury Note
Bond Anticipation Note *
(Master Equipment Lease Program) - MELP
Terminal Revenue Bonds
Commonwealth Port Fund Bonds

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

Period Ending June 30,	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	Series 2012 (Issued 1/25/2012*) Principal	Series 2012 (Issued 1/25/2012*) Interest	Series 2012 (Issued 1/25/2012*) Debt Service	Total Bonds Debt Service
2013	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	6,300,000	2,759,563	9,059,563	19,324,794
2014	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	6,345,000	2,712,691	9,057,691	19,327,972
2015	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	6,400,000	2,655,967	9,055,967	19,323,823
2016	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	6,470,000	2,581,727	9,051,727	17,639,409
2017	2,135,000	1,902,544	4,037,544	-	245,250	245,250			-		2,868,500	2,868,500	6,575,000	2,481,183	9,056,183	16,207,477
2018	2,245,000	1,790,456	4,035,456	-	245,250	245,250	-	-	-		2,868,500	2,868,500	6,695,000	2,365,858	9,060,858	16,210,064
2019	2,365,000	1,672,594	4,037,594	-	245,250	245,250	-	-	-		2,868,500	2,868,500	6,835,000	2,222,183	9,057,183	16,208,527
2020	2,485,000	1,548,432	4,033,432	-	245,250	245,250	-	-	-		2,868,500	2,868,500	7,005,000	2,054,999	9,059,999	16,207,181
2021	2,620,000	1,417,970	4,037,970	-	245,250	245,250	-	-	-		2,868,500	2,868,500	7,190,000	1,864,463	9,054,463	16,206,183
2022	2,755,000	1,280,420	4,035,420	-	245,250	245,250	-	-	-		2,868,500	2,868,500	7,405,000	1,654,515	9,059,515	16,208,685
2023	2,900,000	1,135,782	4,035,782	-	245,250	245,250	-	-	-		2,868,500	2,868,500	7,625,000	1,427,182	9,052,182	16,201,714
2024	3,055,000	983,532	4,038,532	-	245,250	245,250	-	-	-		2,868,500	2,868,500	7,875,000	1,181,657	9,056,657	16,208,939
2025	3,215,000	823,144	4,038,144	-	245,250	245,250	-	-	-		2,868,500	2,868,500	8,140,000	916,269	9,056,269	16,208,163
2026	3,370,000	666,414	4,036,414	-	245,250	245,250	-	-	-		2,868,500	2,868,500	8,425,000	629,741	9,054,741	16,204,905
2027	3,535,000	502,126	4,037,126	-	245,250	245,250	-	-	-		2,868,500	2,868,500	8,730,000	324,756	9,054,756	16,205,632
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
																-
	$ 44,990,000	$ 22,798,808	$ 67,788,808	$ 4,905,000	$ 4,373,250	$ 9,278,250	$ 9,575,000	$ 1,219,626	$ 10,794,626	$57,370,000	$ 60,219,250	$ 117,589,250	$ 108,015,000	$ 27,832,754	$ 135,847,754	$ 341,298,688
			7/1/2029			7/1/2030			7/1/2016			7/1/2036			7/1/2027	

[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

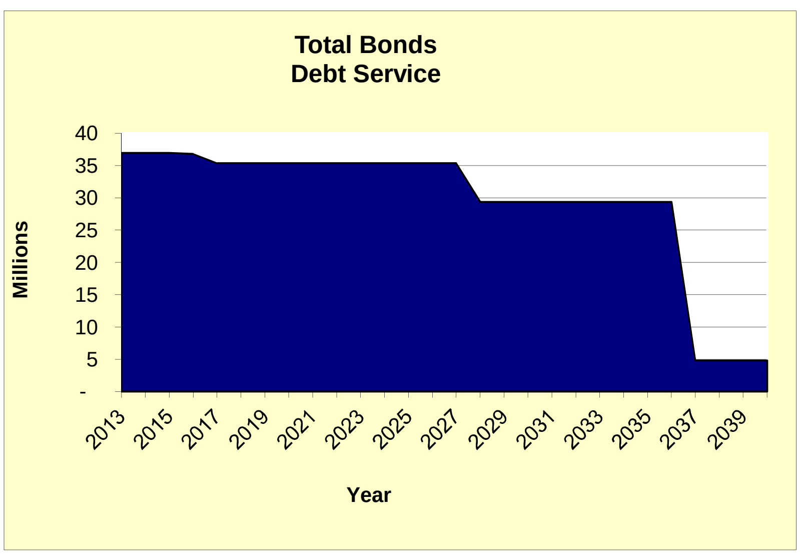
VIRGINIA PORT AUTHORITY
Port Facilities Revenue Bonds[1]
Debt Service Requirements

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
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
	$ 45,995,000	$ 27,182,153	$ 73,177,153	$ 89,695,000	$ 94,469,306	$ 184,164,306	$ 65,875,000	$ 29,321,250	$ 95,196,250	$ 68,630,000	$ 61,855,948	$ 130,485,948	$ 478,543,239
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
2013	19,324,794	17,619,788	36,944,582
2014	19,327,972	17,621,288	36,949,260
2015	19,323,823	17,617,488	36,941,311
2016	17,639,409	19,137,151	36,776,560
2017	16,207,477	19,131,788	35,339,265
2018	16,210,064	19,135,326	35,345,390
2019	16,208,527	19,137,726	35,346,253
2020	16,207,181	19,130,701	35,337,882
2021	16,206,183	19,132,401	35,338,584
2022	16,208,685	19,138,457	35,347,142
2023	16,201,714	19,134,332	35,336,046
2024	16,208,939	19,129,995	35,338,934
2025	16,208,163	19,131,194	35,339,357
2026	16,204,905	19,130,619	35,335,524
2027	16,205,632	19,130,113	35,335,745
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
	$ 341,298,688	$ 478,543,239	$ 819,841,927



Virginia Port Authority
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Terminal Revenue Bonds*	Commonwealth Port Fund Bonds*	Capital Equipment Leases	Other Long-Term Debt	Short-Term Debt	Total	Ratio-Total to Operating Revenues
2003	146,755,000	220,075,000	4,028,192	755,478		371,613,670	2.01
2004	144,950,000	210,655,000	10,420,781	737,803		366,763,584	1.70
2005	142,650,000	259,780,000	45,173,162	719,090		448,322,252	2.19
2006	139,730,000	246,265,000	46,015,790	699,278		432,710,068	1.89
2007	224,125,000	231,610,000	39,195,175			494,930,175	1.99
2008	220,890,000	214,220,000	45,169,903	65,000,000		545,279,903	2.10
2009	217,365,000	196,995,000	80,375,357		65,941,850	560,677,207	2.69
2010	282,295,000	189,490,000	71,556,396			543,341,396	2.60
2011	278,420,000	181,605,000	62,494,187		13,911,029	536,430,216	1.86
2012	274,360,000	233,540,000	53,121,562			561,021,562	1.81

* does not include premiums or deferred amounts

Since the Authority has no taxing authority and does not derive its revenues directly from the population of the Commonwealth, using local demographics for comparison does not work. There is no direct relationship between the population of the Commonwealth, or its per capita income to the types of debt incurred by the Authority, therefore we are using Operating Revenues which fluctuate based on local, state, and world-wide economics.

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OPERATING RESULTS AND DEBT SERVICE COVERAGE
CASH BASIS

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012
Virginia International Terminals										
VIT Gross Receipts	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	285,172,289
VIT Current Expenses	(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)	(197,617,574)
* VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	1,641,000	0	0	0	5,800,000	0	0	2,200,000	(900,000)	1,562,000
VIT Deposits to CEMA	(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)	(4,701,389)
Fixed Asset Proceeds							0	0	0	385,738
VIT Net Revenue	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	84,801,063
Virginia Port Authority										
VPA Gross Revenues										
VIT Net Revenue	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	84,801,063
Other Income	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	6,357,859
Interest Income	122,754	28,700	270,488	450,524	928,880	796,621	134,182	44,490	73,737	28,359
Total VPA Gross Revenues	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	91,187,281
VPA Current Expenses	(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)	(65,269,973)
Prior Obligations	(112,280)	(112,280)	(112,280)	(9,356)	0	0	0	0	0	0
VPA Net Revenues	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	25,917,309
VPA CPF for O & M	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	4,032,026
Debt Service Coverage										
Series 2003, 2006, 2007 and 2010 Bonds Net Debt Service	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	17,389,491
Pledged Net Revenues	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	30,618,698
Pledged Adjusted Net Revenues	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	34,650,724
Pledged Net Revenue Coverage (1.1x test)	2.40	2.28	3.00	3.95	3.75	3.67	2.62	2.48	1.89	1.76
Pledged Adjusted Net Revenue Coverage (1.35x test)	3.17	2.87	3.43	4.51	4.13	3.96	2.87	2.79	2.20	1.99

* - 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

30
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

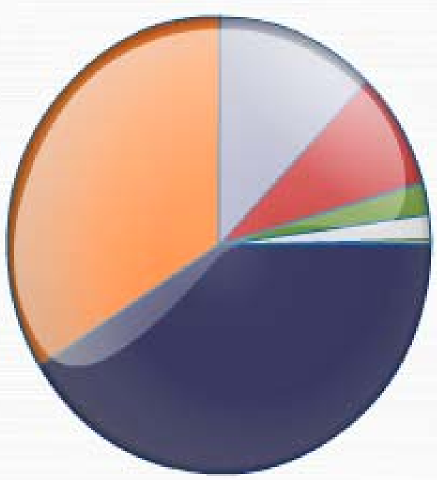
1st
PORT
ISO 9001 certified on the U.S. East Coast

54:46
RATIO
of container exports to imports

GLOBAL REACH

80+
FOREIGN PORTS
linked to with direct service

200+
NATIONS
we reach



ECONOMIC IMPACT

343
THOUSAND
jobs

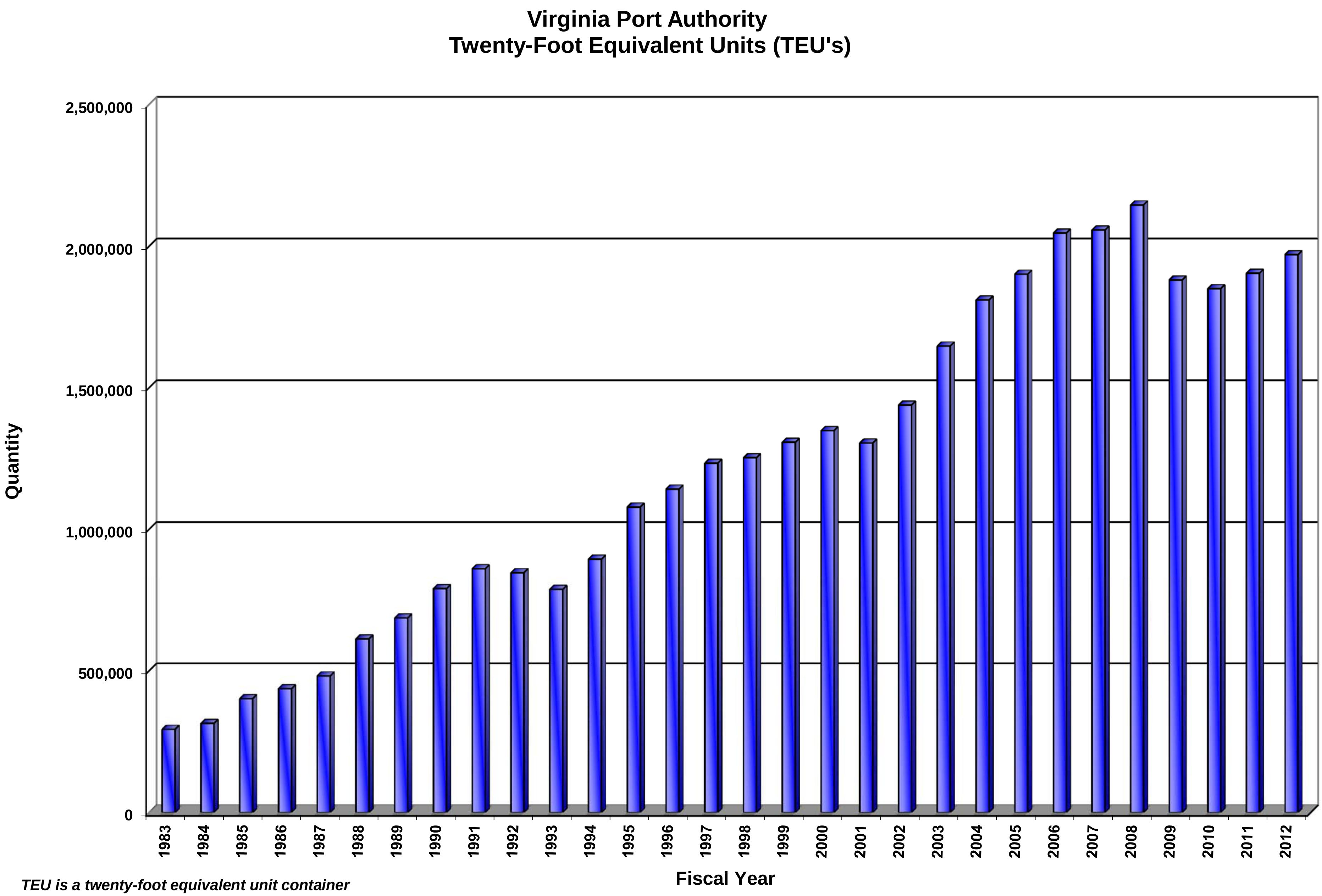
41
BILLION
total revenue (U.S. dollars)

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



TEU is a twenty-foot equivalent unit container

The Port of Virginia
2011 Key Performance Indicators

TOTAL	Short Tons (Thousands)	Metric Tons (Thousands)	EXPORT	Short Tons (Thousands)	Metric Tons (Thousands)	IMPORT	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	62,087.86	56,325.73	Total Cargo	52,325.44	47,469.33	Total Cargo	9,762.42	8,856.41
General Cargo	15,615.94	14,166.54	General Cargo	8,791.28	7,975.32	General Cargo	6,824.66	6,191.23
Container Cargo	15,268.38	13,851.24	Container Cargo	8,748.65	7,936.64	Container Cargo	6,519.73	5,914.60
Breakbulk Cargo	347.56	315.30	Breakbulk Cargo	42.63	38.67	Breakbulk Cargo	304.93	276.63
Container Units	1,102,051		Container Units	591,982		Container Units	510,069	
TEUs	1,918,029		TEUs	1,032,136		TEUs	885,893	
Total Cargo Dollar Value (Millions)	54,810.55		Total Cargo Dollar Value (Millions)	23,983.03		Total Cargo Dollar Value (Millions)	30,827.53	

Vessel Calls	2,815
Coal Loadings* Short Tons (Thousands)	47,054.36

*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	5,503,485	34%
Savannah	2,944,678	18%
Hampton Roads	1,918,029	12%
Charleston	1,381,349	9%
Miami	914,913	6%
Port Everglades	911,802	6%
Jacksonville	900,350	6%
Baltimore	631,802	4%
Philadelphia	291,091	2%
Wilmington(NC)	287,469	2%

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

Compiled by VPA, Business Analysis and Strategy

The Port of Virginia

2011 Total Cargo in Thousands of Short Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	5,427.48	1	China	1,624.83
2	Netherlands	5,273.36	2	Colombia	1,259.79
3	Italy	4,818.30	3	Brazil	777.51
4	India	3,505.56	4	Germany	560.18
5	China	2,877.46	5	India	524.83
6	Ukraine	2,806.11	6	Canada	431.92
7	France	2,634.09	7	Italy	348.52
8	United Kingdom	2,262.31	8	Trinidad & Tobago	296.15
9	Turkey	2,196.84	9	France	295.49
10	Japan	1,977.24	10	Turkey	251.84

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	41,226.99	1	Mineral Fuel, Oil Etc	1,909.37
2	Woodpulp, Etc.	1,243.26	2	Machinery	607.14
3	Food Waste; Animal Feed	1,136.70	3	Fertilizers	572.79
4	Cereals	1,134.41	4	Salt;Sulfur;Earth,Stone	491.94
5	Misc Grain,Seed,Fruit	1,026.75	5	Furniture And Bedding	484.46
6	Iron And Steel	711.81	6	Beverages	464.70
7	Paper,Paperboard	642.45	7	Vehicles, Not Railway	387.30
8	Plastic	567.62	8	Rubber	371.99
9	Wood	558.96	9	Paper,Paperboard	331.10
10	Meat	383.30	10	Wood	288.92

Trade Lanes

	Export	Import
Africa	3,550.37	308.91
Asia, Northeast	7,016.89	1,956.80
Asia, Southeast	1,021.76	518.91
Carribbean	450.73	340.60
Central America	143.00	56.63
Europe, North	18,955.04	2,108.27
India & Others	3,659.90	606.87
Mediterranean	10,319.33	945.24
Middle East	559.43	90.37
North America	425.03	453.41
Oceania	67.20	48.79
South America	6,156.73	2,327.63

Top U.S. Ports

1	Houston, TX	168,278.90
2	New Orleans, LA	105,298.60
3	Los Angeles, CA	77,283.25
4	Gramercy, LA	67,521.98
5	Newark, NJ	62,566.99
6	Port of Virginia	62,087.86
7	Corpus Christi, TX	52,295.09
8	Morgan City, LA	49,542.04
9	Long Beach, CA	48,194.07
10	Port Arthur, TX	44,327.23

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

Compiled by VPA, Business Analysis and Strategy

The Port of Virginia

2011 Total Cargo in Thousands of Metric Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	4,923.78	1	China	1,474.04
2	Netherlands	4,783.96	2	Colombia	1,142.87
3	Italy	4,371.13	3	Brazil	705.35
4	India	3,180.23	4	Germany	508.19
5	China	2,610.41	5	India	476.12
6	Ukraine	2,545.68	6	Canada	391.84
7	France	2,389.64	7	Italy	316.17
8	United Kingdom	2,052.35	8	Trinidad & Tobago	268.67
9	Turkey	1,992.96	9	France	268.07
10	Japan	1,793.74	10	Turkey	228.46

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	37,400.88	1	Mineral Fuel, Oil Etc	1,732.17
2	Woodpulp, Etc.	1,127.88	2	Machinery	550.80
3	Food Waste; Animal Feed	1,031.21	3	Fertilizers	519.64
4	Cereals	1,029.13	4	Salt;Sulfur;Earth,Stone	446.28
5	Misc Grain,Seed,Fruit	931.46	5	Furniture And Bedding	439.50
6	Iron And Steel	645.75	6	Beverages	421.57
7	Paper,Paperboard	582.83	7	Vehicles, Not Railway	351.36
8	Plastic	514.94	8	Rubber	337.46
9	Wood	507.08	9	Paper,Paperboard	300.37
10	Meat	347.73	10	Wood	262.11

Trade Lanes

	Export	Import
Africa	3,220.87	280.24
Asia, Northeast	6,365.68	1,775.20
Asia, Southeast	926.93	470.75
Carribbean	408.90	308.99
Central America	129.73	51.37
Europe, North	17,195.89	1,912.61
India & Others	3,320.24	550.55
Mediterranean	9,361.64	857.51
Middle East	507.52	81.98
North America	385.59	411.34
Oceania	60.97	44.26
South America	5,585.35	2,111.61

Top U.S. Ports

1	Houston, TX	152,661.60
2	New Orleans, LA	95,526.28
3	Los Angeles, CA	70,110.90
4	Gramercy, LA	61,255.54
5	Newark, NJ	56,760.40
6	Port of Virginia	56,325.73
7	Corpus Christi, TX	47,441.79
8	Morgan City, LA	44,944.25
9	Long Beach, CA	43,721.38
10	Port Arthur, TX	40,213.40

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

Compiled by VPA, Business Analysis and Strategy

The Port of Virginia

2011 Total Cargo in Millions of U.S. Dollars

Top 10 Trading Partners

	Exports			Imports	
1	China	2,460.27	1	China	6,256.95
2	Germany	2,088.68	2	Germany	3,729.89
3	Brazil	1,591.77	3	India	2,054.40
4	Netherlands	1,363.45	4	Japan	1,932.19
5	United Kingdom	1,224.79	5	Brazil	1,846.21
6	Belgium	1,089.51	6	Italy	1,698.65
7	Japan	893.20	7	France	1,237.42
8	Saudi Arabia	764.28	8	United Kingdom	949.58
9	India	737.23	9	Indonesia	895.51
10	Egypt	608.61	10	Singapore	693.59

Top 10 Commodities

	Exports			Imports	
1	Machinery	4,030.00	1	Machinery	5,739.16
2	Plastic	1,776.11	2	Vehicles, Not Railway	2,432.95
3	Pharmaceutical Products	1,231.25	3	Electrical Machinery	1,650.20
4	Organic Chemicals	1,222.35	4	Furniture And Bedding	1,451.95
5	Vehicles, Not Railway	1,180.30	5	Rubber	1,423.86
6	Tobacco	869.80	6	Toys And Sports Equipmt	1,089.38
7	Electrical Machinery	868.52	7	Plastic	982.11
8	Misc. Chemical Products	669.93	8	Pharmaceutical Products	962.64
9	Meat	665.32	9	Organic Chemicals	908.13
10	Iron And Steel	654.95	10	Beverages	848.49

Trade Lanes

	Export	Import
Africa	1,992.15	672.50
Asia, Northeast	4,308.73	8,682.73
Asia, Southeast	1,326.47	2,792.72
Carribbean	282.37	177.61
Central America	282.06	246.67
Europe, North	8,554.13	9,721.29
India & Others	1,164.81	2,577.59
Mediterranean	1,412.46	2,972.38
Middle East	1,836.39	270.07
North America	109.69	228.63
Oceania	200.45	39.40
South America	2,513.34	2,445.94

Top U.S. Ports

1	Los Angeles, CA	272,954.30
2	Houston, TX	168,610.70
3	Newark, NJ	139,446.10
4	Long Beach, CA	94,672.10
5	Savannah, GA	71,707.54
6	New York, NY	62,043.95
7	Charleston, SC	58,890.87
8	New Orleans, LA	58,608.90
9	Port of Virginia	54,810.55
10	Baltimore, MD	51,237.52

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

Compiled by VPA, Business Analysis and Strategy

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Other Operational Information

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

*5 Years	VPA Employee Base by Classification				
Type	**June 30, 2008**	**June 30, 2009**	**June 30, 2010**	**June 30, 2011**	**June 30, 2012**
Sworn Officers/ Security Personnel	93	97	82	81	49
Marketing/Economic Development Personnel	26	6	6	8	9
Port Promotions Personnel	6	6	5	6	5
Engineering & Acquisition Personnel	7	9	8	8	7
Administrative Personnel	20	28	23	23	22
Agency Totals	**152**	**146**	**124**	**126**	**92**

* This table will be updated each year until 10 years of data is displayed.

Source and Use Data

For the Fiscal Year Ended June 30, 2012

Operating Revenues	$101,261,622	67%	Operating Expenses	$116,438,606	71%
Non-operating Revenues	48,842,936	33%	Non-operating Expenses	47,925,926	29%
Total Revenues	$150,104,558		Total Expenses	$164,364,532	

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, $88.5 million or 87.4% 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 76.2% 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

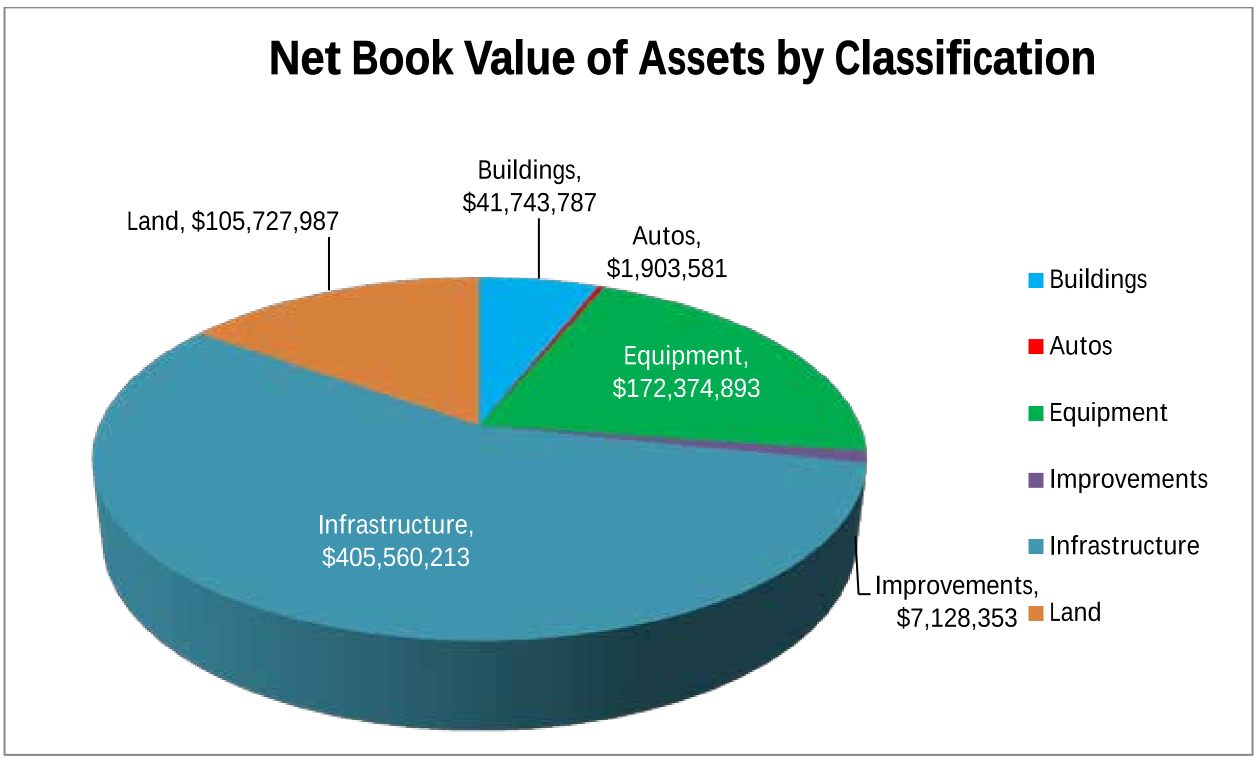
	2003	2004*	2005	2006	2007	2008	2009	2010	2011	2012
Terminals Operated (total)	4	4	4	4	4	4	4	4	5	6
Owned	4	4	4	4	4	4	4	4	4	4
Leased	-	-	-	-	-	-	-	-	1	2
Land (acres)		1,169	1,169	1,169	1,169	1,169	1,235	1,235	1,509	1,630
Berth/Wharf (linear feet)		11,815	11,815	11,815	11,815	12,715	12,715	13,385	18,500	20,084
Rail Track (linear feet)		169,940	169,940	169,940	169,940	169,940	169,940	169,940	187,457	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	2,523,105
Net Book Value of Capital Assets	$ 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	$ 806,878,937
Construction in Process	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	110,007,113
Land	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	105,727,987
Buildings and Infrastructure	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	715,389,412
Equipment	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	269,181,526
Depreciation (Accumulated)	(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)	(393,427,101)

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

THE PORT OF VIRGINIA

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. Seventy-two percent (72%) 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 21% 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 (6.0%), improvements (1.02%) and autos (0.3%).



This chart excludes Construction in Progress (110M) and Assets Held for Sale (2M) as these assets are not currently used in operations.

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TAFT BEACH
TAFT BEACH

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VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2012

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

COMMONWEALTH PORT FUND REVENUE BONDS SERIES 2011 (non-AMT)

COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS SERIES 2012 (Taxable)

BASE CUSIP NUMBER: 928075

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2012

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

Commonwealth Port Fund Revenue Bonds Series 2011 (non-AMT)

Commonwealth Port Fund Revenue Refunding Bonds Series 2012 (Taxable)

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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, 2010 and 2012 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, 2003.

TRANSPORTATION TRUST FUND
STATEMENT OF REVENUE COLLECTIONS
FISCAL YEARS 2003 THROUGH 2012

Transportation Trust Fund
(in millions)

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Retail Sales and Use Tax	$375.7	$415.0	$449.9	$476.3	$517.3	$524.9	$499.4	$490.7	$477.3	$503.1
Motor Vehicle Sales and Use Tax[(1)]	194.8	215.4	219.3	215.9	215.4	194.3	150.8	162.0	183.6	198.3
Motor Fuel Taxes[(2)]	120.1	118.1	119.1	118.5	118.0	122.4	116.8	115.0	117.7	115.5
Motor Vehicle Registration Fees	19.7	20.5	20.6	21.1	21.3	21.4	21.6	20.8	21.2	21.2
Total Transportation Trust Fund Revenues[(3)]	$710.3	$769.0	$808.9	$831.8	$872.0	$863.0	$788.6	$788.5	$799.8	$838.1

(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.

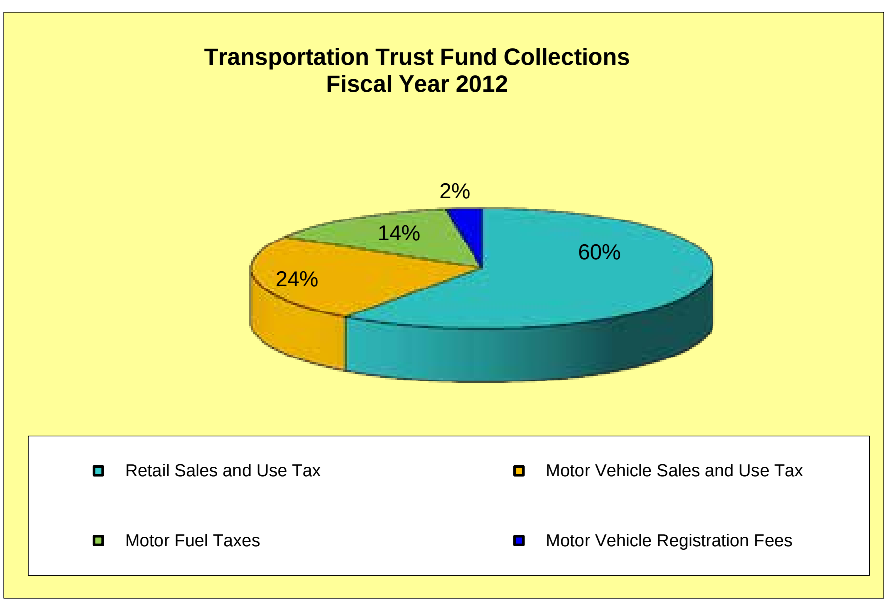


TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

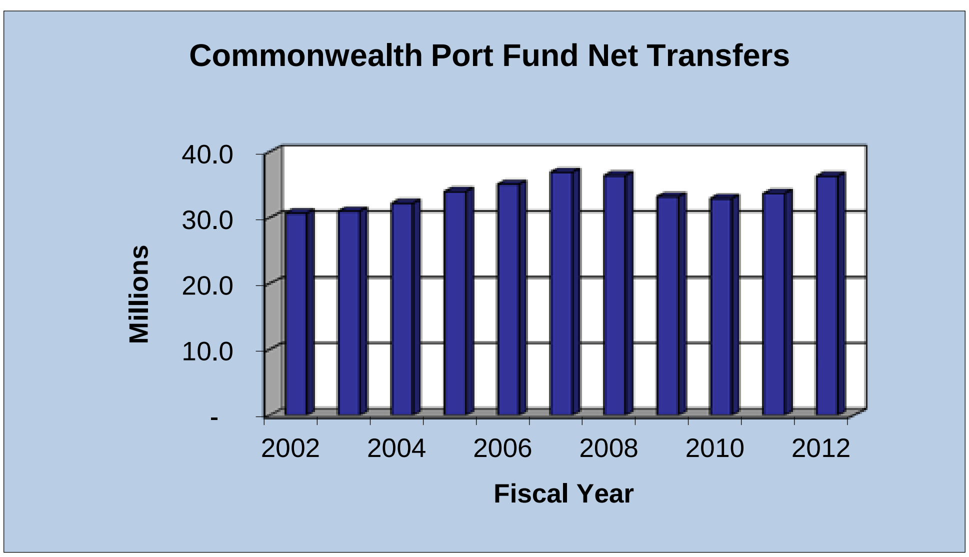
The following table shows the allocation of Transportation Trust Fund revenue to the Port Fund, the interest credited to the Port Fund prior to its transfer to the Income Account under the Authority's Commonwealth Port Fund Revenue Bond Resolution (the "Bond Resolution") and the expenses charged thereto for the fiscal years 2002 through 2012. 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
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
2012	36,101,349		232,501		-		36,333,850

(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 Commitments and Contingencies section of the Footnotes labeled MOU concerning Transportation Trust Fund Allocation obligations that will begin in FY2014.

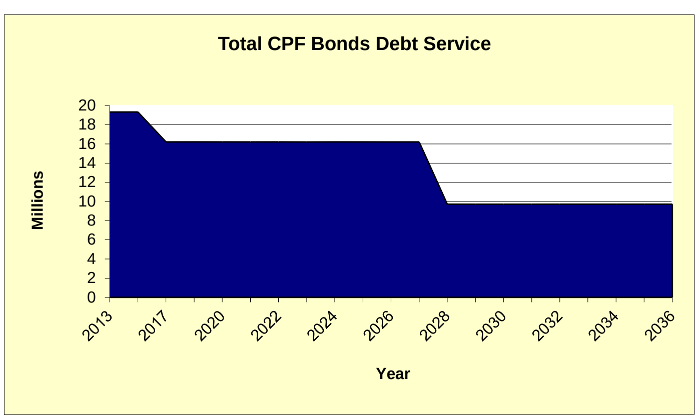
TABLE 3 - DEBT SERVICE REQUIREMENTS AND COVERAGE

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 2005 (the "2005 Bonds), outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2006 (the "2006 Bonds"), Commonwealth Port Fund Revenue Bonds, Series 2011 and the debt service on the Commonwealth Port Fund Revenue Bonds, Series 2012.

Fiscal Year Ending June 30,	Series 2005 Bonds Debt Service	Series 2006 Bonds Debt Service	Series 2011 Bonds Debt Service	Series 2012 Bonds Debt Service	Total Bonds Debt Service*
	Total	Total	Total	Total	Total
2013	4,280,106	3,116,625	2,868,500	9,059,563	19,324,794
2014	4,282,606	3,119,175	2,868,500	9,057,691	19,327,972
2015	4,280,606	3,118,750	2,868,500	9,055,967	19,323,823
2016	4,279,106	1,440,075	2,868,500	9,051,727	17,639,409
2017	4,282,794		2,868,500	9,056,183	16,207,477
2018	4,280,706		2,868,500	9,060,858	16,210,064
2019	4,282,844		2,868,500	9,057,183	16,208,527
2020	4,278,682		2,868,500	9,059,999	16,207,181
2021	4,283,220		2,868,500	9,054,463	16,206,183
2022	4,280,670		2,868,500	9,059,515	16,208,685
2023	4,281,032		2,868,500	9,052,182	16,201,714
2024	4,283,782		2,868,500	9,056,657	16,208,939
2025	4,283,394		2,868,500	9,056,269	16208,163
2026	4,281,664		2,868,500	9,054,741	16,204,905
2027	4,282,376		2,868,500	9,054,756	16,205,632
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

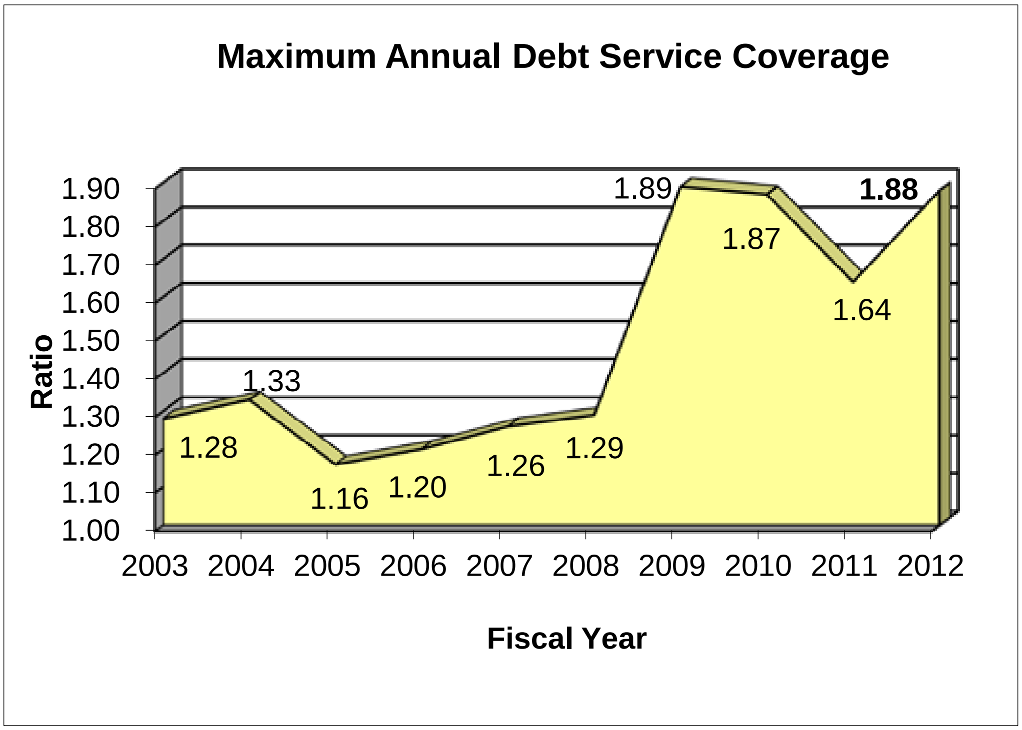
*Does not include the Refunded Bonds



Debt Service Coverage

Coverage of maximum annual debt service on the 2005, 2006, 2011 and 2012 Bonds by Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2012 is shown below:

Commonwealth Port Fund Primary Income for the Fiscal Year ended June 30, 2012	$36,333,850
Maximum Annual Debt Service (FY 2014)	$19,327,972
Pro Forma Maximum Annual Debt Service Coverage	1.88



Please see the footnotes subsequent events section for particulars on the 2012 Commonwealth Port Fund Revenue Refunding Bonds issued on September 26, 2012. Future Debt Service numbers listed above exclude these bonds. Including the newly acquired bonds, Maximum Annual Debt Service is $19,135,852 and Pro forma Maximum Annual Debt Service Coverage is 1.90

TABLE 4 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	2008	2009	2010	2011	2012
Special Fund	$75,497,032	$53,792,050	$51,674,067	$85,108,434	$91,187,281
Commonwealth Port Fund	64,775,650	44,877,434	33,143,978	38,037,653	39,567,591
General Fund and Other[(1)]	24,960,471	4,075,859	3,595,647	12,528,168	16,308,868
Total Revenues	165,233,153	102,745,343	88,413,692	135,674,255	147,063,7405
Expenses					
Economic Development Services:					
National & International Trade Services	8,559,891	5,364,013	3,819,656	3,761,148	3,968,242
Port Traffic Rate Management	187,868	108,176	226,108	234,152	-
Commerce Advertising	734,010	793,841	707,838	709,688	559,698
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	26,983,711	27,241,311	18,959,218	18,072,782	19,799,332
Port Facilities Planning	815,052	832,369	625,205	751,266	1,010,574
Debt Service for Port Facilities	48,429,514	44,825,317	42,984,373	46,158,790	49,920,920
Financial Assistance for Port Activities:					
Aid to Local Ports	1,254,918	478,883	820,168	643,166	1,101,807
Payment in Lieu of Taxes	901,650	1,002,587	1,022,736	1,017,799	1,094,329
Administration & Support Services:					
General Management & Direction	5,194,953	5,720,365	6,154,384	35,970,599	46,611,637
Security Services	9,503,407	9,804,301	9,263,150	12,039,534	14,280,805
Total Operating Expenditures	102,564,974	96,171,163	84,582,836	119,358,924	138,347,343
Funds Available for Capital Projects	$62,668,179	$6,574,180	$3,830,856	$16,315,331	$ 8,716,397

(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.

Calendar Year 2011 Top Export and Import General Cargo Commodities and Trends*
(Short Tons)

	2007	2008	2009	2010	2011
Exports					
LOGS & LUMBER	665,024	574,667	463,015	584,798	1,114,189
PAPER & PAPERBOARD,INCL WASTE	1,013,476	913,901	955,164	790,318	922,144
WOOD PULP	413,304	388,330	466,096	508,539	545,851
GROCERY PRODS,MISC.	201,887	349,437	325,736	454,373	395,969
SOYBEANS & PRODS	318,604	411,382	503,328	530,055	311,969
Imports					
FURNITURE	452,590	429,493	351,840	412,284	397,471
AUTO PARTS	224,679	269,814	151,273	225,551	366,364
RUBBER,NATURAL	212,504	175,056	120,678	168,259	179,247
PAPER & PAPERBOARD,INCL WASTE	164,100	173,803	193,515	199,264	175,429
NON ALCOHOLIC BEVERAGES	177,649	208,711	195,469	160,013	157,000

*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 2011

Source: Port Import Export Reporting Service

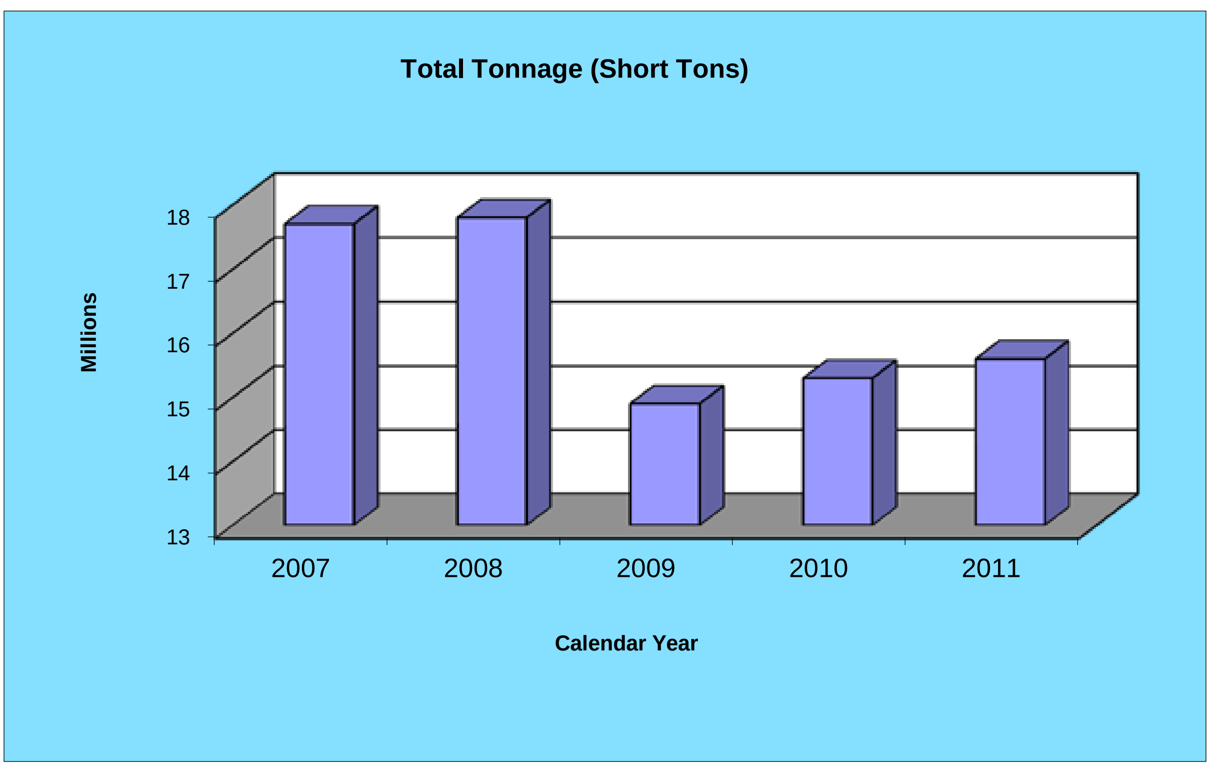
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

General Cargo Statistics for the Port of Virginia*
Calendar Year 2007-2011, Short Tons

	2007	**2008**	**2009**	**2010**	**2011**
Breakbulk Tons	369,739	342,884	228,905	253,854	347,558
Container Tons	17,356,512	17,490,262	14,679,585	15,068,848	15,268,380
Total Tons	17,726,251	17,833,146	14,908,490	15,322,702	15,615,938

*This table includes both import and export data for all facilities located at the Port of Virginia, some of which are not owned by the Authority. The Authority believes that its facilities handle in excess of 95% of the general cargo of Hampton Roads.

Source: Terminal Operators' Statistics



VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2012

**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, 2012

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

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TABLE 1 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	2008	2009	2010	2011	2012
Special Fund	$75,497,032	$53,792,050	$51,674,067	$85,108,434	$91,187,281
Commonwealth Port Fund	64,775,650	44,877,434	33,143,978	38,037,653	39,567,591
General Fund and Other[(1)]	24,960,471	4,075,859	3,595,647	12,528,168	16,308,868
Total Revenues	165,233,153	102,745,343	88,413,692	135,674,255	147,063,7405
Expenses					
Economic Development Services:					
National & International Trade Services	8,559,891	5,364,013	3,819,656	3,761,148	3,968,242
Port Traffic Rate Management	187,868	108,176	226,108	234,152	-
Commerce Advertising	734,010	793,841	707,838	709,688	559,698
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	26,983,711	27,241,311	18,959,218	18,072,782	19,799,332
Port Facilities Planning	815,052	832,369	625,205	751,266	1,010,574
Debt Service for Port Facilities	48,429,514	44,825,317	42,984,373	46,158,790	49,920,920
Financial Assistance for Port Activities:					
Aid to Local Ports	1,254,918	478,883	820,168	643,166	1,101,807
Payment in Lieu of Taxes	901,650	1,002,587	1,022,736	1,017,799	1,094,329
Administration & Support Services:					
General Management & Direction	5,194,953	5,720,365	6,154,384	35,970,599	46,611,637
Security Services	9,503,407	9,804,301	9,263,150	12,039,534	14,280,805
Total Operating Expenditures	102,564,974	96,171,163	84,582,836	119,358,924	138,347,343
Funds Available for Capital Projects	$62,668,179	$6,574,180	$3,830,856	$16,315,331	$ 8,716,397

(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	2008	2009	2010	2011	2012
Revenues:					
Operating	$254,132,812	$203,940,988	$203,485,054	$277,860,792	$297,835,649
Nonoperating	1,744,606	828,757	929,475	480,515	873,907
Gross Revenues	255,877,418	204,769,745	204,414,529	278,341,307	298,709,556
Expenses:					
Operating & Maintenance Expenses	$170,033,696	$140,063,681	$128,799,069	$168,749,795	$172,705,671
Administrative Expenses	20,543,207	22,191,718	26,619,888	30,620,713	32,698,897
Total Expenses	190,576,903	162,255,399	155,418,957	199,370,508	205,404,568
Income Before Transfers and Contributions[(1)]	$65,300,515	$42,514,346	$48,995,572	$78,970,799	$93,304,988

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 2008	FY 2009	FY 2010	FY 2011	FY 2012
Virginia International Terminals					
VIT Gross Receipts	$ 255,622,375	$213,953,605	$ 193,786,201	$ 262,193,694	$ 285,172,289
VIT Current Expenses	(185,366,708)	(157,368,268)	(147,306,627)	(178,543,458)	(197,617,574)
VIT CE Reserve (Deposit)/Withdrawal	-	-	2,200,000	(900,000)	1,562,000
VIT Deposits to CEMA	(2,079,126)	(7,781,079)	(1,815,981)	(3,842,153)	(4,701,389)
Fixed Asset Proceeds					385,738
VIT Net Revenue	68,176,541	48,804,258	46,863,593	78,908,083	84,801,063
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	68,176,541	48,804,258	46,863,593	78,908,083	84,801,063
Other Income	6,520,593	4,825,652	9,430,005	6,126,614	6,357,859
Interest Income	796,621	134,182	44,490	73,737	28,359
Total VPA Gross Revenues	75,493,755	53,764,092	56,338,088	85,108,434	91,187,281
VPA Current Expenses	(27,754,385)	(25,071,082)	(22,977,886)	(55,359,088)	(65,269,973)
Prior Obligations	-	-	-	-	-
VPA Net Revenues	47,739,369	28,693,010	33,360,202	29,749,346	25,917,309
VPA CPF for O & M	3,967,632	3,453,823	4,440,627	5,604,072	4,032,026
Debt Service Coverage					
Port Facilities Revenue Bonds					
Net Debt Service	13,568,697	13,906,715	14,174,477	17,780,512	17,343,332
Pledged Net Revenues	49,818,495	36,474,089	35,176,183	33,591,499	30,618,698
Pledged Adjusted Net Revenues	53,786,127	39,927,912	39,616,811	39,195,571	34,650,724
Pledged Net Revenue Coverage	3.67	2.62	2.48	1.89	1.76
Pledged Adjusted Net Revenue Coverage	3.96	2.87	2.79	2.20	1.99

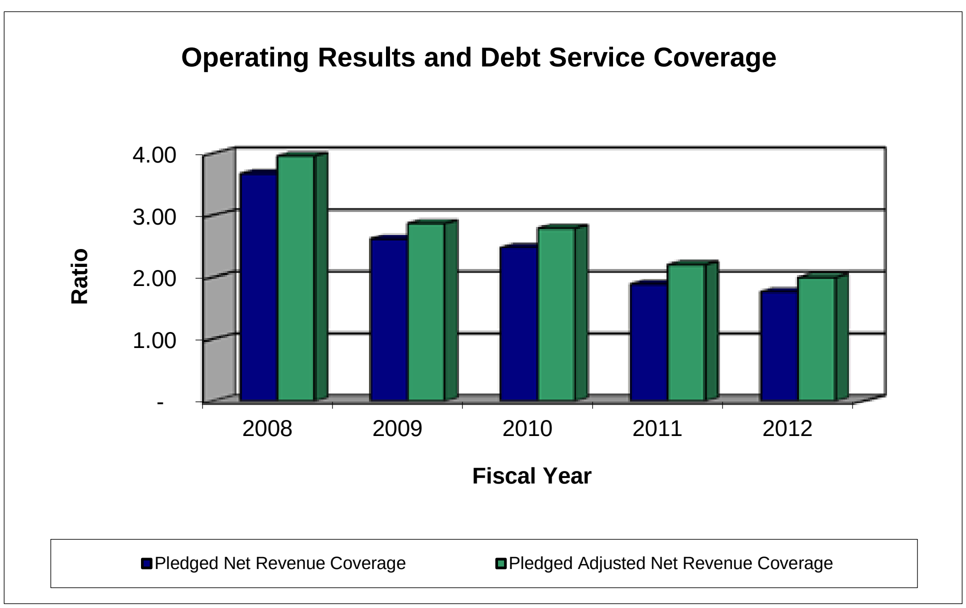


TABLE 4 - DEBT SERVICE REQUIREMENTS

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
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.

Calendar Year 2011 Top Export and Import General Cargo Commodities and Trends*
(Short Tons)

	2007	2008	2009	2010	2011
Exports					
LOGS & LUMBER	665,024	574,667	463,015	584,798	1,114,189
PAPER & PAPERBOARD,INCL WASTE	1,013,476	913,901	955,164	790,318	922,144
WOOD PULP	413,304	388,330	466,096	508,539	545,851
GROCERY PRODS,MISC.	201,887	349,437	325,736	454,373	395,969
SOYBEANS & PRODS	318,604	411,382	503,328	530,055	311,969
Imports					
FURNITURE	452,590	429,493	351,840	412,284	397,471
AUTO PARTS	224,679	269,814	151,273	225,551	366,364
RUBBER,NATURAL	212,504	175,056	120,678	168,259	179,247
PAPER & PAPERBOARD,INCL WASTE	164,100	173,803	193,515	199,264	175,429
NON ALCOHOLIC BEVERAGES	177,649	208,711	195,469	160,013	157,000

*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 2011

Source: Port Import Export Reporting Service

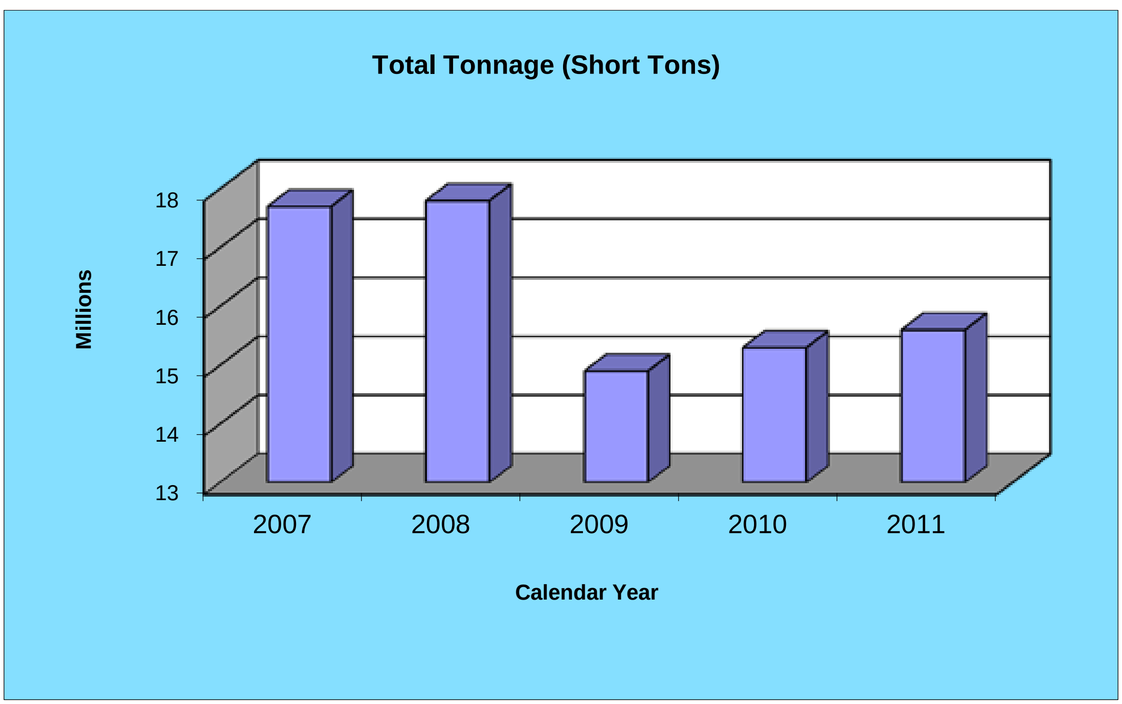
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

General Cargo Statistics for the Port of Virginia*
Calendar Year 2007-2011, Short Tons

	2007	2008	2009	2010	2011
Breakbulk Tons	369,739	342,884	228,905	253,854	347,558
Container Tons	17,356,512	17,490,262	14,679,585	15,068,848	15,268,380
Total Tons	17,726,251	17,833,146	14,908,490	15,322,702	15,615,938

*This table includes both import and export data for all facilities located at the Port of Virginia, some of which are not owned by the Authority. The Authority believes that its facilities handle in excess of 95% of the general cargo of Hampton Roads.

Source: Terminal Operators' Statistics



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