

VIRGINIA PORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2013



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

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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, 2013



Prepared by the Finance Department of
the Virginia Port Authority

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BOARD OF COMMISSIONERS

Jeffrey D. Wassmer, Chairman
Scott R. Bergeron, Vice Chairman
Jennifer D. Aument
James M. Boyd
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Juliann J. Clemente
Craig P. Coy
Frank E. Laughon, Jr.
John N. Pullen
Robert M. Stanton
Ting Xu
Manju S. Ganeriwala, *State Treasurer*

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 3rd 2013

To the Board of Commissioners and Stakeholders:

What an eventful year we have had. We concluded a year-long review of proposals by private entities to take over the operations of the Port, we survived and shined in the aftermath of hurricane Sandy, and we worked through a year of intense labor negotiations throughout the East Coast. In spite of the hurdles, I am proud to report that in July we closed the book on the best fiscal year for container volume in the history of The Port of Virginia. There are many reasons for this success, but I will point directly to the people that make this port successful, from the Virginia Port Authority (VPA) Board of Commissioners, to the personnel at VPA and Virginia International Terminals LLC, to the men and women who report to work every day, rain or shine, and handle the cargo coming off the ships calling here.

Further, I attribute these positive trends to an economy that is improving, a renewed confidence in the VPA-VIT relationship, a focus on marketing The Port of Virginia as the model global gateway on the East Coast, and ocean carriers taking advantage of our 50-foot-deep channels. Our year was also marked by a series of positive developments that position the port and the Commonwealth for growth. Some highlights were as follows:

- Container volume increased 10% for the fiscal year, including a 17% increase in rail volume
- The port set an all-time record for cargo in July, having handled more than 200,000 TEUs
- The VPA board approved a long-term restructuring plan aimed at improving communications, collaboration, cooperation, and a customer-focused port
- The safe outbound passage of a container vessel that required 49.5 feet of channel depth, thus solidifying Virginia's claims to the deepest channels on the US East Coast
- ZIM America announced a revision of the port rotations on its ZCP vessel service to include a stop at The Port of Virginia; the first call was made this summer by the ZIM Mediterranean
- The two southern-most dikes needed for the development of Craney Island Marine Terminal are now above water-level and visible as work on the project continues
- The VPA and its partners opened Phase I of the region's newest nature park, Paradise Creek Park, which is the first step in a multimillion-dollar environmental mitigation plan associated with the eastward expansion of Craney Island
- Affirmed ratings from Moody's (Aa3) and Standard and Poor's (A+) recognizing the Port's strong financial and competitive position

Reaching out to the Community

This agency is a driver of economic activity both locally and across the Commonwealth. While we continue to work to achieve operational and financial success, we also embrace our responsibility as a community leader. During the past year, the agency continued its efforts to sign contracts with more small, women, and minority-owned businesses. We finished the year with 53% of contract expenditures going to those businesses. In addition, more than ever our employees are donating their time to a number of charitable causes within 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. In fiscal 2013 the port continued to reduce air emissions coming from its terminals in the Hampton Roads Harbor with steps taken to modernize equipment, utilize low-emission diesel fuel and incentivize the use of clean diesel and fuel-saving technology. Since 2004, criteria pollutants from VPA and VIT's marine terminal operations alone have declined while cargo volume increased by 28 percent during the same period (2004-2011). The overall environmental and sustainability program that governs all of the cargo terminals owned, leased and operated by the VPA earned a Governor's Environmental Excellence Awards gold medal for excellence in sustainability.

In Conclusion

We are poised for a bright future. Fiscal year 2014 has already started quickly with clear vision, conclusion of successful negotiations on a new multi-year labor contract, and continued growth. Efforts here at the Port coupled with the Commonwealth's progressive business climate will drive growth for years to come. Booms Down. JobsUp. Port Proud!

Sincerely,



Rodney W. Oliver
Interim Executive Director



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Quality Management System -
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Management System

October 31, 2013

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, 2013, 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 unmodified opinion on the Authority's financial statements for the year ended June 30, 2013. 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, after the audit opinion 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.

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.

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.

Long Term Financial Planning

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. However, the Authority and Virginia International Terminals will undertake a major reorganization in the coming fiscal year to re-engineer our operations to better serve our customers

while being a catalyst to economic expansion within the Commonwealth. We have been charged to develop the Port of Virginia into the primary gateway for international cargo transported through the Mid-Atlantic and Mid-West regions of the United States.

Major Initiatives

The VPA is dedicated to developing transportation infrastructure aimed at providing customers as many ways as possible for efficient and economical movement of cargo. One example is thrice-weekly barge service to the Port of Richmond, which takes trucks off the highways, cuts congestion and reduces emissions. Further, the VPA is investing in rail infrastructure on-terminal and, where possible, advocating for regional rail projects that will benefit The Port of Virginia and the Commonwealth. Two examples of this would be the Heartland Corridor and National Gateway, both double-stack rail initiatives. The port is also focused on diversifying its cargo mix. Though the lion's share of the cargo will always be containerized, the port is handling more and more cars, paper and non-containerized goods. This trend will continue as the once-shuttered Portsmouth Marine Terminal is being parceled-up for different uses. Presently a contract has been signed with a company seeking to store and export wood pellets and another interested user wants to move bulk grain through the facility. Additionally, the Authority has reorganized our Foreign Trade Zones (FTZ) setting up more magnet sites to entice shipments of components for manufacturing. The backdrop for all of this is the continual capital investment and ongoing maintenance at all of the VPA terminals. This program assures that port users will be moving their cargo through safe, modern and well-maintained facilities.

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, 2012. This was the seventh 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
Director of Finance



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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VIRGINIA PORT AUTHORITY

Norfolk, Virginia

BOARD OF COMMISSIONERS

Jeffrey D. Wassmer, Chairman
Scott R. Bergeron, Vice Chairman

Jennifer D. Aument
Martin J. Briley
James M. Boyd
Juliann J. Clemente
Craig P. Coy

Frank E. Laughon, Jr.
John N. Pullen
Robert M. Stanton
Ting Xu

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

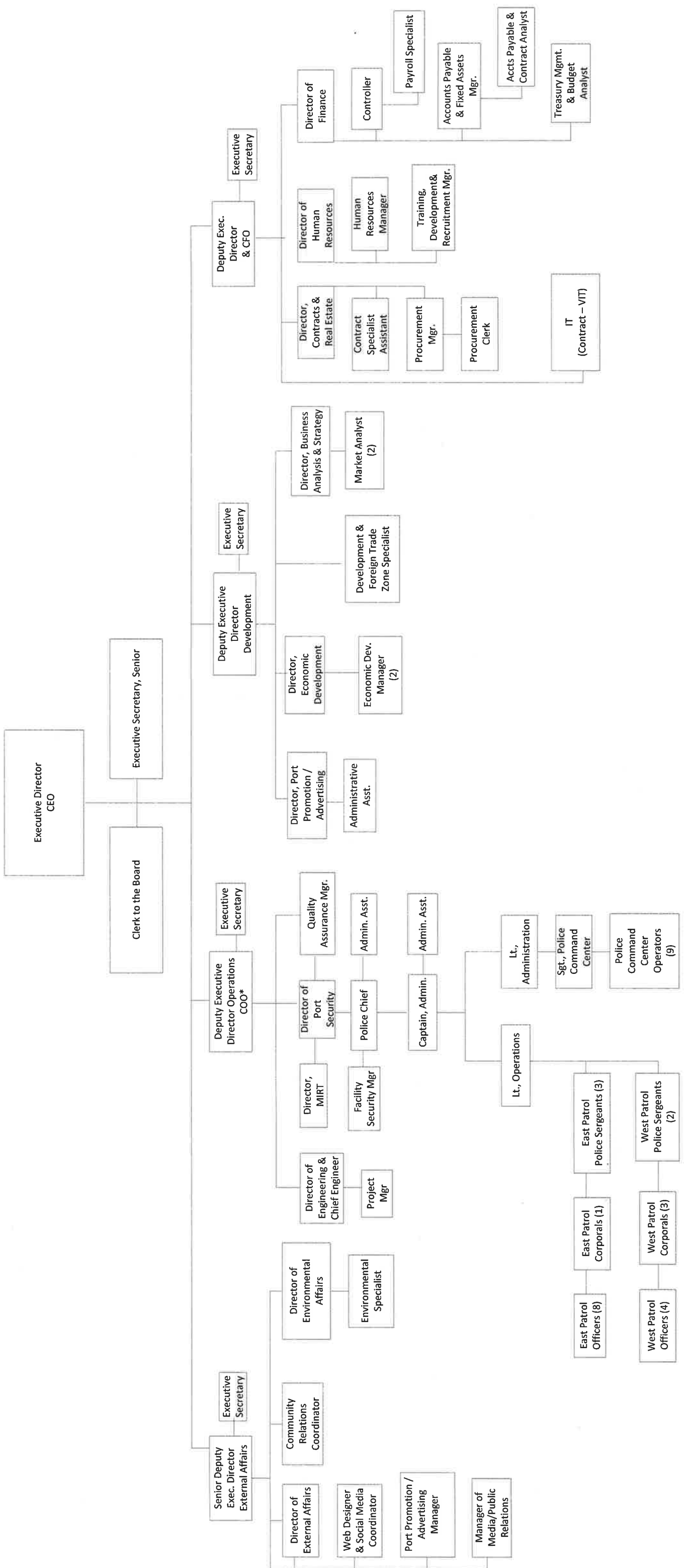
Rodney W. Oliver, Interim Executive Director
(effective October 4, 2012)
and Treasurer to the Board

Debra J. McNulty, Clerk to the Board

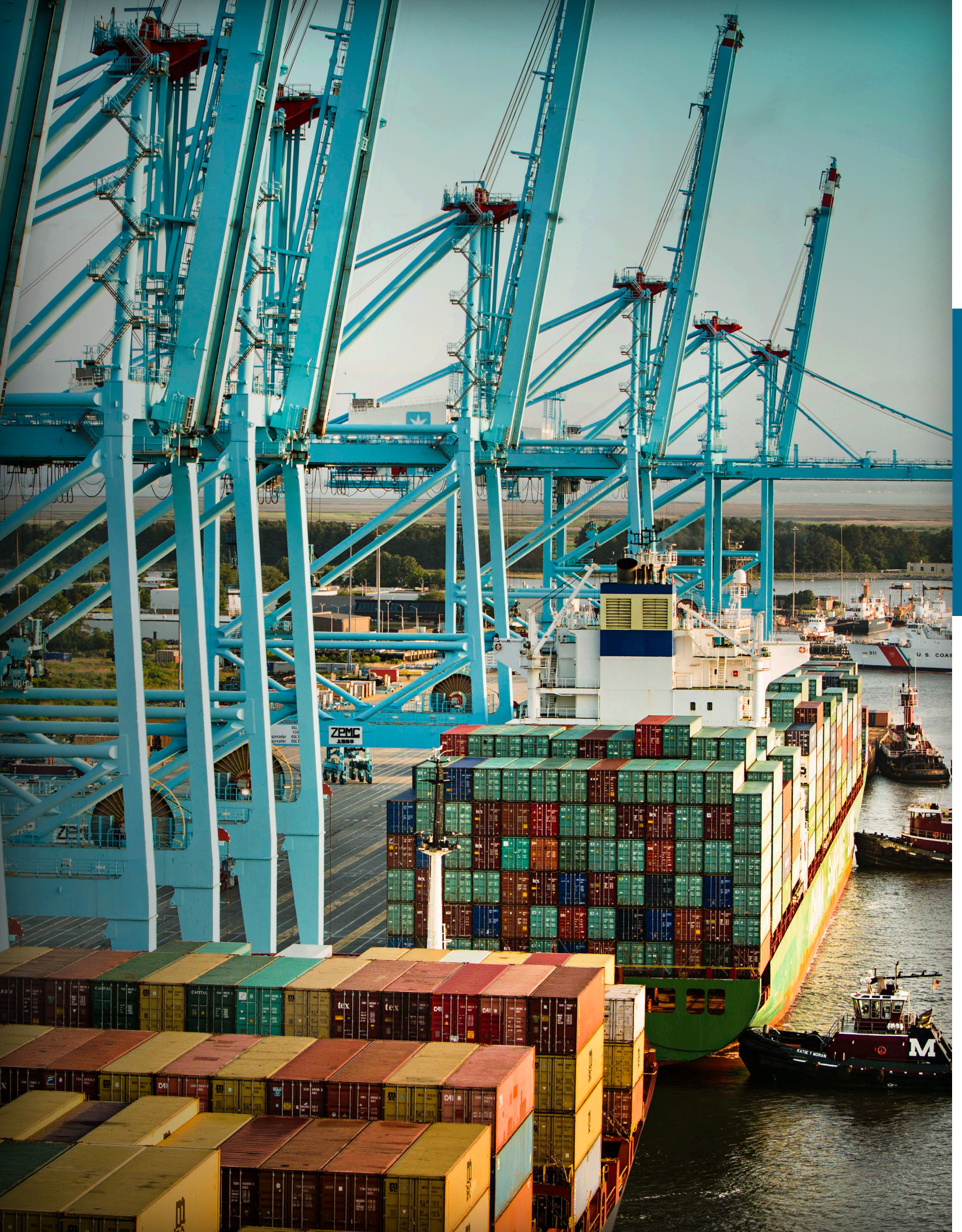
Jodie L. Asbell, Deputy Clerk to the Board

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Virginia Port Authority (VPA) Organization Alignment



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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

Report on the Financial Statements

We have audited the accompanying statement of net position, and the related statements of revenues, expenses and changes in net position, and cash flows of the Virginia Port Authority (the Authority), a component unit of the Commonwealth of Virginia, along with its discretely presented component unit, Virginia International Terminal, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, 2013. 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. 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 from material misstatement.

Auditors' Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report 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, 2013, 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.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, 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.

CliftonLarsonAllen LLP

Arlington, Virginia
October 31, 2013

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VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

(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 as of and for the fiscal years ended June 30, 2013 and 2012, with selected comparative information for the year ended June 30, 2011. Please read it in conjunction with the Authority's financial statements and notes to financial statements. Virginia International Terminals, Inc. (VIT) is presented in the Authority's financial statements as a discrete component unit to emphasize that it is legally separate from the Authority and that it serves or benefits those outside of the Authority. The financial statements of VIT were audited by other auditors. VIT's Management Discussion and Analysis is included in those audited financial statements.

ABOUT THE AUTHORITY

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

FINANCIAL HIGHLIGHTS

- Operating revenues for the Authority were \$103.1 million. Container volume in the port for the fiscal year ended June 30, 2013 was 2,165,436 TEU's (twenty-foot equivalent container units), an increase of 9.98% from fiscal year 2012.
- The Authority's net position increased by \$2.5 million for the fiscal year ended June 30, 2013. Major contributing factors were lower interest rates on debt and increased Commonwealth Port Fund allocations.
- The assets of the Authority exceeded its liabilities by \$366.1 million at the fiscal year ended June 30, 2013. Of this amount, \$52.3 million was unrestricted and may be used to meet the Authority's ongoing obligations to creditors.
- The Authority's total assets decreased \$27.8 million and total liabilities decreased \$30.2 million during fiscal year ended June 30, 2013.

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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position 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 Position, 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 position at June 30, 2013, 2012 and 2011, respectively are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:			
Current assets	\$ 101.1	\$ 91.2	\$ 80.8
Capital assets	774.7	806.9	831.9
Other long-term assets	73.0	78.5	58.2
Total assets	<u>948.8</u>	<u>976.6</u>	<u>970.9</u>
LIABILITIES:			
Current liabilities	46.7	49.5	68.6
Noncurrent liabilities	536.0	563.4	524.4
Total liabilities	<u>582.7</u>	<u>612.9</u>	<u>593.0</u>
NET POSITION:			
Net Investment in capital assets	267.7	286.5	315.3
Restricted for debt service	46.1	36.8	38.8
Unrestricted	52.3	40.4	23.8
Total net position	<u>\$ 366.1</u>	<u>\$ 363.7</u>	<u>\$ 377.9</u>

*Net Position for prior years are shown based on current year calculations

Current Assets increased \$9.9 million over 2012 partially due to movements of investments from long term. Capital assets decreased \$32.2 million from year 2012, a large part due to more depreciation expense than new asset purchases. Please see the footnotes for additional details on capital assets. Other assets decreased by \$5.5 million due primarily to an increase in cash, cash equivalents of \$15.9 million and a decrease in investments of \$21.3 million.

Current liabilities decreased \$2.8 million primarily as a result of less payables for trade and retainage over 2012. Noncurrent liabilities decreased \$27.4 million primarily as the result of debt service payment schedules and the new Commonwealth Port Fund bond refunding.

The largest portion of the Authority's net position (73.1% at June 30, 2013) 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 position (12.6% at June 30, 2013) represents resources that are subject to external restrictions on how they can be used under bond resolutions and federal regulations. The remaining unrestricted net position (14.3% at June 30, 2013) may be used to meet any other of the Authority's ongoing obligations.

Statement of Revenues, Expenses, and Changes in Net Position

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. 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 position for the years ended June 30, 2013, 2012 and 2011 are as follows:

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

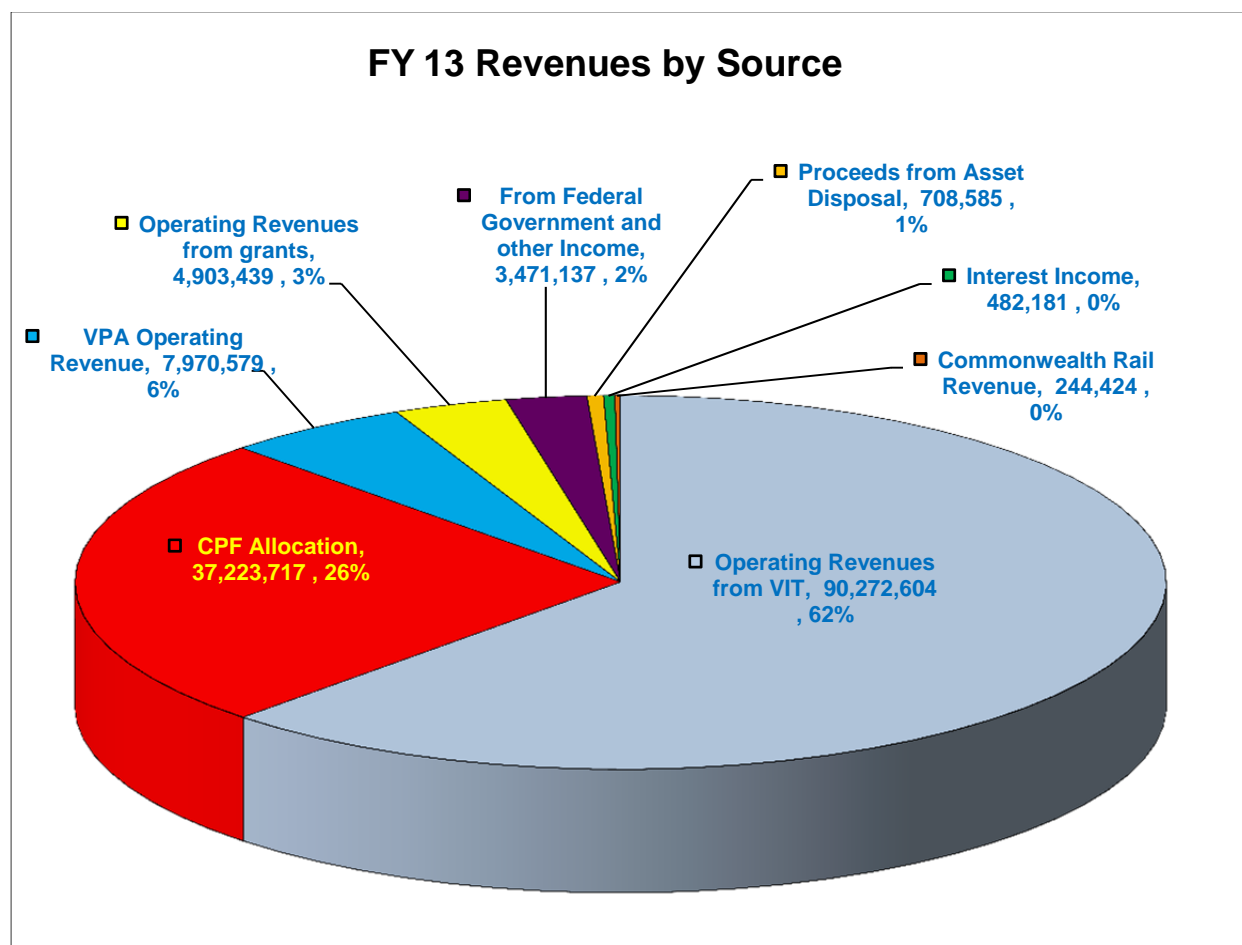
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 103.1	\$ 101.2	\$ 91.2
Operating expenses	<u>120.6</u>	<u>116.4</u>	<u>108.4</u>
Operating earnings (loss)	(17.5)	(15.2)	(17.2)
Non-operating revenues and expenses	<u>(17.3)</u>	<u>(36.3)</u>	<u>(10.1)</u>
Loss before capital contributions and transfers	(34.8)	(51.5)	(27.3)
Capital contributions and transfers:			
Commonwealth port fund allocation	37.2	36.3	34.7
Capital contribution from Component Unit	<u>.1</u>	<u>.9</u>	<u>1.1</u>
Increase(decrease) in net position	<u>\$ 2.5</u>	<u>\$ (14.3)</u>	<u>\$ 8.5</u>

Total operating revenues increased \$1.9 million (or 1.9%) during fiscal year 2013. The change was due primarily to an increase in operating revenues transferred from Virginia International Terminals. Operating expenses for the fiscal year ended June 30, 2013, were \$4.2 million (or 3.6%) over fiscal year 2012 primarily as a result of an increase in the APMT rent, being under the standard rent for the entire fiscal year. During the fiscal year ended June 30, 2013, net non-operating revenues and expenses decreased by \$19.0 million from fiscal year 2012. The decrease was primarily due to a decrease in Federal Grant revenues of \$1.4 million, decreases of \$4.4 million for interest expense on debt and not having a \$15 million adjustment to assets for 2013.

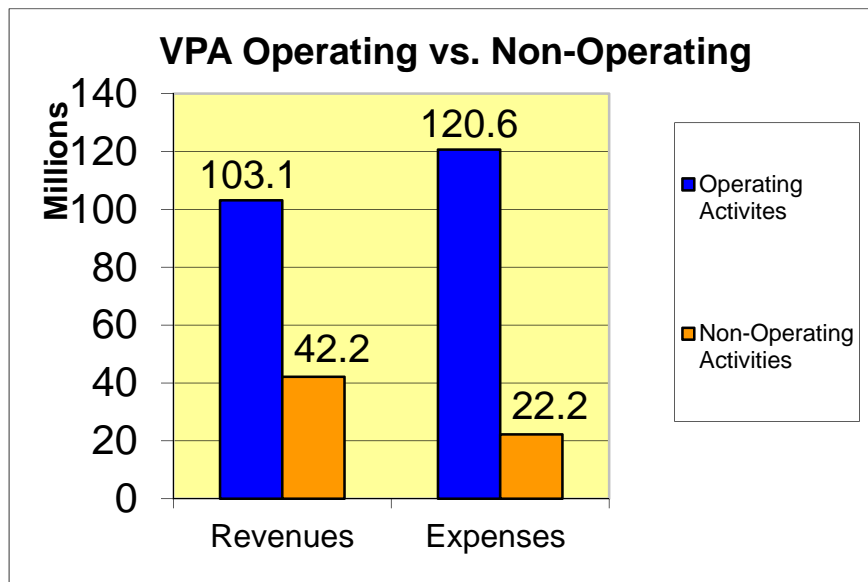
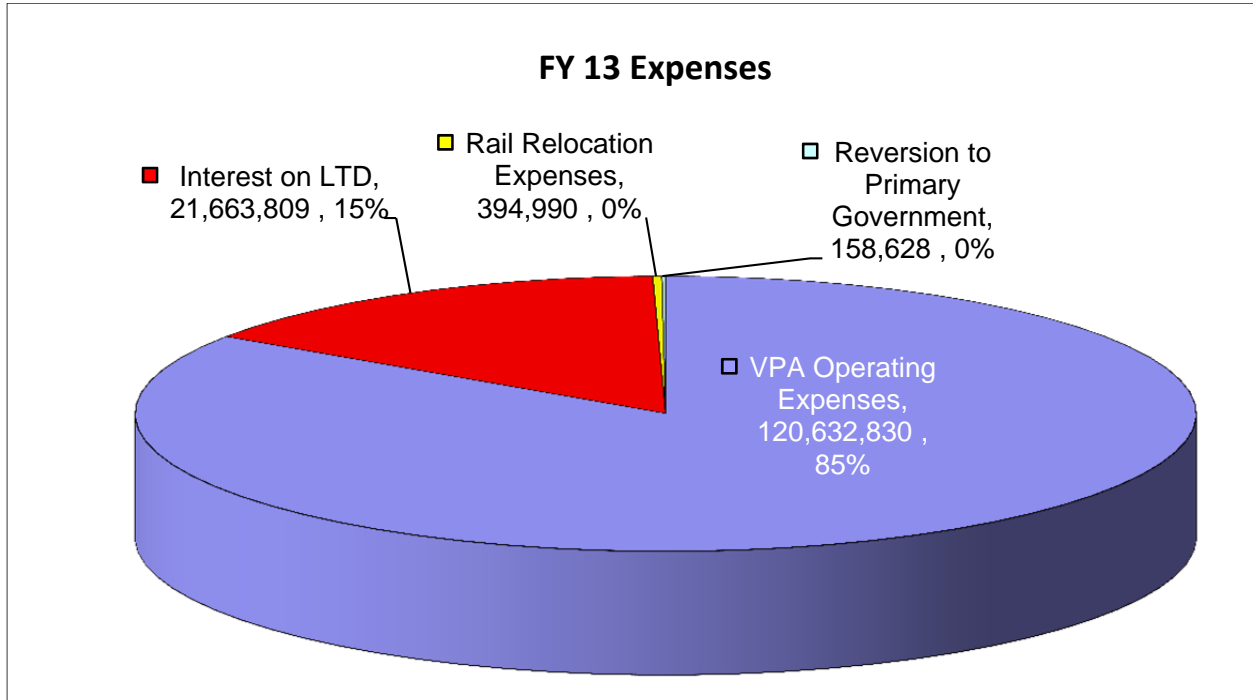
The Commonwealth port fund allocation represents the Authority's 4.2% allocation of revenues from the Commonwealth's Transportation Trust Fund, a combination of a portion of the state sales tax, and motor vehicle fuel and related taxes and fees. Commonwealth port fund collections were \$971 thousand or 2.7% higher than fiscal year 2012.

The Authority received \$27 thousand in capital improvements from VIT in fiscal year 2013, primarily relating to improvements made by VIT for 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, 2013 by dollar amount and percentage.



A similar graph shows, by dollar amount and percentage, the Authority's operating and non-operating expenses for the fiscal year ended June 30, 2013.



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, 2013. Net Position increased by \$2.5 million with net losses from operations being 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)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flow from operating activities	\$ 26.6	\$ 14.2	\$ 27.7
Cash flow from noncapital financing activities	(0.2)	(0.3)	(0.3)
Cash flow from capital and related financing activities	(17.5)	4.7	(38.2)
Cash flow from investing activities	21.6	9.0	(23.7)
Net increase (decrease) in cash and cash equivalents	30.5	27.6	(34.5)
Cash and cash equivalents			
Beginning of year	106.2	78.6	113.1
End of year	<u>\$ 136.7</u>	<u>\$ 106.2</u>	<u>\$ 78.6</u>

Cash flow from operating activities increased \$12.4 million in fiscal year 2013 primarily as a result of higher receipts from customers and users of \$10.0 million plus lower payments for expenses and payments to employees. Outflows from noncapital financing activities remained relatively consistent. Cash flow from capital and related financing activities decreased \$22.2 million in fiscal year 2013 primarily as a result of a decrease in long-term debt issuance and defeasance of bonds. Cash flow from investing activities was up \$12.6 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, 2013, amounted to \$774.7 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 \$3.0 million for NIT South Gate Improvements
- Expenditures of \$5.0 million for Craney Island terminal expansion
- Expenditures of \$5.1 million in security related equipment/projects (all terminals)
- Capitalized interest (net of capitalized income) of \$355 thousand was added to the cost of capital assets in fiscal year 2013
- Completion of \$12.3 million of various Infrastructure/Security 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, 2013, the Authority had \$522.7 million in long-term debt, excluding current maturities. Of this amount, \$489.4 million is in the form of revenue bonds issued by the Authority and \$33.3 million in lease purchases. During 2013, the Authority had one bond issue, consisting of two (2) refunding series. One for \$45.2 million, refunded all but \$5.5 million of the 2005 CPF Revenue Series A (AMT bonds), reducing the amount of interest to be paid over the term of the bond. The second series was the fully refunded \$4.8 million in Commonwealth Port Fund Revenue (non-AMT) bonds. The economic gain for this transaction was \$2.8 million and \$366.2 thousand, respectively.

Commonwealth Port Fund Revenue bonds issued in 2005, 2006, 2011 and 2012 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 2013 was met and exceeded.

More details on long-term debt can be found in the footnote disclosures to the financial statements, footnote 6.

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.

Global recovery is underway and the Authority's volumes are indicative of this. International trade volumes have returned and are exceeding the pre-downturn volumes of the last few years. The Authority continues to grow its container market share, taking advantage of our naturally deep harbors and fully intends to capitalize on the opening of the new Panama Canal.

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 23510-1679.

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, INC.

STATEMENT OF NET POSITION

As of June 30, 2013

with Summarized Information for 2012

	Primary		Eliminations	Total	June 30, 2012
	Government	Component Unit			
	Authority	Virginia International Terminals, Inc.			
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 43,576,341	\$ 1,138,089	\$ -	\$ 44,714,430	\$ 42,475,507
Restricted assets:					
Cash and cash equivalents [Footnote 2]	31,268,053	815,179	-	32,083,232	25,724,844
Investments [Footnote 2]	-	3,654,367	-	3,654,367	4,345,864
Investments held by Treasurer of VA [Footnote 2]	124,282	-	-	124,282	165,785
Accounts receivable, net	3,812,980	50,272,146	-	54,085,126	48,299,791
Due from transportation trust	6,265,367	-	-	6,265,367	4,889,322
Due from component unit	8,310,792	-	(8,310,792)	-	-
Inventories	-	12,936,271	-	12,936,271	10,970,277
Assets held for sale [Footnote 5]	2,000,000	-	-	2,000,000	2,000,000
Other current assets [Footnote 4]	5,740,445	4,558,060	-	10,298,505	13,704,005
Total current assets	101,098,260	73,374,112	(8,310,792)	166,161,580	152,575,395
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents [Footnote 2]	61,920,621	-	-	61,920,621	46,005,898
Investments [Footnote 2]	3,351,852	16,677,015	-	20,028,867	39,820,220
Pension plan assets [Footnote 10]	2,531,945	2,620,723	-	5,152,668	4,878,276
Bond issue costs, net	5,222,373	-	-	5,222,373	5,603,367
Non-depreciable capital assets [Footnote 5]	214,974,207	-	-	214,974,207	215,735,100
Depreciable capital assets, net [Footnote 5]	559,727,819	17,228,621	-	576,956,440	605,768,393
Total noncurrent assets	847,728,817	36,526,359	-	884,255,176	917,811,254
Total assets	\$ 948,827,077	\$ 109,900,471	\$ (8,310,792)	\$ 1,050,416,756	\$ 1,070,386,649

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

VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, INC.

STATEMENT OF NET POSITION

As of June 30, 2013

with Summarized Information for 2012

	Primary Government		Component Unit		
			Virginia International Terminals, Inc.		
	Authority		Eliminations	Total	June 30, 2012
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 6,194,084	\$ 22,190,837	\$ -	\$ 28,384,921	\$ 23,996,990
Interest payable	11,169,385	-	-	11,169,385	11,839,518
Retainage payable	279,403	-	-	279,403	549,776
Long-term debt - current portion [Footnote 6]	26,162,264	-	-	26,162,264	22,560,964
Compensated absences - current portion [Footnote 6]	456,696	2,200,587	-	2,657,283	2,481,784
Payroll withholdings	472	-	-	472	1,538
Obligations under securities lending	2,429,325	-	-	2,429,325	5,527,903
Due to Authority	-	8,310,792	(8,310,792)	-	-
Total current liabilities	46,691,629	32,702,216	(8,310,792)	71,083,053	66,958,473
Noncurrent liabilities:					
Long-term debt [Footnote 6]	522,700,558	-	-	522,700,558	549,859,472
Compensated absences [Footnote 6]	48,756	1,904,300	-	1,953,056	2,341,982
Workers compensation costs [Footnote 13]	-	2,555,261	-	2,555,261	2,854,331
Accrued pension and OPEB obligations [Footnote 11]	1,594	3,357,261	-	3,358,855	3,862,468
Other noncurrent liabilities [Footnote 9]	13,277,025	-	-	13,277,025	13,277,025
Total noncurrent liabilities	536,027,933	7,816,822	-	543,844,755	572,195,278
Total liabilities	582,719,562	40,519,038	-	614,927,808	639,153,751
NET POSITION					
Net Investment in Capital Assets	267,689,977	17,228,621	-	284,918,598	\$301,071,034
Restricted for:					
Debt service [Footnote 1]	46,127,897	20,592,632	-	66,720,529	57,423,832
Unrestricted [Footnote 1]	52,289,641	31,560,180	-	83,849,821	72,738,032
Total net position	366,107,515	69,381,433	-	435,488,948	431,232,898
Total liabilities and net position	\$ 948,827,077	\$ 109,900,471	\$ (8,310,792)	\$ 1,050,416,756	\$ 1,070,386,649

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

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VIRGINIA PORT AUTHORITY & VIRGINIA INTERNATIONAL TERMINALS, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Twelve Months Ended June 30, 2013

with Summarized Information for 2012

	Primary Government		Component Unit		Total	June 30, 2012
	Authority	Virginia International Terminals, Inc.	Eliminations			
Operating Revenues:						
Terminal operating revenues	\$ -	\$ 339,460,135	\$ -	\$ 339,460,135	\$ 297,835,649	
Other revenues	7,970,579	-	-	7,970,579	6,519,292	
Other Revenues - Grants	4,903,439	-	-	4,903,439	6,283,332	
Operating revenues from component unit	90,272,604	-	(90,272,604)	-	-	
Total operating revenues	103,146,622	339,460,135	(90,272,604)	352,334,153	310,638,273	
Operating Expenses:						
Terminal operations	2,128,546	151,553,531	-	153,682,077	128,782,659	
Terminal maintenance	8,731,182	62,227,407	-	70,958,589	54,936,881	
General and administrative	65,806,504	29,544,379	-	95,350,883	88,967,739	
Depreciation and amortization	43,966,598	3,884,047	-	47,850,645	49,155,895	
Payments due to Authority	-	90,272,604	(90,272,604)	-	-	
Total operating expenses	120,632,830	337,481,968	(90,272,604)	367,842,194	321,843,174	
Operating income (loss)	(17,486,208)	1,978,167	-	(15,508,041)	(11,204,901)	
Non-operating revenues (expenses)						
Interest income	482,181	(148,527)	-	333,654	1,510,827	
Interest expense	(21,663,809)	-	-	(21,663,809)	(26,066,078)	
Commonwealth Rail Relocation income	244,424	-	-	244,424	6,375,798	
Commonwealth Rail Relocation expenses	(394,990)	-	-	(394,990)	(6,296,498)	
Revenues from Federal Government	3,471,137	-	-	3,471,137	4,612,432	
Revenues/Expenses (Primary Government)	(158,628)	-	-	(158,628)	(297,267)	
Other income (expense)	-	-	-	-	8,722	
Gain (loss) on disposals	708,585	-	-	708,585	(15,266,083)	
Income (loss) before capital contributions and transfers	(34,797,308)	1,829,640	-	(32,967,668)	(46,623,048)	
Capital contributions						
Commonwealth Port Fund allocation	37,223,718	-	-	37,223,718	36,252,985	
Capital contributions (to) from component unit	27,200	(27,200)	-	-	-	
Increase (decrease) in Net Position	2,453,610	1,802,440	-	4,256,050	(10,370,063)	
Net Position - Beginning of Year	363,653,905	67,578,993	-	431,232,898	441,602,961	
Net Position - End of Year	\$ 366,107,515	\$ 69,381,433	\$ -	\$ 435,488,948	\$ 431,232,898	

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS

For the Twelve Months Ended June 30, 2013
with Summarized Information for 2012

	<u>Authority</u>	<u>June 30, 2012</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 102,278,716	\$ 92,285,801
Receipts from operating grants	4,903,440	6,283,332
Payments for operating expenses	(75,980,991)	(78,526,135)
Payments to employees	(4,574,098)	(5,832,431)
Net cash provided by (used in) operating activities	<u>26,627,067</u>	<u>14,210,567</u>
Cash flows from noncapital financing activities:		
Transfer to Primary Government	(158,722)	(297,267)
Net cash provided by (used in) noncapital financing activities	<u>(158,722)</u>	<u>(297,267)</u>
Cash flows from capital and related financing activities:		
Payments from short-term debt	-	(13,911,029)
Proceeds from long-term debt	45,178,544	168,310,851
CPF Contribution	35,847,674	37,261,632
Acquisition of capital assets	(11,513,243)	(36,174,312)
Principal paid on long-term debt	(68,736,158)	(128,953,138)
Interest paid on long-term debt	(22,333,942)	(26,675,955)
Receipts and Payments for Commonwealth Rail relocation	(150,566)	79,300
Transfer from primary government	94	-
Capital Transfer from component unit	27,200	-
Proceeds from federal government	3,471,136	4,612,432
Proceeds from sale of capital assets	712,072	131,956
Net cash provided by (used in) capital and related financing activities	<u>(17,497,189)</u>	<u>4,681,737</u>
Cash flows from investing activities:		
Proceeds from sales and maturities	54,687,709	36,385,971
Payments for investments	(33,630,287)	(27,974,177)
Interest and dividends received	482,181	636,920
Net cash provided by (used in) investing activities	<u>21,539,603</u>	<u>9,048,714</u>
Net increase (decrease) in cash and cash equivalents	30,510,759	27,643,751
Cash and cash equivalents at beginning of year	106,254,256	78,610,504
Cash and cash equivalents at the end of period	<u>\$ 136,765,015</u>	<u>\$ 106,254,256</u>

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS

For the Twelve Months Ended June 30, 2013
with Summarized Information for 2012

	<u>Authority</u>	<u>June 30, 2012</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income/(loss)	\$ (17,486,208)	\$ (15,176,984)
Adjustments to reconcile earnings to net cash provided by operating activities:		
Depreciation and amortization	43,966,598	44,724,338
(Increase) decrease in accounts receivable	1,624,215	476,490
(Increase) decrease in due from VIT	2,411,320	(3,168,979)
(Increase) decrease in prepaid expenses	2,025,236	(7,381,892)
(Increase) decrease in other noncurrent assets	101,064	(671,869)
Increase (decrease) in accounts payable	(2,703,819)	(6,487,450)
Increase (decrease) in accrued expenses	20,772	41,385
Increase (decrease) in short-term liabilities	(3,099,644)	2,016,459
Increase (decrease) in long-term liabilities	(232,466)	(160,931)
Net cash provided by (used in) operating activities	<u>\$ 26,627,067</u>	<u>\$ 14,210,567</u>

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

NOTES TO THE FINANCIAL STATEMENTS

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 Board shall consist of the State Treasurer, and 11 members appointed by the Governor, subject to confirmation by the General Assembly, who shall serve at the pleasure of the Governor. 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. The Authority has determined that VIT should be included in the Authority's financial statements as a discrete component unit. A component unit is a legally separate organization for which the primary institution is financial accountable or closely related. VIT is audited by the independent accounting firm Witt Mares, PLC, who merged with PBGH, LLP to form PBMares, LLP as of January 1, 2013. VIT's audit report can be obtained by contacting VIT's Controller at 1431 Terminal Blvd, Norfolk, VA 23505.

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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, follows all applicable 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, 2013.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013 was \$354,550.

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 Position. 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013. 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, 2013. 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 Position

The Authority separates net positions that are subject to external restrictions based on individual agreements. The restrictions are established by the Authority's governing jurisdictions. The restricted net position may include the Authority's net pension liability, 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 is funds collected from VIT in accordance with a service agreement. The Authority also recognizes other operating revenue in the form of rents, license agreements, and charges for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements

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 does not 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 does not 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 does not have a material impact on the Authority's financial statements.

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 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 expected to have just over a \$4.5 million dollar impact on the Authority's financial statement.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements – concluded

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.

GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, replaces the requirements of GASBS No. 27 *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASBS No. 50 *Pension Disclosures*, establishes account and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The requirements of GASBS No. 67 are effective for fiscal year 2014. Management is currently evaluating the effect of the implementation of this standard.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions--an amendment of GASB Statement No. 27*, replaces the requirements of GASBS No. 27 *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASBS No. 50 *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of GASBS No. 27 and GASBS no. 50 remain applicable for pensions that are not covered by the scope of this Statement. The requirements of GASBS No. 68 are effective for fiscal year 2015. Management is currently evaluating the effect of the implementation of this standard.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of GASBS No. 69 are effective for fiscal year 2015. This statement is not expected to have an impact on the Authority's financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of GASBS No. 70 are effective for fiscal year 2014. This statement is not expected to have an impact on the Authority's financial statements.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2012 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, 2013, 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 \$31,508,966 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - continued

As of June 30, 2013, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer) and its credit risk category:

Restricted Cash Equivalents and Investments (in Years)

Investment Type	Reported Value	Market Value Less Than 1	Market Value 1 - 5	Category
Mutual Funds	\$ 3,288	\$ 3,288	\$ -	3
Money Market	55,986,695	55,986,695	-	3
FNMA	3,351,852	1,735,760	1,616,092	1
Cash w Trustee	33,996,112	33,996,112	-	3
	<u>\$ 93,337,947</u>	<u>\$ 91,721,855</u>	<u>\$ 1,616,092</u>	

As of June 30, 2013 the Authority's FNMA securities were rated Aaa by Moody's Incorporated.

Long-Term Restricted Cash Equivalents and Investments by Category

As of June 30, 2013, 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	Market Value
Long-Term Investments:				
Asset-Backed Securities	\$ 3,351,852	\$ -	\$ -	\$ 3,351,852
Money Markets	-	-	55,986,695	55,986,695
Mutual Funds	-	-	3,288	3,288
Cash w Trustee	-	-	33,996,112	33,996,112
Investments Total	<u>\$ 3,351,852</u>	<u>\$ -</u>	<u>\$ 89,986,095</u>	<u>\$ 93,337,947</u>

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.

**VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – continued

Other Restricted Cash and Investments for the Authority are Held by the State Treasurer in the amount of \$3,202,336 with the Authority holding restricted cash accounts in the amount of \$243. Unrestricted cash includes Cash with the State Treasurer of \$26,001,587, unrestricted cash NOT with the Treasurer of \$15,269,711 and Cash Equivalents with the State Treasurer for the Securities Lending program of \$2,305,043.

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 Virginia's Comprehensive Annual Financial Report.

Component Unit – VIT

Virginia International Terminals, Inc.'s, cash and cash equivalents, restricted and investments at June 30, 2013, 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.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Virginia International Terminals, Inc. does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

June 30, 2013	Cash and Cash Equivalents, Restricted			Fair Value
	1	2	3	
Money Market Instruments	\$ —	\$ —	\$ 815,179	\$ 815,179
Total	\$ —	\$ —	\$ 815,179	\$ 815,179

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – concluded

Component Unit – VIT - concluded

June 30, 2013	Investments, Restricted			Fair Value
	Category			
	1	2	3	
Municipal bonds	\$ -	\$ 2,046,915	\$ -	\$ 2,046,915
Corporate bonds	7,084,475	-	-	7,084,475
U.S. Treasury and Agency Securities	-	<u>11,199,992</u>	-	<u>11,199,992</u>
Total	<u>\$ 7,084,475</u>	<u>\$ 13,246,907</u>	<u>\$ -</u>	<u>\$ 20,331,382</u>

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, 2013 as rated by S&P are as follows:

	<u>Corporate Bonds</u>	<u>Municipal Bonds</u>	<u>Total</u>
AA+	\$ 566,335	\$ 275,996	\$ 842,331
AA	1,452,534	512,290	1,964,824
AA-	1,008,700	307,611	1,316,311
A	1,223,119	-	1,223,119
A	1,302,225	-	1,302,225
A-	1,272,077	262,495	1,534,572
BBB	259,485	-	259,485
Not Rated	-	<u>688,523</u>	<u>688,523</u>
Total	<u>\$ 7,084,475</u>	<u>\$ 2,046,915</u>	<u>\$ 9,131,390</u>

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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.trsvirginia.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 3% of the Authority's investments are in FNMA securities.

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 years ended June 30, 2013 and 2012, approximately 26% and 28% of total revenue was derived from two customers, respectively. Receivables outstanding at June 30, 2013 and 2012 for these concentrations totaled \$9,906,037 and \$10,207,135, respectively.

A significant portion of VIT's labor is provided by contract with the International Longshoremen's Association. The current contract expires September 30, 2018.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. PREPAID EXPENSES AND OTHER ASSETS

Authority Prepaid expenses and other assets as of June 30, 2013 include:

	2013
Prepaid Bond/MELP	\$ 4,845,353
Prepaid Insurance	225,071
Prepaid Operational Costs	315,604
Prepaid Expenses-PR	87,386
Reimbursable Expenses	600
Current Portion – MELP Issue Costs	9,250
Current Portion – Bond Issue Costs	257,181
	\$ 5,740,445

Component Unit – VIT

VIT Prepaid expenses and other assets as of June 30, 2013 include:

	2013
Prepaid Expenses	\$ 4,175,160
Deposits	382,900
	\$ 4,558,060

5. CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land and improvements	\$ 105,727,987	\$ -	\$ -	\$ 105,727,987
Construction in progress	110,007,113	11,511,643	12,272,536	109,246,220
	215,735,100	11,511,643	12,272,536	214,974,207
Depreciable capital assets:				
Infrastructure	589,634,974	197,216	-	589,832,190
Buildings	96,109,978	-	827,947	95,282,031
Improvements other than buildings	29,644,460	1,013,321	-	30,657,781
Equipment	269,181,526	11,093,740	154,437	280,120,829
	984,570,938	12,304,277	982,384	995,892,831
Less accumulated depreciation for:				
Infrastructure	195,660,477	18,593,236	-	214,253,713
Buildings	54,366,191	2,960,733	824,495	56,502,429
Improvements other than buildings	22,516,107	1,246,321	-	23,762,428
Equipment	120,884,326	20,886,377	124,261	141,646,442
Total accumulated depreciation	393,427,101	43,686,667	948,756	436,165,012
Depreciable capital assets, net	591,143,837	(31,382,390)	33,628	559,727,819
Total capital assets, net	\$ 806,878,937	\$(19,870,747)	\$ 12,306,164	\$ 774,702,026

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013 the book value of the idle assets included in depreciable capital assets, net was \$18,060,453.

Assets Held for Sale

In FY 2012, certain assets were identified and listed as held for sale due to the change in the use of the facility at PMT. Original cost of these assets 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 still actively marketing this equipment for sale.

Insurance Proceeds

In fiscal year 2013, proceeds from insurance amounted to \$19,859 for the Virginia Port Authority, none of which was attributable to impairment of assets.

Insurance Proceeds - Component Unit – VIT

In fiscal year 2013, proceeds from insurance amounted to \$356,757 for Virginia International Terminals, none of which was attributable to impairment of assets.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. CHANGES IN CAPITAL ASSETS - concluded

Component Unit – VIT

Changes in capital assets for the year ended June 30, 2013 are summarized as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets	\$ 74,815,464	\$ 6,632,478	\$ 1,454,453	\$ 79,993,489
Accumulated depreciation	<u>60,190,908</u>	<u>3,917,094</u>	<u>1,343,134</u>	<u>62,764,868</u>
Net Capital assets	<u>\$ 14,624,556</u>	<u>\$ 2,715,384</u>	<u>\$ 111,319</u>	<u>\$ 17,228,621</u>

6. 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, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within one Year
Revenue Bonds	\$ 507,900,000	\$ 50,025,000	\$ 57,310,000	\$ 500,615,000	\$ 15,725,000
Issuance Premium	12,368,074	802,347	1,919,932	11,250,489	728,409
Less:					
Deferred Refunding	<u>(969,200)</u>	<u>(5,648,803)</u>	<u>(187,785)</u>	<u>(6,430,218)</u>	<u>(428,522)</u>
Total Revenue Bonds	<u>519,298,874</u>	<u>45,178,544</u>	<u>59,042,147</u>	<u>505,435,271</u>	<u>16,024,887</u>
Installment Purchases	53,121,562	-	9,694,011	43,427,551	10,137,377
Compensated Absences	<u>533,354</u>	<u>661,939</u>	<u>689,841</u>	<u>505,452</u>	<u>456,696</u>
Total	<u>\$ 572,953,790</u>	<u>\$ 45,840,483</u>	<u>\$ 69,425,999</u>	<u>\$ 549,368,274</u>	<u>\$ 26,618,960</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT- Continued

Details of Long-Term Indebtedness

Revenue Bonds	<u>Balance as of June 30, 2013</u>
<p>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. As of the July 1, 2012 payment, this bond was fully paid.</p>	\$ 0
<p>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.</p>	45,995,000
<p>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). On September 26, 2012, funds were placed in escrow, with irrevocable instructions to refund on July 1, 2015, \$39,470,000 of AMT bonds maturing in 2016 and beyond and \$4,905,000 of Non-AMT bonds maturing in 2029 and 2030. The remaining AMT serial bonds are payable in annual installments varying from \$1,750,000 to \$1,930,000 with interest of 5.0% to 5.25% payable semiannually, the final installment due July 1, 2015. 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.</p>	5,520,000

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT – continued

Details of Long-Term Indebtedness – continued

Balance as of
June 30, 2013

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.

9,575,000

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 July 1, 2031 and July 1, 2036. These bonds are payable from the net revenues of the Authority.

89,610,000

On April 11, 2007, Port Facilities Fund Revenue Bonds, dated the same, were issued in the principal amount of \$74,255,000. The bonds are payable in annual installments varying from \$35,000 to \$6,040,000 with interest of 4.00% to 5.00% payable semiannually, the final installment due July 1, 2027. The bonds are payable from the net revenues of the Authority.

65,875,000

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT – continued

Balance as of
June 30, 2013

Details of Long-Term Indebtedness – continued

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

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. 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. The Series 2012 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.

108,015,000

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT – continued

Balance as of
June 30, 2013

Details of Long-Term Indebtedness – concluded

On September 26, 2012, Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (Taxable), (the “Series 2012B Bonds”) dated the same, issued in the principal amount of \$45,230,000. The bonds are payable in annual installments varying from \$635,000 to \$3,630,000 with interest of 0.38% to 3.676% payable semiannually, beginning July 1, 2013, the final installment due July 1, 2029. Proceeds of the Series 2012B Bonds will be used (a) to pay the costs of refunding all or a portion of the Series 2005A Bonds, and (b) to pay costs of issuance of the Series 2012B Bonds. The Series 2005A Bonds were issued on April 14, 2005. As of July 1, 2012, the outstanding principal amount of the Series 2005A Bonds was \$44,990,000. The Series 2005A Bonds are subject to optional redemption on or after July 1, 2015 at a redemption price of 100% of the principal amount thereof. The Series 2012B 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.

45,230,000

On September 26, 2012, Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C (Non-AMT), (the “Series 2012C Bonds”) dated the same, were issued in the principal amount of \$4,795,000. The bonds are payable in the principal amounts of \$780,000 and \$4,015,000, are due July 1, 2029 and July 1, 2030, respectively. Semi-annual interest payments commence July 1, 2013 with interest of 3.00% and 5.00% payable semiannually, the final installment due July 1, 2030. These bonds have a first optional redemption date of July 1, 2022. The proceeds of the Series 2012C Bonds will be used (a) to pay the costs of refunding all or a portion of the Series 2005B Bonds, and (b) to pay costs of issuance of the Series 2012C Bonds. The Series 2005B Bonds were issued on April 14, 2005. As of July 1, 2012, the outstanding principal amount of the Series 2005B Bonds was \$4,905,000. The Series 2005B Bonds are subject to optional redemption on or after July 1, 2015 at a redemption price of 100% of the principal amount thereof. The Series 2012C 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.

4,795,000

Sub-total revenue bonds	\$ 500,615,000
Issuance premium, net	11,250,489
Deferred refunding amount	(6,430,218)
Total revenue bonds	<u><u>\$ 505,435,271</u></u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT – continued

	<u>Balance as of June 30, 2013</u>
Installment Purchases	
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%.	791,350
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%.	488,260
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%.	5,960,689
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%.	5,308,221
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%.	1,323,868
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%.	808,807
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%.	3,745,336
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%.	15,639,911
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%.	152,356

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT – continued

Installment Purchases - concluded

Balance as of
June 30, 2013

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%.

5,125,698

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%.

4,083,055

Total installment purchases

\$ 43,427,551

Compensated Absences

Balance as of
June 30, 2013

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 Position. 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.

505,452

Total long-term indebtedness

\$ 549,368,274

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT – continued

Annual Long-Term Debt Requirements

A summary of future principal and interest obligations under long-term debt as of June 30, 2013 (excluding compensated absences), is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
2014	\$15,725,000	\$20,713,678	\$36,438,678
2015	16,290,000	20,369,316	36,659,316
2016	16,820,000	19,978,854	36,798,854
2017	17,235,000	19,426,594	36,661,594
2018	16,320,000	18,916,675	35,236,675
2019 - 2023	90,040,000	85,805,304	175,845,304
2024 - 2028	108,335,000	66,873,050	175,208,050
2029 - 2033	101,670,000	42,702,314	144,372,314
2034 - 2038	105,050,000	14,581,663	119,631,663
2039 - 2043	13,130,000	1,006,000	14,136,000
Total Bonds	<u>\$500,615,000</u>	<u>\$310,373,449</u>	<u>\$810,988,449</u>
Issuance Premium	\$11,250,489	-	\$11,250,489
Deferred Refunding	(6,430,218)	-	(6,430,218)
Total	<u>\$505,435,271</u>	<u>\$310,373,449</u>	<u>\$815,808,720</u>

Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2014	\$10,137,377	\$1,092,613	\$11,229,990
2015	9,499,327	595,593	10,094,920
2016	6,498,746	433,519	6,932,266
2017	6,297,060	311,525	6,608,585
2018	6,419,090	189,495	6,608,585
2019 - 2023	4,575,951	74,807	4,650,758
Total	<u>\$43,427,551</u>	<u>\$2,697,552</u>	<u>\$46,125,103</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. LONG-TERM DEBT – concluded

Component Unit – VIT

VIT permits employees to accumulate unused personal leave and up to 25 days of vacation leave benefits that can be utilized in future periods or partially paid upon separation from employment. VIT has recorded a liability of \$4,104,887 at June 30, 2013 to the extent of the benefits that are payable. VIT is also contingently liable for personal and vacation leave of \$5,018,896 at June 30, 2013 representing amounts employees could use during their period of employment.

7. DEFEASANCE OF DEBT

Advanced Refundings

On September 26, 2012, the Authority issued \$45,230,000 (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (AMT) to advance refund all but \$5,520,000 in principal amount of the Authority's Commonwealth Port Fund, Series 2005A (AMT) Bonds issued in the original par amount of \$55,095,000. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on July 1, 2015. At June 30, 2013, \$39,470,000 of defeased bonds were outstanding.

The refunding was undertaken to take advantage of the lower interest rates available to reduce total future debt service payments. As a result of the advance refunding, the Authority reduced its total debt service requirements by \$2,868,552, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the new debt) of \$2,312,917. The trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements.

On September 26, 2012, the Authority issued \$4,795,000 (par value) of Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C (Non-AMT) to advance refund all of the Authority's Commonwealth Port Fund, Series 2005B (AMT) Bonds issued in the original par amount of \$4,905,000. The net proceeds from the issuance along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on July 1, 2015. At June 30, 2013, \$4,905,000 of defeased bonds were outstanding.

The refunding was undertaken to take advantage of the lower interest rates available to reduce total future debt service payments. As a result of the advance refunding, the Authority reduced its total debt service requirements by \$478,720, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the new debt) of \$366,155. The trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

7. DEFEASANCE OF DEBT - concluded

Prior Years Refundings

During fiscal year 2012, certain 2002 Commonwealth Port Facilities Revenue Bonds were defeased by the Authority. A portion of the net proceeds from the sale of the 2012 bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements. At June 30, 2013, none of prior year defeased bonds remained outstanding.

8. 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.

9. COMMITMENTS AND CONTINGENCIES

As of June 30, 2013 the Authority has commitments to construction contracts totaling \$74,971,225 of which \$59,250,368 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. COMMITMENTS AND CONTINGENCIES – continued

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

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

Payments for rent under an operating lease agreement amounted to \$716,766 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 \$47,229,466 in fiscal year 2013.

Lease commitments in aggregate are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 53,483,885
2015	56,585,312
2016	61,354,164
2017	64,613,456
2018	69,003,202
2019-2023	399,209,605
2024-2028	507,645,286
2029-2033	236,289,000
Total	<u><u>\$ 1,448,183,910</u></u>

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 \$105,824 during the year ended June 30, 2013. Future payments to be received under these agreements are expected to be \$215,098 in 2014.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. COMMITMENTS AND CONTINGENCIES – continued

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:

2014	\$ 2,321,277
2015	1,915,081
2016	1,218,170
2017	1,001,818
2018	1,026,041
Thereafter	<u>10,632,828</u>
	<u>\$ 18,115,215</u>

Rental expense incurred under all operating leases (including less than one year and cancellable) was \$2,082,254 for the year ended June 30, 2013. Rental expense incurred is net of rents paid on behalf of the VPA which were recorded as a transfer to the VPA totaling \$716,766 in 2013.

HRCF II leases chassis under various one year operating lease agreements. The agreements may be renewed in one year increments or terminated at the end of each term. HRCF II must maintain and repair chassis delivered to the pool. Rent expense under the operating leases totaled \$2,361,214 during the nine months ended June 30, 2013 and are included in maintenance expenses.

VIT has various rental and sub-lease agreements ranging from one to three years. Rental and sub-lease income received under these agreements totaled \$3,924,450 during the year ended June 30, 2013. Future payments to be received under these agreements are expected to be \$807,253 in 2014.

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, 2013, the escrow account balance was \$102,019.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. COMMITMENTS AND CONTINGENCIES - continued

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, FEMA 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.

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 during the year ending June 30, 2013 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, 2013, \$2,023,055 remains in the account, having earned \$123,055 in interest through June 30, 2013.

Lawsuits and Claims

The Authority, from time to time, is a defendant in lawsuits generally incidental to its business. The amount of potential loss as a direct result of these suits 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9. COMMITMENTS AND CONTINGENCIES – concluded

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, 2013.

At June 30, 2013, 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 2013. It bears interest at prime and is set to expire at May 31, 2014. At June 30, 2013, there were no borrowings outstanding.

10. 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. PENSION PLANS - continued

Pensions - continued

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 16.16 % of base pay in 2013, 11.92% of base pay in 2012, and 11.44% of base pay in 2011 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

The following table illustrates the funding progress required by GASB.

	June 30, 2013	June 30, 2012
Interest Rate	7.5%	7.5%
Covered Payroll	\$ 5,161,935	\$ 5,474,834
Assets	\$ 9,255,469	\$ 7,561,096
Accrued Liability as of the Fiscal Year End		
Active	\$ 5,664,021	\$ 5,170,475
Inactive	\$ 7,331,707	\$ 6,642,761
Total	\$ 12,995,728	\$ 11,813,236
Unfunded Actuarial Accrued Liability	\$ 3,740,259	\$ 4,252,140
Funded Ratio	71.22%	64.01%
Unfunded as a Percent of Covered Payroll	72.46%	77.67%

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. PENSION PLANS - continued

Funding Policy-concluded

The components of annual pension cost and net pension obligation are as follows for the years ending June 30, 2013 and June 30, 2012:

	<u>2013</u>	<u>2012</u>
Normal Cost	\$884,733	\$965,081
Amortization of Unfunded Accrued Liability	-	-
Interest	66,355	72,381
Annual Required Contribution(ARC)	<u>\$951,088</u>	<u>\$1,037,462</u>
Interest on Net Pension Obligation(NPO)	(164,432)	(134,104)
Amortization of NPO	<u>232,017</u>	<u>215,428</u>
Annual Pension Cost (APC)	1,018,673	1,118,786
Actual (Contribution)/Income toward Pension cost	<u>(1,358,196)</u>	<u>(1,523,156)</u>
Increase (Decrease) Net Pension Obligation (NPO)	(339,523)	(404,370)
NPO, beginning of year	<u>(2,192,422)</u>	<u>(1,788,052)</u>
NPO (prepayment), end of year	<u>(\$2,531,945)</u>	<u>(\$2,192,422)</u>

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Interest Rate	7.50%	7.50%
Annual Pension Cost (APC)		
Annual Required Contribution of Employer (ARC)	\$ 951,088	\$ 1,037,462
Amortization of NPO	232,017	215,428
Interest on NPO	(164,432)	(134,104)
Total APC	<u>1,018,673</u>	<u>1,118,786</u>
End of Year Net Pension Obligation (NPO)		
Actual Beginning of Year NPO	(2,192,422)	(1,788,052)
Plus Actual APC	1,018,673	1,118,786
Minus Contributions	(1,358,196)	(1,523,156)
End of Year NPO	<u>\$ (2,531,945)</u>	<u>\$(2,192,422)</u>

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. PENSION PLANS - continued

Actuarial Methods and Assumptions

The annual pension cost for the current year was determined as part of the July 2013 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, 2013, 2012 and 2011.

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Prepaid)
6/30/13	\$1,018,673	\$1,358,196	133%	(\$2,531,945)
6/30/12	\$1,118,786	\$1,523,156	136%	(\$2,192,422)
6/30/11	\$1,246,548	\$1,575,234	126%	(\$1,788,052)

The funded status of the plan as of the most recent actuarial valuation date and the five 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
06/30/13	\$9,255,469	\$12,995,728	\$3,740,259	71.22%	\$5,161,935	72.46%
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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. PENSION PLANS- continued

Funded Status - concluded

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 \$109,907 and \$152,346 for the years ended June 30, 2013 and June 30, 2012, respectively.

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

Component Unit – VIT

The 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, 2012 and is available upon request from Management.

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

	2013	2012	2011
Net Prepaid pension obligation, beginning of year	\$ 4,074,914	\$ (393,600)	\$ (8,246,800)
Annual pension cost	6,866,855	7,051,777	7,853,200
Contributions made	(7,035,000)	(2,583,263)	-
Net (Prepaid) pension obligation, end of year	\$ 3,906,769	\$ 4,074,914	\$ (393,600)

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. PENSION PLANS- continued

Component Unit – VIT - continued

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.

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, 2012, 2011 and 2010, 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 (the IRS 2013 Static Mortality Table), (b) retirement age (age 65), (c) investment return (average rate of return of 4.66%), (d) taxable wage base (3%), (e) salary scale assumption (4.0%), and (f) Inflation (CPI increase) (2.50%). 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. PENSION PLANS- continued

Component Unit – VIT - continued

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. The Company expects to contribute \$6,000,000 to its pension plan during fiscal year ending June 30, 2014.

The following tables set forth the plan's funded status and the related amounts recorded in the Company's balance sheets at June 30, 2013, 2012 and 2011.

<u>Three Year Trend Information</u>			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Accrued (Prepaid) Pension Obligation</u>
6/30/2013	\$ 6,866,855	102%	\$ 3,906,769
6/30/2012	\$ 7,051,777	37%	\$ 4,074,914
6/30/2011	\$ 7,853,200	-%	\$ (393,600)

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:

<u>Actuarial Valuation Date</u>	<u>Actuarial Assets</u>	<u>Accrued Actuarial Liability</u>	<u>Unfunded Actuarial Asset (Liability)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Liability to Annual Covered Payroll</u>
6/30/2013	\$76,339,000	\$112,033,000	\$(35,694,000)	68.14%	\$26,114,000	136.69%
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%

Information generally required to be disclosed as supplementary information in accordance with GASB Statement No. 50, Pension Disclosures, has been included as part of the basic consolidated financial statements.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. PENSION PLANS - concluded

Component Unit – VIT – concluded

VIT also sponsors noncontributory supplemental plans covering certain key employees. Assets of \$2,620,723 in 2013 have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was \$3,357,261 as of June 30, 2013. Contributions to the plans were \$0 for the year ended June 30, 2013.

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 \$299,005 for the year ended June 30, 2013.

VIM sponsors a deferred compensation plan under Internal Revenue Code Section 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 \$34,535 for the year ended June 30, 2013.

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS

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

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Actuarial Methods and Assumptions

Actuarial valuations involve estimate of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the benefits provided under the terms of the substantive plan in the effect at the time of each valuation and on the pattern of sharing of costs between the employer and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitation on the pattern of cost sharing between the employer and the plan members in the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actual value of assets.

The Authority's initial OPEB actuarial valuation dated July 1, 2012 for fiscal years 2012 and 2013 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 4.0% 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 4.0% per year, and an annual healthcare cost trend rate of 9.5% initially for fiscal year 2012, reduced to an ultimate rate of 5.5% for the fiscal year ending June 30, 2018. The dental cost trend rate is 7.5% for fiscal year ended June 30, 2012 grading to 4.5% for fiscal year ending June 30, 2018. 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%.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS – continued

Funding Policy

The 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 2012-2013 fiscal years, 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 for fiscal year 2012. Required contributions are based on projected pay-as-you-go financing. Fiscal Year 2013 estimates projected \$353,402 in benefit payments on behalf of retirees for claims expenses and retention costs with \$104,836 in estimated premiums from retirees for a total contribution towards OPEB costs of \$248,566.

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 for fiscal year 2012 and the estimates for fiscal year 2013:

	Fiscal Year Ending	
	June 30, 2013**	June 30, 2012
(1) Normal Cost	\$12,408	\$30,315
(2) Amortization of Unfunded Accrued Liability	\$49,111	\$12,945
(3) Interest	\$2,461	\$1,730
(4) Annual Required Contribution	\$63,980	\$44,990
(5) Interest on Net OPEB Obligation (NOO)	\$7,415	\$6,350
(6) Amortization of NOO	(\$6,621)	(\$5,670)
(7) Total Expense or Annual OPEB Cost (AOC)	\$64,774	\$45,670
(8) Actual (Contribution)/Income Toward OPEB Cost	(248,566)	(\$19,040)
(9) Increase in NOO	(183,792)	\$26,630
(10) NOO Beginning of Year	\$185,386	\$158,756
(11) NOO End of Year	\$1,594	\$185,386

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Annual OPEB Cost and Net OPEB Obligation - continued

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
06/30/2013	\$64,774	\$248,566	383.7%	\$1,594**
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

**** Fiscal Year 2013 numbers are estimated**

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

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. 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	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%

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. 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 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 dated September 6, 2012 with a valuation dated of July 1, 2012, may be obtained by contacting the Finance Department of the Authority.

Component Unit – VIT

VIT sponsors a non-pension post-retirement medical insurance benefits plan that covers individuals who are at least 55 years of age with 20 years of service. The accrued liability of the plan was \$1,338,883 for the year ended June 30, 2013. The funded status of the plan was (\$2,842,906) as of June 30, 2013. Contributions to the plan were \$185,643 as of June 30, 2013. The significant actuarial assumptions used in the valuations were (a) discount rate for net periodic postretirement benefit cost (4.03%), (b) discount rate (4.66%), (c) rate of increase in medical claims cost at the valuation date (7.50%), and (d) rate of increase in medical claims cost over the valuation date plus six years (5.00%).

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

12. 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. Pension expense has been included in the annual pension cost disclosed in Footnote 10. As of June 30, 2013, there remains an accrued liability for health care of \$251,352.

Component Unit – VIT

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 10 (VIT Financials note 6).

13. 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, 2013 and 2012 are classified as follows:

	2013	2012
Workers' compensation claims	\$ 123,796	\$ 123,796
Workers' compensation claims, noncurrent portion	887,399	975,070
	\$ 1,011,195	\$ 1,098,866

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

13. 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 4.66% and 4.03% at June 30, 2013 and 2012, respectively. The undiscounted liability totaled approximately \$3,483,000 and \$3,866,000 at June 30, 2013 and 2012, respectively. The Company expects to pay these assessments annually through 2025. The balances at June 30, 2013 and 2012 are classified as follows:

	2013	2012
Accrued DOL assessment	\$ 876,336	\$ 926,672
Accrued DOL assessment, noncurrent portion	1,667,862	1,879,261
	\$ 2,544,198	\$ 2,805,933

14. 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.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. 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.

The Company 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 2013 and 2012. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of \$5,546,961 and \$5,122,917 in calendar year 2013 and 2012, respectively.

Insurance expense under these policies totaled \$8,839,491 and \$7,288,922 for the years ended June 30, 2013 and 2012, respectively.

15. SUBSEQUENT EVENTS

Early Retirement Incentive

On May 28, 2013, the Board of Commissioners for the Virginia Port Authority adopted Resolution 13-8, 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 are being 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. Elections had to be made in fiscal year 2014, for an October 1, 2013 retirement date. Four (4) participants elected to accept this offer. The resulting pension expense and health care expense accordingly have not been accrued for fiscal year 2013.

VIT LLC Status

Based on the IRS private letter ruling dated August 2, 2013, effective August 17, 2013, VIT has converted from a nonprofit, non-stock corporation to a single-member limited liability company. The Virginia Port Authority is the sole member of the Company.

VIRGINIA PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

15. SUBSEQUENT EVENTS - concluded

MELP Interest Renegotiation

Effective July 1, 2013, the Authority's Master Equipment Lease interest rates were reduced to rates ranging from 1.31% to 2.33%. The previous rates ranged from 3.06% to 4.6387%. The change will result in a net savings of \$1,338,270 over the remaining life of the debt.

Bond Issue

On October 22, 2013, the Authority issued \$37,945,000 of Virginia Port Authority Port Facilities Revenue Refunding Bond, Series 2013, with registered owner Banc of America Preferred Funding Corporation. This bond has not been registered under the Securities Act of 1933. These bonds were issued pursuant to bond resolution No. 97-5 adopted by the Authority on May 27, 1997, a series resolution adopted by the Authority on May 28, 2013, by the Authority's Board of Commissioners; and a Series Certificate executed and delivered by the Authority's Interim Executive Director. The Series 2013 Bonds, together with other available funds, are being issued to refund a portion of the outstanding principal amount of the Authority's \$55,155,000 Port Facilities Revenue Bonds, Series 2003 issued on June 26, 2003, and its \$90,000,000 Port Facilities Revenue Bonds, Series 2006 issued on October 17, 2006 and to pay costs of issuance. Series 2013 bonds issued in the principal amount of \$37,945,000 are payable in annual installments beginning July 1, 2016 in amounts ranging from \$610,000 to \$9,840,000 with interest of 3.09%, payable semiannually, the first interest installment due January 1, 2014 and the final installment due July 1, 2028. The bonds are payable from the net revenues of the Authority.

Management has evaluated subsequent events through October 31, 2013, which is the date the financial statements were available to be issued.

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STATISTICAL SECTION
(unaudited)

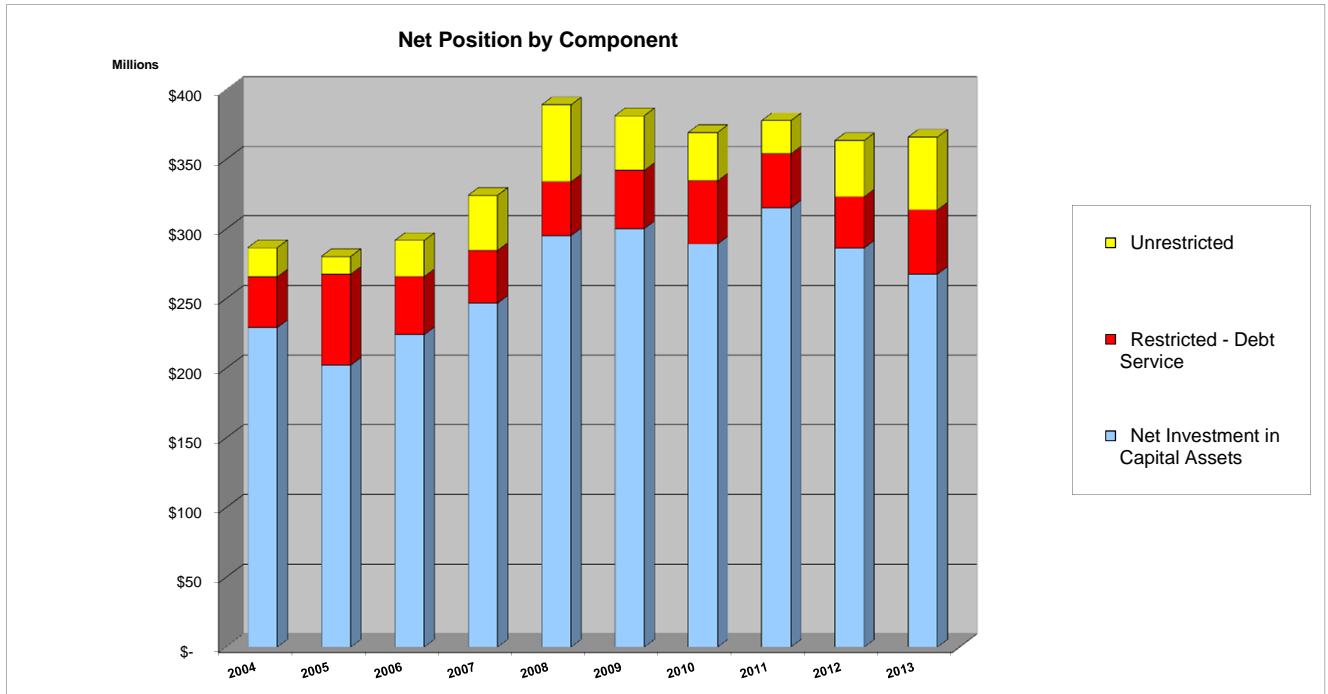
The objective of the statistical section is to provide information about the economic condition within which the Virginia Port Authority operates, to enable the user to more fully understand what the information in the financial statements, notes and supplementary information says about the Authority's 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 Position by Component
For the Years 2004 Through 2013

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Position:										
Net Investment in Capital Assets	\$ 229,345,578	\$ 202,336,198	\$ 224,220,031	\$ 246,841,187	\$ 295,284,451	\$ 300,421,130	\$ 289,355,155	\$ 315,269,080	\$ 286,446,478	\$ 267,689,977
Restricted - Debt Service	36,386,020	65,355,495	41,764,584	37,919,827	38,688,565	41,845,940	45,326,982	38,845,536	36,831,200	46,127,897
Unrestricted	21,008,849	12,724,958	25,862,097	39,588,492	55,309,289	39,271,276	34,774,156	23,799,263	40,376,227	52,289,641
Total Net Position	\$ 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	\$ 366,107,515

The chart has been updated to comply with GASBS 63



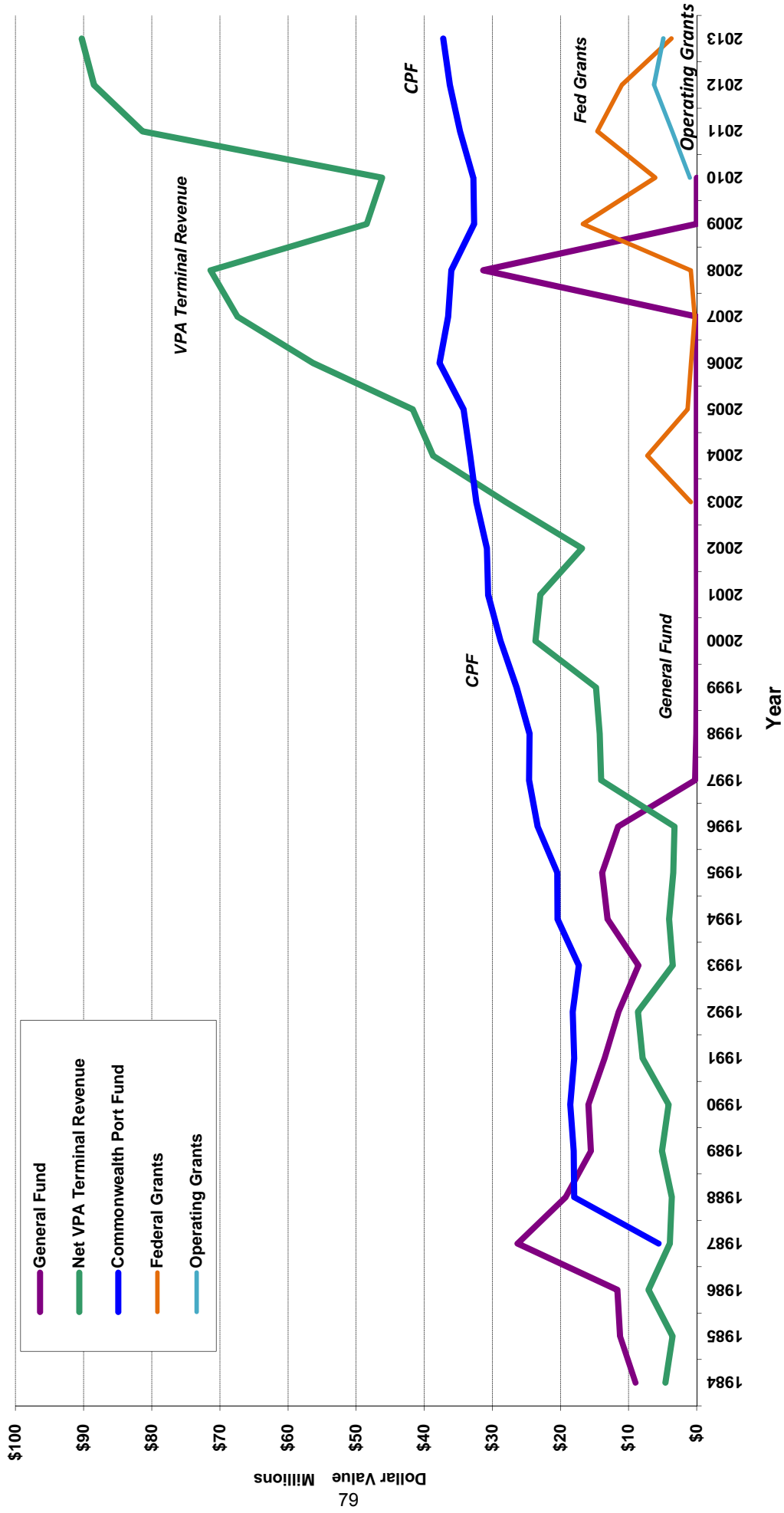
VIRGINIA PORT AUTHORITY
Changes in Net Position
For the Years 2004 Through 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues:										
Operating revenues from component unit	\$ 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	\$ 90,272,604
Operating revenues- grants	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	4,903,439
Other revenues	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	103,146,622
Total operating revenues	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	2,128,546
Operating Expenses:										
Terminal operations	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	8,731,182
Terminal maintenance	14,280,061	15,941,738	16,997,029	21,153,082	23,263,380	20,191,192	19,748,554	22,600,035	22,089,260	18,577,038
General and administrative	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	43,966,598
Depreciation and amortization	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	120,632,830
Total operating expenses	(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)	(17,486,208)
Operating income (loss)	2,227,921	(18,700,271)	4,181,708	6,983,909	4,290,858	1,855,775	578,313	697,221	636,920	482,181
Non-operating revenues (expenses)	1,855,775	(21,625,430)	(21,386,830)	(2,014,416)	(2,272,191)	(6,296,498)	(394,990)	(158,628)	(297,267)	(158,628)
Interest income	2,227,921	2,513,724	4,181,708	6,983,909	4,290,858	1,855,775	578,313	697,221	636,920	482,181
Interest expense	(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)	(21,663,809)
Commonwealth Rail Relocation Income	-	-	-	1,120,000	20,781,163	-	-	2,014,416	6,375,798	244,424
Commonwealth Rail Relocation Expense	-	-	-	(1,447,474)	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)
Operating expenses to component unit	(6,781,000)	(8,367,186)	(5,424,620)	(4,498,144)	-	(4,852,551)	-	-	-	-
Revenues from federal government	7,242,502	1,322,558	840,276	300,787	876,048	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137
Proceeds from other state agencies	-	-	-	-	7,388,750	-	-	-	-	-
Revenues (to) from primary government	(1,544,625)	(419,908)	(325,365)	(173,802)	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)
Channel dredging Income/Expenses - Fed Govt	(2,400,726)	(7,100,005)	(6,762,000)	-	-	1,900,000	-	-	-	-
Voluntary Non-Exchange Income	-	(56,518)	100,339	166,303	35,590	38,825	7,787	8,996	8,722	-
Other income (expense)	-	(10,685,443)	(120,524)	(430,311)	(852,527)	3,793	(2,093,785)	88,879	(15,266,083)	708,585
Gain (loss) on disposals	(614,981)	(10,685,443)	(120,524)	(430,311)	(852,527)	3,793	(2,093,785)	88,879	(15,266,083)	708,585
Income (loss) before capital contributions and transfers	(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)	(34,797,308)
Transfers										
Commonwealth Port Fund allocation	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	37,223,718
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	27,200
Capital contribution to City of Norfolk	-	(5,000,000)	-	-	-	-	-	-	-	-
Increase (decrease) in Net Position	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)	2,453,610
Net Position - Beginning 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
Net Position - End of Year	\$ 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	\$ 366,107,515

Note this has been reorganized to reflect non operating incomes and expenses as they are currently depicted in the financial statements presented herein. Net Assets are now Net Position per GASBS 63

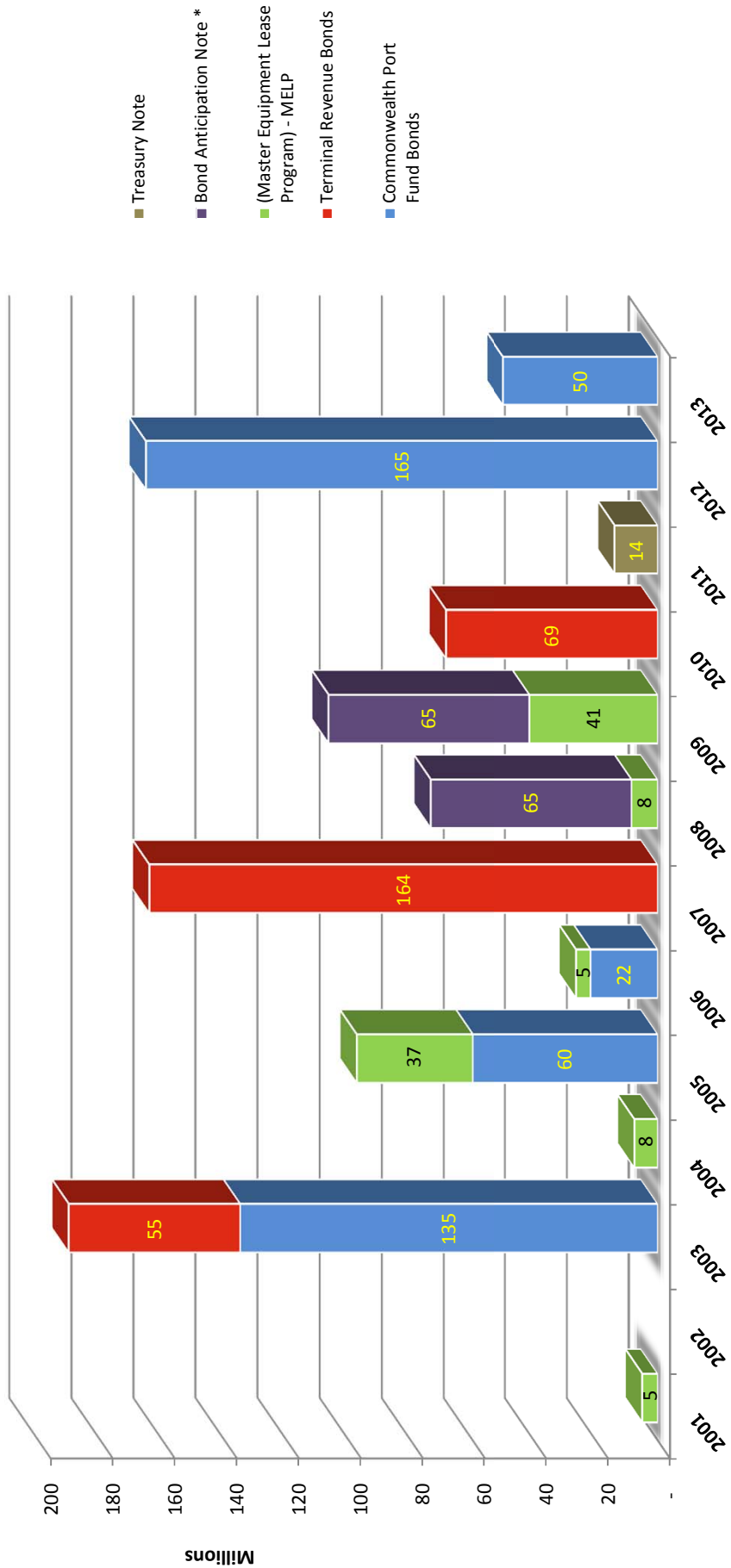
Revenue Capacity - These schedules and graphs contain trend data about how the revenue sources of the Authority have changed over time.

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



VIRGINIA PORT AUTHORITY
Port Facilities Revenue Bonds¹
Debt Service Requirements

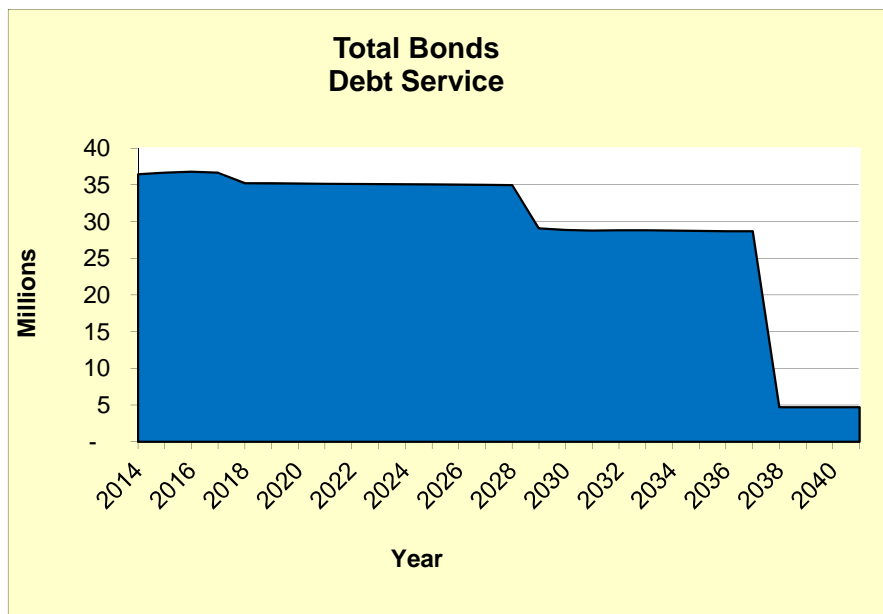
Period Ending June 30,	Series 2003 Bonds			Series 2006 Bonds			Series 2007 Bonds			Series 2010 Bonds			Total Bonds	
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Total	Debt Service
2014	1,310,000	2,149,500	3,459,500	90,000	4,390,219	4,480,219	3,050,000	3,217,500	6,267,500	-	3,308,319	3,308,319	3,308,319	17,515,538
2015	1,360,000	2,088,450	3,448,450	90,000	4,386,619	4,476,619	3,210,000	3,061,000	6,271,000	-	3,308,319	3,308,319	3,308,319	17,504,388
2016	1,430,000	2,016,956	3,446,956	95,000	4,382,919	4,477,919	3,365,000	2,896,625	6,261,625	-	3,308,319	3,308,319	3,308,319	17,494,819
2017	1,505,000	1,940,806	3,445,806	100,000	4,379,019	4,479,019	3,535,000	2,724,125	6,259,125	-	3,278,019	4,793,019	4,793,019	18,976,969
2018	1,585,000	1,859,694	3,444,694	100,000	4,375,019	4,475,019	3,710,000	2,543,000	6,253,000	1,515,000	3,208,344	4,783,344	4,783,344	18,956,057
2019	1,665,000	1,774,381	3,439,381	105,000	4,370,853	4,475,853	3,900,000	2,352,750	6,252,750	1,655,000	3,141,041	4,796,041	4,796,041	18,964,025
2020	1,755,000	1,684,606	3,439,606	115,000	4,366,244	4,481,244	4,090,000	2,153,000	6,243,000	1,710,000	3,070,363	4,780,363	4,780,363	18,944,213
2021	1,845,000	1,590,106	3,435,106	115,000	4,361,356	4,476,356	4,295,000	1,943,375	6,238,375	1,795,000	2,991,713	4,786,713	4,786,713	18,936,551
2022	1,945,000	1,499,128	3,444,128	120,000	4,356,363	4,476,363	4,510,000	1,723,250	6,233,250	1,865,000	2,909,188	4,774,188	4,774,188	18,927,929
2023	2,030,000	1,412,175	3,442,175	125,000	4,351,156	4,476,156	4,740,000	1,492,000	6,232,000	1,960,000	2,813,563	4,773,563	4,773,563	18,923,894
2024	2,115,000	1,321,503	3,436,503	135,000	4,345,547	4,480,547	4,970,000	1,249,250	6,219,250	2,060,000	2,723,363	4,783,363	4,783,363	18,919,663
2025	2,210,000	1,224,131	3,434,131	135,000	4,339,641	4,474,641	5,220,000	994,500	6,214,500	2,140,000	2,629,822	4,769,822	4,769,822	18,893,094
2026	2,310,000	1,116,713	3,426,713	145,000	4,333,516	4,478,516	5,480,000	727,000	6,207,000	2,245,000	2,531,178	4,776,178	4,776,178	18,888,406
2027	2,425,000	1,001,307	3,426,307	145,000	4,327,172	4,472,172	5,760,000	446,000	6,206,000	2,335,000	2,428,388	4,763,388	4,763,388	18,867,866
2028	2,545,000	880,188	3,425,188	155,000	4,320,319	4,475,319	6,040,000	151,000	6,191,000	2,450,000	2,312,613	4,762,613	4,762,613	18,854,119
2029	2,665,000	753,219	3,418,219	7,020,000	4,149,913	11,169,913	6,040,000	151,000	6,191,000	2,570,000	2,191,138	4,761,138	4,761,138	19,349,269
2030	2,795,000	625,388	3,420,388	7,355,000	3,808,506	11,163,506	6,040,000	151,000	6,191,000	2,695,000	2,063,663	4,758,663	4,758,663	19,342,556
2031	2,920,000	496,800	3,416,800	7,705,000	3,450,831	11,155,831	6,040,000	151,000	6,191,000	2,825,000	1,930,063	4,755,063	4,755,063	19,327,694
2032	3,055,000	362,363	3,417,363	8,065,000	3,076,294	11,141,294	6,040,000	151,000	6,191,000	2,960,000	1,787,750	4,747,750	4,747,750	19,306,406
2033	3,190,000	221,850	3,411,850	8,455,000	2,673,375	11,128,375	6,040,000	151,000	6,191,000	3,110,000	1,636,000	4,746,000	4,746,000	19,286,225
2034	3,335,000	75,038	3,410,038	8,875,000	2,240,125	11,115,125	6,040,000	151,000	6,191,000	3,265,000	1,476,625	4,741,625	4,741,625	19,266,788
2035				12,805,000	1,698,125	14,503,125	6,040,000	151,000	6,191,000	3,425,000	1,309,375	4,734,375	4,734,375	19,237,500
2036				13,445,000	1,041,875	14,486,875	6,040,000	151,000	6,191,000	3,600,000	1,133,750	4,733,750	4,733,750	19,220,625
2037				14,115,000	352,875	14,467,875	6,040,000	151,000	6,191,000	3,780,000	949,250	4,729,250	4,729,250	19,197,125
2038							6,040,000	151,000	6,191,000	3,965,000	755,625	4,720,625	4,720,625	4,720,625
2039							6,040,000	151,000	6,191,000	4,165,000	552,375	4,717,375	4,717,375	4,717,375
2040							6,040,000	151,000	6,191,000	4,375,000	338,875	4,713,875	4,713,875	4,713,875
2041							6,040,000	151,000	6,191,000	4,590,000	114,750	4,704,750	4,704,750	4,704,750
	\$ 45,995,000	\$ 26,094,301	\$ 72,089,301	\$ 89,610,000	\$ 87,877,878	\$ 177,487,878	\$ 65,875,000	\$ 27,674,375	\$ 93,549,375	\$ 68,630,000	\$ 60,201,789	\$ 128,831,789	\$ 128,831,789	\$ 471,958,343

Final Payment due 7/1/2033

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
2014	18,923,140	17,515,538	36,438,678
2015	19,154,929	17,504,388	36,659,316
2016	19,304,035	17,494,819	36,798,854
2017	17,684,625	18,976,969	36,661,594
2018	16,280,619	18,956,057	35,236,675
2019	16,263,869	18,964,025	35,227,895
2020	16,245,486	18,944,213	35,189,699
2021	16,224,586	18,936,551	35,161,136
2022	16,213,418	18,927,929	35,141,347
2023	16,201,334	18,923,894	35,125,228
2024	16,183,531	18,919,663	35,103,194
2025	16,173,201	18,893,094	35,066,295
2026	16,157,486	18,888,406	35,045,892
2027	16,143,076	18,867,866	35,010,942
2028	16,127,609	18,854,119	34,981,728
2029	9,731,619	19,349,269	29,080,888
2030	9,507,045	19,342,556	28,849,601
2031	9,470,625	19,327,694	28,798,319
2032	9,528,625	19,306,406	28,835,031
2033	9,522,250	19,286,225	28,808,475
2034	9,512,250	19,266,788	28,779,038
2035	9,502,750	19,237,500	28,740,250
2036	9,492,750	19,220,625	28,713,375
2037	9,481,250	19,197,125	28,678,375
2038		4,720,625	4,720,625
2039		4,717,375	4,717,375
2040		4,713,875	4,713,875
2041		4,704,750	4,704,750
	<u>\$ 339,030,106</u>	<u>\$ 471,958,343</u>	<u>\$ 810,988,449</u>



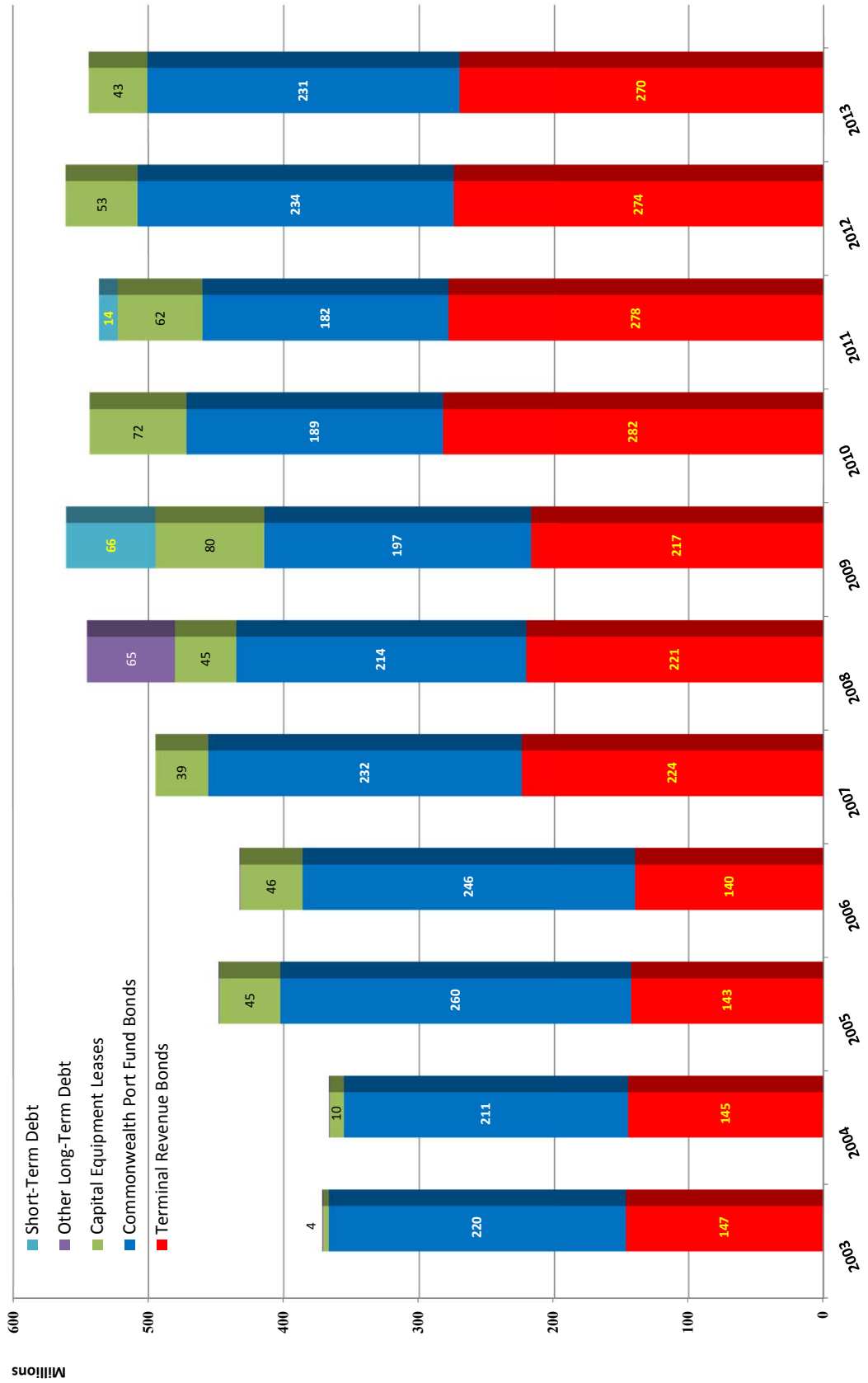
Virginia Port Authority
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

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
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
2013	270,110,000	230,505,000	43,427,551			544,042,551	1.54

* does not include premiums or deferred amounts

The Authority has no taxing authority and does not derive its revenues directly from the population of the Commonwealth. 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. The above ratio reflects debt as a percentage of operating revenues which fluctuate based on local, state, and world-wide economics.

Virginia Port Authority Outstanding Debt by Type



**OPERATING RESULTS AND DEBT SERVICE COVERAGE
CASH BASIS**

Virginia International Terminals

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
VIT Gross Receipts	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	319,328,898
VIT Current Expenses	(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)	(222,110,006)
VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	0	0	0	5,800,000	0	0	2,200,000	(900,000)	1,562,000	0
VIT Deposits to CEMA	(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)	(4,635,516)
Fixed Asset Proceeds/Expense Credit						0	0	0	385,738	(768,363)
VIT Net Revenue	37,199,832	41,241,912	53,689,148	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013

Virginia Port Authority

VPA Gross Revenues										
VIT Net Revenue	37,199,832	41,241,912	53,689,148	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013
Other Income	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	8,881,695
Interest Income	28,700	270,488	450,524	928,880	796,621	134,182	44,490	73,737	28,359	98,956
Total VPA Gross Revenues	38,687,539	43,745,636	56,907,350	72,986,953	75,493,754	53,764,092	56,338,088	85,108,434	91,187,282	100,795,664
VPA Current Expenses	(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)	(70,046,960)
Prior Obligations	(112,280)	(112,280)	(9,356)	0	0	0	0	0	0	0
VPA Net Revenues	18,998,014	23,914,376	33,804,863	46,484,058	47,739,369	28,693,010	33,360,203	29,749,346	25,917,310	30,748,703
VPA CPF for O & M	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	3,704,328

Debt Service Coverage

Series: 2003, 2006, 2007 and 2010 Bonds Net Debt Service	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	17,571,928
Pledged Net Revenues	21,340,421	29,307,185	38,216,927	49,346,089	49,818,496	36,474,089	35,176,184	33,591,499	30,618,699	35,384,219
Pledged Adjusted Net Revenues	26,883,185	33,528,051	43,641,394	54,442,736	53,786,129	39,927,912	39,616,810	39,195,571	34,650,725	39,088,547
Pledged Net Revenue Coverage (1.1x test)	2.28	3.00	3.95	3.75	3.67	2.62	2.48	1.89	1.76	2.01
Pledged Adjusted Net Revenue Coverage (1.35x test)	2.87	3.43	4.51	4.13	3.96	2.87	2.79	2.20	1.99	2.22

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

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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		POSITIONED FOR GROWTH		
<p>23</p> <p>DAYS</p> <p>transit from Asia</p>	<p>47</p> <p>HOURS</p> <p>to Chicago by train</p>	<p>50</p> <p>FEET</p> <p>channel depth</p>	<p>2.5</p> <p>HOURS</p> <p>from open sea</p>	<p>26</p> <p>CONTAINERS ACROSS</p> <p>crane reach</p>
<p>97+</p> <p>MILLION</p> <p>people within a day's drive</p>	<p>32</p> <p>PERCENT</p> <p>of cargo moving inland by rail</p>	<p>3rd</p> <p>LARGEST</p> <p>U.S. East Coast port</p>	<p>1st</p> <p>PORT</p> <p>ISO 9001 certified on the U.S. East Coast</p>	<p>54:46</p> <p>RATIO</p> <p>of container exports to imports</p>

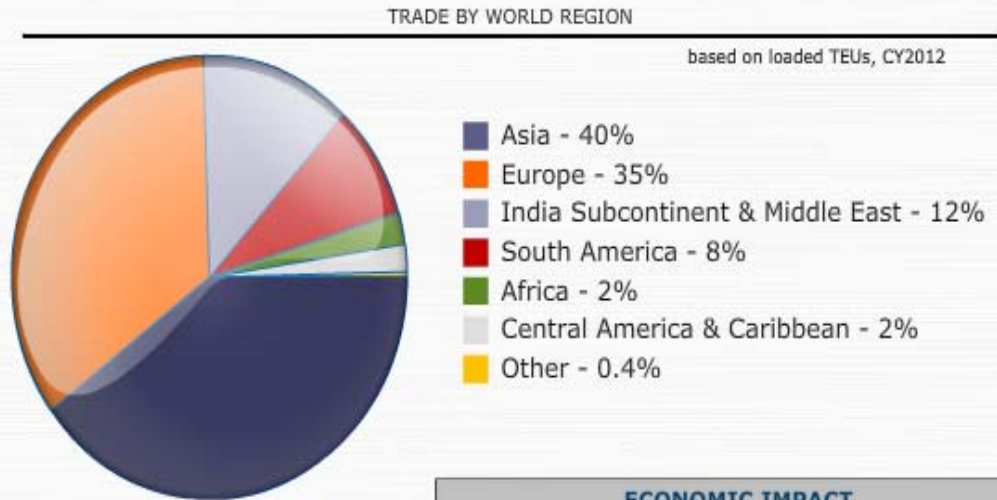
GLOBAL REACH

80+

FOREIGN PORTS
linked to with direct service

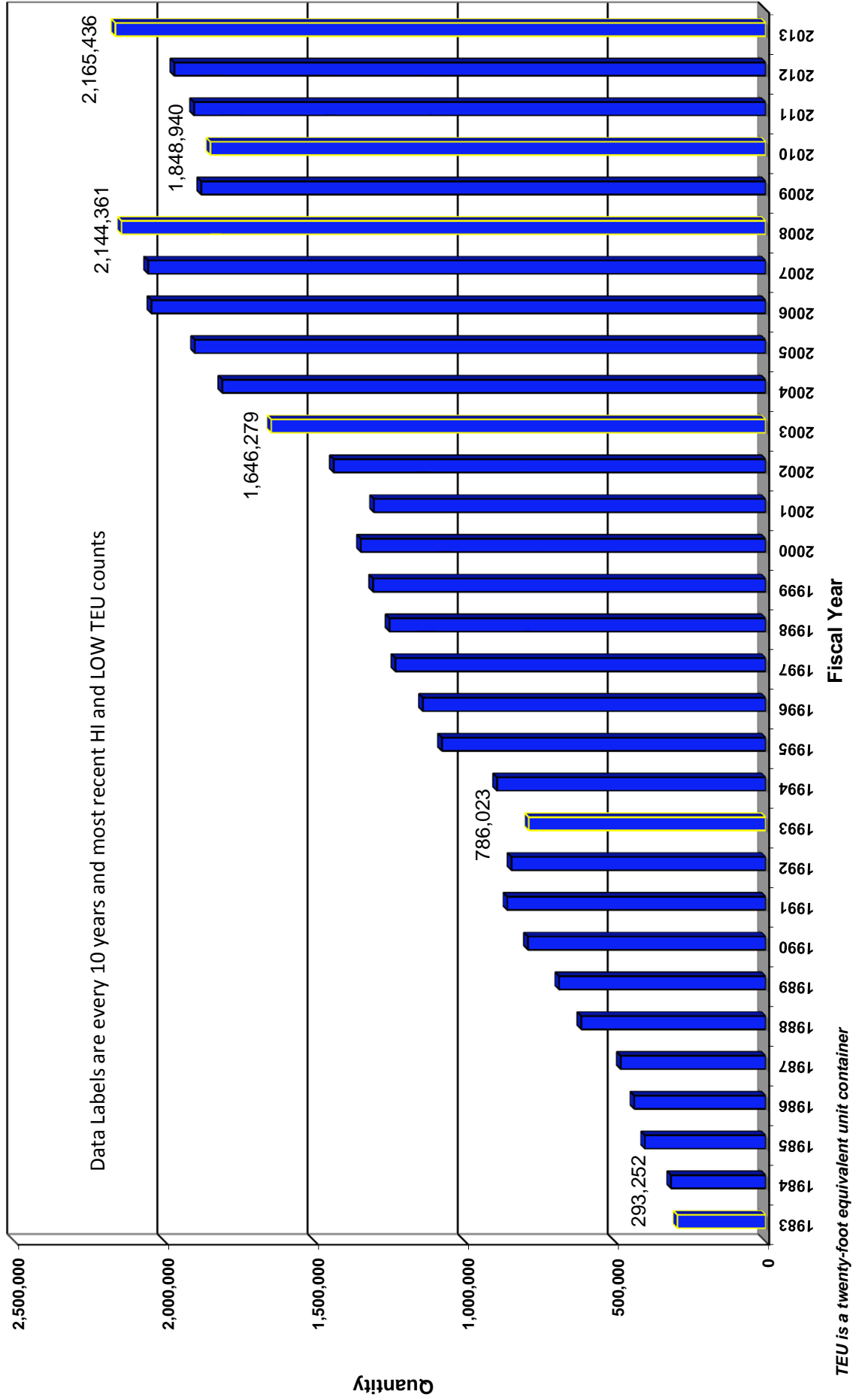
200+

NATIONS
we reach



ENVIRONMENTAL LEADERSHIP			ECONOMIC IMPACT	
<p>1st</p> <p>MAJOR PORT</p> <p>ISO 14001 certified on the U.S. East Coast</p>	<p>38</p> <p>PERCENT</p> <p>air emission reduction since 1999</p>	<p>1st</p> <p>PORT</p> <p>to voluntarily implement diesel truck retrofit program</p>	<p>343</p> <p>THOUSAND</p> <p>jobs</p>	<p>41</p> <p>BILLION</p> <p>total revenue (U.S. dollars)</p>

Virginia Port Authority Twenty-Foot Equivalent Units (TEU's)



The Port of Virginia 2012 Key Performance Indicators

TOTAL	EXPORT		IMPORT	
	Short Tons (Thousands)	Metric Tons (Thousands)	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	70,210.07	63,694.15	61,050.05	55,384.25
General Cargo	17,527.73	15,900.89	9,655.86	8,759.65
Container Cargo	17,155.58	15,563.28	9,595.69	8,705.06
Breakbulk Cargo	372.14	337.60	60.17	54.59
Container Units	1,209,822		649,421	
TEUs	2,105,887		1,132,376	
Total Cargo Dollar Value (Millions)	63,082.46		27,352.03	
Total Cargo			Total Cargo	Total Cargo
			General Cargo	General Cargo
			Breakbulk Cargo	Breakbulk Cargo
			Container Units	Container Units
			TEUs	TEUs
			Total Cargo Dollar Value (Millions)	Total Cargo Dollar Value (Millions)

Vessel Calls 2,866

Coal Loadings* Short Tons (Thousands) 50,048.78

*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	5,529,913	33%
Savannah	2,966,217	18%
Hampton Roads	2,105,887	13%
Charleston	1,514,590	9%
Port Everglades	926,180	6%
Jacksonville	923,009	6%
Miami	909,197	6%
Baltimore	678,262	4%
Wilmington(NC)	270,792	2%
Philadelphia	267,377	2%

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

The Port of Virginia

2012 Total Cargo in Thousands of Short Tons

Top 10 Trading Partners

Exports	Imports
1 Italy 6,815.46	1 China 1,698.60
2 Netherlands 6,592.99	2 Brazil 888.62
3 Brazil 4,556.03	3 Germany 658.28
4 India 4,214.77	4 India 544.06
5 Turkey 4,172.10	5 Italy 421.93
6 China 4,012.14	6 Turkey 330.57
7 United Kingdom 3,021.41	7 France 309.47
8 France 2,925.12	8 Trinidad & Tobago 285.21
9 Korea, South 2,480.60	9 Japan 249.67
10 Germany 2,391.77	10 Canada 209.94

Top 10 Commodities

Exports	Imports
1 Mineral Fuel, Oil Etc 48,549.38	1 Machinery 714.17
2 Misc Grain,Seed,Fruit 1,713.04	2 Furniture And Bedding 551.83
3 Woodpulp, Etc. 1,492.92	3 Salt;Sulfur;Earth,Stone 509.11
4 Food Waste; Animal Feed 1,203.71	4 Beverages 480.89
5 Wood 1,082.89	5 Vehicles, Not Railway 480.82
6 Iron And Steel 892.52	6 Fertilizers 474.31
7 Plastic 557.27	7 Mineral Fuel, Oil Etc 422.92
8 Paper,Paperboard 545.08	8 Rubber 381.77
9 Cereals 516.82	9 Paper,Paperboard 364.10
10 Organic Chemicals 428.21	10 Wood 363.00

Trade Lanes

Export	Import
Africa 3,122.24	249.55
Asia, Northeast 8,821.02	2,093.21
Asia, Southeast 1,197.25	589.31
Caribbean 374.21	343.66
Central AM 115.24	64.02
Europe, North 22,665.41	2,417.24
India & Others 4,389.88	625.23
Mediterranean 13,551.78	1,091.54
Middle East 676.69	135.20
North America 744.44	223.79
Oceania 126.26	53.30
South America 5,265.64	1,273.96

Top U.S. Ports

1 Houston, TX 162,526.93
2 New Orleans, LA 107,245.32
3 Los Angeles, CA 73,355.71
4 Port of Virginia 70,210.07
5 Gramercy, LA 69,490.28
6 Newark, NJ 62,471.06
7 Long Beach, CA 49,215.80
8 Morgan City, LA 48,542.81
9 Port Arthur, TX 45,797.10
10 Corpus Christi, TX 44,666.67

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

The Port of Virginia

2012 Total Cargo in Thousands of Metric Tons

Top 10 Trading Partners

Exports		Imports		Top 10 Commodities	
1 Italy	6,182.95	1 China	1,540.96	1 Mineral Fuel, Oil Etc	44,043.71
2 Netherlands	5,981.12	2 Brazil	806.15	2 Misc Grain,Seed,Fruit	1,554.06
3 Brazil	4,133.20	3 Germany	597.19	3 Woodpulp, Etc.	1,354.37
4 India	3,823.61	4 India	493.57	4 Food Waste; Animal Feed	1,092.00
5 Turkey	3,784.90	5 Italy	382.78	5 Wood	982.39
6 China	3,639.79	6 Turkey	299.89	6 Iron And Steel	809.69
7 United Kingdom	2,741.01	7 France	280.75	7 Plastic	505.55
8 France	2,653.65	8 Trinidad & Tobago	258.74	8 Paper,Paperboard	494.50
9 Korea, South	2,250.38	9 Japan	226.50	9 Cereals	468.86
10 Germany	2,169.80	10 Canada	190.46	10 Organic Chemicals	388.47

Trade Lanes

	Export	Import
Africa	2,832.48	226.39
Asia, Northeast	8,002.38	1,898.95
Asia, Southeast	1,086.14	534.61
Caribbean	339.49	311.77
Central AM	104.55	58.08
Europe, North	20,561.92	2,192.91
India & Others	3,982.47	567.20
Mediterranean	12,294.09	990.24
Middle East	613.89	122.66
North America	675.35	203.02
Oceania	114.54	48.35
South America	4,776.96	1,155.73

Top U.S. Ports

1 Houston, TX	147,443.47
2 New Orleans, LA	97,292.32
3 Los Angeles, CA	66,547.87
4 Port of Virginia	63,694.15
5 Gramercy, LA	63,041.17
6 Newark, NJ	56,673.37
7 Long Beach, CA	44,648.28
8 Morgan City, LA	44,037.74
9 Port Arthur, TX	41,546.86
10 Corpus Christi, TX	40,521.34

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

The Port of Virginia

2012 Total Cargo in Millions of U.S. Dollars

Top 10 Trading Partners

Exports		Imports		Top 10 Commodities	
1 China	3,047.97	1 China	6,690.14	1 Machinery	4,855.38
2 Germany	2,278.98	2 Germany	4,556.25	2 Pharmaceutical Products	1,859.66
3 Brazil	1,856.86	3 Japan	2,565.24	3 Plastic	1,839.85
4 Belgium	1,455.58	4 India	2,401.94	4 Organic Chemicals	1,341.11
5 United Kingdom	1,430.68	5 Italy	2,102.03	5 Vehicles, Not Railway	1,207.90
6 Netherlands	1,316.96	6 Brazil	2,005.53	6 Electrical Machinery	1,117.66
7 Japan	996.23	7 Singapore	1,274.33	7 Tobacco	987.00
8 India	982.07	8 France	1,202.78	8 Misc Grain, Seed, Fruit	939.42
9 Saudi Arabia	961.67	9 United Kingdom	1,123.94	9 Misc. Chemical Products	763.65
10 Russia	695.15	10 Spain	988.82	10 Meat	672.00

Trade Lanes

	Export	Import
Africa	1,632.15	566.71
Asia, Northeast	5,029.38	9,792.15
Asia, Southeast	1,440.81	3,441.62
Caribbean	286.23	219.17
Central AM	268.42	222.55
Europe, North	10,141.90	11,550.92
India & Others	1,420.65	2,831.50
Mediterranean	1,511.86	3,953.21
Middle East	2,180.32	395.74
North America	74.49	108.44
Oceania	396.76	42.97
South America	2,969.06	2,605.45

Top U.S. Ports

1 Los Angeles, CA	283,552.86
2 Houston, TX	176,660.80
3 Newark, NJ	147,828.97
4 Long Beach, CA	100,973.89
5 Savannah, GA	75,294.64
6 Charleston, SC	63,638.10
7 Port of Virginia	63,082.46
8 New Orleans, LA	59,171.37
9 New York, NY	57,372.93
10 Baltimore, MD	53,851.02

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

Other Operational Information

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

*6 Years	VPA Employee Base by Classification					
Type	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Sworn Officers/ Security Personnel	93	97	82	81	49	42
Marketing/Economic Development Personnel	26	6	6	8	9	13
Port Promotions Personnel	6	6	5	6	5	2
Engineering & Acquisition Personnel	7	9	8	8	7	7
Administrative Personnel	20	28	23	23	22	17
Agency Totals	152	146	124	126	92	81

* 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, 2013

Operating Revenues	\$103,146,622	71%	Operating Expenses	\$120,632,830	84%
Non-operating Revenues	42,157,245	29%	Non-operating Expenses	22,217,427	16%
Total Revenues	<u>\$145,303,867</u>		Total Expenses	<u>\$142,850,257</u>	

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, \$90.3 million or 87.5% 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 79.8% 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**

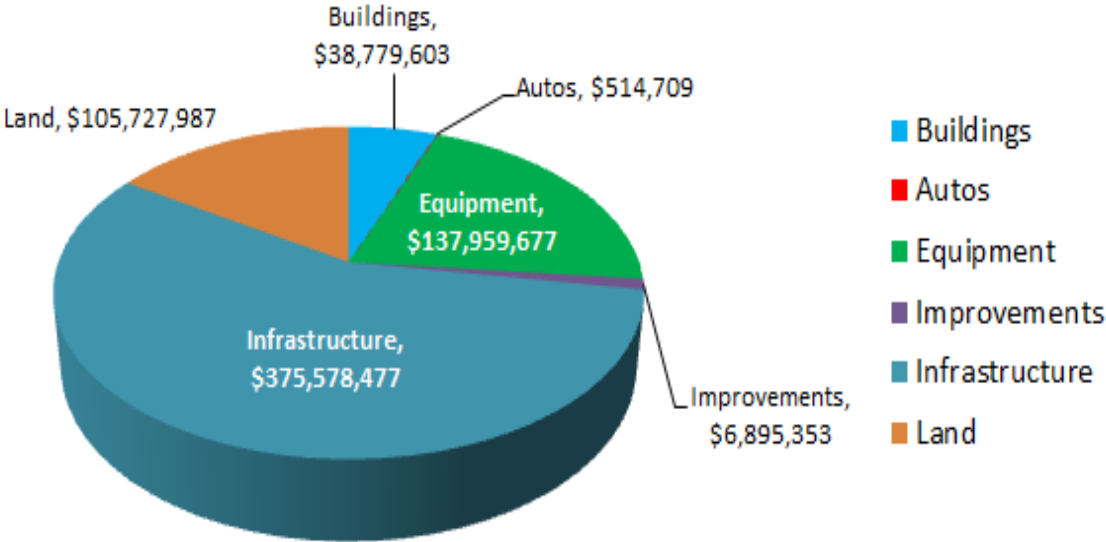
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Terminals Operated (total)	4	4	4	4	4	4	4	5	6	6
Owned	4	4	4	4	4	4	4	4	4	4
Leased	-	-	-	-	-	-	-	1	2	2
Land (acres)	1,169	1,169	1,169	1,169	1,169	1,235	1,235	1,509	1,630	1,630
Berth/Wharf (linear feet)	11,815	11,815	11,815	11,815	12,715	12,715	13,385	18,500	20,084	20,084
Rail Track (linear feet)	169,940	169,940	169,940	169,940	169,940	169,940	169,940	187,457	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	2,523,105
Net Book Value of Capital Assets	\$ 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	\$ 774,702,026
Construction in Process	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	109,246,220
Land	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	105,727,987
Buildings and Infrastructure	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	715,772,002
Equipment	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	280,120,829
Depreciation (Accumulated)	(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)	(436,165,011)



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 (5.83%), improvements (1.04%) and autos (0.08%).

Net Book Value of Assets by Classification



This chart excludes Construction in Progress (109M) and Assets Held for Sale (2M) as these assets are not currently used in operations.

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TERMINALS

8085

CAPITAL

APM

8135

COMPLIANCE SECTION

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VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2013

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

**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)**

**COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS
SERIES 2012B (Taxable)**

**COMMONWEALTH PORT FUND REVENUE REFUNDING BONDS
SERIES 2012C (Non-AMT)**

BASE CUSIP NUMBER: 928075

VIRGINIA PORT AUTHORITY

**Continuing Disclosure Agreement
Annual Report**

**For Fiscal Year Ended
June 30, 2013**

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

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)

Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B (Taxable)

Commonwealth Port Fund Revenue Refunding Bonds, Series 2012C (Non-AMT)

Table of Contents

Table 1	Taxes Appropriated to Commonwealth Port Fund
Table 2	Net Transfers to the Commonwealth Port Fund
Table 3	Debt Service Requirements and Coverage
Table 4	Authority Revenues and Expenses
Table 5	Cargo Data

TABLE 1 - TAXES APPROPRIATED TO COMMONWEALTH PORT FUND

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

**TRANSPORTATION TRUST FUND
STATEMENT OF REVENUE COLLECTIONS
FISCAL YEARS 2004 THROUGH 2013**

**Transportation Trust Fund
(in millions)**

<u>Fiscal Year</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Retail Sales and Use Tax	\$415.0	\$449.9	\$476.3	\$517.3	\$524.9	\$499.4	\$490.7	\$477.3	\$503.1	\$521.2
Motor Vehicle Sales and Use Tax ⁽¹⁾	215.4	219.3	215.9	215.4	194.3	150.8	162.0	183.6	198.3	201.8
Motor Fuel Taxes ⁽²⁾	118.1	119.1	118.5	118.0	122.4	116.8	115.0	117.7	115.5	123.7
Motor Vehicle Registration Fees	<u>20.5</u>	<u>20.6</u>	<u>21.1</u>	<u>21.3</u>	<u>21.4</u>	<u>21.6</u>	<u>20.8</u>	<u>21.2</u>	<u>21.2</u>	<u>21.7</u>
Total Transportation Trust Fund Revenues ⁽³⁾	<u>\$769.0</u>	<u>\$808.9</u>	<u>\$831.8</u>	<u>\$872.0</u>	<u>\$863.0</u>	<u>\$788.6</u>	<u>\$788.5</u>	<u>\$799.8</u>	<u>\$838.1</u>	<u>\$868.4</u>

⁽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.

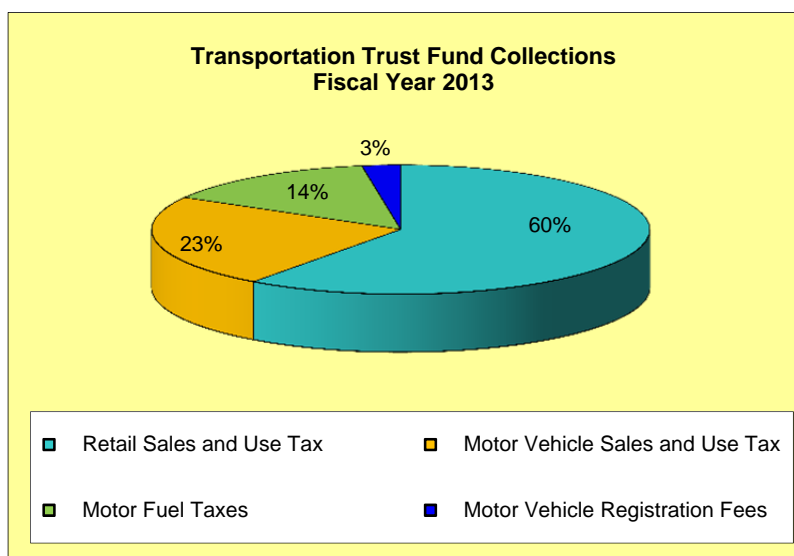


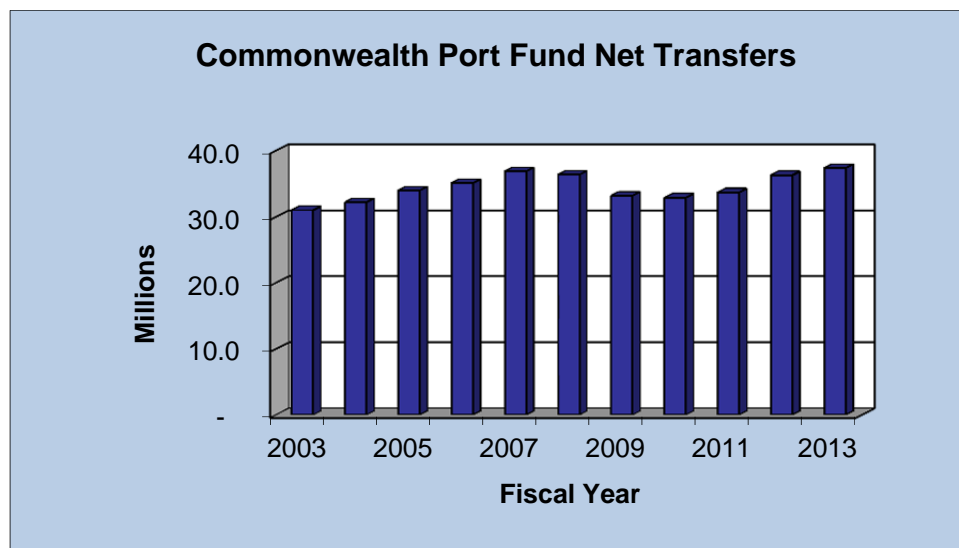
TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

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 2004 through 2013. The net transfers to the Income Account (“Primary Income”) are pledged to the payment of bonds issued under the Bond Resolution.

<u>Fiscal Year</u>	<u>Allocation</u> ⁽¹⁾	(+)	<u>Interest Earned</u> ⁽²⁾	(—)	<u>Indirect Expenses</u> ⁽²⁾	(=)	<u>Net Transfers</u>
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
2013	37,200,445		228,015		-		37,428,460

- (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.

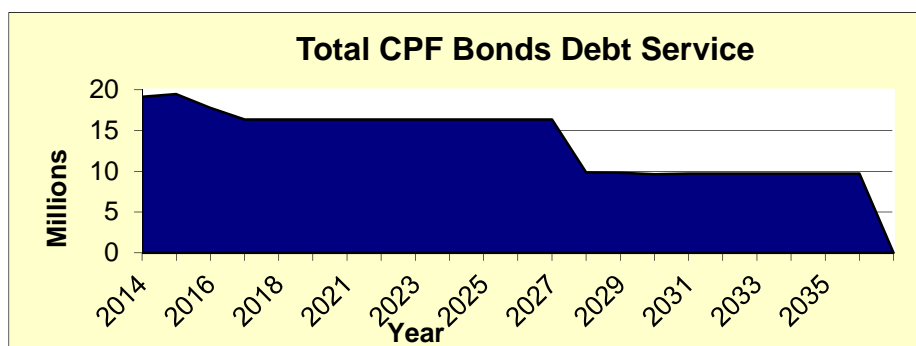
TABLE 3 - DEBT SERVICE REQUIREMENTS AND COVERAGE

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

<u>Fiscal</u> <u>Year</u> <u>Ending</u> <u>June</u> <u>30,</u>	<u>Series 2005</u> <u>Bonds Debt</u> <u>Service</u>	<u>Series 2006</u> <u>Bonds Debt</u> <u>Service</u>	<u>Series 2011</u> <u>Bonds Debt</u> <u>Service</u>	<u>Series 2012</u> <u>Bonds Debt</u> <u>Service</u>	<u>Series 2012-</u> <u>B Bonds</u> <u>Debt Service</u>	<u>Series 2012-</u> <u>C Bonds</u> <u>Debt</u> <u>Service</u>	<u>Total Bonds</u> <u>Debt</u> <u>Service*</u>
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
2014	2,028,500	3,119,175	2,868,500	9,057,691	1,840,506	224,150	19,138,522
2015	2,026,500	3,118,750	2,868,500	9,055,967	2,177,467	224,150	19,471,334
2016		1,440,075	2,868,500	9,051,727	4,202,284	224,150	17,786,736
2017			2,868,500	9,056,183	4,203,681	224,150	16,352,514
2018			2,868,500	9,060,858	4,204,215	224,150	16,357,723
2019			2,868,500	9,057,183	4,205,183	224,150	16,355,016
2020			2,868,500	9,059,999	4,198,307	224,150	16,350,956
2021			2,868,500	9,054,463	4,206,102	224,150	16,353,215
2022			2,868,500	9,059,515	4,201,456	224,150	16,353,621
2023			2,868,500	9,052,182	4,204,215	224,150	16,349,047
2024			2,868,500	9,056,657	4,203,708	224,150	16,353,015
2025			2,868,500	9,056,269	4,204,468	224,150	16,353,387
2026			2,868,500	9,054,741	4,204,193	224,150	16,351,584
2027			2,868,500	9,054,756	4,202,163	224,150	16,349,569
2028			5,433,500		4,202,998	224,150	9,860,648
2029			5,430,250		3,373,190	1004,150	9,807,590
2030			5,425,750			4,215,750	9,641,500
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			9,713,000				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, 2013	\$37,428,460
Maximum Annual Debt Service (FY 2015)	\$19,471,334
Pro Forma Maximum Annual Debt Service Coverage.....	1.92

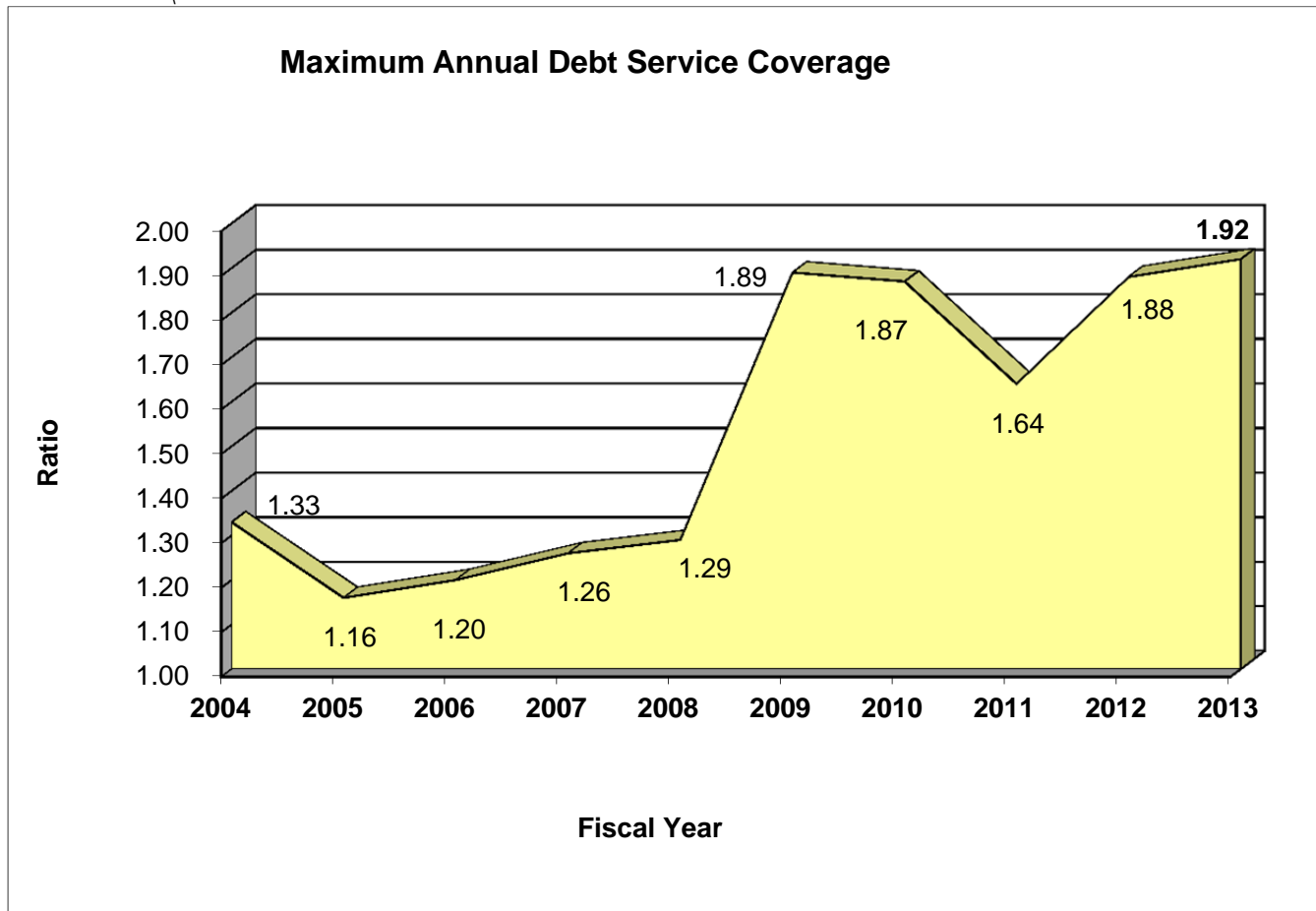


TABLE 4 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Special Fund	\$53,792,050	\$51,674,067	\$85,108,434	\$91,187,281	\$101,471,234
Commonwealth Port Fund	44,877,434	33,143,978	38,037,653	39,567,591	36,407,247
General Fund and Other ⁽¹⁾	<u>4,075,859</u>	<u>3,595,647</u>	<u>12,528,168</u>	<u>16,308,868</u>	<u>9,900,445</u>
Total Revenues	<u>102,745,343</u>	<u>88,413,692</u>	<u>135,674,255</u>	<u>147,063,740</u>	<u>147,778,926</u>
Expenses					
Economic Development Services:					
National & International Trade Services	5,364,013	3,819,656	3,761,148	3,968,242	3,439,495
Port Traffic Rate Management	108,176	226,108	234,152	-	-
Commerce Advertising	793,841	707,838	709,688	559,698	469,076
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	27,241,311	18,959,218	18,072,782	19,799,331	9,773,168
Port Facilities Planning	832,369	625,205	751,266	1,010,574	1,127,590
Debt Service for Port Facilities	44,825,317	42,984,373	46,158,790	49,920,920	52,319,515
Financial Assistance for Port Activities:					
Agency Service Fee	-	-	-	-	94
Aid to Local Ports	478,883	820,168	643,166	1,101,807	720,869
Payment in Lieu of Taxes	1,002,587	1,022,736	1,017,799	1,094,329	1,138,819
Administration & Support Services:					
General Management & Direction	5,720,365	6,154,384	6,230,119	6,824,650	6,492,465
Facility Rental	-	-	29,740,480	39,786,987	46,780,747
Security Services	<u>9,804,301</u>	<u>9,263,150</u>	<u>12,039,534</u>	<u>14,280,805</u>	<u>13,188,697</u>
Total Operating Expenditures	<u>96,171,163</u>	<u>84,582,836</u>	<u>119,358,924</u>	<u>138,347,343</u>	<u>135,450,535</u>
Funds Available for Capital Projects	<u>\$6,574,180</u>	<u>\$3,830,856</u>	<u>\$16,315,331</u>	<u>\$ 8,716,397</u>	<u>\$ 12,328,391</u>

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

TABLE 5 - CARGO DATA

The Authority’s ports handle a variety of general cargo. Bulk cargo, such as petroleum products, grain and coal, is not handled at the Port Facilities but is handled at facilities owned by railroads and other private operators. Set forth below are the major categories of general cargo handled by the Port Facilities based on the top 5 leading import and export commodities for the most recent calendar year.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Exports					
Paper and Paperboard	913,901	955,164	790,318	925,574	1,067,645
Wood Pulp	388,330	466,096	508,539	545,493	698,144
Logs and Lumber	574,667	463,015	500,554	511,124	623,483
Soybeans & Product	411,382	503,328	530,055	311,957	502,941
Mixed Metal Scrap	206,020	251,857	230,872	244,133	322,544
Imports					
Auto Parts	269,814	151,273	225,555	366,672	479,764
Furniture	429,493	351,840	412,284	397,934	479,585
Non Alcoholic Beverages	208,711	195,469	160,013	157,022	219,772
Paper and Paperboard	173,803	193,515	199,264	175,526	219,171
Tobacco	185,499	175,739	124,735	129,884	192,922

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

Source: Port Import Export Reporting Service

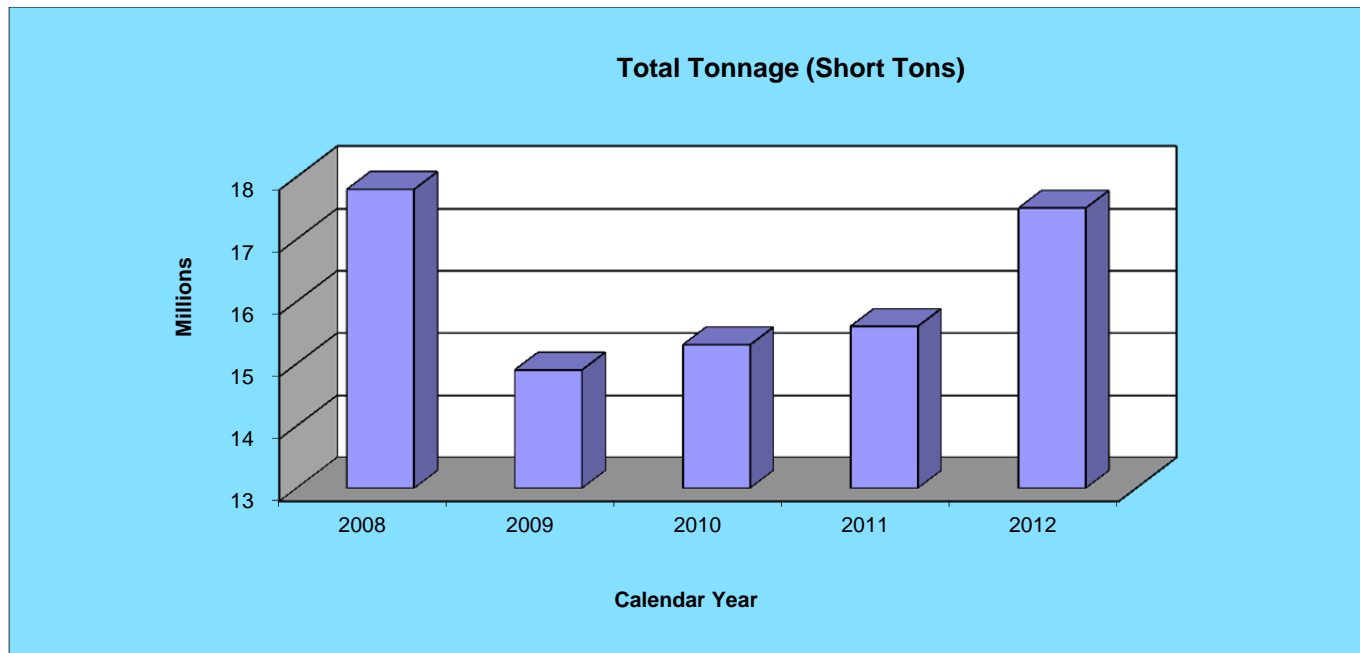
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

General Cargo Statistics for the Port of Virginia*
(Calendar Year)
(Short Tons)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Breakbulk	342,884	228,905	253,854	347,558	372,144
Container	<u>17,490,263</u>	<u>14,679,585</u>	<u>15,068,848</u>	<u>15,268,380</u>	<u>17,155,583</u>
Total Tons	<u>17,833,147</u>	<u>14,908,490</u>	<u>15,322,702</u>	<u>15,615,938</u>	<u>17,527,727</u>

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

Source: Terminal Operators' Statistics



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VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT

FOR FISCAL YEAR ENDED

JUNE 30, 2013

**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, 2013**

**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 2	VIT Revenue and Expenses
Table 3	Operating Results and Debt Service Coverage
Table 4	Debt Service Requirements
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TABLE 1 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Special Fund	\$53,792,050	\$51,674,067	\$85,108,434	\$91,187,281	\$101,471,234
Commonwealth Port Fund	44,877,434	33,143,978	38,037,653	39,567,591	36,407,247
General Fund and Other ⁽¹⁾	<u>4,075,859</u>	<u>3,595,647</u>	<u>12,528,168</u>	<u>16,308,868</u>	<u>9,900,445</u>
Total Revenues	<u>102,745,343</u>	<u>88,413,692</u>	<u>135,674,255</u>	<u>147,063,740</u>	<u>147,778,926</u>
Expenses					
Economic Development Services:					
National & International Trade Services	5,364,013	3,819,656	3,761,148	3,968,242	3,439,495
Port Traffic Rate Management	108,176	226,108	234,152	-	-
Commerce Advertising	793,841	707,838	709,688	559,698	469,076
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	27,241,311	18,959,218	18,072,782	19,799,331	9,773,168
Port Facilities Planning	832,369	625,205	751,266	1,010,574	1,127,590
Debt Service for Port Facilities	44,825,317	42,984,373	46,158,790	49,920,920	52,319,515
Financial Assistance for Port Activities:					
Agency Service Fee	-	-	-	-	94
Aid to Local Ports	478,883	820,168	643,166	1,101,807	720,869
Payment in Lieu of Taxes	1,002,587	1,022,736	1,017,799	1,094,329	1,138,819
Administration & Support Services:					
General Management & Direction	5,720,365	6,154,384	6,230,119	6,824,650	6,492,465
Facility Rental	-	-	29,740,480	39,786,987	46,780,747
Security Services	<u>9,804,301</u>	<u>9,263,150</u>	<u>12,039,534</u>	<u>14,280,805</u>	<u>13,188,697</u>
Total Operating Expenditures	<u>96,171,163</u>	<u>84,582,836</u>	<u>119,358,924</u>	<u>138,347,343</u>	<u>135,450,535</u>
Funds Available for Capital Projects	<u>\$6,574,180</u>	<u>\$3,830,856</u>	<u>\$16,315,331</u>	<u>\$ 8,716,397</u>	<u>\$ 12,328,391</u>

⁽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	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues:					
Operating	\$203,940,988	\$203,485,054	\$277,860,792	\$297,835,649	\$339,460,135
Nonoperating	<u>828,757</u>	<u>929,475</u>	<u>480,515</u>	<u>873,907</u>	<u>(148,527)</u>
Gross Revenues	<u>204,769,745</u>	<u>204,414,529</u>	<u>278,341,307</u>	<u>298,709,556</u>	<u>339,311,608</u>
Expenses:					
Operating & Maintenance Expenses	\$140,063,681	\$128,799,069	\$168,749,795	\$172,705,671	\$215,133,442
Administrative Expenses	<u>22,191,718</u>	<u>26,619,888</u>	<u>30,620,713</u>	<u>32,698,897</u>	<u>32,075,922</u>
Total Expenses	<u>162,255,399</u>	<u>155,418,957</u>	<u>199,370,508</u>	<u>205,404,568</u>	<u>247,209,364</u>
Income Before Transfers and Contributions⁽¹⁾	<u>\$42,514,346</u>	<u>\$48,995,572</u>	<u>\$78,970,799</u>	<u>\$93,304,988</u>	<u>\$92,102,244</u>

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 2009	FY 2010	FY 2011	FY 2012	FY 2013
Virginia International Terminals					
VIT Gross Receipts	\$213,953,605	\$ 193,786,201	\$ 262,193,694	\$ 285,172,289	\$ 319,328,898
VIT Current Expenses	(157,368,268)	(147,306,627)	(178,543,458)	(197,617,574)	(222,110,006)
VIT CE Reserve (Deposit)/Withdrawal	-	2,200,000	(900,000)	1,562,000	-
VIT Deposits to CEMA	(7,781,079)	(1,815,981)	(3,842,153)	(4,701,389)	(4,635,516)
Fixed Asset Proceeds/ Expense Credit				385,738	(768,363)
VIT Net Revenue	48,804,258	46,863,593	78,908,083	84,801,063	91,815,013
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	48,804,258	46,863,593	78,908,083	84,801,063	91,815,013
Other Income	4,825,652	9,430,005	6,126,614	6,357,859	8,881,695
Interest Income	134,182	44,490	73,737	28,359	98,956
Total VPA Gross Revenues	53,764,092	56,338,088	85,108,434	91,187,281	100,795,664
VPA Current Expenses	(25,071,082)	(22,977,886)	(55,359,088)	(65,269,973)	(70,046,960)
VPA Net Revenues	28,693,010	33,360,202	29,749,346	25,917,309	30,748,704
VPA CPF for O & M	3,453,823	4,440,627	5,604,072	4,032,026	3,704,328
Debt Service Coverage					
Port Facilities Revenue Bonds					
Net Debt Service	13,906,715	14,174,477	17,780,512	17,343,332	17,571,928
Pledged Net Revenues	36,474,089	35,176,183	33,591,499	30,618,698	35,384,220
Pledged Adjusted Net Revenues	39,927,912	39,616,811	39,195,571	34,650,724	39,088,547
Pledged Net Revenue Coverage	2.62	2.48	1.89	1.76	2.01
Pledged Adjusted Net Revenue Coverage	2.87	2.79	2.20	1.99	2.22

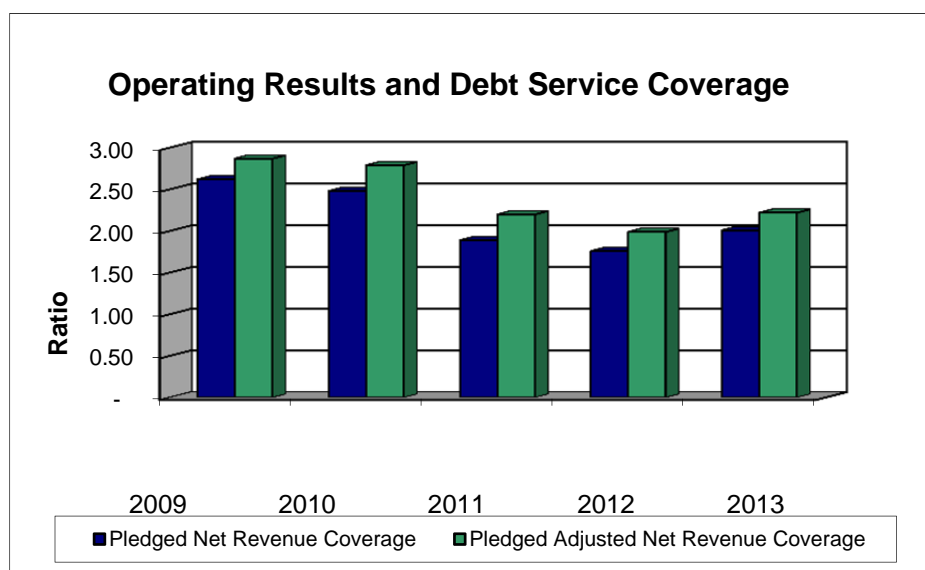


TABLE 4 - DEBT SERVICE REQUIREMENTS

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
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	4,822,613	19,130,701
2021	3,486,675	4,478,913	6,346,000	4,820,813	19,132,401
2022	3,486,581	4,478,813	6,350,500	4,822,563	19,138,457
2023	3,482,769	4,483,500	6,343,500	4,824,563	19,134,332
2024	3,485,238	4,477,594	6,345,000	4,822,163	19,129,995
2025	3,483,025	4,481,688	6,344,000	4,822,481	19,131,194
2026	3,485,400	4,475,344	6,350,000	4,819,875	19,130,619
2027	3,487,213	4,479,000	6,342,000	4,821,900	19,130,113
2028	3,483,163	11,336,638		4,823,325	19,643,126
2029	3,483,275	11,338,188		4,823,950	19,645,413
2030	3,482,500	11,338,825		4,823,375	19,644,700
2031	3,486,100	11,332,838		4,821,750	19,640,688
2032	3,483,625	11,339,750		4,823,750	19,647,125
2033	3,485,075	11,337,000		4,823,250	19,645,325
2034		14,823,250		4,820,000	19,643,250
2035		14,823,000		4,823,750	19,646,750
2036		14,820,750		4,823,750	19,644,500
2037				4,819,750	4,819,750
2038				4,821,500	4,821,500
2039				4,823,250	4,823,250
2040				4,819,500	4,819,500

TABLE 5 - CARGO DATA

The Authority’s ports handle a variety of general cargo. Bulk cargo, such as petroleum products, grain and coal, is not handled at the Port Facilities but is handled at facilities owned by railroads and other private operators. Set forth below are the major categories of general cargo handled by the Port Facilities based on the top 5 leading import and export commodities for the most recent calendar year.

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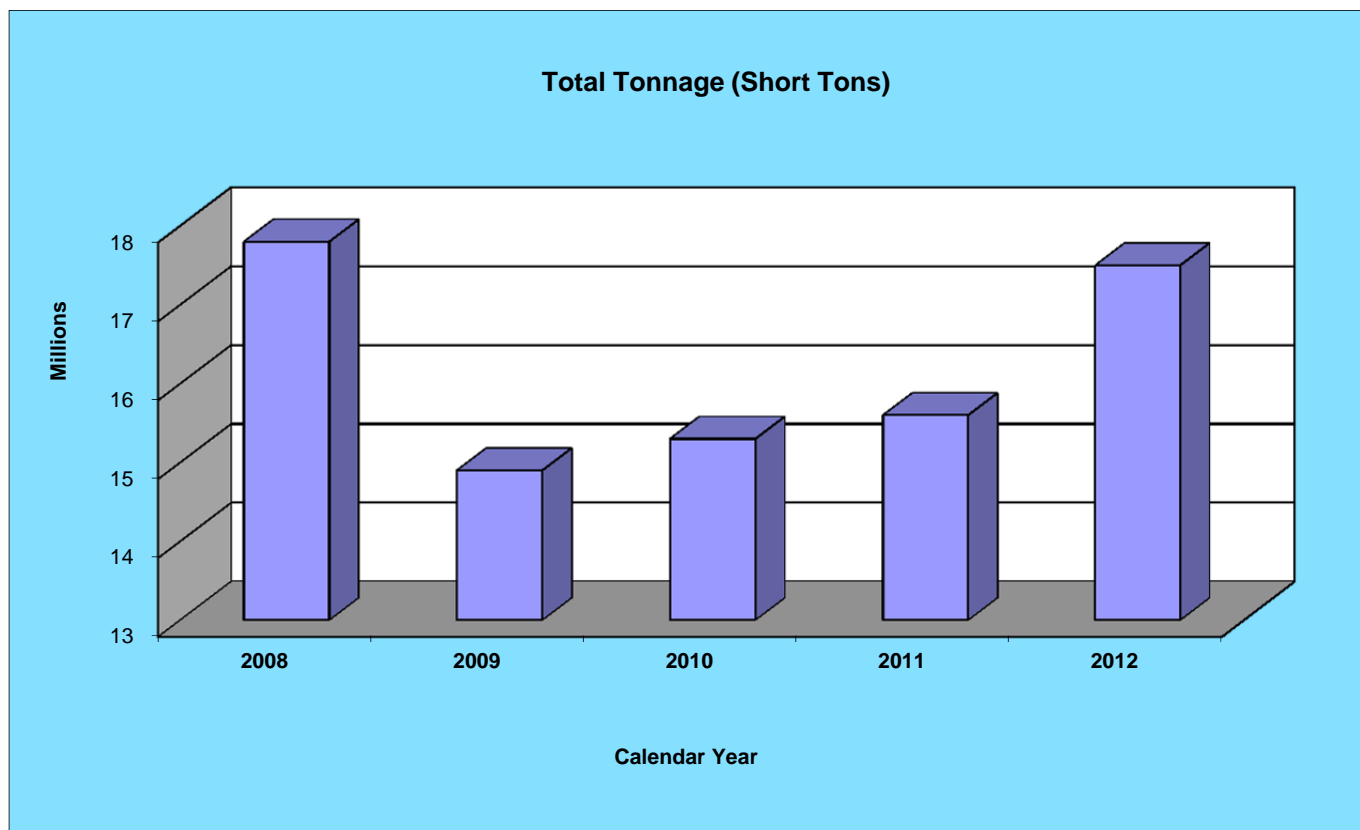
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Source: Terminal Operators' Statistics



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VIRGINIA PORT AUTHORITY

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