THE PORT OF VIRGINIA®

VIRGINIA PORT AUTHORITY

Comprehensive Annual Financial Report For Fiscal Year ended June 30, 2016

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

(This page left blank intentionally)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE

VIRGINIA PORT AUTHORITY

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by the Finance Division of the Virginia Port Authority

(This page left blank intentionally)

TABLE OF CONTENTS

	Pages
INTRODUCTORY SECTION	
Letter from the CEO and Executive Director	1 – 3
Letter of Transmittal	5 – 9
GFOA Certificate of Achievement	11
Board of Commissioners - current	13
Organizational Chart	15
FINANCIAL SECTION	
Independent Auditor’s Report on Financial Statements	17 – 19
Management’s Discussion and Analysis	21 – 29
Financial Statements:	
Statement of Net Position	30 – 31
Statement of Revenues, Expenses and Changes in Net Position	33
Statement of Cash Flows	34 – 35
Notes to Financial Statements	36 – 89
Required Supplementary Information	90 – 95
STATISTICAL SECTION	
Net Position by Component	97
Historical Revenues, Expenses, and Changes in Net Position	98
Historical Revenue Comparisons	99
Historical Debt Issuances	101
Debt Service Requirements	102 – 104
Ratio of Outstanding Debt by Type to Operating Revenues	105
Outstanding Debt by Type	106
Operating Results and Debt Service Coverage	107
Historical Debt Service Coverage Ratios	108
Demographic and Economic Information	109 – 111
Twenty-Foot Equivalent Unit Container Throughput	113
Calendar Year 2015 Trade Overview	114 – 117
Other Operational Information	118
Capital Assets	119
Operating Assets	120
Port of Virginia Consolidated Revenues, Expenses, and Changes in Net Position	121
Port of Virginia Consolidated Net Position by Component	122
COMPLIANCE SECTION	
Continuing Disclosure Agreement Annual Report (Commonwealth Port Fund Revenue Bonds)	123 – 131
Continuing Disclosure Agreement Annual Report (Port Facilities Revenue Bonds)	132 – 139

(This page left blank intentionally)


NYK LOGISTICS

(This page left blank intentionally)

John F. Reinhart
CEO/Executive Director

Virginia Port Authority
600 World Trade Center
Norfolk, VA 23510

October 26, 2016

Dear Customers, Stakeholders and Port Partners:

Fiscal year 2016 was filled with several milestones for The Port of Virginia®: we finished the fiscal year with a positive financial outcome for the second consecutive year; we continued to emphasize safety while handling a record-setting amount of container volume; rail cargo grew by 10 percent; and we were consistent in our delivery of service to our customers and port users. Most notably, we embarked on a plan to significantly expand the cargo capacity at our two primary container terminals, Virginia International Gateway and Norfolk International Terminals.

Led by Governor Terry N. McAuliffe and the General Assembly, Transportation Secretary Aubrey L. Layne and the Virginia Port Authority Board of Commissioners, we are entering an era of growth with a laser focus on making The Port of Virginia a primary gateway for global trade on the US East Coast and a catalyst for commerce in Virginia.

By 2020, we will have created the capacity to process 1 million additional container units through this port annually – a 40% increase overall – and we will move those units more safely, swiftly and sustainably than ever before. In the process, we will have created one of the East Coast's most modern container terminal complexes that will be capable of handling the largest ships in the Atlantic trade. Deep, unobstructed channels, modern terminals, a strong partnership with labor, a long-term plan for sustainable growth, a reputation as a progressive and growing port and the dedication of the port team are but a few of the things that make this maritime asset so unique.

We are capitalizing on those assets and our commercial resurgence continued in fiscal year 2016 having completed our second consecutive fiscal year of profitability. We finished the fiscal year having handled 2.57 million twenty-foot equivalent units and the result was a $4.8 million consolidated operating profit. Beyond that, we accomplished so much in the 12 months that ended June 30:

- **July 2015:** With the US Secretary of Transportation Anthony Foxx present, the port breaks ground on $31 million North Gate Project at Norfolk International Terminals.

- **August 2015:** The port posts its first yearly operating profit since 2008.

- **September 2015:** Ocean carrier CMA CGM announces it will offer a bill of lading (BOL) to Richmond Marine Terminal (RMT) bringing to nine the number of ocean carriers offering a BOL to Richmond.

- **October 2015:** Port handles 233,466 TEUs (twenty-foot equivalent units) making it the single busiest month in the port's history.

- **November 2015:** Most productive November on record for RMT in terms of container volume with a 9.6 percent increase when compared with prior year.

- **December 2015:** The port sets a new calendar-year record for container volume having handled more than 2.5 million TEUs.

- **January 2016**: For its efforts to keep the Elizabeth River clean, the port receives its 14^{th} consecutive RiverStar award from the Elizabeth River Project.

- **February 2016:** Port and Richmond city leaders sign a 40-year lease agreement for RMT; at the same event a new $4.2 million harbor crane debuts at the terminal.

- **March 2016:** Port leaders begin a three-stop trip in Hampton Roads, Richmond and Front Royal to deliver the State-of-the-Port address.

- **April 2016**: The Safety of Life at Sea requirements are implemented on deadline and without any disruption to delivery of service.

- **June 2016:** $1 million in grants are awarded to nine Virginia localities in support of capital upgrades, dredging or development through the port's Aid to Local Ports program.

- **July 2016:** The 10,000 TEU MOL Benefactor becomes the largest, and first ship to call Virginia through the widened Panama Canal.

- **July 2016:** The governor announces a state investment of $350 million to expand cargo capacity at NIT's South Berth by 46 percent.

- **September 2016:** The Port of Virginia signs a new, long-term lease for Virginia International Gateway that clears the way to begin work on doubling the terminal's capacity.

The Port of Virginia is in an enviable position.

Our natural assets include deep shipping channels that are easy to maintain; we are 18 miles from the open water of the Atlantic Ocean; we are situated within a day's drive of two-thirds of the nation's population; and we have room to add a fourth, state-owned, deep-water marine terminal. From a manmade perspective, we have the versatility to handle anything from automobiles to coffee to blade sets for massive wind turbines. Our on-dock rail service by the East's two Class I railroads, Norfolk Southern and CSX, is also a key primary asset.

Most importantly, we have a clear path forward and a plan for the future. With a priority on safety across all phases of the operation, we are taking the momentum we gained from the positive outcome of fiscal year 2016 and converting it into action as we prepare to start work on the expansion. The work we do in these next three-to-four years is truly going to chart The Port of Virginia's course for generations to come.

Sincerely Yours,

John F. Reinhart
CEO and Executive Director

(This page left blank intentionally)

THE PORT OF VIRGINIA®

VIRGINIA PORT AUTHORITY
600 WORLD TRADE CENTER, NORFOLK, VA 23510
(757) 683-8000

October 26, 2016

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 ("VPA" or "the Authority") for the fiscal year ended June 30, 2016, 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 PBMares, LLP, as well as numerous other audit functions, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

The Auditors at PBMares, LLP have issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2016. 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 Virginia International Gateway Terminal in Portsmouth (VIG) and also for the Richmond Marine Terminal (RMT). These facilities primarily handle import and export containerized, break-bulk, and bulk cargoes.

The Authority is managed by a 13 member Board of Commissioners - the State Treasurer, the Chief Executive Officer of the Virginia Economic Development Partnership, and 11 citizens appointed by the Governor. The Board of Commissioners, the VPA CEO and Executive Director and his staff, and the management of our component unit Virginia International Terminals, LLC (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 RMT) through a Service Agreement with the Authority. Effective August 17, 2013, VIT was converted from a nonprofit, non-stock corporation to a single-member limited liability company with VPA as the sole member of the Company. VIT's financial information is presented in the Authority's financial statements as a blended component unit. As a component unit, VIT is a legally separate organization that serves or benefits those outside of the Authority, but for which the Authority, as the primary institution, is financially accountable or closely related. The financial statements of VIT were audited separately. 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 prepare and submit 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 near all-time lows and have allowed the restructure of some of our debt through refunding, 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 Comprehensive Annual Financial Report (CAFR) was 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 umbrella policies.

Virginia Port Authority and the Economy

The Port's success has generated significant economic spin-off benefits to the Commonwealth. Annually, port-related business and activity directly and indirectly contribute to Virginia's economy and account for more than 374,000 jobs, $60.3 billion in spending, $17.5 billion in employee compensation, and $1.4 billion in state and local tax revenues. In calendar year 2016 (through September) alone, there have been 31 port-related economic development announcements to develop 2.5 million square feet of space, $725 million in investment, and 3,265 jobs. Since its opening, the Virginia Inland Port, located in Front Royal Virginia, has stimulated the attraction of some 39 warehousing and distribution centers near the Inland Port providing a total investment of $748 million with over 8 million square feet of space together with employee levels of over 8,000 workers. Household names like Wal-Mart, Target, Ace Hardware, Lumber Liquidators, and Keurig Green Mountain have all set up distribution/manufacturing 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 fifteen years, containerized cargo volume is expected to increase by over 60%, far exceeding the current capacity. The Port of Virginia has unique opportunities to meet this demand with the ability to further expand the VIG terminal, densification of NIT, and the proposed development of a new container terminal on the eastward side of Craney Island. The Hampton Roads region is also mobilizing 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 Port 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 Port of Virginia organization is unique in the industry and has a proven track record for success. For over 30 years, this structure resulted in phenomenal growth, benefiting not only Virginians but also the entire U.S. The Authority and VIT have recently undertaken a major reorganization 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 Richmond Marine Terminal, which takes trucks off the highways, cuts congestion and reduces emissions. Further, the VPA is investing in gate and rail infrastructure on-terminal and, where possible, advocating for regional rail projects that will benefit The Port of Virginia and the Commonwealth. 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. Additionally, the Authority has reorganized our Foreign Trade Zones (FTZ) into an Alternative Site Framework structure to enhance its ability to entice shipments of components for manufacturing and assembly. 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, 2015. This was the tenth 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 CAFR, as always, represents the combined effort of the entire Finance Division of the Virginia Port Authority and auditors at PBMares, 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,

Rodney W. Oliver

Rodney W. Oliver
Chief Financial Officer
And Treasurer to the Board

(This page left blank intentionally)

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, 2015

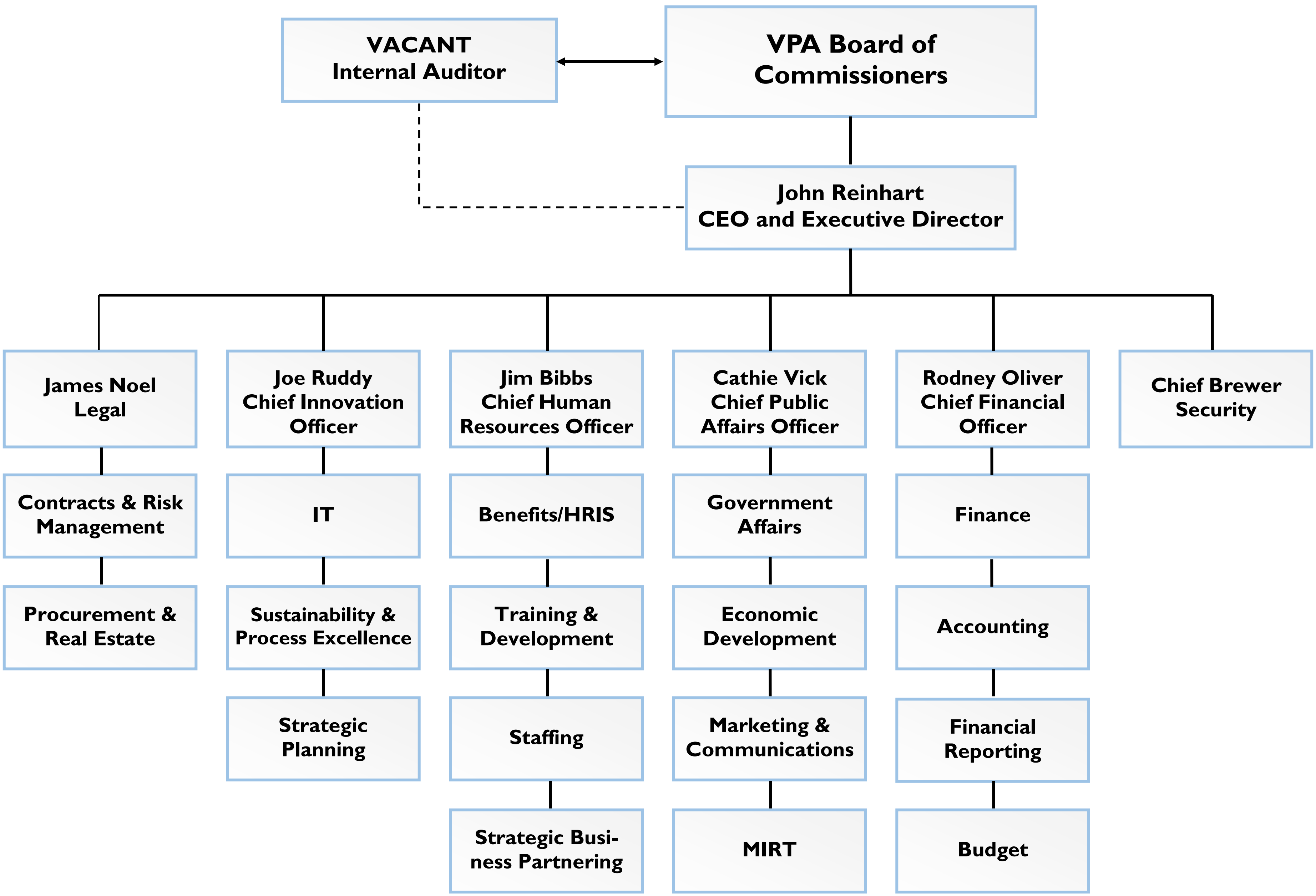
Jeffrey R. Emer

Executive Director/CEO

(This page left blank intentionally)

(This page left blank intentionally)

Virginia Port Authority Organizational Alignment



(This page left blank intentionally)


11
msc
msc
HARD HAT AREA
tex

(This page left blank intentionally)

PBMares SM

INDEPENDENT AUDITOR'S REPORT

The Honorable Terry McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

The Board of Commissioners
Virginia Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Virginia Port Authority (the Authority), a component unit of the Commonwealth of Virginia as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’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 Authority’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2016, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance 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 the Management's Discussion and Analysis and the required supplementary information on pages 21-29 and 90-95, respectively, 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The accompanying schedules listed in the table of contents as introductory section, statistical section, and compliance section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory, statistical, and compliance sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 26, 2016

(This page left blank intentionally)

VIRGINIA PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

(Unaudited)

Our discussion and analysis of the Virginia Port Authority's ("VPA" or "the Authority") financial performance provides an overview of VPA's financial activities as of and for the Fiscal Year ended June 30, 2016 (FY2016), with selected comparative information for the Fiscal Year ended June 30, 2015 (FY2015). It should be read in conjunction with the Authority's accompanying financial statements and the notes to financial statements. Virginia International Terminals, LLC (VIT) is presented in the Authority's consolidated financial statements as a blended component unit to emphasize that it serves or benefits those outside of the Authority, but that the unit is, in substance, part of the primary government's operations even though it is a separate legal entity. This discussion focuses on the blended presentation of VPA with its subsidiary VIT, and to the extent relevant, the results of VIT will include references accordingly.

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 within the Commonwealth, through the promotion of the shipment of goods and cargoes through the ports, improvement of the navigable tidal waters within the Commonwealth, and in general engaging in any activity within the scope of its mission which may be useful in developing, improving, or increasing 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: Virginia International Gateway (VIG), located in Portsmouth, Virginia and Richmond Marine Terminal (RMT), located in Richmond, Virginia on the James River. These facilities primarily handle import and export containerized and break-bulk cargoes. VIT operates the majority of the terminals; the exception being RMT, which is being operated by a separate third-party until November 1, 2016.

A Board of Commissioners governs the Authority. The Board is composed of the State Treasurer, the Chief Executive Officer of the Virginia Economic Development Partnership, and 11 members appointed by the Governor. While the Commissioners remain on the Board at the continuing discretion of the Governor, they serve staggered five-year terms. Commissioners may serve a maximum of two consecutive terms.

FINANCIAL HIGHLIGHTS

- Net position for VPA at June 30, 2016 increased by $38.3 million during FY2016 compared to an increase of $42.0 million during FY2015.

- Operating income for VPA declined from $13.6 million to $4.7 million, marking the second consecutive year that VPA has reflected an operating profit.

- Volume of nearly 1.5 million containers moved through the terminal properties owned or leased by VPA during FY2016, surpassing the previous year's record volume by 1.3%.

- Liquidity remained strong, with net working capital of $230.6 million and a current ratio (current assets divided by current liabilities) of 3.8.

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 operations (such as municipalities) and proprietary operations (those entities such as the Authority which generate their own revenues and, therefore, more closely resemble a private business), 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 specific financial transactions are recorded in a single Enterprise Fund.

As stated above, the Authority operates as a single Enterprise Fund with one blended component unit, Virginia International Terminals, LLC (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 are capitalized and depreciated over the useful lives of the respective assets (except for land, which is not depreciated). Please refer to Note 1 in the accompanying notes to financial statements for a summary of the Authority's significant accounting policies. Following this MD&A are the basic financial statements and required supplementary information of the Authority, along with its blended component unit - VIT. These statements and the statistical information, along with the MD&A are designed to provide readers with a more complete understanding of the Authority's finances as a governmental unit and on a consolidated basis.

The financial section of this annual report consists of four parts: MD&A, the basic financial statements, the notes to financial statements, and required supplementary information. 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, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, is one 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 and deferred outflows or resources, liabilities and deferred inflows of resources, and net position at June 30, 2016 and 2015, respectively, follows:

Net Position
(USD millions)

	2016	2015	Increase/ (Decrease)
ASSETS			
Current assets	$ 312.8	$ 307.9	$ 4.9
Capital assets, net	783.9	774.9	9.0
Other long-term assets	52.5	52.4	0.1
Total assets	1,149.2	1,135.2	14.0
DEFERRED OUTFLOWS OF RESOURCES	18.3	5.8	12.5
Total assets and deferred outflows of resources	1,167.5	1,141.0	26.5
LIABILITIES			
Current liabilities	82.2	75.3	6.9
Noncurrent liabilities	556.8	578.5	(21.7)
Total liabilities	639.0	653.8	(14.8)
DEFERRED INFLOWS OF RESOURCES	5.5	2.5	3.0
Total liabilities and deferred inflows of resources	644.5	656.3	(11.8)
NET POSITION			
Net investment in capital assets	299.2	284.9	14.3
Restricted	61.3	54.5	6.8
Unrestricted	162.5	145.3	17.2
Total net position	$ 523.0	$ 484.7	$ 38.3

ASSETS

The increase in Current Assets is due principally to the retention of operating cash flow generated during the period. Assertive collection efforts and a measured approach to spending and investment contributed to the organization's ability to retain cash.

Capital assets (the cost of capital assets less accumulated depreciation and amortization) increased slightly year over year. Incremental investment of $61.5 million in terminal assets and property was offset by disposal of assets with a net book value of $4.7 million and depreciation expense of $47.7. See note five in the notes to financial statements for additional discussion.

The increase to deferred outflows of resources was principally the result of changes in actuarial assumptions and actual experience vs. expected experience related to the Authority's pension plans, as well as a higher level of contributions made after the measurement date. See note nine in the notes to financial statements for additional discussion of pensions.

LIABILITIES

The increase in current liabilities was a result of accruals related to dredging projects and higher interest payable from debt issued in June 2015.

Noncurrent liabilities decreased by $21.8 million, principally related to scheduled principal payments associated with the maturities of outstanding revenue bonds and installment purchase obligations.

NET POSITION

Net investment in capital assets represents the land, buildings, infrastructure, improvements, and equipment, etc., less the accumulated depreciation and amortization and outstanding liabilities related to those capital assets. This portion of net position increased principally as the result of principal payments on outstanding debt, increasing the "equity" in the capital assets held, and continuing capital investment, net of depreciation expense. These capital assets are the industrial base for the provision of services to major steamship lines and their agents for movement of maritime cargo. For liquidity purposes it should be noted that the resources required to repay the debt incurred to purchase and develop the capital assets must be provided annually from terminal operations (principally those of the blended component unit – VIT) and appropriation (Commonwealth Port Fund), since the capital assets themselves generally are not monetized to liquidate liabilities. The increase in net investments in capital assets is attributable to the continuing investment in the port's facilities.

Net position - restricted represents resources, principally cash and investments, that are subject to external restrictions on how they can be used under bond resolutions and related covenants. The increase in the balance is due to higher balances in VPA's debt service accounts that will be applied to outstanding principal and interest on July 1, 2016, as well as a higher level of restricted balances related to federal grants.

The remaining unrestricted net position may be used to fund the Authority's other ongoing obligations and initiatives. The increase year over year is principally attributable to the retention of unrestricted cash generated by operations.

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 results of operations and can be used to determine whether the fiscal condition has improved or worsened during the year. A condensed summary of the Authority's revenues, expenses, and changes in net position for the fiscal years ended June 30, 2016 and 2015, follows:

Revenues, Expenses, and Changes in Net Position

(USD Millions)

	2016	2015	Increase/ Decrease
Operating revenues	$ 454.8	$ 456.2	$ (1.4)
Operating expenses	450.1	442.6	7.5
Operating income	4.7	13.6	(8.9)
Non-operating revenues (expenses), net	(7.9)	(12.7)	4.8
Income (loss) before capital contributions and transfers	(3.2)	0.9	(4.1)
Capital contributions:			
Commonwealth port fund allocation	42.4	38.4	4.0
Capital transactions with other government agencies	(0.9)	2.7	(3.6)
Increase in net position	$ 38.3	$ 42.0	$ (3.7)

Ninety-seven percent (97%) of the Authority's operating revenues originate from terminal operating revenues earned by its blended component unit – VIT. Security surcharge fees levied by the Authority separate from the terminal operations of VIT account for another 2% of operating revenues, for a total of 99% that originates from operation of the terminal properties. The remainder of operating revenues are principally attributable to operating grants from state and federal governments.

Fiscal year 2016 operating revenues were substantially flat to the prior year. The effect of a 1.3% year over year increase in container volume was offset by lower ancillary revenues associated with lower terminal congestion.

Operating expenses increased by 1.7%. Terminal maintenance expense increased by $2.6 million related to investment in the condition of property and equipment, and general and administrative expense was $10.4 million higher as a result of planned investment in personnel and capability to support future growth initiatives. These increases were offset in part by lower terminal operations expense associated with realized efficiencies and lower port congestion achieved over the course of the year.

Nonoperating revenues/expenses were $4.8 million favorable to Fiscal Year 2015, principally as a result of $9.7 million in federal grant activity to support multiple projects, more notably a mobile harbor crane for the Richmond Marine Terminal, and the development of the new gate complex at NIT. The effect of this grant activity was partially offset by $4.0 million in higher interest expense from new debt issued in the second half of Fiscal Year 2015.

Capital contributions from the Commonwealth Port Fund (CPF) – allocations appropriated from the Transportation Trust Fund - are generally restricted in purpose to enhancement/major maintenance of the Authority's terminal facilities through direct reimbursement or service of debt supported by the CPF allocation. The increase of $4.0 million over Fiscal Year 2015 is the result of timing regarding the collection of the supporting tax revenues and, while relatively stable in nature on a historical basis, is not controllable by the Authority.

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and cash payments during the reporting period. The statement reports this activity in the context of operating, investing, and financing activities, and provides insight as to the major sources and uses of cash applicable to the fiscal year. A condensed summary of the Statement of Cash Flows for the fiscal years 2016 and 2015, respectively, follows:

Condensed Statement of Cash Flows

(USD Millions)

	2016	2015	Increase/ (Decrease)
Cash flow provided by operating activities	$ 60.2	$ 28.9	$ 31.3
Cash flow provided by noncapital financing activities	0.5	2.7	(2.2)
Cash flow provided by (used in) capital and related financing activities	(46.5)	30.9	(77.4)
Cash flow provided by investing activities	1.2	7.5	(6.3)
Net increase in cash and cash equivalents	15.4	70.0	(54.6)
Cash and cash equivalents			
Beginning of year	222.4	152.4	70.0
End of year	$ 237.8	$ 222.4	$ 15.4

Cash flow provided by operating activities was $31.3 million higher in fiscal year 2016 as a result of an assertive collections effort, faster turnover of revenue, and a measured approach to spending.

Cash flow provided by (used in) capital and related financing activities is $77.4 million lower for fiscal year 2016 due mostly to the incremental borrowing associated with the Commonwealth Port Fund Revenue Bond offering in June 2015 which yielded $65.3 million in proceeds. Additionally, the Port invested $27.9 million more in capital assets during fiscal year 2016. These cash flow impacts were partially offset by the receipt of $2.9 million from the sale of certain property, and $9.6 million in non-operating grants to assist with capital acquisition and other major initiatives.

Cash flow provided by investing activities principally reflects interest and dividends on invested balances and the sales/purchases of investments. The lower cash flow provided by investing activities reflects a lower volume of sales or maturities of investments for cash.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The investment in capital assets for the Authority at June 30, 2016, carried at historical cost less accumulated depreciation, primarily includes land, buildings, wharves, roads, drainage and lighting systems, and equipment.

During the year, VPA made significant investments in the following principal areas:

- Container movement and yard equipment - $13.5 million
- Development of the NIT North Gate – $11.4 million
- Rail and portal improvements at NIT - $5.6 million
- Maintenance dredging to ensure adequate berth depth - $5.2 million
- Additions to the chassis fleet - $5.5 million
- Investments in data equipment - $7.3 million

Further discussion of capital asset activities can be found in the note five in the notes to financial statements.

Debt and Installment Purchase Obligations

At June 30, 2016, the Authority had $523.6 million in debt outstanding, excluding issuance premiums and deferred items. Of this amount, $506.3 million is in the form of revenue bonds issued by the Authority and $17.3 million in capitalized lease obligations.

Commonwealth Port Fund Revenue bonds issued in 2006, 2011, 2012 and 2015 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. On July 1, 2016, VPA completed the defeasance of the 2006 Series.

Port Facilities Revenue bonds issued in 2007, 2010, 2013 and 2015 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. On July 1, 2016, VPA completed the defeasance of the 2007 Series.

The Authority's bond covenants require that net revenues available to pay debt service, as defined in the applicable bond resolution, exceed 110% and 135% of the annual debt service amount. The debt service coverage test for fiscal year 2016 was exceeded. See the compliance section for further detail.

On September 21, 2016, VPA entered into an amended and restated lease for the VIG terminal facility (discussed further below). In association with this transaction, VPA will also undertake to defease the Port Facilities Revenue bonds issued in 2010, 2013 and 2015 and all installment purchase obligations, and issue a 2016 Series of subordinated debt in various tranches. The combined principal amount to be refunded related to the 2010, 2013 and 2015 Series and installment purchase obligations as of June 30, 2016 is approximately $269 million.

More details on long-term debt can be found in note six in the notes to financial statements.

ECONOMIC AND OTHER FACTORS AND RECENT DEVELOPMENTS

Many of the Authority's capital projects, either directly, or indirectly through bond issues, are funded 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. Accordingly, while this funding source has proven to be historically stable and is expected to remain relatively so, it should be expected to vary from year to year.

On July 6, 2010, per an agreement between the Virginia Port Authority (lessee), APM Terminals Virginia, Inc. (lessor), Virginia International Terminals, LLC. (operator) and APM Terminals North America, Inc. (owner), APM Terminals in Portsmouth, Virginia, became a facility under the umbrella of the Authority. Existing lease commitments per those agreements extend to June 30, 2030. In July 2014, the facility was sold by APM Terminals North America, Inc. to a consortium of private investors and the facility was renamed Virginia International Gateway (VIG), with the original lease terms continuing.

On September 21, 2016, VPA entered into an amended and restated lease for the VIG terminal facility which extends the current lease until December 31, 2065. In addition to an extended term, the restated lease will provide owner/lessor financing for expansion of Phase II of the terminal property to nearly double throughput capacity, and will continue the seniority of the lease above the subordinated Port Facilities Revenue Bonds that are expected to be issued during the fourth calendar quarter of 2016. The lease payments will be increased in phases as the terminal facilities expansion progresses. Please refer to note 14 in the notes to financial statements for further discussion of this subsequent event.

The Authority leases the Richmond Marine Terminal (RMT) pursuant to a 40 year agreement that commenced on February 1, 2016, and concurrently also manages the operations of the James River Barge Line that transports containers between RMT and VIG, PMT and NIT. On October 31, 2016, the agreement with the current terminal operator will expire and, effective November 1, 2016, VIT will assume operational responsibility for RMT. The Authority continues actively seeking grants to support funding of these ventures as well as other projects to increase security, or lessen the environmental impact of, related logistics activities.

Looking into Fiscal Year 2017, container movements in fiscal year 2017 through September 2016 are 0.8% higher than the comparable prior year period and volume for the month of August 2016 set a single month record for the Port. While the fiscal year to date growth thus far is modest, the terminal facilities are heavily utilized and are expected to remain so into the future. Based on economic trends and expectations, the Authority is engaging alternatives to most appropriately match future capacity to future demand, and is continuing to engage in long-term planning for opportunities to further nurture economic development within the Commonwealth.

Additionally, the 2017 budget for the Commonwealth of Virginia includes an appropriation of $350 million to be invested in the modernization and optimization of NIT, VPA's largest terminal. The investment, substantially in the form of a grant, will be used to reconfigure the South Terminal at NIT, which will increase cargo capacity by over 46% and increase throughput velocity.

This document, including the attached letters and commentary, may contain discussion or statements that might be considered by a reader to be forward looking – that is, related to future, not past, events. Forward-looking statements by their nature contain degrees of uncertainty. Various risks and uncertainties, such as those included in the notes to the financial statements, may cause actual future results or actions to be materially different than those that may be indicated by any of our forward-looking statements. Such statements reflect opinions and indications as of the date of this report, and we are not obligating ourselves to revise or publicly release the results of any revision to such forward-looking statements in light of new information or future events.

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 Division at 600 World Trade Center, Norfolk, VA 23510-1679.

VIRGINIA PORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2016

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
ASSETS				
Current assets:				
Cash and cash equivalents [Footnote 1,2]	$ 80,879,751	$ 23,862,962	$ -	$ 104,742,713
Restricted assets:				
Cash and cash equivalents [Footnote 1,2]	78,456,933	16,068,854	-	94,525,787
Investments [Footnote 2]	-	1,188,026	-	1,188,026
Accounts receivable, net	-	73,324,737	-	73,324,737
Due from other governments [Footnote 4]	14,117,887	-	-	14,117,887
Due from component unit	9,051,449	-	(9,051,449)	-
Inventories [Footnote 1]	-	19,579,989	-	19,579,989
Prepaid expenses and other	67,168	5,297,848	-	5,365,016
Total current assets	182,573,188	139,322,416	(9,051,449)	312,844,155
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents [Footnote 1,2]	38,580,541	-	-	38,580,541
Investments [Footnote 1,2]	13,862,866	-	-	13,862,866
Non-depreciable capital assets [Footnote 5]	225,186,296	-	-	225,186,296
Depreciable capital assets, net [Footnote 5]	527,866,899	30,850,086	-	558,716,985
Total noncurrent assets	805,496,602	30,850,086	-	836,346,688
Total assets	988,069,790	170,172,502	(9,051,449)	1,149,190,843
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources [Footnote 1]	10,828,638	7,455,439	-	18,284,077
Total assets and deferred outflows of resources	$ 998,898,428	$ 177,627,941	$ (9,051,449)	$ 1,167,474,920

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

VIRGINIA PORT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2016

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	$ 16,780,709	$ 24,044,549	$ -	$ 40,825,258
Interest payable	10,257,337	-	-	10,257,337
Retainage payable	834,776	-	-	834,776
Long-term debt - current portion [Footnote 6]	24,770,319	-	-	24,770,319
Compensated absences - current portion [Footnote 6]	1,403,299	1,320,286	-	2,723,585
Payroll withholdings	513,595	1,895,752	-	2,409,347
Obligations under securities lending	341,453	-	-	341,453
Due to parent member	-	9,051,449	(9,051,449)	-
Total current liabilities	54,901,488	36,312,036	(9,051,449)	82,162,075
Noncurrent liabilities:				
Long-term debt [Footnote 6]	520,409,213	-	-	520,409,213
Compensated absences [Footnote 6]	14,724	899,548	-	914,272
Workers' compensation costs	-	1,609,367	-	1,609,367
Net pension liability [Footnote 9]	10,000,682	8,872,714	-	18,873,396
Net other post employment benefits obligation [Footnote 10]	-	1,321,441	-	1,321,441
Other noncurrent liabilities [Footnote 8]	13,277,025	424,802	-	13,701,827
Total noncurrent liabilities	543,701,644	13,127,872	-	556,829,516
Total liabilities	598,603,132	49,439,908	(9,051,449)	638,991,591
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources [Footnote 1]	1,677,004	3,809,529	-	5,486,533
Total liabilities and deferred inflows of resources	600,280,136	53,249,437	(9,051,449)	644,478,124
NET POSITION				
Net investment in capital assets	268,348,384	30,850,086	-	299,198,470
Restricted				
Debt service	44,017,978	-	-	44,017,978
Port improvement and maintenance	-	17,256,881	-	17,256,881
Unrestricted	86,251,930	76,271,537	-	162,523,467
Total net position	398,618,292	124,378,504	-	522,996,796
Total liabilities, deferred inflows of resources and net position	$ 998,898,428	$ 177,627,941	$ (9,051,449)	$ 1,167,474,920

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

(This page left blank intentionally)

VIRGINIA PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2016

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Operating Revenues:				
Terminal operating revenues	$ -	$ 439,087,836	$ -	$ 439,087,836
Other revenues	9,339,787	-	-	9,339,787
Other revenues - grants	6,390,908	-	-	6,390,908
Operating revenues from component unit	108,847,183	-	(108,847,183)	-
Total operating revenues	124,577,878	439,087,836	(108,847,183)	454,818,531
Operating Expenses:				
Terminal operations	1,506,749	190,149,073	-	191,655,822
Terminal maintenance	9,920,219	85,441,480	-	95,361,699
General and administrative	20,599,900	39,103,512	-	59,703,412
Facility rental [Footnote 8]	55,618,729	-	-	55,618,729
Depreciation and amortization	44,018,111	3,705,282	-	47,723,393
Payments to Authority	-	108,361,067	(108,361,067)	-
Total operating expenses	131,663,708	426,760,414	(108,361,067)	450,063,055
Operating income (loss)	(7,085,830)	12,327,422	(486,116)	4,755,476
Non-operating revenues (expenses)				
Interest income	652,550	70,380	-	722,930
Interest expense, net of capitalized interest	(18,160,286)	-	-	(18,160,286)
Bond issue costs	(489,036)	-	-	(489,036)
Revenues (expenses) VEDP, net	1,690,873	-	-	1,690,873
Revenues from federal government	9,653,436	-	-	9,653,436
Expenses (Commonwealth)	(187,951)	-	-	(187,951)
Other income	2,744	-	-	2,744
Loss on disposals	(1,107,131)	-	-	(1,107,131)
Total non-operating revenue (expense), net	(7,944,801)	70,380	-	(7,874,421)
Income (loss) before capital contributions	(15,030,631)	12,397,802	(486,116)	(3,118,945)
Capital contributions				
Commonwealth Port Fund allocation	42,366,884	-	-	42,366,884
Payments to federal government - channel dredging	(5,722,955)	-	-	(5,722,955)
Capital contributions (to) from component unit	(287,700)	(198,416)	486,116	-
Capital contributions from other state agencies	4,789,728	-	-	4,789,728
Increase in Net Position	26,115,326	12,199,386	-	38,314,712
Net Position - Beginning of Year	372,502,966	112,179,118	-	484,682,084
Net Position - End of Year	$ 398,618,292	$ 124,378,504	$ -	$ 522,996,796

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Cash flows from operating activities:				
Receipts from customers and users	$ 122,407,660	$ 454,843,248	$ (102,807,432)	$ 474,443,476
Receipts from operating grants	6,390,908	-	-	6,390,908
Payments for operating expenses	(76,370,233)	(215,743,023)	-	(292,113,256)
Payments to employees	(15,146,749)	(113,312,863)	-	(128,459,612)
Net cash provided by (used in) operating activities	**37,281,586**	**125,787,362**	**(102,807,432)**	**60,261,516**
Cash flows from noncapital financing activities:				
Non-operating grants	1,690,873	-	-	1,690,873
Transfers from (to) primary government	(188,178)	(102,807,432)	102,807,432	(188,178)
Dredging activities	(1,034,962)	-	-	(1,034,962)
Net cash provided by (used in) noncapital financing activities	**467,733**	**(102,807,432)**	**102,807,432**	**467,733**
Cash flows from capital and related financing activities:				
CPF contribution	42,233,250	-	-	42,233,250
Acquisition of capital assets	(47,640,305)	(13,824,122)	204,109	(61,260,318)
Principal paid on revenue bonds	(15,295,000)	-	-	(15,295,000)
Paid on installment purchases	(6,498,746)	-	-	(6,498,746)
Interest paid on long-term debt	(17,647,817)	-	-	(17,647,817)
Bond issue costs	(489,036)	-	-	(489,036)
Transfer from primary government	227	-	-	227
Capital transfer from component unit	-	(198,416)	198,416	-
Payments from other state agencies	4,792,472	-	-	4,792,472
Payments from federal government	4,797,587	-	-	4,797,587
Proceeds from sale of capital assets	2,879,295	402,525	(402,525)	2,879,295
Net cash used in capital and related financing activities	**(32,868,073)**	**(13,620,013)**	-	**(46,488,086)**
Cash flows from investing activities:				
Proceeds from sales and maturities	5,201,611	297,851	-	5,499,462
Purchases of investments	(5,051,761)	-	-	(5,051,761)
Interest and dividends received	650,573	92,969	-	743,542
Net cash provided by investing activities	**800,423**	**390,820**	-	**1,191,243**
Net increase in cash and cash equivalents	5,681,669	9,750,737	-	15,432,406
Cash and cash equivalents, beginning of year	192,235,556	30,181,079	-	222,416,635
Cash and cash equivalents, end of year	**$ 197,917,225**	**$ 39,931,816**	$ -	**$ 237,849,041**
Noncash investing and financing activities:				
Donation of capital assets from other state agency	**$ 152,861**	$ -	$ -	**$ 152,861**
Capitalized interest costs in capital assets	**$ 1,182,654**	$ -	$ -	**$ 1,182,654**

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

VIRGINIA PORT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	Authority	Virginia International Terminals, LLC	Eliminations	Total Business-Type Activities
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income/(loss)	$ (7,085,830)	$ 12,327,422	$ (486,116)	$ 4,755,476
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Payments to Authority	-	108,361,067	(108,361,067)	-
Non-operating income	-	70,380	-	70,380
Depreciation and amortization	44,018,111	3,705,282	-	47,723,393
Loss on disposal of capital assets	-	94,259	-	94,259
Interest income	-	(92,969)	-	(92,969)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(12,254,890)	14,961,499	6,039,751	8,746,360
(Increase) decrease in inventories	-	(2,084,935)	-	(2,084,935)
(Increase) decrease in prepaid and other	2,834,866	1,080,353	-	3,915,219
(Increase) decrease in other noncurrent assets	32,015	-	-	32,015
Increase (decrease) in accounts payable	8,862,993	(3,269,126)	-	5,593,867
Increase (decrease) in accrued expenses	52,109	(1,310,516)	-	(1,258,407)
Increase (decrease) in short-term liabilities	(1,045,854)	-	-	(1,045,854)
Increase (decrease) in compensated absenses	2,637	(1,380,603)	-	(1,377,966)
Increase (decrease) in workers' compensation claims	-	(102,751)	-	(102,751)
Increase (decrease) in net pension liabilities	6,029,931	(1,771,361)	-	4,258,570
(Increase) decrease in deferred outflows of resources	(5,075,144)	(7,455,439)	-	(12,530,583)
Increase (decrease) in deferred inflows of resources	910,642	2,211,921	-	3,122,563
Increase (decrease) in other	-	442,879		442,879
Net cash provided by (used in) operating activities	**$ 37,281,586**	**$ 125,787,362**	**$ (102,807,432)**	**$ 60,261,516**

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

NOTES TO FINANCIAL STATEMENTS

(including Blended Component Unit Virginia International Terminals, LLC)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Virginia Port Authority ("the Authority" or "VPA") 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. A Board of Commissioners composed of 13 members oversees the Authority. The Board consists of the State Treasurer, the Chief Executive Officer of the Virginia Economic Development Partnership, and 11 members appointed by the Governor, subject to confirmation by the General Assembly, who shall serve at the discretion 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. was incorporated as a non-stock, nonprofit corporation on June 30, 1981, for the purpose of operating marine terminals controlled by the Authority through ownership, lease or other means. Effective August 17, 2013, Virginia International Terminals, Inc. converted from a nonprofit, non-stock corporation to a single-member limited liability company with VPA as the sole member of the Company. As a result, the Authority has determined that Virginia International Terminals, LLC (VIT) should be included in the Authority's financial statements as a blended component unit. A blended component unit is, in substance, part of the primary government's operations, even though it is a legally separate entity. As a blended component unit, VIT serves or benefits those outside the Authority, but for which the Authority, as the primary institution, is financially accountable or closely related. VIT's audit report can be obtained by contacting the Director of Financial Reporting at 1431 Terminal Blvd, Norfolk, VA 23505.

The Authority is a blended 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 blended 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.

Basis of Accounting

The activities of the Authority are accounted for as 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting - continued

The Authority prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, which provides that revenues are recorded when earned and expenses are recorded when incurred. Grants are recognized as revenue as the applicable activity occurs and 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 accounting principles generally accepted in the United States of America, 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 in conformity with the guidelines of the Commonwealth of Virginia.

Investments

All investments of the Authority are reported at fair value.

Accounts Receivable

Accounts receivable represent amounts billed to customers for services. Management believes these amounts are fully collectible and no allowance has been recorded as of June 30, 2016 for the Authority. VIT utilizes the allowance method for doubtful accounts. Accounts receivable are shown net of the allowance for doubtful accounts of approximately $4.0 million as of June 30, 2016 for VIT. The allowance for doubtful accounts is an amount management believes will be adequate to absorb losses on existing accounts receivable that may become uncollectible.

Inventory

The Authority purchases supplies on an as needed basis. Inventories of VIT consist of supplies and equipment parts and are reported using the average cost method. An inventory allowance has been established for parts identified as obsolete or to be disposed of within the next 12 months. The VIT allowance for inventory totaled $100 thousand at June 30, 2016.

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, 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 - 28 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 derecognized 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 cost incurred is charged to the assets under construction. Projects funded entirely by a specific borrowing receive the effective interest rate on that borrowing. Projects funded by multiple borrowings receive interest based on the weight average interest rate of all Authority borrowings. No interest is capitalized on the portion of projects funded by grants. Interest capitalized for the fiscal year ended June 30, 2016 was approximately $1.2 million.

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. The Authority did not maintain any impaired assets as of June 30, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Long-Term Obligations

Long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts 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 with allowable refunding gains or losses recorded as deferred inflows and outflows of resources. Bond issuance costs are expensed as incurred with the exception of bond insurance costs which are reported as deferred outflows of resources and amortized over the term of the related debt.

Compensated Absences

Compensated absences represent the amounts of paid time off (PTO) and legacy leave earned by employees of the Authority, but not taken at June 30, 2016. On January 1, 2015 the Authority converted the employees' earned but not used compensated absence balances as of December 31, 2014 into a separate Legacy Leave Bank. Legacy Leave is available for use as paid time off until December 31, 2019. Balances remaining unused at January 1, 2020 will be frozen to use. Legacy Leave may be paid out upon termination based on an employee's December 31, 2014 wage rate times the then current balance or 160 hours, whichever is less.

Additionally, modifications to the current PTO policy require that any unused PTO in excess of 40 hours be forfeited at the end of each calendar year. Up to forty hours of earned but unused PTO at the end of a calendar year may be carried over into the next calendar year for use within the next 6 months. At June 30, all prior year earned but unused PTO balances will be forfeited. Balances are earned on a quarterly basis but available for use on January 1 each year. PTO used in excess of amounts actually earned at termination are to be repaid to the Authority.

VIT has an identical compensated absences policy. See note six for further discussion.

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, 2016. 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 a cost is incurred, for which both restricted and unrestricted assets are available, management determines on an individual basis how resources are allocated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cost of Issuance

Issuance costs are expensed when incurred unless they relate to bond insurance which is record as a deferred outflow of resources. Amortization expense for the year ended June 30, 2016 was $32,015 and included only bond insurance costs.

Net Position

The Authority records net position that is subject to external restrictions based on individual agreements. The restrictions are established by the Authority's governing jurisdictions or other requirements. The restricted net position may include the Authority's advance contributions for future construction and amounts held for debt service payments.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until consumption. At June 30, 2016, the Authority had $10,828,638 of deferred outflows of resources; $5,228,647 were pension-related with the balance, $5,599,991 being bond-related.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that period. At June 30, 2016, the Authority had $1,677,004 of deferred inflows of resources; $743,702 for the stand-alone pension plan, $215,000 for the multiple-employer pension plan, and $718,302 related to bonds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For the stand-alone plan and the multiple employer plan, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Pension Liability

The Authority's stand-alone net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015 using updated actuarial assumptions, applied to all periods included in the measurement.

The Authority's multiple-employer plan's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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 (for example, security surcharges). Operating expenses include the cost of services, administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Investment Income

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

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 26, 2016, the date the financial statements were available to be issued.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. GASB Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meets specified criteria established in the Statement. The Statement further establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions thereof. The provisions of GASB Statement No. 78 are effective for fiscal years beginning after December 15, 2015.

GASB Statement No.79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes, and for pool participants thereof. The specific criteria that must be met as established in the Statement address (1) how the external investment pool transacts with pool participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; (3) calculation and requirements of a shadow price. Provisions of GASB Statement No. 79 for certain requirements for portfolio quality, custodial credit risk, and shadow pricing are effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, provides clarification on financial statement presentation requirements for certain component units previously established by GASB Statement No. 14, *The Financial Reporting Entity*. The Statement creates an additional blending requirement that becomes the third requirement for the financial statement presentation of component units and applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The provisions of GASB Statement No. 80 are effective for fiscal years beginning after June 15, 2016.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - concluded

Recently Issued Accounting Pronouncements – concluded

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73,* address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No 68, and Amendments to Certain Provisions of GASB Statement Nos 67 and 68*. The provisions of GASB Statement No. 82 are effective for fiscal years beginning after June 15, 2016 except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Management is evaluating the above referenced pronouncements and has yet to determine the impact on the company's financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2016, 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 $54,388,278 in cash and cash equivalents for the Authority.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - continued

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 the *Federal Deposit Insurance Corporation* (FDIC). Under the Act, banks and savings institutions holding public deposits in excess of the FDIC amounts must pledge collateral to the Commonwealth of Virginia Treasury Board. At June 30, 2016, all Authority deposits were considered fully collateralized and were not exposed to Custodial Credit Risk.

Short-term investments generally represent deposits and securities with maturities of one year or less. Long-term investments generally represent securities with maturities of greater than one year.

The Authority is required to segregate liquid assets (cash and investments) that are restricted for various purposes. As of June 30, 2016, these assets aggregated $130,900,340, with $78,456,933 classified as current and $52,443,407 classified as noncurrent based on the purpose for which the assets are restricted.

Current restricted assets consist of:
- $27,504,447 in cash related to debt service payments to be made July 1, 2016,
- $48,391,121 in a construction fund, and
- $2,561,365 in cash and investments for other purposes.

Noncurrent restricted assets consist of:
- $19,223,881 in cash and investments reserved to secure debt service in future years as required by the Authority's bond covenants,
- $26,535,610 in construction fund cash and investments held by trustees that will be used to fund applicable projects, and
- $6,683,916 in cash and investments for other purposes.

VIT also held $17,256,880 in restricted cash and investments at June 30, 2016, as a required reserve to fund capital and extraordinary maintenance.

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 not rated but are otherwise legal investments of the Authority.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - continued

VPA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Cash and Cash Equivalents, Restricted - Authority

		Investment Maturities (in Years)			
	Market Value	**Less than 1**	**1-5**	**6-10**	**More than 10**
Repurchase Agreements(SNAP)	$ 68,870,058	$ 68,870,058	$ -	$ -	$ -
U.S. Treasuries	46,810,775	46,810,775	-	-	-
	$ 115,680,833	$ 115,680,833	$ -	$ -	$ -

As of June 30, 2016, the following shows the segmented time distribution of the Authority's investments (not held by the Treasurer) and its fair value measurement:

Investment Type	Report Value	Fair Market Value Less Than 1 Year	Level
U.S. Treasuries	$ 46,810,775	$ 46,810,775	1
SNAP	68,870,058	68,870,058	NA
	$ 115,680,833	$ 115,680,833	

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS - continued

Investments held by the Treasurer of Virginia

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

Blended Component Unit – VIT

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. VIT 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.

Fair value measurement: VIT categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

VIT has the following recurring fair value measurements as of June 30, 2016:

- Investment securities of $1,188,026 are valued using quoted market prices (Level 1 inputs).

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS – concluded

Blended Component Unit – VIT - concluded

		Investment Maturities (in years)			
	Market Value	Less Than 1	1-5	6-10	More Than 10
U.S. Agencies	$ 268,870	$ -	$ 4,767	$ 32,594	$ 231,509
Corporate Bonds	919,156	-	919,156	-	-
	$ 1,188,026	$ -	$ 923,923	$ 32,594	$ 231,509

The credit ratings of the non-U.S. Treasury and Agency securities held at June 30, 2016 as rated by S&P are as follows:

	Corporate Bonds	U.S. Agencies	Total
AA+	$ -	$ 268,870	$ 268,870
AA-	227,628	-	227,628
A+	226,829	-	226,829
A	225,219	-	225,219
BBB+	239,480	-	239,480
	$ 919,156	$ 268,870	$ 1,188,026

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

3. CONCENTRATION OF RISK

Interest Rate Risk-VPA

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

Credit Risk-VPA

The Authority follows the Commonwealth of Virginia's credit quality limitations and places emphasis on securities of high credit quality and marketability.

3. CONCENTRATION OF RISK - concluded

Credit Risk-VPA - concluded

Policy details can be found in the **General Account Investment Guidelines** document at:
http://www.trs.virginia.gov/Documents/Cash/GenAcctInvstPolicy.pdf

Concentration of Credit Risk-VPA

The Authority places no limit on the amount it may invest in any one issuer.

Concentration of Risk - VIT

VIT places no limit on the amount it may invest in any one issuer. More than 5% of VIT's investments are in Federal Home Loan Mortgage Corporation as U.S. Agencies, AT&T, Bank of Nova Scotia, Caterpillar Financial Services, and Chevron Corporation. These investments are 23%, 20%, 19%, 19%, and 19%, respectively, of VIT's total investments. It should be noted that restricted short-term investments at June 30, 2016 comprise 6.9% of combined restricted cash and cash equivalents plus restricted short-term investments.

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

For the year ended June 30, 2016, approximately 23% of total revenue was derived from two customers. Receivables outstanding at June 30, 2016 for this concentration totaled $12,626,132.

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

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments as of June 30, 2016 include:

US Department of Transportation	$	4,855,849
Virginia Department of Transportation		416,446
Virginia Department of Emergency Management		264,382
Virginia Commonwealth Port Fund		1,076,870
Transportation Trust Fund		7,504,340
Total	$	14,117,887

5. CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets not being depreciated or amortized:					
Land and improvements	$ 105,539,821	$ -	$ (2,790,674)	$ -	$ 102,749,147
Construction in progress	108,312,870	45,845,385	(225,981)	(31,495,125)	122,437,149
	213,852,691	45,845,385	(3,016,655)	(31,495,125)	225,186,296
Depreciable capital assets:					
Infrastructure	632,420,711	126,078	-	24,208,051	656,754,840
Buildings	101,690,881	-	(1,487,933)	(6,119,126)	94,083,822
Improvements other than buildings	30,975,431	39,463	(898,995)	11,500	30,127,399
Equipment	295,791,643	1,629,379	(6,650,391)	13,394,700	304,165,331
	1,060,878,666	1,794,920	(9,037,319)	31,495,125	1,085,131,392
Less accumulated depreciation and amortization for:					
Infrastructure	252,454,907	21,029,254	-	-	273,484,161
Buildings	62,129,465	2,758,710	(401,085)	-	64,487,090
Improvements other than buildings	24,082,098	757,573	(774,737)	-	24,064,934
Equipment	182,406,125	19,472,574	(6,650,391)	-	195,228,308
Total accumulated depreciation and amortization	521,072,595	44,018,111	(7,826,213)	-	557,264,493
Depreciable capital assets, net	539,806,071	(42,223,191)	(1,211,106)	31,495,125	527,866,899
Total capital assets, net	$ 753,658,762	$ 3,622,194	$ (4,227,761)	$ -	$ 753,053,195

5. CAPITAL ASSETS - concluded

Blended Component Unit – VIT

Changes in capital assets for the year ended June 30, 2016 are summarized as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30,2016
Capital assets	$ 88,562,724	$ 13,824,122	$ (6,339,667)	$ 96,047,179
Less: Accumulated depreciation & amortization	67,334,695	3,705,282	(5,842,884)	65,197,093
Net capital assets	$ 21,228,029	$ 10,118,840	$ (496,783)	$ 30,850,086

6. LONG-TERM DEBT

Changes in Long-Term Indebtedness

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

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within one Year
Revenue Bonds	$ 521,640,000	$ -	$ (15,295,000)	$ 506,345,000	$ 17,070,000
Issuance Premium	23,226,805	-	(1,684,374)	21,542,431	1,403,259
Total Revenue Bonds	544,866,805	-	(16,979,374)	527,887,431	18,473,259
Installment Purchases	23,790,847	-	(6,498,746)	17,292,101	6,297,060
Compensated Absences	877,161	1,945,295	(1,404,433)	1,418,023	1,403,299
Total	$ 569,534,813	$ 1,945,295	$ (24,882,553)	$ 546,597,555	$ 26,173,618

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness

Revenue Bonds	Balance as of June 30, 2016
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, the final installment of $1,365,000 with interest of 5.5% payable semiannually, due July 1, 2016. These bonds are payable primarily from the Commonwealth Port Fund.	$ 1,365,000
On April 11, 2007, Port Facilities Revenue Refunding Bonds Series 2007, dated the same, were issued in the principal amount of $74,255,000. On March 19, 2015, funds were placed in escrow, with irrevocable instructions to refund $52,715,000 (all but $6,900,000) on April 20, 2015. The remaining outstanding bonds are payable in annual installments, the final installment of $3,535,000 with interest of 5.0% payable semiannually, due July 1, 2016. The bonds are payable from the net revenues of the Authority.	3,535,000
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 $1,515,000 to $4,590,000 beginning July 1, 2016. Semi-annual interest payments commence January 1, 2011 with interest of 3.375% to 5.0% 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

	Balance as of June 30, 2016
6. LONG-TERM DEBT - continued	
Details of Long-Term Indebtedness – continued	
Revenue Bonds - 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 5.0% payable semiannually, the final installment due July 1, 2036. These bonds are payable primarily from the Commonwealth Port Fund. 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 $6,470,000 to $8,730,000 with semi-annual interest payments interest ranging from 1.16% to 3.72% payable semiannually, the final installment due July 1, 2027. Proceeds of the Series 2012 Bonds have been used to (a) 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) 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.	88,970,000

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness - continued

Revenue Bonds - continued

	Balance as of June 30, 2016
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 $2,745,000 to $3,630,000 with interest of .725% to 3.376% payable semiannually, 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.	$ 43,170,000
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 3.0% to 5.0% 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.	4,795,000

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness - continued

Revenue Bonds - continued

	Balance as of June 30, 2016
On October 22, 2013, Port Facilities Fund Revenue Refunding Bonds, Series 2013, (the "Series 2013 Bonds") dated the same, were issued in the amount of $37,945,000. The bonds are payable in annual principal installments varying from $610,000 to $9,840,000 beginning July 1, 2016. Semi-annual interest payments commence July 1, 2014 with interest of 3.09% payable semiannually, the final installment due July 1, 2028. The proceeds of the Series 2013 Bonds have been used (a) to pay the costs of refunding a portion of the Series 2003 Bonds, (b) to pay the cost of refunding a portion of the Series 2006 Bonds and (c) to pay costs of issuance of the Series 2013 Bonds. The Series 2013 Bonds are payable from the net revenues of the Authority.	$ 37,945,000
On March 19, 2015, Port Facilities Fund Revenue Refunding Bonds, Series 2015A (AMT) (the "Series 2015A Bonds") dated the same, were issued in the amount of $85,130,000. The bonds are payable in principal annual installment amounts varying from $8,915,000 to $12,545,000, with the first principal installment due on July 1, 2029. Semi-annual interest payments commence July 1, 2015 with interest of 5.0% payable semiannually, the final installment due July 1, 2036. These bonds have a first optional redemption date of July 1, 2025. The proceeds of the Series 2015A Bonds have been used (a) to pay the costs of refunding all of the remaining Series 2003 Bonds and Series 2006 Bonds, and (b) to pay costs of issuance of the Series 2015A Bonds and are payable from the net revenues of the Authority.	85,130,000
On March 19, 2015, Port Facilities Fund Revenue Refunding Bonds, Series 2015B (Taxable) (the "Series 2015B Bonds") dated the same, were issued in the amount of $56,755,000. The bonds are payable in the principal annual installments varying from $830,000 and $5,835,000 beginning July 1, 2016 with interest of 1.019% to 3.515% payable semiannually, the final installment due July 1, 2027. The proceeds of the Series 2015B Bonds have been used (a) to pay the costs of refunding a portion of the remaining Series 2007 Bonds, and (b) to pay costs of issuance of the Series 2015B Bonds. The Series 2015B Bonds are payable from the net revenues of the Authority.	56,755,000

6. LONG-TERM DEBT - continued

Details of Long-Term Indebtedness - continued

Revenue Bonds - concluded

	Balance as of June 30, 2016
On June 23, 2015, Commonwealth Port Fund Revenue Bonds, Series 2015 (AMT), (the "Series 2015 CPF Bonds") dated the same, were issued in the principal amount of $58,680,000. The bonds are payable in annual installments between $6,250,000 and $7,050,000, beginning July 1, 2028 through July 1, 2031 and annual installments between $7,420,000 and $8,590,000 beginning July 1, 2037 with the final installment due July 1, 2040. Semi-annual interest payments commence January 1, 2016 with interest of 5.0% payable semiannually on January 1 and July 1. The Series 2015 CPF Bonds are payable primarily from the Commonwealth Port Fund.	$ 58,680,000
Sub-total revenue bonds	506,345,000
Issuance premium, net	21,542,431
Total revenue bonds	$ 527,887,431

Installment Purchases

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 4.64%. This lease was amended, effective July 1, 2013. The new terms provide for semi-annual payments of $499,395 beginning January 1, 2014, at an interest rate of 2.33%. Final payment is due July 1, 2019.	$ 3,338,394

6. LONG-TERM DEBT – continued

Details of Long-Term Indebtedness - continued

Installment Purchases - continued

		Balance as of June 30, 2016
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%. This lease was amended, effective July 1, 2013. The new terms provide for semi-annual payments beginning January 1, 2014 of $84,943 at an interest rate of 1.68%. Final payment is due January 1, 2018.	$	332,753
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%. This lease was amended, effective July 1, 2013. The new terms provide for semi-annual payments beginning January 1, 2014 of $393,343 at an interest rate of 1.68%. Final payment is due January 1, 2018.		1,540,879
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%. This lease was amended, effective July 1, 2013. The new terms provide for semi-annual payments beginning January 1, 2014 of $1,500,650 at an interest rate of 1.68%. Final payment is due July 1, 2018.		7,317,815
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%. Final payment is due March 1, 2019.		2,650,728

6. LONG-TERM DEBT – continued

Details of Long-Term Indebtedness - concluded

Installment Purchases - concluded

	Balance as of June 30, 2016
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%. Final payment is due March 1, 2019.	$ 2,111,532
Total installment purchases	$ 17,292,101

Compensated Absences

VPA 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, 2016 the amounts reflect all earned "paid time off" and compensatory leave not taken, and the management estimated most probable amount payable under the Authority's legacy leave and sick leave policies, 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 Authority's legacy leave has been calculated using management's most probable estimate of the leave to be used through December 31, 2019, at which time the leave will be capped at the then current hours balance up to the maximum 160 hours payout at termination, at the December 31, 2014 salary rate. The compensated absence liability also includes related payroll taxes.	$ 1,418,023
Total long-term indebtedness	**$ 546,597,555**

6. LONG-TERM DEBT – continued

Annual Long-Term Debt Requirements

A summary of future principal and interest maturities under long-term debt obligations as of June 30, 2016 (excluding compensated absences), is as follows:

Revenue Bonds

Year Ending June 30,	Principal	Interest	Total
2017	$ 17,070,000	$ 19,990,624	$ 37,060,624
2018	17,605,000	19,583,500	37,188,500
2019	17,965,000	19,216,774	37,181,774
2020	18,350,000	18,786,266	37,136,266
2021	18,815,000	18,295,315	37,110,315
2022 - 2026	102,795,000	82,384,665	185,179,665
2027 – 2031	121,330,000	62,179,961	183,509,961
2032 - 2036	117,765,000	33,218,875	150,983,875
2037 - 2041	74,650,000	8,150,250	82,800,250
Total Bonds	506,345,000	281,806,230	788,151,230
Issuance Premium	21,542,431	-	21,542,431
Total	$ 527,887,431	$ 281,806,230	$ 809,693,661

Installment Purchases

Year Ending June 30,	Principal	Interest	Total
2017	$ 6,297,060	$ 311,525	$ 6,608,585
2018	6,419,090	189,495	6,608,585
2019	4,082,307	69,056	4,151,363
2020	493,644	5,751	499,395
Total	$ 17,292,101	$ 575,827	$ 17,867,928

6. LONG-TERM DEBT – concluded

A summary of indebtedness by type (including current portion) for the Authority follows:

	Debt	Premium/Disc	Total LT Debt
Commonwealth Port Fund Bonds	$ 254,350,000	$ 9,617,685	$ 263,967,685
Port Facilities Revenue Bonds	251,995,000	11,924,746	263,919,746
Installment Purchases	17,292,101	-	17,292,101
	$ 523,637,101	$ 21,542,431	$ 545,179,532
Compensated Absences			1,418,023
			$ 546,597,555

Blended Component Unit – VIT

On January 1, 2015, VIT converted employees' earned but not used vacation and personal leave balances at December 31, 2014 into a new Legacy Leave Bank. Legacy Leave is available for use as paid time off until December 31, 2019. Balances remaining unused at January 1, 2020 will be frozen to use. Legacy Leave may be paid out upon termination of an employee at the employee's December 31, 2014 wage rate times the lesser of their then current legacy leave balance or 160 hours. Additionally on January 1, 2015, VIT implemented a new Paid Time Off (PTO) policy, providing compensated absences that can be used each calendar year. At the end of each calendar year, any earned but unused PTO in excess of 40 hours will be forfeited. Up to 40 hours of earned but unused PTO at the end of a calendar year may be carried forward for use within the next 6 months. At June 30, any remaining prior year earned but unused PTO will be forfeited. PTO is earned on a quarterly basis but available for use on January 1 of each year. Leave used over and above the earned amounts, at termination, are to be repaid to VIT. As of June 30, 2016, VIT has recorded a liability of $2,219,834 for compensated absences.

7. DEFEASANCE OF DEBT

Advanced Refundings

On March 19, 2015 the Authority issued $56,755,000 (par value) of Port Facilities Revenue Refunding Bonds, Series 2015B (Taxable) to advance refund $52,715,000 in principal amount of the Authority's Port Facilities Revenue Bond, Series 2007 Bonds issued in the original par amounts of $74,255,000. The net proceeds from the issuance, along with other funds available

7. DEFEASANCE OF DEBT - concluded

Advanced Refundings - concluded

from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments at the earliest call date, July 1, 2016. At June 30, 2016, $52,715,000 of these 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 $4,500,252, 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 $3,908,830. The trust account assets and the related liability for the defeased bonds are not reflected in the Authority's financial statements. The reacquisition price of $56,417,103 netted against the book value of the refunded debt resulted in a deferred outflow of resources of $1,806,299. At June 30, 2016, $1,617,369 remained as unamortized deferred outflows of resources.

8. COMMITMENTS AND CONTINGENCIES

As of June 30, 2016 the Authority has commitments to construction contracts totaling $145,401,638 of which $103,286,479 has been incurred.

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 $772,164 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 $55,618,730 in fiscal year 2016.

8. COMMITMENTS AND CONTINGENCIES – continued

Lease commitments in aggregate are as follows:

Year Ending June 30,	Amount
2017	$ 62,512,834
2018	65,359,258
2019	68,317,071
2020	71,504,713
2021	74,821,409
2022-2026	430,932,664
2027-2031	421,779,371
Total	$ 1,195,227,320

The Authority has various rental and sub-lease agreements ranging from one to twenty years. Rental and sub-lease income earned under these agreements totaled $146,602 during the year ended June 30, 2016. Future payments to be received under these agreements are expected to be $128,317 in 2017.

Blended Component Unit – VIT Leases

The Company 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:

Fiscal Year Ending	Amount
2017	$ 12,459,647
2018	10,958,508
2019	5,211,451
2020	2,038,904
2021	1,074,088
Thereafter	7,459,485
Total	$ 39,202,083

Rental expense incurred under all operating leases other than chassis (including less than one year and cancellable) was $4,329,177 for the year ended June 30, 2016. Rental expense incurred is net of rents paid on behalf of the VPA which were recorded as a transfer to the VPA totaling $772,164 for the year ended June 30, 2016.

8. COMMITMENTS AND CONTINGENCIES – continued

Hampton Roads Chassis Pool II (HRCP II) is a wholly owned subsidiary of VIT that operates a chassis pool for rental to shipping lines and constituent motor carriers. HRCP II leases chassis under various operating lease agreements. The agreements may be renewed or terminated at the end of each term. HRCP II must maintain and repair chassis delivered to the pool. Rent expense under the operating leases totaled $11,941,824 during the year ended June 30, 2016 and is included in operating 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 $2,918,399 during the year ended June 30, 2016. Future payments to be received under these agreements are expected to be $2,772,544 in 2017.

Federal Grants

The Authority receives federal grant funding from the United States Department of Transportation, Maritime Administration to purchase equipment, support barge movements and to improve security around the ports of Virginia in the wake of the terrorist attacks 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 "Uniform Guidance." 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.

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 for 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, 2016, $2,042,367 remains in the account.

8. COMMITMENTS AND CONTINGENCIES – concluded

Lawsuits and Claims

The Authority, from time to time, is a defendant in lawsuits generally incidental to its business. It is management's opinion that the financial position of the Authority will not be materially affected by the ultimate resolution of litigation pending or threatened at June 30, 2016.

Other Noncurrent Liabilities

The Authority, through the Virginia International Gateway 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 (CPI adjusted) in operational assets, or cash. Assets transferred at the end of the lease with a fair market value greater than $13.3 million (CPI adjusted) will be purchased by the terminal owner in accordance with the agreement.

Blended 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, 2016.

On April 7, 2014, VIT obtained a letter of credit available in the amount of $1,001,300 for workers' compensation claims. It bears interest at prime and is set to expire at May 31, 2017. At June 30, 2016, there were no borrowings outstanding.

VIT is also contingently liable for Legacy Leave of $5,218,371 at June 30, 2016 representing amounts employees could use during their period of employment. Legacy Leave is available for use as paid time off until December 31, 2019. Balances remaining unused at January 1, 2020 will be frozen to use.

9. PENSION PLANS

Pensions

The Authority provides two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of electing to be covered as a State employee, and their benefits maintained under the Virginia Retirement System (VRS), or electing to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and February 1, 2014. Employees hired after February 1, 2014 are eligible for a defined contribution plan only.

9. 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). For information on the VRS retirement plan, please see the VRS website at http://www.varetire.org/employers/financial-reporting/gasb-resources.asp for pension plan reporting information. 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 Authority has elected not to disclose information related to the VRS Plan. VRS Net Pension Liability is recorded as $651,000 at June 30, 2016.

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 Division of the Authority.

In January 2014, the Board of Commissioners voted to amend the VPA Defined Benefit Plan to freeze participation and to provide that no new participants shall be admitted or readmitted after January 28, 2014. The effect of those changes is included in the accompanying pension data.

VPA Defined Benefit Plan

General Eligibility Rules

Former employees and beneficiaries of the Virginia Port Authority satisfy retirement eligibility if (1) they commence retirement benefits immediately upon termination and (2) under any one of the following conditions:

	General	Police
Normal Retirement		
(a) Age	65	60
Early Retirement		
(a) Age	50	50
(b) Service	10	5
Early Retirement		
(a) Age	55	NA
(b) Service	5	NA
Disability		
(a) Service	5	5

9. PENSION PLANS – continued

***VPA Defined Benefit Plan* – continued**

General Eligibility Rules - concluded

Effective Date:

August 1, 1998; latest amendment effective May 26, 2009.

Eligibility:

Generally, each employee hired prior to January 28, 2014 is eligible to enter the plan on his or her date of employment. Employees hired prior to August 1, 1998 who elected continued coverage under the Virginia Retirement System (VRS) are not eligible to participate in this plan.

Normal Retirement Age:
Age 65;
for sworn employees, normal retirement age is 60.

Normal Retirement Benefit:
An employee's normal retirement benefit equals 1.7% of final average compensation multiplied by credited service.

Accrued Retirement Benefit:
The accrued retirement benefit is determined in the same manner as the normal retirement benefit with final average compensation and credited service as of the date of computation.

Unreduced Early Retirement Date:
The date an employee attains age 50 and completes 30 years of service. A sworn employee attains his or her unreduced early retirement date upon attaining age 50 and completing 25 years of service.

Reduced Early Retirement Date:
The date an employee attains age 55 and 5 years of service, or age 50 and 10 years of service. For sworn employees, the reduced early retirement date is age 50 and 5 years of service.

Summary of Principal Plan Provisions

Early Retirement Benefit:

The benefit is the employee's accrued benefit payable at normal retirement age without reduction, or without reduction at age 50 if the employee has completed the number of years of credited service required for unreduced early retirement. Otherwise, if the employee retires at age 55 or later, the benefit is the accrued benefit reduced by .5% for each month up to 60

9. PENSION PLANS – continued

***VPA Defined Benefit Plan* – continued**

Summary of Principal Plan Provisions - continued

months and .4% for each month in excess of 60 months that his or her early retirement date precedes the earlier of normal retirement age or the date the employee would have reached his or her first unreduced early retirement date assuming employment had continued.

If the employee retires before age 55 and is not entitled to an unreduced benefit, the benefit is reduced to 55 by .5% for each month up to 60 months and .4% for each month in excess of 60 months that his or her early retirement date precedes the earlier of normal retirement age or the date the employee would have reached his or her first unreduced early retirement date assuming employment had continued, and is further reduced by .6% for each month by which the actual retirement date precedes age 55.

Disability Retirement Benefit:

Total and permanent disability and five years of credited service are required for eligibility. Benefits are payable at the member's normal retirement date. The disability retirement benefit is calculated in the same manner as the normal retirement benefit assuming credited service and monthly compensation, as determined for the plan year immediately preceding date of disablement, and continues until the normal retirement date.

Late Retirement Benefit:

Retirement after normal retirement date. A member's late retirement benefit is equal to the accrued retirement benefit with final average compensation and credited service as of his or her late retirement date.

Vesting:

A participant's accrued benefit becomes vested after five years of credited service.

Form of Benefit:

Payable for life. 50% or 100% joint and last survivor options and a Social Security option are available on an actuarially equivalent basis.

Credited Service:

Credited service is based on years and completed months of employment.

9. PENSION PLANS – continued

***VPA Defined Benefit Plan* - continued**

Summary of Principal Plan Provisions - continued

Final Average Compensation:

The highest average of monthly compensation determined over any consecutive 36 months preceding date of termination.

Pre-Retirement Death Benefit:

If an employee dies after becoming eligible for retirement and before retirement benefits have begun, the employee's beneficiary will receive a benefit payable for life. The amount of the benefit is the monthly benefit the deceased member would have received had the employee retired on the day before date of death and elected a 100% joint and last survivor option.

If a vested member who had not yet begun receiving retirement benefits dies prior to becoming eligible for retirement, his or her beneficiary is entitled to receive a benefit. The amount of the benefit is equal to 100% of the monthly benefit the member would have received if the member had terminated employment rather than died, survived to the earliest retirement age and died having elected a 100% joint and last survivor option.

Sworn Supplement:

Employees in sworn positions receive an enhancement to their accrued benefit equal to .3% of final average compensation for each year of credited service earned in a sworn position. Up to 5 years of credited service in a hazardous position with another employer may be recognized for purposes of this enhancement.

Employees who were hired prior to December 1, 2001 may elect to receive an alternative sworn supplement, in lieu of the .3% enhancement described in the preceding paragraph. This alternative supplement provides, for employees in sworn positions who have completed 15 years of credited service, a supplemental benefit equal to $13,128 per year, which is payable from retirement until Social Security normal retirement age. For purposes of satisfying the 15 years of credited service requirement, up to 5 years of credited service in a hazardous position with another governmental employer may be credited.

Integration with VRS Benefits for Sworn Employees:

Sworn employees who receive their basic retirement benefit from VRS and for whom VRS does not provide the normal retirement age, unreduced early retirement benefits and reduced early retirement benefits described for sworn employees under the VPA plan, will receive an additional benefit from the VPA plan. The amount of the benefit is equal to the (1) benefit determined using VPA credited service and the VPA plan normal retirement age, unreduced

9. PENSION PLANS – continued

VPA Defined Benefit Plan – continued

Summary of Principal Plan Provisions - concluded

early retirement benefit and/or reduced early retirement, minus (2) the benefit to which the participant is entitled under VRS based on VPA credited service.

Contributions

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 27.47% of base pay in 2016 for employees receiving the basic retirement benefit from the plan. The plan does not specify a minimum funding requirement.

Actuarial Methods and Assumptions

The annual pension cost for the current year was actuarially determined as of June 30, 2015 using the Entry Age Normal cost method. The actuarial value of plan assets was determined using fair value. The discount rate used in determining the actuarial liability was 7.0% and a 3.5% factor was used for future annual compensation increases.

Schedules

Members covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	75
Inactive members entitled to but not yet receiving benefits	41
Active Eligible Members	129
	245

9. PENSION PLANS – continued

VPA Defined Benefit Plan – continued

Net Pension Liability

VPA's net pension liability at June 30, 2016 was actuarially measured as of June 30, 2015, and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Net Pension Liability Under GASB 68

	June 30, 2015
Total Pension Liability	$ 20,005,408
Plan Fiduciary Net Position	10,655,726
Net Pension Liability	$ 9,349,682
Plan fiduciary net Position as a Percentage of the Total Pension Liability	53.26%

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2014	$ 13,483,661	$ 10,185,454	$ 3,298,207
Changes for the year:			
Service cost	487,324	-	487,324
Interest	1,019,065	-	1,019,065
Differences between expected and actual experience	(204,569)	-	(204,569)
Net investment income	-	467,163	(467,163)
Contributions from employer	-	900,882	(900,882)
Benefit payments	(781,017)	(781,017)	-
Administrative expense	-	(116,756)	116,756
Changes of assumptions	1,124,233	-	1,124,233
Change in benefit terms	4,876,711	-	4,876,711
Balances at June 30, 2015	$ 20,005,408	$ 10,655,726	$ 9,349,682

9. PENSION PLANS – continued

VPA Defined Benefit Plan – continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of the VPA Defined Benefit plan, calculated using the discount rate of 7 percent, as well as what VPA Defined Benefit Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability for fiscal year end June 30, 2016:

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
Total Pension Liability	$ 23,159,357	$ 20,005,408	$ 17,438,803
Plan Fiduciary Net Position	10,655,726	10,655,726	10,655,726
Net Pension Liability	$ 12,503,631	$ 9,349,682	$ 6,783,077

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2016, reported deferred outflows of resources and deferred inflows of resources related to pensions originated from the following sources:

Deferred Outflows/Inflows of Resources

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between actual and expected experience measurement date June 30, 2015	$ 159,916	$ (168,930)
Employer contributions subsequent to measurement date	3,850,943	-
Assumption changes	928,374	-
Net difference between expected and actual earnings on pension plan investments	237,489	(574,772)
Total	$ 5,176,722	$ (743,702)

9. PENSION PLANS – continued

***VPA Defined Benefit Plan* – continued**

Deferred Outflows/Inflows of Resources Related to Pensions - concluded

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Scheduled Recognition of Deferred Outflows and Inflows of Resources:

Year Ending June 30,	Increase to Pension Expense
2017	$ 79,498
2018	79,498
2019	79,498
2020	225,020
2021	118,563
Total (Deferred Outflows less Deferred Inflows of Resources)	$ 582,077

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date in the amount of $3,850,943 will be recognized as a reduction of the net pension liability during the year ending June 30, 2017.

9. PENSION PLANS – continued

VPA Defined Benefit Plan – continued

Changes in the Net Pension Liability and Related Ratios

Total Pension Liability		
Service Cost	$	487,324
Interest		1,019,065
Plan Changes		4,876,711
Assumption Changes		1,124,233
Benefit Payments		(781,017)
Pension Liability Gain		(204,569)
Net Change in Total Pension Liability		6,521,747
Total Pension Liability (Beginning of measurement period)		13,483,661
Total Pension Liability (Ending of measurement period)	$	20,005,408
Plan Fiduciary Net Position		
Contributions – Employer	$	900,882
Net Investment Income		467,163
Benefit Payments, Including Refunds of Member Contributions		(781,017)
Administrative Expense		(116,756)
Net Change in Plan Fiduciary Net Position		470,272
Plan Fiduciary Net Position (Beginning)		10,185,454
Plan Fiduciary Net Position (Ending)	$	10,655,726
VPA's Net Pension Liability (Ending)	$	9,349,682
Net Position as a % of Pension Liability		53.26%
Covered-Employee Payroll	$	10,235,375
Net Pension Liability as a % of Payroll		91.35%

9. PENSION PLANS – continued

VPA Defined Benefit Plan – continued

Contributions

Contractually Required Contribution (CRC)	$ 1,772,010
Contributions made in Relation to the CRC	$ 3,850,943
Contribution Deficiency (Excess)	$(2,078,933)
Covered-Employee Payroll	$10,235,375
Contributions as a % of Payroll	37.62%

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Aggregate Level Percent of Payroll.

Asset Valuation Method Fair Value.

General Inflation 2.50%

Salary Increases 3.50%

Investment Rate of Return 7.00%, net of pension plan investment expense, including inflation.

Retirement Age varies by age and service, same as GASB 68.

Mortality rates were based on the RP-2014 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2015.

Investment Return

Valuation date	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015
Return on Assets	5.4%	(21.9%)	11.7%	21.8%	(0.5%)	13.9%	18.2%	4.6%

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the consolidated financial statements, 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 (AAL) for benefits.

9. PENSION PLANS – continued

VPA Defined Benefit Plan – concluded

Deferred Compensation Plan

In addition to the defined benefit pension plans, 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 for employees hired on or before January 28, 2014. VPA's total contribution to the Matching Savings Plan was $110,720 for the year ended June 30, 2016.

On January 28, 2014, the Authority's Board adopted Resolution 14-2 Freezing Pension Plan to New Participants and Establishing Enhanced Defined Contribution Plan for New Employees in order to move toward normalizing the retirement benefits between the Authority and Virginia International Terminals, LLC. Beginning April 1, 2014, employees hired after January 28, 2014 (Enhanced Participants), will be provided an employer contribution of 4% of Compensation and are also eligible for a matching contribution of 50% of the first 4% of compensation contributed to the Deferred Compensation Plan. VPA's total contribution to the Virginia Port Authority Defined Contribution Plan for Enhanced Participants for the year ended June 30, 2016 was $163,384 for the Defined Contribution and $60,970 for the Enhanced Participant Employer Matching Contribution.

Employees transferring to the Authority from VIT, as part of the Port of Virginia (POV) restructure or shared services agreement, that had been hired by VIT prior to July 1, 2012 and were active participants of VIT's pension plan at the time of the transfer, and are not eligible for the Enhanced Defined Contribution plan, are eligible for a matching contribution of 50% of the first 3% of compensation contributed to the Deferred Compensation Plan. VPA's total matching contribution to the Virginia Port Authority Defined Contribution Plan for VIT Plan Participants for the year ended June 30, 2016 was $68,569.

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.

9. PENSION PLANS - continued

Blended Component Unit – VIT

Plan Description

The Virginia International Terminals, LLC Pension Plan (VITPP) 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 resolutions of the Board of Commissioners of the Virginia Port Authority. The plan issues a stand-alone financial report. The most recent report is as of June 30, 2015 and is available upon request from VPA's administrative offices.

Benefits Provided

VITPP provides retirement, disability, and death benefits to plan members and beneficiaries. Normal Retirement benefits are in the form of life annuities based on the Normal Retirement Benefit which is calculated as 1.4% x Final Average Earnings x Credited Service PLUS 0.4% x Final Average Excess Earnings x Credited Service (max. 35 years). Final Average Earnings is the highest average of the employee's Benefit Earnings in sixty (60) consecutive months of Credited Service. Final Average Excess Earnings is the excess, if any of Final Average Earnings over Covered Compensation. Covered Compensation is equal to the 35 year average of the Social Security Taxable Base during an employee's working career. Entry into the plan was frozen as of June 30, 2012. Vesting is over seven years of service, ranging from 20% at two years of service, with 60% at five years of service and full vesting at seven years of service. Disability Benefits are available to those with five years of credited service and eligibility for Social Security disability benefits is required. Benefits commence on an employee's normal retirement date and are computed using credited service as of the normal retirement date and final average earnings as of the disability retirement date. Pre-retirement Death Benefits are payable to the spouse of a vested employee who dies before retirement benefits have begun. The benefit will be equal to the monthly amount the spouse would have received if the employee had terminated employment just before their death, serviced to the earliest date on which they could have retired, and died having elected a 50% joint and survivor benefit.

9. PENSION PLANS - continued

Blended Component Unit – VIT - continued

Benefits Provided - continued

Employees covered by the benefit terms as of June 30, 2016:

Inactive employees or beneficiaries currently receiving benefits	238
Inactive employees entitled to but not yet receiving benefits	153
Active eligible employees	279
Total	670

Contributions

The plan sponsor's funding policy is to contribute the amount necessary to meet the minimum funding requirements of Internal Revenue Code Sections 412 and 430. From time to time the plan sponsor, at its sole discretion, may contribute an amount above the minimum required contribution.

Members are not required to contribute to the plan. VIT makes an actuarially determined contribution to the plan for all covered employees. VIT's contributions to the pension plan were $2,880,000 and $1,860,000 for the years ended June 30, 2016 and 2015, respectively.

If the plan sponsor fails to pay the minimum required contribution by 8½ months after the end of the plan year, the plan sponsor will be required to pay a 10% excise tax under IRC Section 4971 on the amount of any unpaid minimum required contributions. This tax can increase to 100% if the unpaid minimum required contribution is not corrected in subsequent plan years.

PBGC Premiums

ERISA established the Pension Benefit Guaranty Corporation (PBGC), under the jurisdiction of the Department of Labor, to guarantee most vested retirement benefits and certain disability and survivor pensions.

Plans covered by the PBGC insurance program must file an annual premium filing each year with the PBGC via their online myPAA system within 9½ months after the beginning of the plan year. All plans must pay a basic premium based on the number of participants as of the end of the previous plan year, and plans with unfunded vested benefits must also pay an additional risk-related premium to the PBGC. The premium amount payable is $313,975 calculated for a full year.

9. PENSION PLANS - continued

Blended Component Unit – VIT - continued

Net Pension Liability

VIT's net pension liability at June 30, 2016 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits as determined by an independent actuary using end of year benefit information as of June 30, 2015 is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuation measured at June 30, 2015 were (a) life expectancy of participants (the RP-2014 Mortality Table Adjusted to 2006 with Generational Projection (Scale MP-2015), (b) retirement age (age 65), (c) investment return (average rate of return of 7%), (d) taxable wage base (2.5%), and (e) salary scale assumption of 3.5%. 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.

Asset Valuation Method

IRC Section 430(g) provides that plan assets be valued at either their fair market value on the valuation date or at the "average" value of assets on the valuation date. Under the average value, the value of plan assets is set equal to the average of the fair market value of assets on the valuation date and the adjusted fair market value of assets (including expected earnings) determined for one or more earlier determination dates (up to a 2-year limit). The resulting average value must be constrained so that it falls between 90% and 110% of the fair market value of plan assets on the valuation date. Contributions for a prior plan year that are made after the beginning of this plan year are adjusted for interest at the effective interest rate under Section 430(h)(2).

9. PENSION PLANS - continued

Blended Component Unit – VIT - continued

Long-Term Expected Rate of Return

The long-term expected rate of return on pension investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.4%	1.0%
Fixed income	36.6%	3.3%
Domestic and international equities	46.0%	9.6%
Real estate	6.4%	9.0%
Other investments	10.6%	9.0%
	100.0%	

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances, June 30, 2014	$ 95,352,033	$ 84,707,958	$ 10,644,075
Changes for the year:			
Service cost	1,193,213	-	1,193,213
Interest	7,024,100	-	7,024,100
Change of benefit terms	(4,941,352)	-	(4,941,352)
Differences between expected and actual experience	(3,625,271)	-	(3,625,271)
Contributions – employer	-	2,880,000	(2,880,000)
Changes of assumptions	3,429,692	-	3,429,692
Net investment income	-	1,971,743	(1,971,743)
Benefit payments, including refunds of employee contributions	(3,269,754)	(3,269,754)	-
Net changes	(189,372)	1,581,989	(1,771,361)
Balances, June 30, 2015	$ 95,162,661	$ 86,289,947	$ 8,872,714

9. PENSION PLANS - continued

Blended Component Unit – VIT – continued

Sensitivity of the Net Pension Liability to Changes in Discount Rate

The following presents the net pension liability of the VITPP, calculated using the discount rate of 7 percent, as well as what VITPP's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

Discount Rate Sensitivity – Net Pension Liability at End of Period:

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
Total pension liability	$ 106,846,541	$ 95,162,661	$ 85,260,811
Plan fiduciary net position	86,289,947	86,289,947	86,289,947
Net pension liability (asset)	$ 20,556,594	$ 8,872,714	$ (1,029,136)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Company recognized a pension benefit of $2,670,507.

The Company reported deferred outflows of resources related to pensions from the following sources at June 30, 2016:

Changes of assumptions	$ 2,548,023
Net difference between projected and actual plan investment earnings	3,443,044
Employer contributions subsequent to measurement date	1,464,372
	$ 7,455,439

The Company also reported deferred inflows of resources related to pensions from the following sources at June 30, 2016:

Differences between expected and actual experience	$ 3,660,063
Net difference between projected and actual plan investment earnings	149,466
	$ 3,809,529

9. PENSION PLANS - concluded

Blended Component Unit – VIT – concluded

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – concluded

Deferred outflows of resources resulting from employer contributions subsequent to measurement date in the amount of $1,464,372 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

Amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2017	$ 329,081
2018	329,081
2019	662,618
2020	860,758
	$ 2,181,538

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the consolidated financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

VIT sponsors noncontributory supplemental plans covering certain key employees. Assets of $2,529,570 as of June 30, 2016, have been allocated for future benefit payments under the provisions of the supplemental plans. The accrued liability was $2,954,372 as of June 30, 2016. The net accrued liability for the supplemental retirement plans was $424,802 at June 30, 2016. Contributions to the plans were $200,000 for the year ended June 30, 2016.

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 $513,895 for the year ended June 30, 2016.

10. OTHER POST RETIREMENT EMPLOYEE BENEFITS ("OPEB")

Effective January 1, 2015, VPA ceased providing formal post-employment benefits to all employees except for two subsets of employees whose benefits were grandfathered: (1) 42 VPA employees who were transferred from VIT will, if they retire at age 62 or older with at least 30 years of service, receive a premium subsidy of $500 per month until they reach age 65; and (2) 4 retired VPA employees are being allowed to remain in the VPA health and dental plans until age 65, but must pay the full actuarially determined premium to retain coverage. Based on an evaluation of these limited benefits by VPA's actuary, management has determined the recording of an OPEB liability and further disclosure are not necessary.

Blended Component Unit – VIT

Plan Description

VIT also sponsors a non-pension post-retirement medical insurance benefits plan that covers individuals who are at least 62 years of age with 30 years of service. The significant actuarial assumptions used in the valuations were (a) discount rate for net periodic postretirement benefit cost (4.00%), (b) payroll growth rate (3.5%), (c) rate of increase in medical claims cost at the valuation date (7.50%), (d) period over which accrued actuarial liabilities are amortized (26 years), (e) general inflation rate (2.5%), and (f) actuarial value of assets (fair value).

Funding Policy

The contributions to OPEB are established by and may be amended by VIT. The contributions are typically based on projected pay-as-you-go financing requirements. There are no assets that have been segregated and restricted to provide for retiree medical benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on the annual required contribution, but does not require funding of the related liability.

Annual OPEB Cost and Net OPEB Obligation

VIT is required to contribute the annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years on a closed basis. The following table shows the components of the annual OPEB costs for the year, the amounts actually contributed for the year, and the changes in the net OPEB obligation.

10. OTHER POST RETIREMENT EMPLOYEE BENEFITS - continued

Blended Component Unit – VIT - continued

Annual OPEB Cost (AOC)		
Annual required contribution (ARC)	$	467,292
Less amortization of net OPEB obligation (NOO)		(53,074)
Plan interest on NOO		53,877
Total AOC	$	468,095
End of Year NOO		
Actual, beginning of year NOO	$	1,346,914
Plus actual AOC		468,095
Less contributions		(493,568)
End of year NOO	$	1,321,441

The Company's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2016	$	468,095	105.44%	$	1,321,441
June 30, 2015		470,532	99.31%		1,346,914

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial date, the plan was unfunded. The actuarial accrued liability for benefits was $1,944,814, and the actuarial value of assets was $-0-. The covered payroll (annual payroll of active employees covered by the plan) was $9,733,180, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.98%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made for the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to consolidated financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

10. OTHER POST RETIREMENT EMPLOYEE BENEFITS - concluded

Blended Component Unit – VIT - concluded

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement benefits: As of January 1, 2016, only employees who are at least 62 years old with 30 years or more of service may continue VIT's health coverage with VIT providing the same options and cost-sharing for retired employees as for active employees for employee-only medical and dental plans with a maximum subsidy of $500 per month until age 65.

Mortality: Life expectancies were based on mortality tables from the RP-2014 Mortality Fully Generational using Projection Scale MP-2015.

Actuarial assumptions also include (a) discount rate for net periodic postretirement benefit cost (4.00%), (b) payroll growth rate (3.5%), (c) rate of increase in medical claims cost at the valuation date (7.50%), (d) period over which accrued actuarial liabilities are amortized (26 years), (e) general inflation rate is (2.5%), and (f) actuarial value of assets are fair value.

11. ACCRUED WORKERS' COMPENSATION COSTS

Blended 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, 2016 are classified as follows:

Workers' compensation claims	$	123,796
Workers' compensation claims, noncurrent		541,994
Total	$	665,790

11. ACCRUED WORKERS' COMPENSATION COSTS - concluded

Blended Component Unit – VIT - concluded

The accrued U.S. 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 7.0% at June 30, 2016. The undiscounted liability totaled approximately $2,430,000 at June 30, 2016. The Company expects to pay these assessments annually through 2025. The balances at June 30, 2016 are classified as follows:

Accrued U.S. Department of Labor assessment	$ 758,237
Accrued U.S. Department of Labor assessment, noncurrent	1,067,373
Total	$ 1,825,610

12. 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).

12. RISK MANAGEMENT AND EMPLOYEE HEALTH CARE PLANS - concluded

Through its operating agreement, the Authority requires Virginia International Terminals, LLC 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. The Authority is partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $125,000 per individual for calendar year 2015. The aggregate deductible for VIT and VPA combined claims in excess of the $125,000 individual limit was $7,045,764 for calendar year 2016.

Blended 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 offers health/medical insurance to its employees, and bears some self-insurance risk for claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the VPA, the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar years of 2015 and 2016, the individual claim cost limit (deductible) under the policy for the Company was $125,000. The aggregate deductible for VIT and VPA combined claims in excess of the $125,000 individual limit was $7,045,764 for calendar year 2016 and $6,799,081 for calendar year 2015. As of June 30, 2016, the Company had accrued $373,830 for claims incurred but not reported (IBNR).

13. RELATED PARTIES

VIT also makes lease payments on behalf of the VPA for various equipment and office space. Total payments on behalf of the VPA for these lease agreements totaled $865,975 for the year ended June 30, 2016.

On August 8, 2014, an Agreement for Shared Services was executed between the VPA and VIT and HRCP, in an effort to streamline the administration of the Port of Virginia and reduce costs. Services shared include Accounting and Finance, Purchasing, Risk Management, Innovation, and Human Resources. Costs are billed to each entity based on a budgeted allocation with actual true up to expenditures on a quarterly but no less than annual frequency. The shared services agreement became effective on January 1, 2015. For the year ended June 30, 2016, VIT's allocated services were $14,089,129 and HRCP's were $2,394,214.

From time to time, related parties will extend short-term cash advances. For the year ended June 30, 2016, VIT received $1,173,139 from the VPA, which was repaid in July of 2015. No HRCP contributions were passed through to the VPA. No interest is earned or charged on any advances. At June 30, 2016, there were no related-party advances outstanding between any of the Port Entities.

For the year ended June 30, 2016, VIT recorded $108,361,067 as operating transfers to VPA pursuant to the Operating Agreement. The calculations are performed as of the end of the applicable month, and payment is made by the 15th of the subsequent month. VIT also collected and remitted to the VPA $8,827,022 in Security Surcharges from VPA customers for the year ended June 30, 2016.

On January 1, 2016, a liability for compensated absences in the amount of $486,116 was transferred from VIT to the VPA for benefits earned by employees during their service with VIT. Employees will have until December 31, 2019 to utilize the leave balances associated with this liability.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2016, which is the date the consolidated financial statements were available to be issued. Management has determined the following subsequent events warrant disclosure in the consolidated financial statements.

14. SUBSEQUENT EVENTS – continued

On September 6, 2016, the U.S. Bankruptcy Court in Newark, New Jersey granted Hanjin Shipping's (Hanjin) request to have its rehabilitation filed in Korean Bankruptcy Court recognized in the United States. Hanjin is, based on capacity, the seventh largest ship line in the world, and is a customer of VIT. VIT has taken measures to mitigate exposure to the bankruptcy including, but not limited to, requiring cash deposits and advance payments, affirming guarantees from third parties, and securing collateralized property on the terminal grounds. While the outcome of the proceedings and absolute effect on the Company is uncertain at this time, based on available information and management's assessment of the matter, the bankruptcy is not expected to have a material adverse effect on the Company's consolidated net position.

On September 21, 2016, the VPA announced an agreement for the extension and restatement of the lease with Virginia International Gateway, Inc. from its current expiration date of July 1, 2030 to December 31, 2065. The restated lease will provide for, among other things, the development of 60 acres (designated as Phase II) of the terminal property, expansion of the existing wharf by 650 feet, provision of an additional 10,000 feet of on-dock rail, and the effective doubling of the capacity of the VIG terminal.

The lessor is financing the Phase II development costs, estimated at $320 million, and development is expected to be completed in approximately three years. Upon commencement, the payment terms of the restated lease will change to eliminate volume rent, and will consist of an initial annual base rent of $51.7 million, plus $11 million of expansion rent during the first lease year, increasing to $22 million of expansion rent during the second lease year, and finally $33 million during the third lease year and thereafter (e.g. $84.7 million of annual base rent from year three forward); the amount of additional rent could fluctuate up or down depending on the ultimate expansion cost funded. During the construction period, the restated lease also provides for an additional $1 million annually of interim construction rent. After years five and ten of the restated lease, the total annual rent is increased by an additional $1 million at each interval. All lease payments are subject to escalation based on changes in the Consumer Price Index.

There are certain conditions precedent to the formal commencement of the lease, including, but not limited to, the defeasance of existing Port Facilities Revenue Bonds (Series 2010, 2013, 2015A and 2015B) and installment purchases obligations and refunding through a 2016 series that will be subordinated to the lease obligation. Other conditions precedent include validation of funding sources, approval of the project plan, and various regulatory and administrative matters. Based on progress to date, management believes that the conditions precedent will be satisfied and the lease formally commenced during November 2016. Upon commencement, the restated lease will be accounted for as a capital lease. VIT will continue as the terminal operator.

14. SUBSEQUENT EVENTS – concluded

On October 31, 2016, VPA's contract with the current operator of RMT will expire. On November 1, 2016, VIT will become the operator of RMT.

REQUIRED SUPPLEMENTARY INFORMATION
(RSI)
(UNAUDITED)

VIRGINIA PORT AUTHORITY
VPA DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS

	Fiscal Year Ended	
	June 30, 2015	**June 30, 2016**
Contractually Required Contribution	$ 874,897	$ 1,772,010
Contributions made in Relation to the Actuarially Determined Contribution	900,882	3,850,943
Contribution Deficiency (excess)	$ (25,985)	$ (2,078,933)
Covered - Employee Payroll	$ 5,707,279	$ 10,235,375
Contributions as a % of Payroll	15.78%	37.62%

Notes to Schedule:

1) Valuation Date:	July 1, 2014	July 1, 2015

2) Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate Level of Payroll	Aggregate Level of Payroll
Asset valuation method	Fair Value	Fair Value
IRS limit increases	2.50%	2.50%
Projected salary increases	4.0%	3.50%
Investment rate of return	7.5%, net of pension plan investment expense, including inflation	7.0%, net of pension plan investment expense, including inflation
Retirement Age	Varies by age and service	Varies by age and service
Mortality rates	Mortality rates were based on the RP-2000 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on Scale AA	Mortality rates were based on the RP-2014 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on Scale MP-2015

4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

VIRGINIA PORT AUTHORITY
VPA DEFINED BENEFIT PENSION PLAN
CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	Fiscal Year Ended June 30,		
	2014	**2015**	**2016**
Total Pension Liability			
Service Cost	N/A	$ 387,024	$ 487,324
Interest	N/A	971,904	1,019,065
Changes of Benefit Terms	N/A	-	4,876,711
Differences Between Expected and Actual Experiences	N/A	262,908	(204,569)
Changes of Assumptions	N/A	-	1,124,233
Benefit Payments	N/A	(1,102,947)	(781,017)
Net Change in Total Pension Liability	N/A	518,889	6,521,747
Total Pension Liability (Beginning)	N/A	12,964,772	13,483,661
Total Pension Liability (Ending)	$ 12,964,772	$ 13,483,661	$ 20,005,408
Plan Fiduciary Net Position			
Contributions-Employer	N/A	$ 525,696	$ 900,882
Net Investment Income	N/A	1,618,318	467,163
Benefit Payments, Including Refunds of Member Contributions	N/A	(1,102,947)	(781,017)
Administrative Expense	N/A	(111,083)	(116,756)
Net Change in Plan Fiduciary Net Position	N/A	929,985	470,272
Plan Fiduciary Net Position (Beginning)	N/A	9,255,469	10,185,454
Plan Fiduciary Net Position (Ending)	$ 9,255,469	$ 10,185,454	$ 10,655,726
Net Pension Liability (Ending)	$ 3,709,303	$ 3,298,207	$ 9,349,682
Net Position as a % of Pension Liability	71.39%	75.54%	53.26%
Covered-Employee Payroll	$ 5,161,935	$ 5,707,279	$ 10,235,375
Net Pension Liability as a % of Payroll	71.86%	57.79%	91.35%

Notes to Schedule:

1) Changes of Benefit Terms: There have been no significant changes to the pension benefit provisions since the effective date of GASB 68.

2) Changes in assumptions: There have been changes to the mortality rates, investment rate of return and projected salary increases

Projected salary increases	4.0%	3.5%
Investment rate of return	7.5%	7.0%
Mortality rates	RP-2000 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on Scale AA	RP-2014 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on Scale MP-2015

3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

VIRGINIA INTERNATIONAL TERMINALS, LLC
DEFINED BENEFIT PLAN
SCHEDULE OF COMPANY CONTRIBUTIONS

	Fiscal Year June 30, 2015	Fiscal Year June 30, 2016
Actuarially determined contribution	$ 3,072,285	$ 2,745,069
Contributions in relation to the actuarially determined contribution	2,157,789	722,211
Contribution deficiency (excess)	$ 914,496	$ 2,022,858
Covered-employee payroll	$ 23,660,725	$ 17,885,926
Contributions as a percentage of covered-employee payroll	9.12%	4.04%

Notes to Schedule:

1) Valuation date: Actuarially determined contribution rates are calculated as of September 30, the fiscal year of the plan. June 30, 2015

2) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age normal - level percentage of pay
Amortization method	Level of Payroll, Closed	Level of Payroll, Closed
Remaining amortization	30 years	30 years
Asset valuation method	Fair Value	Fair Value
Inflation	2.5%	2.0%
Projected salary increases	3.5%	3.5%
Interest rate of return	4%	7.0%
Retirement age	55	65
Mortality	RP2000 Combined Mortality Table (Projected Using Scale BB)	RP2014 mortality table adjusted to 2006 with generational projection (Scale MP-2015)

3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Company will present information for those years for which information is available.

4) The valuation at June 30, 2015 represents a short year valuation to conform the reporting of this plan to others within the organization.

VIRGINIA INTERNATIONAL TERMINALS, LLC
DEFINED BENEFIT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	Fiscal Year June 30, 2015	Fiscal Year June 30, 2016
Total Pension Liability		
Service cost	$ 1,351,708	$ 1,193,213
Interest	6,876,416	7,024,100
Changes of benefit terms	-	(4,941,352)
Changes in assumptions	-	3,429,692
Differences between expected and actual experience	(1,829,899)	(3,625,271)
Pension laibility loss	-	-
Benefit payments, including refunds of employee contributions	(4,000,317)	(3,269,754)
Net change in total pension liabilit	2,397,908	(189,372)
Total pension liability - beginning	92,954,125	95,352,033
Total pension liability - ending (a)	$ 95,352,033	$ 95,162,661
Plan Fiduciary Net Position		
Contributions - employer	$ 1,860,000	$ 2,880,000
Net investment income	6,207,582	1,971,743
Benefit payments, including refunds of employee contributions	(4,000,317)	(3,269,754)
Administrative expense	-	-
Net change in plan fiduciary net positio	4,067,265	1,581,989
Plan fiduciary net position - beginning	80,640,693	84,707,958
Plan fiduciary net position - ending (b)	$ 84,707,958	$ 86,289,947
Net pension liability - ending (a) - (b)	$ 10,644,075	$ 8,872,714
Plan fiduciary net position as a percentage of the total pension liability	88.84%	90.68%
Covered-employee payroll	$ 23,660,725	$ 17,885,926
Net pension liability as a percentage of covered - employee payroll	44.99%	49.61%

Note to Schedule:

1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Company will present information for those years for which information is available.

VIRGINIA INTERNATIONAL TERMINALS, LLC
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2016	$ -	$ 1,944,814	$ (1,944,814)	0.0%	$ 9,733,180	19.98%
June 30, 2015	-	2,965,915	(2,965,915)	0.0%	27,063,854	10.96%

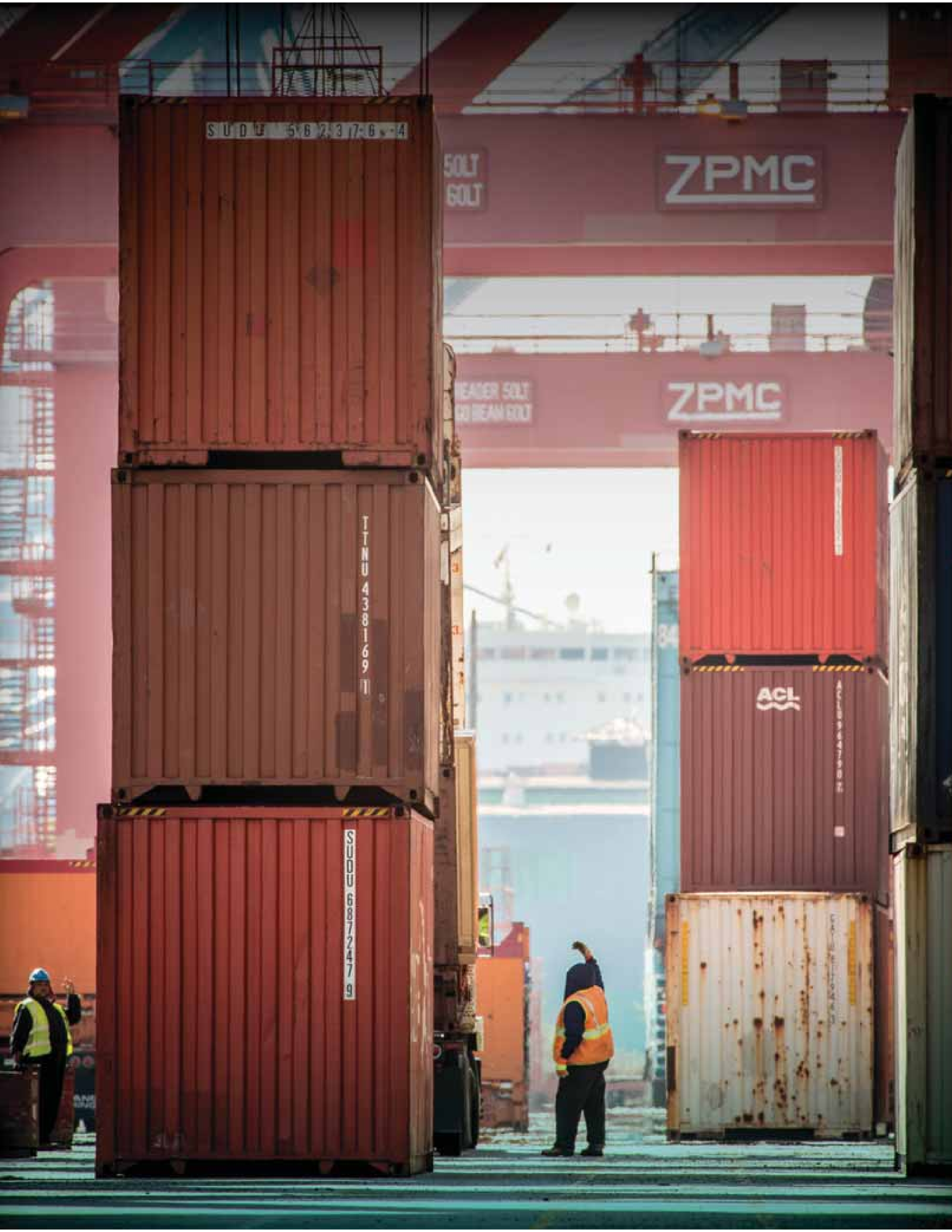
VIRGINIA INTERNATIONAL TERMINALS, LLC
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2016	$ 467,292	105.44%
2015	467,292	93.31%

Note to Schedules:

This schedule is presented to illustrate the requirement to show information for 3 years. However, until a full 3-year trend is compiled, the Company will present information for those years for which information is available.

(This page left blank intentionally)


ZPMC
ZPMC
ACL
TTNU 4381691
SUDU 6872479

(This page left blank intentionally)

STATISTICAL SECTION

(unaudited)

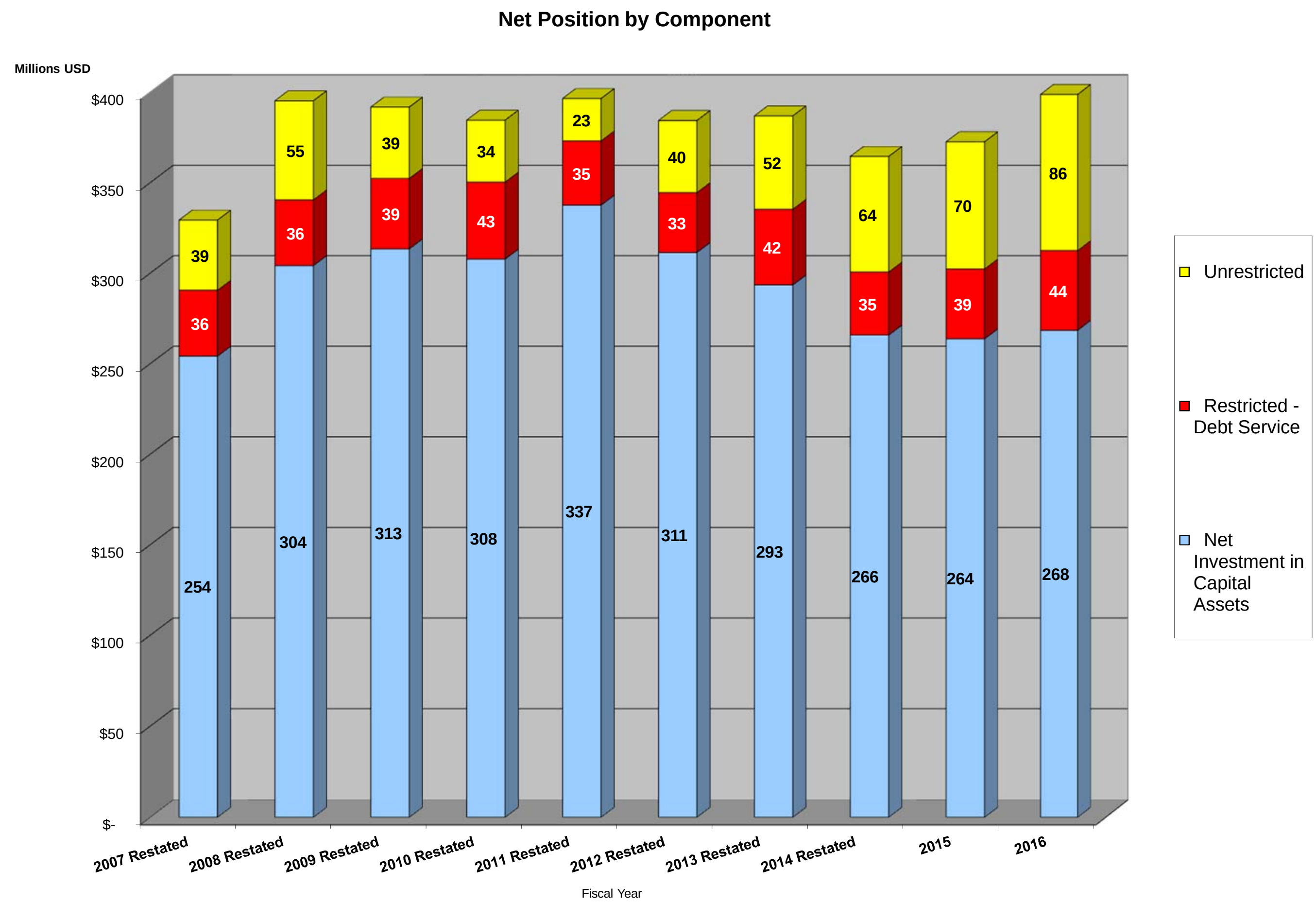
The objective of the statistical section is to provide information about the economic condition within which the Virginia Port Authority operates, to enable the user to more fully understand what the information in the financial statements, notes and supplementary information says about the Authority's 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 Fiscal Years 2007 Through 2016

	Fiscal Year									
	2007 Restated	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012 Restated	2013 Restated	2014 Restated	2015	**2016**
Net Position:										
Net Investment in Capital Assets	$ 254,084,675	$ 304,071,695	$ 313,361,031	$ 307,728,633	$ 337,480,194	$ 311,346,910	$ 293,397,720	$ 265,717,230	$ 263,651,206	$ 268,348,384
Restricted - Debt Service	36,390,367	36,319,428	38,925,250	42,519,110	35,478,707	33,081,525	41,833,813	34,823,401	38,581,530	44,017,978
Unrestricted	38,748,815	54,757,736	39,384,094	34,215,199	23,416,417	39,831,818	51,568,748	63,855,747	70,270,230	86,251,930
Total Net Position	$ 329,223,857	$ 395,148,859	$ 391,670,375	$ 384,462,942	$ 396,375,318	$ 384,260,253	$ 386,800,281	$ 364,396,378	$ 372,502,966	$ 398,618,292

Net Postion amounts have been restated to reflect the implementation of GASB 68, the restatement of prior years due to the capture of interest costs into capital assets and to conform to current year presentation.



VIRGINIA PORT AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position

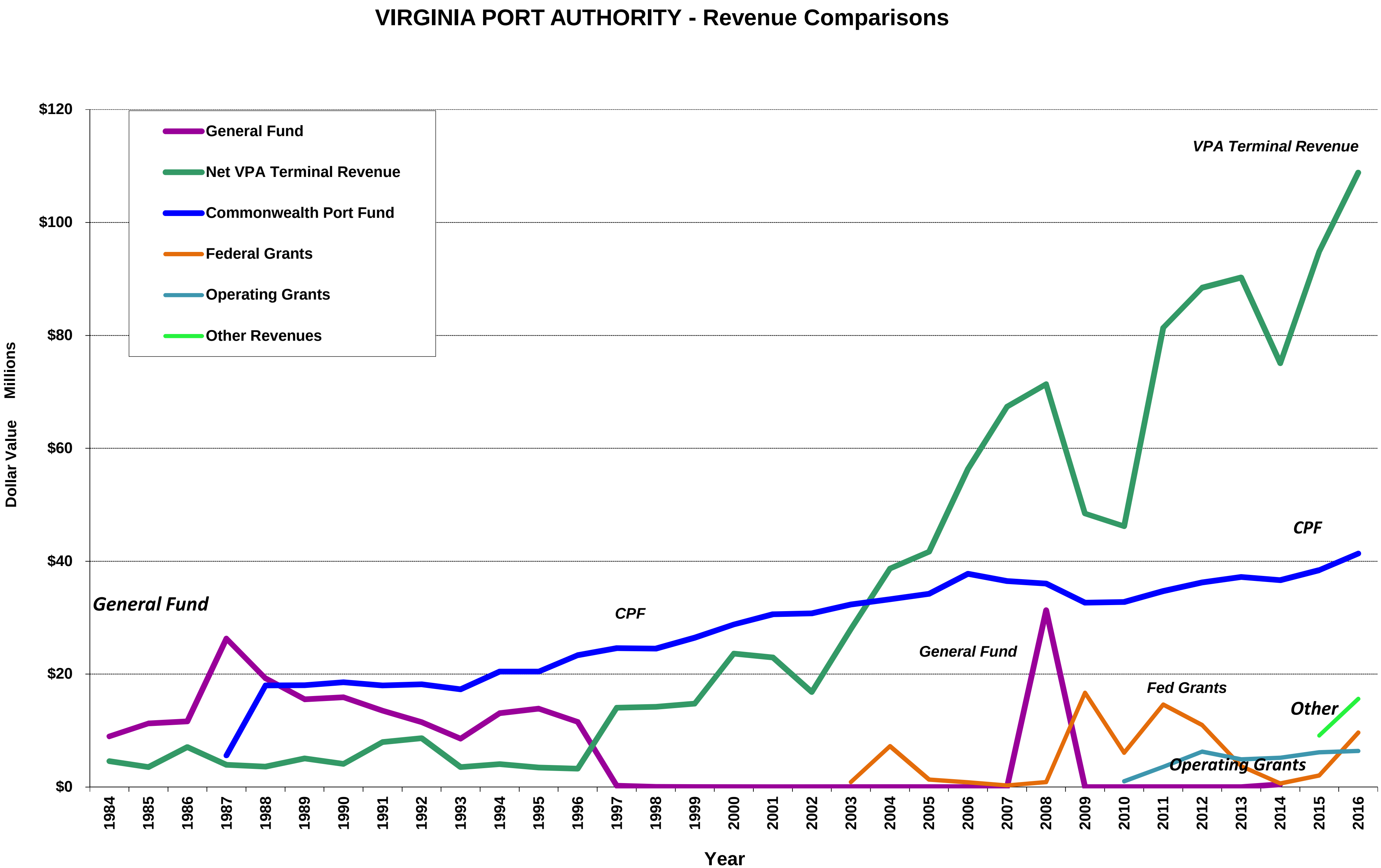
For the Fiscal Years 2007 Through 2016

	2007 Restated	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012 Restated	2013 Restated	2014 Restated	2015	2016
Operating Revenues:										
Operating revenues from component unit	$ 67,399,813	$ 71,370,049	$ 48,448,053	$ 46,184,870	$ 81,348,960	$ 88,458,998	$ 90,272,604	$ 75,058,836	$ 94,845,407	$ 108,847,183
Other revenues	4,946,483	6,049,718	4,707,316	1,030,769	3,596,326	6,283,332	7,970,579	5,192,084	9,147,626	9,339,787
Operating revenues - grants	-	-	-	4,742,848	6,274,000	6,519,292	4,903,439	7,762,729	6,179,493	6,390,908
Total operating revenues	72,346,296	77,419,767	53,155,369	51,958,487	91,219,286	101,261,622	103,146,622	88,013,649	110,172,526	124,577,878
Operating Expenses:										
Terminal operations	1,842,680	1,842,533	1,875,888	1,917,506	1,995,005	2,068,666	2,128,546	1,309,688	1,132,625	1,506,749
Terminal maintenance	4,586,595	4,878,215	6,055,480	6,849,226	7,962,089	10,492,515	8,731,182	8,324,365	8,936,463	9,920,219
General and administrative	21,153,082	23,263,380	20,191,192	19,748,554	22,600,035	22,089,260	18,577,038	26,205,663	19,213,457	20,599,900
Facility rental	-	-	-	-	29,740,480	37,063,827	47,229,466	52,479,613	55,679,447	55,618,729
Depreciation and amortization	33,546,305	35,283,706	38,905,389	43,961,670	46,135,517	44,840,342	44,095,008	43,084,669	42,653,783	44,018,111
Total operating expenses	61,128,662	65,267,834	67,027,949	72,476,956	108,433,126	116,554,610	120,761,240	131,403,998	127,615,775	131,663,708
Operating income (loss)	11,217,634	12,151,933	(13,872,580)	(20,518,469)	(17,213,840)	(15,292,988)	(17,614,618)	(43,390,349)	(17,443,249)	(7,085,830)
Non-operating revenues (expenses)										
Interest income	6,983,909	4,290,858	1,855,775	578,313	697,221	636,920	482,181	330,581	441,454	652,550
Interest expense, net of capitalized interest	(17,645,103)	(16,613,369)	(17,163,304)	(15,687,770)	(18,984,951)	(23,070,737)	(20,531,918)	(16,888,384)	(14,160,492)	(18,160,286)
Bond issue costs	(921,160)	(678,876)	(20,000)	(694,650)	(538,986)	(734,427)	(917,063)	(69,000)	(1,024,231)	(489,036)
Commonwealth Rail Relocation income (& ARRA)	1,120,000	20,781,163	-	-	2,014,416	6,375,798	244,424	-	-	-
Commonwealth Rail Relocation expenses	(1,447,474)	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)	(133,770)	-	-
Operating Expenses to Component Unit	(4,498,144)	-	(4,852,551)	-	-	-	-	-	-	-
Revenues from federal government	300,787	876,048	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137	626,643	740,452	9,653,436
Revenues (expenses) Commonwealth	(173,802)	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)	306,335	1,324,350	(187,951)
Revenues (expenses) VEDP, net	-	-	-	-	-	-	-	-	-	1,690,873
Voluntary non-exchange revenue	-	-	1,900,000	-	-	-	-	-	-	-
Other income (expense)	166,303	35,590	38,825	7,787	8,996	8,722	-	-	-	2,744
Gain (loss) on disposals	(430,311)	(852,527)	3,793	(2,093,785)	88,879	(15,266,083)	708,585	2,652	-	(1,107,131)
Income (loss) before capital contributions and transfers	(5,327,361)	21,836,836	(42,371,342)	(40,661,386)	(23,873,281)	(49,324,128)	(34,710,890)	(59,215,292)	(30,121,716)	(15,030,631)
Capital contributions and transfers										
Commonwealth Port Fund allocation	36,500,057	36,036,914	32,663,448	32,784,966	34,717,391	36,252,985	37,223,718	36,652,218	38,418,111	42,366,884
Capital contributions (to) from component unit	1,968,604	662,502	6,229,410	668,987	1,068,266	956,079	27,200	159,171	(189,807)	(287,700)
Payments to federal government - channel dredging	-	-	-	-	-	-	-	-	-	(5,722,955)
Capital contributions (to) from other state agencies	-	7,388,750	-	-	-	-	-	-	-	4,789,728
Increase (decrease) in Net Position	33,141,300	65,925,002	(3,478,484)	(7,207,433)	11,912,376	(12,115,064)	2,540,028	(22,403,903)	8,106,588	26,115,326
Net Position - Beginning of Year	296,082,557	329,223,857	395,148,859	391,670,375	384,462,942	396,375,318	384,260,253	386,800,281	364,396,378	372,502,966
Net Position - End of Year	$ 329,223,857	$ 395,148,859	$ 391,670,375	$ 384,462,942	$ 396,375,318	$ 384,260,253	$ 386,800,281	$ 364,396,378	$ 372,502,966	$ 398,618,292

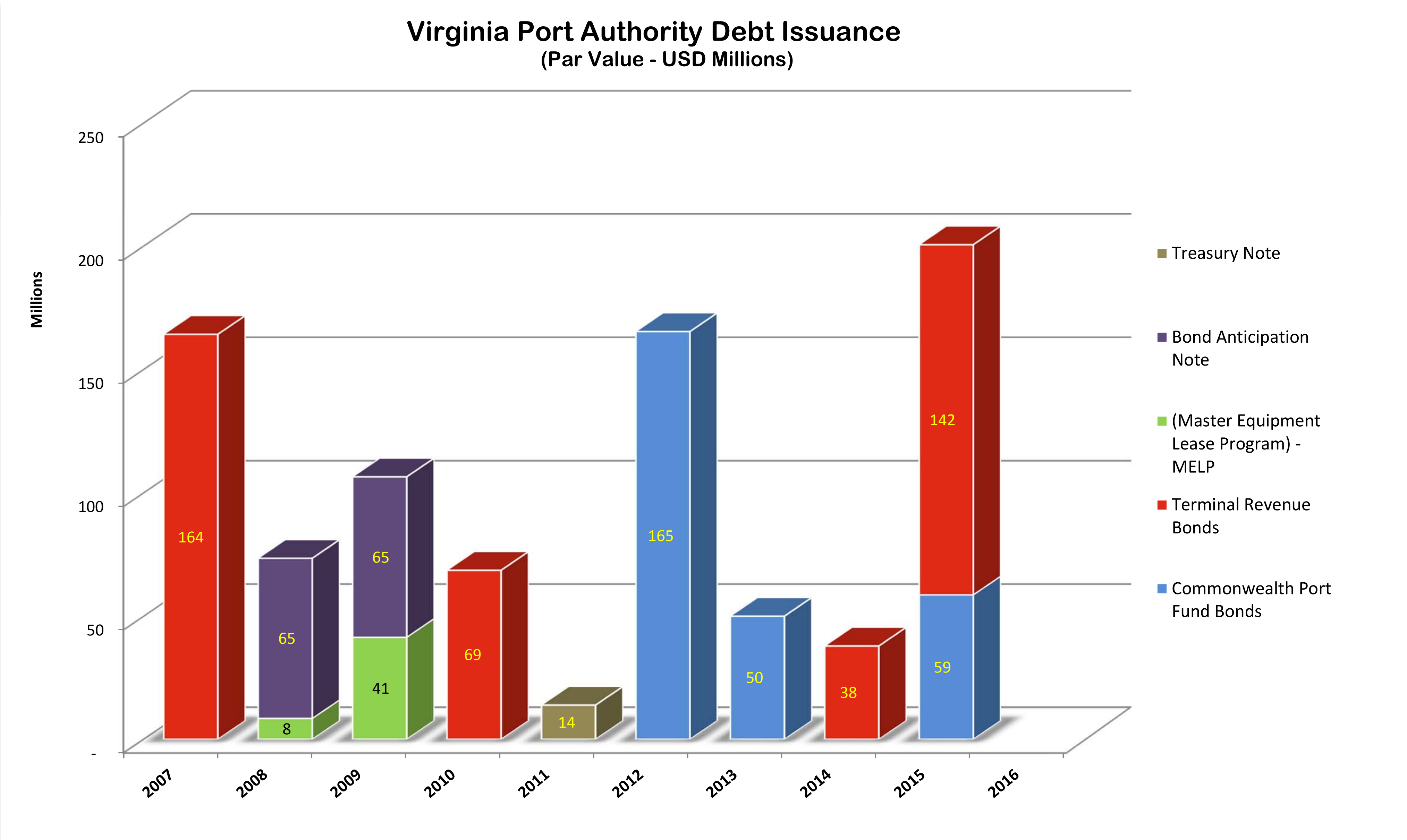
Note this has been reorganized to reflect non operating incomes and expenses as they are currently depicted in the financial statements presented herein.

This has also been restated for the implementation of GASB 68 and the affect of the prior period adjustment for capitalized interest (see footnotes FY15 for details)

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



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



Note: No new debt issuances in fiscal year 2016

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

Fiscal Year				Issued 7/27/2011			Issued 1/25/2012			Issued 9/26/2012			Issued 9/26/2012			Issued 6/23/2015			
Ending		Series 2006			Series 2011			Series 2012			Series 2012-B			Series 2012-C			Series 2015		Total Bonds
June 30,	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Debt Service
2017	$ 1,365,000	$ 37,538	$ 1,402,538	$ -	$ 2,868,500	$ 2,868,500	$ 6,470,000	$ 2,531,455	$ 9,001,455	$ 2,745,000	$ 1,107,499	$ 3,852,499	$ -	$ 224,150	$ 224,150	$ -	$ 2,934,000	$ 2,934,000	$ 20,283,142
2018	-	-	-	-	2,868,500	2,868,500	6,575,000	2,423,521	8,998,521	2,775,000	1,075,965	3,850,965	-	224,150	224,150	-	2,934,000	2,934,000	18,876,136
2019	-	-	-	-	2,868,500	2,868,500	6,695,000	2,294,020	8,989,020	2,810,000	1,036,716	3,846,716	-	224,150	224,150	-	2,934,000	2,934,000	18,862,386
2020	-	-	-	-	2,868,500	2,868,500	6,835,000	2,138,591	8,973,591	2,855,000	988,762	3,843,762	-	224,150	224,150	-	2,934,000	2,934,000	18,844,003
2021	-	-	-	-	2,868,500	2,868,500	7,005,000	1,959,731	8,964,731	2,900,000	931,722	3,831,722	-	224,150	224,150	-	2,934,000	2,934,000	18,823,103
2022	-	-	-	-	2,868,500	2,868,500	7,190,000	1,759,489	8,949,489	2,970,000	865,796	3,835,796	-	224,150	224,150	-	2,934,000	2,934,000	18,811,935
2023	-	-	-	-	2,868,500	2,868,500	7,405,000	1,540,848	8,945,848	3,035,000	792,352	3,827,352	-	224,150	224,150	-	2,934,000	2,934,000	18,799,851
2024	-	-	-	-	2,868,500	2,868,500	7,625,000	1,304,419	8,929,419	3,115,000	710,979	3,825,979	-	224,150	224,150	-	2,934,000	2,934,000	18,782,048
2025	-	-	-	-	2,868,500	2,868,500	7,875,000	1,048,963	8,923,963	3,200,000	621,105	3,821,105	-	224,150	224,150	-	2,934,000	2,934,000	18,771,718
2026	-	-	-	-	2,868,500	2,868,500	8,140,000	773,005	8,913,005	3,295,000	521,348	3,816,348	-	224,150	224,150	-	2,934,000	2,934,000	18,756,003
2027	-	-	-	-	2,868,500	2,868,500	8,425,000	477,249	8,902,249	3,400,000	412,695	3,812,695	-	224,150	224,150	-	2,934,000	2,934,000	18,741,594
2028	-	-	-	-	2,868,500	2,868,500	8,730,000	162,378	8,892,378	3,510,000	297,098	3,807,098	-	224,150	224,150	-	2,934,000	2,934,000	18,726,126
2029	-	-	-	2,565,000	2,804,375	5,369,375	-	-	-	3,630,000	172,611	3,802,611	-	224,150	224,150	6,250,000	2,777,750	9,027,750	18,423,886
2030	-	-	-	2,690,000	2,673,000	5,363,000	-	-	-	2,930,000	53,853	2,983,853	780,000	212,450	992,450	6,620,000	2,456,000	9,076,000	18,415,303
2031	-	-	-	2,820,000	2,535,250	5,355,250	-	-	-	-	-	-	4,015,000	100,375	4,115,375	6,780,000	2,121,000	8,901,000	18,371,625
2032	-	-	-	7,245,000	2,283,625	9,528,625	-	-	-	-	-	-	-	-	-	7,050,000	1,775,250	8,825,250	18,353,875
2033	-	-	-	7,610,000	1,912,250	9,522,250	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,121,250
2034	-	-	-	7,990,000	1,522,250	9,512,250	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,111,250
2035	-	-	-	8,390,000	1,112,750	9,502,750	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,101,750
2036	-	-	-	8,810,000	682,750	9,492,750	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,091,750
2037	-	-	-	9,250,000	231,250	9,481,250	-	-	-	-	-	-	-	-	-	-	1,599,000	1,599,000	11,080,250
2038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,420,000	1,413,500	8,833,500	8,833,500
2039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,790,000	1,033,250	8,823,250	8,823,250
2040	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,180,000	634,000	8,814,000	8,814,000
2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,590,000	214,750	8,804,750	8,804,750
	$ 1,365,000	$ 37,538	$ 1,402,538	$ 57,370,000	$ 50,179,500	$ 107,549,500	$ 88,970,000	$ 18,413,669	$ 107,383,669	$ 43,170,000	$ 9,588,502	$ 52,758,502	$ 4,795,000	$ 3,226,775	$ 8,021,775	$ 58,680,000	$ 55,628,500	$ 114,308,500	$ 391,424,484
			7/1/2016 Maturity			7/1/2036 Maturity			7/1/2027 Maturity			7/1/2029 Maturity			7/1/2030 Maturity			7/1/2040 Maturity	

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

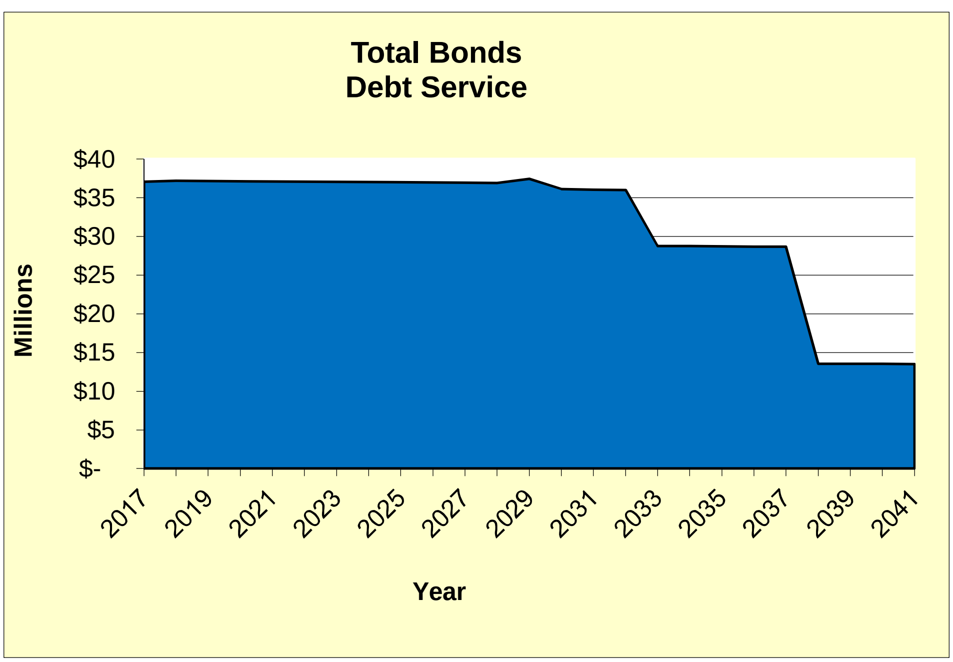
VIRGINIA PORT AUTHORITY
Port Facilities Revenue Bonds[1]
Debt Service Payment Requirements

Fiscal Year Ending June 30,	Series 2007 Bonds			Series 2010 Bonds			Series 2013 Bonds			Series 2015A Bonds			Series 2015B Bonds			Total Bonds
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Debt Service
2017	$ 3,535,000	$ 88,375	$ 3,623,375	$ 1,515,000	$ 3,278,019	$ 4,793,019	$ 610,000	$ 1,163,076	$ 1,773,076	-	$ 4,256,500	$ 4,256,500	$ 830,000	$ 1,501,512	$ 2,331,512	$ 16,777,482
2018	-	-	-	1,575,000	3,208,344	4,783,344	2,135,000	1,120,666	3,255,666	-	4,256,500	4,256,500	4,545,000	1,471,854	6,016,854	18,312,364
2019	-	-	-	1,655,000	3,141,041	4,796,041	2,200,000	1,053,690	3,253,690	-	4,256,500	4,256,500	4,605,000	1,408,157	6,013,157	18,319,388
2020	-	-	-	1,710,000	3,070,363	4,780,363	2,275,000	984,551	3,259,551	-	4,256,500	4,256,500	4,675,000	1,320,849	5,995,849	18,292,263
2021	-	-	-	1,795,000	2,991,713	4,786,713	2,340,000	913,250	3,253,250	-	4,256,500	4,256,500	4,775,000	1,215,750	5,990,750	18,287,213
2022	-	-	-	1,865,000	2,909,188	4,774,188	2,415,000	839,785	3,254,785	-	4,256,500	4,256,500	4,885,000	1,095,503	5,980,503	18,265,976
2023	-	-	-	1,960,000	2,813,563	4,773,563	2,490,000	764,003	3,254,003	-	4,256,500	4,256,500	5,020,000	960,331	5,980,331	18,264,397
2024	-	-	-	2,060,000	2,723,363	4,783,363	2,565,000	685,903	3,250,903	-	4,256,500	4,256,500	5,155,000	812,925	5,967,925	18,258,691
2025	-	-	-	2,140,000	2,629,822	4,769,822	2,645,000	605,408	3,250,408	-	4,256,500	4,256,500	5,305,000	653,877	5,958,877	18,235,607
2026	-	-	-	2,245,000	2,531,178	4,776,178	2,725,000	522,442	3,247,442	-	4,256,500	4,256,500	5,470,000	483,321	5,953,321	18,233,441
2027	-	-	-	2,335,000	2,428,388	4,763,388	2,805,000	437,003	3,242,003	-	4,256,500	4,256,500	5,655,000	300,246	5,955,246	18,217,137
2028	-	-	-	2,450,000	2,312,613	4,762,613	2,900,000	348,861	3,248,861	-	4,256,500	4,256,500	5,835,000	102,550	5,937,550	18,205,524
2029	-	-	-	2,570,000	2,191,138	4,761,138	9,840,000	152,028	9,992,028	-	4,256,500	4,256,500	-	-	-	19,009,666
2030	-	-	-	2,695,000	2,063,663	4,758,663	-	-	-	8,915,000	4,033,625	12,948,625	-	-	-	17,707,288
2031	-	-	-	2,825,000	1,930,063	4,755,063	-	-	-	9,360,000	3,576,750	12,936,750	-	-	-	17,691,813
2032	-	-	-	2,960,000	1,787,750	4,747,750	-	-	-	9,825,000	3,097,125	12,922,125	-	-	-	17,669,875
2033	-	-	-	3,110,000	1,636,000	4,746,000	-	-	-	10,320,000	2,593,500	12,913,500	-	-	-	17,659,500
2034	-	-	-	3,265,000	1,476,625	4,741,625	-	-	-	10,835,000	2,064,625	12,899,625	-	-	-	17,641,250
2035	-	-	-	3,425,000	1,309,375	4,734,375	-	-	-	11,380,000	1,509,250	12,889,250	-	-	-	17,623,625
2036	-	-	-	3,600,000	1,133,750	4,733,750	-	-	-	11,950,000	926,000	12,876,000	-	-	-	17,609,750
2037	-	-	-	3,780,000	949,250	4,729,250	-	-	-	12,545,000	313,625	12,858,625	-	-	-	17,587,875
2038	-	-	-	3,965,000	755,625	4,720,625	-	-	-	-	-	-	-	-	-	4,720,625
2039	-	-	-	4,165,000	552,375	4,717,375	-	-	-	-	-	-	-	-	-	4,717,375
2040	-	-	-	4,375,000	338,875	4,713,875	-	-	-	-	-	-	-	-	-	4,713,875
2041	-	-	-	4,590,000	114,750	4,704,750	-	-	-	-	-	-	-	-	-	4,704,750
	$ 3,535,000	$ 88,375	$ 3,623,375	$ 68,630,000	$ 50,276,832	$ 118,906,832	$ 37,945,000	$ 9,590,665	$ 47,535,665	$ 85,130,000	$ 73,449,000	$ 158,579,000	$ 56,755,000	$ 11,326,875	$ 68,081,875	$ 396,726,746
Final			7/1/2027 Maturity			7/1/2040 Maturity			7/1/2028 Maturity			7/1/2036 Maturity			7/1/2027 Maturity	

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

VIRGINIA PORT AUTHORITY
Debt Service Payment Requirements

Fiscal Year Ending June 30,	Commonwealth Port Fund Bonds Debt Service	Port Facilities Revenue Bonds Debt Service	Total Bonds Debt Service
2017	$ 20,283,142	$ 16,777,482	$ 37,060,624
2018	18,876,136	18,312,364	37,188,500
2019	18,862,386	18,319,388	37,181,774
2020	18,844,003	18,292,263	37,136,266
2021	18,823,103	18,287,213	37,110,315
2022	18,811,935	18,265,976	37,077,911
2023	18,799,851	18,264,397	37,064,247
2024	18,782,048	18,258,691	37,040,738
2025	18,771,718	18,235,607	37,007,326
2026	18,756,003	18,233,441	36,989,443
2027	18,741,594	18,217,137	36,958,731
2028	18,726,126	18,205,524	36,931,649
2029	18,423,886	19,009,666	37,433,552
2030	18,415,303	17,707,288	36,122,591
2031	18,371,625	17,691,813	36,063,438
2032	18,353,875	17,669,875	36,023,750
2033	11,121,250	17,659,500	28,780,750
2034	11,111,250	17,641,250	28,752,500
2035	11,101,750	17,623,625	28,725,375
2036	11,091,750	17,609,750	28,701,500
2037	11,080,250	17,587,875	28,668,125
2038	8,833,500	4,720,625	13,554,125
2039	8,823,250	4,717,375	13,540,625
2040	8,814,000	4,713,875	13,527,875
2041	8,804,750	4,704,750	13,509,500
	$ 391,424,484	$ 396,726,746	$ 788,151,230



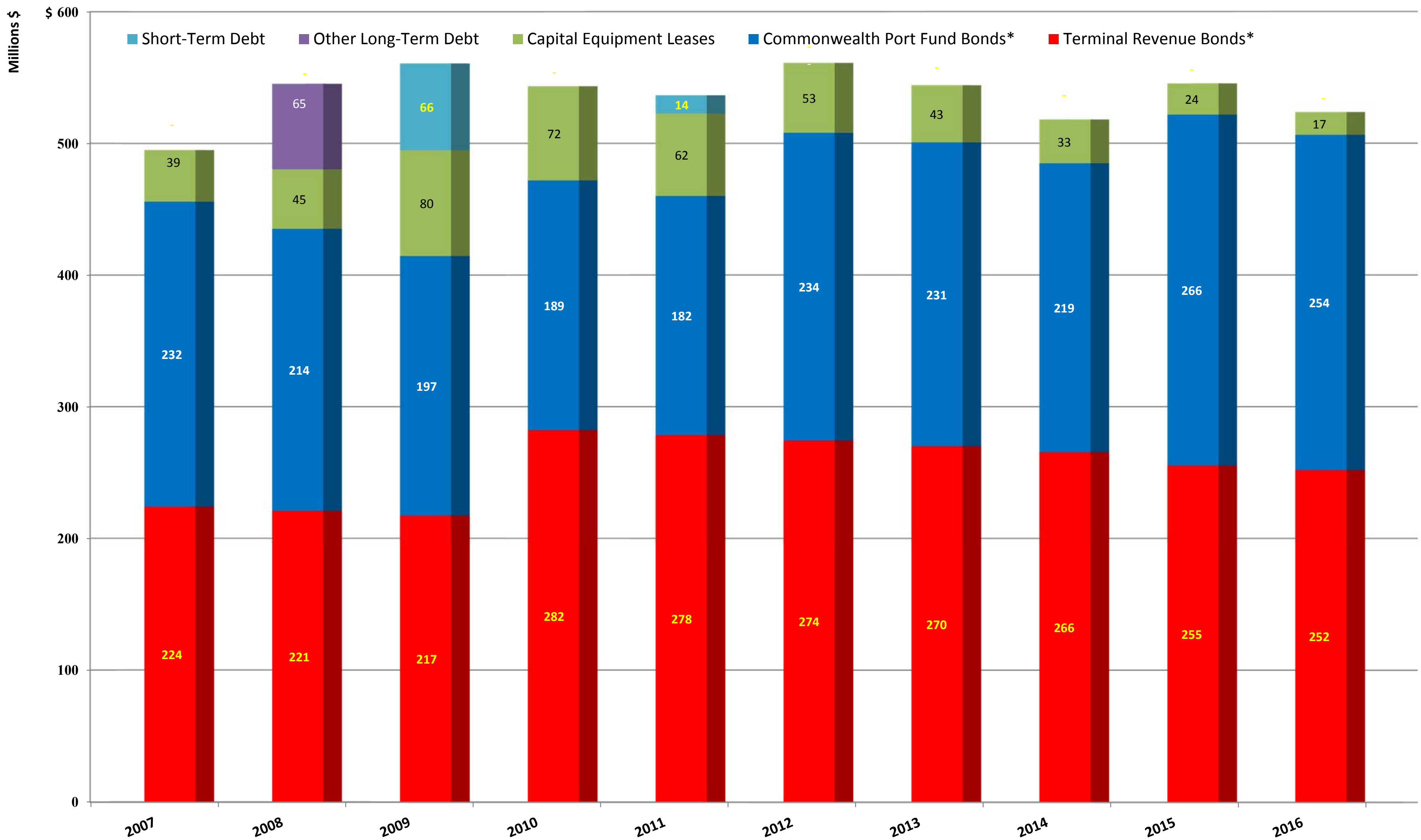
Virginia Port Authority
Ratio of Outstanding Debt to Operating Revenues
Last Ten Fiscal Years

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	Total Business-Type Activities Operating Revenues
2007	$ 224,125,000	$ 231,610,000	$ 39,195,175	$ -	$ -	$ 494,930,175	1.99	$ 249,152,467
2008	220,890,000	214,220,000	45,169,903	65,000,000	-	545,279,903	2.10	260,182,530
2009	217,365,000	196,995,000	80,375,357	-	65,941,850	560,677,207	2.69	208,617,243
2010	282,295,000	189,490,000	71,556,396	-	-	543,341,396	2.60	209,258,671
2011	278,420,000	181,605,000	62,494,187	-	13,911,029	536,430,216	1.86	287,727,117
2012	274,360,000	233,540,000	53,121,562	-	-	561,021,562	1.81	310,638,273
2013	270,110,000	230,505,000	43,427,551	-	-	544,042,551	1.54	352,334,153
2014	265,515,000	219,230,000	33,290,174	-	-	518,035,174	1.31	396,668,961
2015	255,360,000	266,280,000	23,790,847	-	-	545,430,847	1.20	456,168,985
2016	251,995,000	254,350,000	17,292,101	-	-	523,637,101	1.15	454,818,531

* at par value - 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 combined operating revenues which fluctuate based on local, state, and world-wide economics.

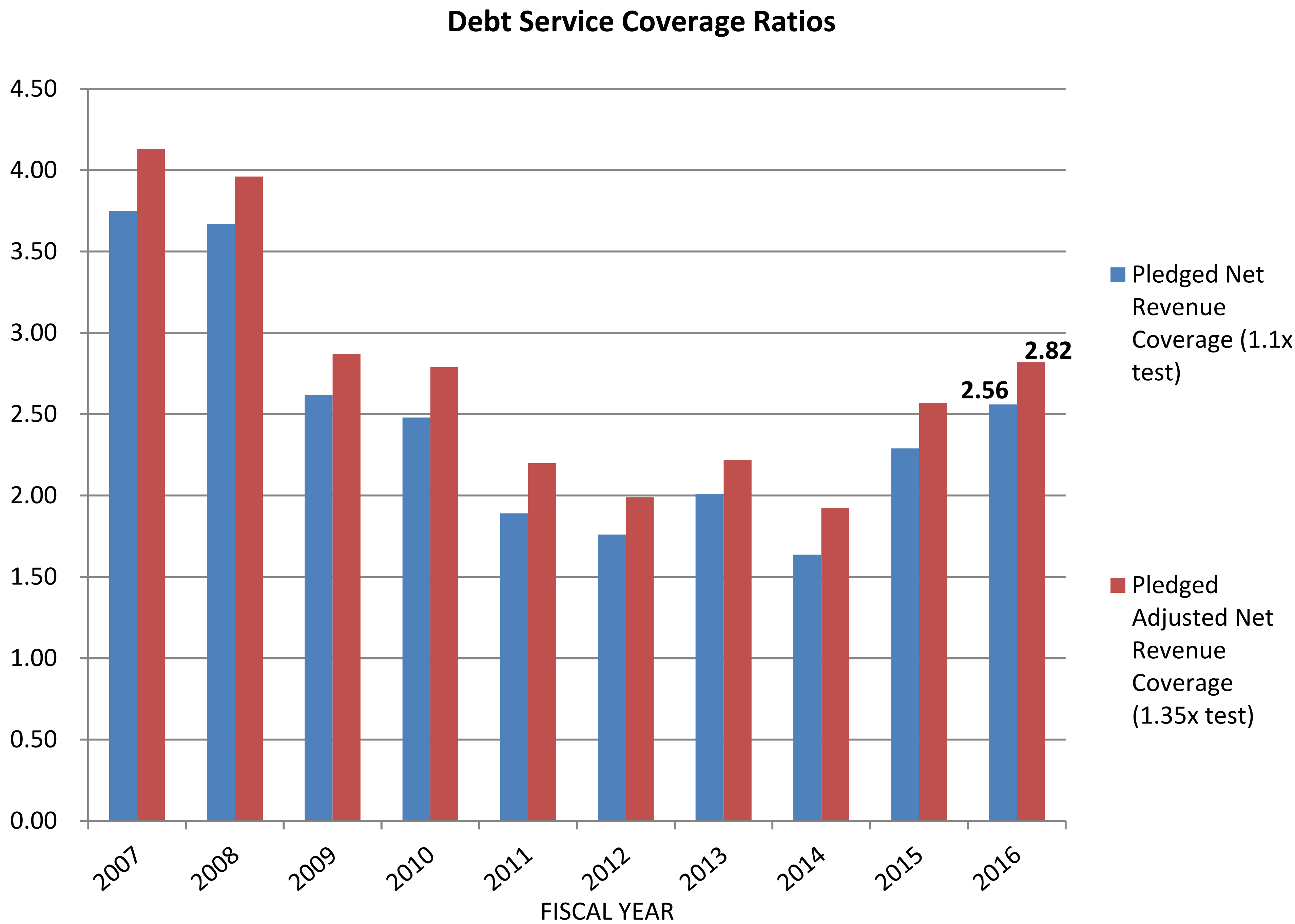
Virginia Port Authority
Outstanding Debt by Type



* at par value - does not include premiums or deferred amounts

VIRGINIA PORT AUTHORITY AND COMPONENT UNIT VIT
OPERATING RESULTS AND DEBT SERVICE COVERAGE
CASH BASIS
For the Fiscal Years 2007-2016

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY2012	FY2013	FY2014	FY2015	**FY2016**
Virginia International Terminals										
VIT Gross Receipts (plus Interest)	$ 238,319,892	$ 255,622,375	$ 213,953,605	$ 193,786,201	$ 262,193,694	$ 285,172,289	$ 319,328,898	$ 312,014,454	$ 356,486,579	$ 420,225,842
VIT Current Expenses	(173,427,457)	(185,366,708)	(157,368,268)	(147,306,627)	(178,543,458)	(197,617,574)	(222,110,006)	(223,495,865)	(258,033,599)	(304,119,912)
VIT Current Expense (CE) Reserve (Deposit)/Withdrawal	5,800,000	-	-	2,200,000	(900,000)	1,562,000	-	2,595,997	3,450,564	(4,652,679)
VIT Deposits to CEMA	(2,862,031)	(2,079,126)	(7,781,079)	(1,815,981)	(3,842,153)	(4,701,389)	(4,635,516)	(9,243,097)	(7,215,154)	(8,689,854)
Fixed Asset Proceeds	-	-	-	-	-	385,738	(768,363)	(733,364)	(673,155)	(335,823)
VIT Net Revenue	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Virginia Port Authority										
VPA Gross Revenues										
VIT Net Revenue	67,830,404	68,176,541	48,804,258	46,863,593	78,908,083	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Other Income	4,227,669	6,520,593	4,825,652	9,430,005	6,126,614	6,357,859	8,881,695	6,924,491	7,990,753	25,310,365
Interest Income	928,880	796,621	134,182	44,490	73,737	28,359	98,956	9,066	140,228	5,998
Total VPA Gross Revenues	72,986,953	75,493,754	53,764,092	56,338,088	85,108,434	91,187,282	100,795,664	88,071,682	102,146,216	127,743,937
VPA Current Expenses	(26,502,895)	(27,754,385)	(25,071,082)	(22,977,885)	(55,359,088)	(65,269,973)	(70,046,960)	(72,577,974)	(78,801,935)	(93,003,181)
VPA Net Revenues	46,484,058	47,739,369	28,693,010	33,360,203	29,749,346	25,917,309	30,748,704	15,493,708	23,344,282	34,740,756
VPA CPF for O & M	5,096,647	3,967,632	3,453,823	4,440,626	5,604,072	4,032,026	3,704,328	4,337,882	3,764,820	4,408,734
Debt Service Coverage										
Port Facilities Revenue Bonds Net Debt Service	13,166,322	13,568,697	13,906,715	14,174,477	17,780,512	17,389,491	17,571,928	15,113,582	13,332,637	16,984,789
Pledged Net Revenues	49,346,089	49,818,496	36,474,089	35,176,184	33,591,499	30,618,698	35,384,220	24,736,804	30,559,435	43,430,610
Pledged Adjusted Net Revenues	54,442,736	53,786,129	39,927,912	39,616,810	39,195,571	34,650,724	39,088,547	29,074,686	34,324,255	47,839,344
Pledged Net Revenue Coverage (1.1x test)	3.75	3.67	2.62	2.48	1.89	1.76	2.01	1.64	2.29	2.56
Pledged Adjusted Net Revenue Coverage (1.35x test)	4.13	3.96	2.87	2.79	2.20	1.99	2.22	1.92	2.57	2.82



Debt Service Coverage Ratios
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
2.82
2.56
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
FISCAL YEAR
Pledged Net Revenue Coverage (1.1x test)
Pledged Adjusted Net Revenue Coverage (1.35x test)

Demographic and Economic Information – these schedules give economic information regarding the environment in which the Authority operates.

THE PORT BY THE NUMBERS

THE PORT OF VIRGINIA ADMINISTERS

FOREIGN TRADE ZONE 20

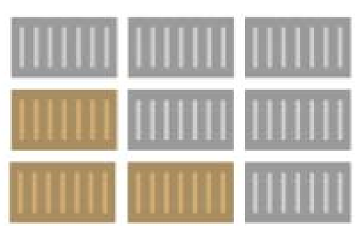
FTZ 20

VIRGINIA INLAND PORT catalyzed the development of **39 COMPANIES** in and around Front Royal, VA

THE PORT DISPERSES $1 MILLION ANNUALLY TO AID regional ports and maritime projects

$6.2 MILLION AVAILABLE IN **PORT INCENTIVES** EACH YEAR

ONLY US EAST COAST PORT WITH CONGRESSIONAL AUTHORIZATION FOR 55-FOOT DEPTH CHANNELS



33% OF CARGO ARRIVES AND DEPARTS THE PORT BY RAIL

(THE LARGEST PERCENTAGE OF ANY US EAST COAST PORT)

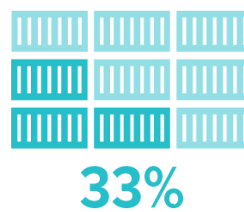
38% DECREASE AIR EMISSION REDUCTION SINCE 1999

Fast Facts

50-foot channels and berths

Zero air-draft restrictions

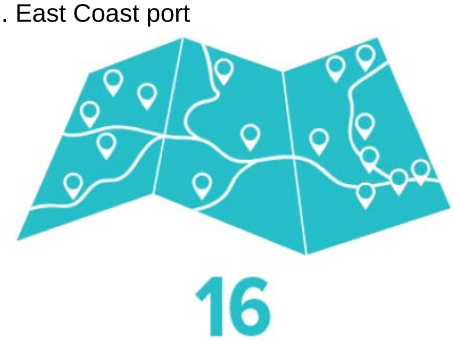
Fully authorized and permitted for future marine terminal expansion



22 Suez-class ship-to-shore cranes port-wide

33 percent of cargo arrives and departs the port by rail, the largest percentage of any U.S. East Coast port

2.5 hours to open sea



2 Class I railroads operating on-dock

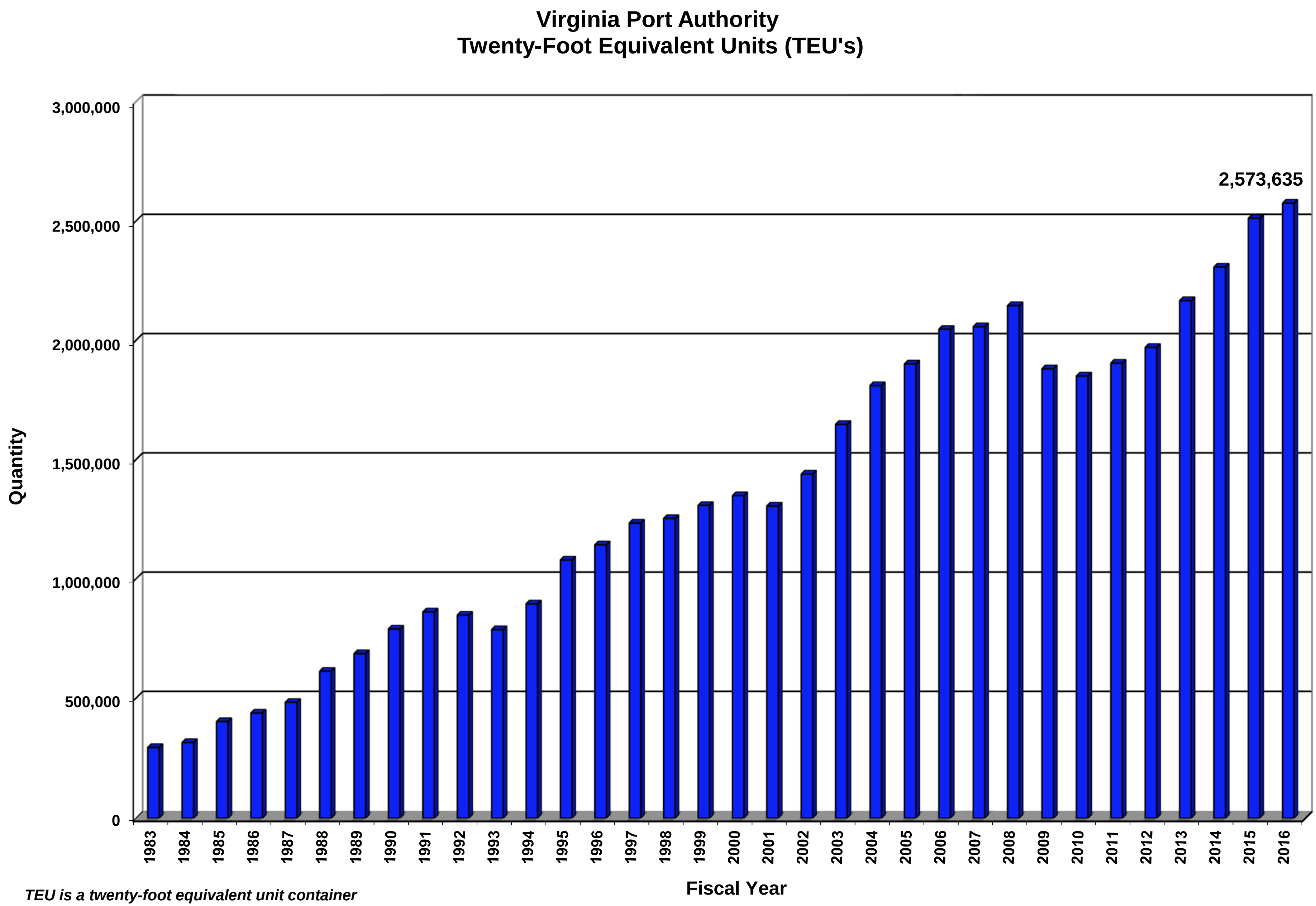
16 Midwest and Southeast inland points served by rail

THE MID-ATLANTIC GLOBAL GATEWAY

THE PORT OF VIRGINIA

600 World Trade Center, Norfolk, VA 23510
757.683.8000 | portofvirginia.com | info@portofvirginia.com

(This page left blank intentionally)



TEU is a twenty-foot equivalent unit container

The Port of Virginia

2015 Trade Overview

TOTAL	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	52,281.93	47,429.38
General Cargo	19,977.71	18,123.48
Container Cargo	19,681.99	17,855.21
Breakbulk Cargo*	295.72	268.27
Container Units	1,454,748	
TEUs	2,549,270	
Total Cargo Dollar Value (Millions)	$ 71,714.58	

EXPORT	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	41,461.72	37,613.45
General Cargo	10,568.17	9,587.29
Container Cargo	10,539.15	9,560.96
Breakbulk Cargo	29.02	26.33
Container Units	792,703	
TEUs	1,392,212	
Total Cargo Dollar Value (Millions)	$ 28,517.18	

IMPORT	Short Tons (Thousands)	Metric Tons (Thousands)
Total Cargo	10,820.21	9,815.93
General Cargo	9,403.03	8,530.29
Container Cargo	9,142.84	8,294.25
Breakbulk Cargo	260.19	236.04
Container Units	662,045	
TEUs	1,157,058	
Total Cargo Dollar Value (Millions)	$ 43,197.40	

Vessel Calls	2,662
Coal Loadings* Short Tons (Thousands)	27,486.63

*Coal loadings and breakbulk cargo include international and domestic shipments

Top 10 U.S. East Coast Container Ports

US East Coast Port	TEUs	East Coast Market Share
New York/New Jersey	6,371,720	32%
Savannah	3,737,403	19%
The Port of Virginia	2,549,270	13%
Charleston	1,973,204	10%
Port Everglades	1,056,524	5%
Miami**	935,944	5%
Jacksonville	926,188	5%
Baltimore	840,314	4%
Philadelphia	427,630	2%
Wilmington (NC)	291,873	2%

**Miami data available through November only

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

The Port of Virginia

2015 Total Cargo in Thousands of Short Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	4,772.10	1	China	2,301.86
2	Netherlands	3,804.23	2	Germany	761.56
3	United Kingdom	3,410.52	3	Brazil	723.05
4	Italy	3,400.88	4	India	658.92
5	China	3,064.80	5	Italy	563.53
6	Japan	2,036.38	6	Canada	429.48
7	Turkey	1,924.95	7	Turkey	411.22
8	Ukraine	1,701.84	8	Spain	338.82
9	India	1,588.62	9	France	325.08
10	Korea, South	1,362.25	10	Vietnam	310.89

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	26,503.41	1	Nuclear Reactors, Boilers, Machinery	1,035.62
2	Wood	2,477.57	2	Salt; Sulfur; Earth, Stone	713.14
3	Misc Grain,Seed,Fruit	2,156.35	3	Furniture And Bedding	680.19
4	Woodpulp, Etc.	1,696.11	4	Beverages, Spirits and Vinegar	545.08
5	Food Waste; Animal Feed	1,541.09	5	Vehicles, Not Railway	493.54
6	Cereals	913.41	6	Plastics	485.79
7	Plastics	650.61	7	Stone, Plaster, Cement	419.19
8	Paper and Paperboard	590.79	8	Mineral Fuel, Oil Etc	395.20
9	Fertilizers	425.18	9	Electrical Machinery	374.64
10	Iron And Steel	395.99	10	Iron and Steel	362.39

Trade Lanes

	Export	Import
Africa	1,089.68	193.01
Asia, Northeast	6,820.16	2,744.88
Asia, Southeast	1,993.27	926.89
Carribbean	389.88	66.84
Central America	146.74	117.52
Europe, North	14,365.34	2,583.54
India & Others	1,895.83	759.78
Mediterranean	7,583.14	1,505.09
Middle East	635.35	127.42
North America	819.68	448.78
Oceania	64.49	44.12
South America	5,657.39	1,302.35

Top U.S. Ports

1	Houston, TX	165,543.72
2	New Orleans, LA	110,610.39
3	Los Angeles, CA	84,948.17
4	Gramercy, LA	67,337.01
5	Newark, NJ	59,013.08
6	Port Arthur, TX	55,611.90
7	The Port of Virginia	52,281.93
8	Corpus Christi, TX	50,822.51
9	Long Beach, CA	45,045.56
10	Mobile, AL	35,782.78

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

The Port of Virginia

2015 Total Cargo in Thousands of Metric Tons

Top 10 Trading Partners

	Exports			Imports	
1	Brazil	4,329.18	1	China	2,088.21
2	Netherlands	3,451.14	2	Germany	690.87
3	United Kingdom	3,093.97	3	Brazil	655.94
4	Italy	3,085.23	4	India	597.76
5	China	2,780.34	5	Italy	511.23
6	Japan	1,847.37	6	Canada	389.62
7	Turkey	1,746.29	7	Turkey	373.05
8	Ukraine	1,543.88	8	Spain	307.37
9	India	1,441.17	9	France	294.90
10	Korea, South	1,235.82	10	Vietnam	282.03

Top 10 Commodities

	Exports			Imports	
1	Mineral Fuel, Oil Etc	24,043.49	1	Nuclear Reactors, Boilers, Machinery	939.50
2	Wood	2,247.61	2	Salt; Sulfur; Earth, Stone	646.95
3	Misc Grain,Seed,Fruit	1,956.21	3	Furniture And Bedding	617.06
4	Woodpulp, Etc.	1,538.69	4	Beverages, Spirits and Vinegar	494.49
5	Food Waste; Animal Feed	1,398.05	5	Vehicles, Not Railway	447.73
6	Cereals	828.63	6	Plastics	440.70
7	Plastics	590.22	7	Stone, Plaster, Cement	380.28
8	Paper and Paperboard	535.95	8	Mineral Fuel, Oil Etc	358.52
9	Fertilizers	385.72	9	Electrical Machinery	339.87
10	Iron And Steel	359.24	10	Iron and Steel	328.75

Trade Lanes

	Export	Import
Africa	988.54	175.09
Asia, Northeast	6,187.15	2,490.11
Asia, Southeast	1,808.26	840.86
Carribbean	353.70	60.63
Central America	133.12	106.61
Europe, North	13,032.02	2,343.75
India & Others	1,719.87	689.26
Mediterranean	6,879.31	1,365.39
Middle East	576.38	115.59
North America	743.60	407.12
Oceania	58.51	40.03
South America	5,132.30	1,181.48

Top U.S. Ports

1	Houston, TX	150,178.78
2	New Orleans, LA	100,344.09
3	Los Angeles, CA	77,063.70
4	Gramercy, LA	61,087.12
5	Newark, NJ	53,535.78
6	Port Arthur, TX	50,450.28
7	The Port of Virginia	47,429.38
8	Corpus Christi, TX	46,105.42
9	Long Beach, CA	40,864.66
10	Mobile, AL	32,461.60

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

The Port of Virginia

2015 Total Cargo in Millions of U.S. Dollars

Top 10 Trading Partners

	Exports			Imports	
1	China	2,863.84	1	China	10,841.22
2	Belgium	1,946.62	2	Germany	4,269.31
3	Germany	1,911.45	3	India	2,598.61
4	United Kingdom	1,711.14	4	Italy	2,463.02
5	Brazil	1,643.89	5	Japan	1,800.65
6	Netherlands	1,463.44	6	Brazil	1,787.81
7	Saudi Arabia	1,044.51	7	United Kingdom	1,524.20
8	Japan	1,026.94	8	Vietnam	1,422.29
9	India	992.41	9	Indonesia	1,404.91
10	Korea, South	718.66	10	Malaysia	1,328.34

Top 10 Commodities

	Exports			Imports	
1	Nuclear Reactors, Boilers, Machinery	4,473.79	1	Nuclear Reactors, Boilers, Machinery	10,047.93
2	Plastics	2,120.35	2	Electrical Machinery	3,279.70
3	Pharmaceutical Products	1,591.99	3	Vehicles, Not Railway	2,908.27
4	Vehicles, Not Railway	1,407.92	4	Furniture And Bedding	2,235.29
5	Organic Chemicals	1,361.54	5	Apparel, Knitted or Crocheted	1,713.12
6	Electrical Machinery	1,080.18	6	Pharmaceutical Products	1,599.55
7	Misc. Chemical Products	1,067.14	7	Plastics	1,597.26
8	Tobacco	1,050.20	8	Apparel, Not Knitted or Crocheted	1,261.38
9	Optic, Photo, Etc, Medic or Surgical Instruments	1,042.53	9	Toys, Games, Sports Equipment	1,180.14
10	Misc. Grain, Seed, Fruit	871.77	10	Beverages, Spirits and Vinegar	1,151.10

Trade Lanes

	Export	Import
Africa	1,809.73	461.76
Asia, Northeast	5,187.87	13,650.94
Asia, Southeast	2,073.15	5,358.58
Carribbean	244.75	26.72
Central America	322.65	464.58
Europe, North	10,426.77	12,065.83
India & Others	1,342.41	3,063.19
Mediterranean	1,697.44	4,998.80
Middle East	2,344.41	485.98
North America	79.69	117.11
Oceania	324.45	77.93
South America	2,661.98	2,425.96

Top U.S. Ports

1	Los Angeles, CA	269,754.95
2	Newark, NJ	153,600.14
3	Houston, TX	136,029.73
4	Long Beach, CA	90,291.73
5	Savannah, GA	87,321.12
6	Charleston, SC	75,797.23
7	The Port of Virginia	71,714.58
8	Tacoma, WA	52,139.98
9	Baltimore, MD	51,119.84
10	New York, NY	47,304.39

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.

*9 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**	**June 30, 2014**	**June 30, 2015**	**June 30, 2016**
Sworn Officers/ Security Personnel/Safety	**93**	**97**	**82**	**81**	**49**	**42**	**39**	**47**	**51**
Marketing/Economic Development Personnel	**26**	**6**	**6**	**8**	**9**	**13**	**18**	**25**	**17**
Port Promotions Personnel	**6**	**6**	**5**	**6**	**5**	**2**	**-**	**-**	**-**
Strategic Planning, Engineering & Acquisition Personnel	**7**	**9**	**8**	**8**	**7**	**7**	**8**	**8**	**24**
Information Technology Personnel	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41**
Administrative Personnel	**20**	**28**	**23**	**23**	**22**	**17**	**18**	**56**	**63**
Agency Totals	**152**	**146**	**124**	**126**	**92**	**81**	**83**	**136**	**196**

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

Virginia Port Authority

Source and Use Data

For the Fiscal Year Ended June 30, 2016

Operating Revenues	$124,577,878	68%	Operating Expenses	$131,663,708	84%
Non-operating Revenues	59,156,215	32%	Non-operating Expenses	25,955,059	16%
Total Revenues	$183,734,093		Total Expenses	$157,618,767	

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.

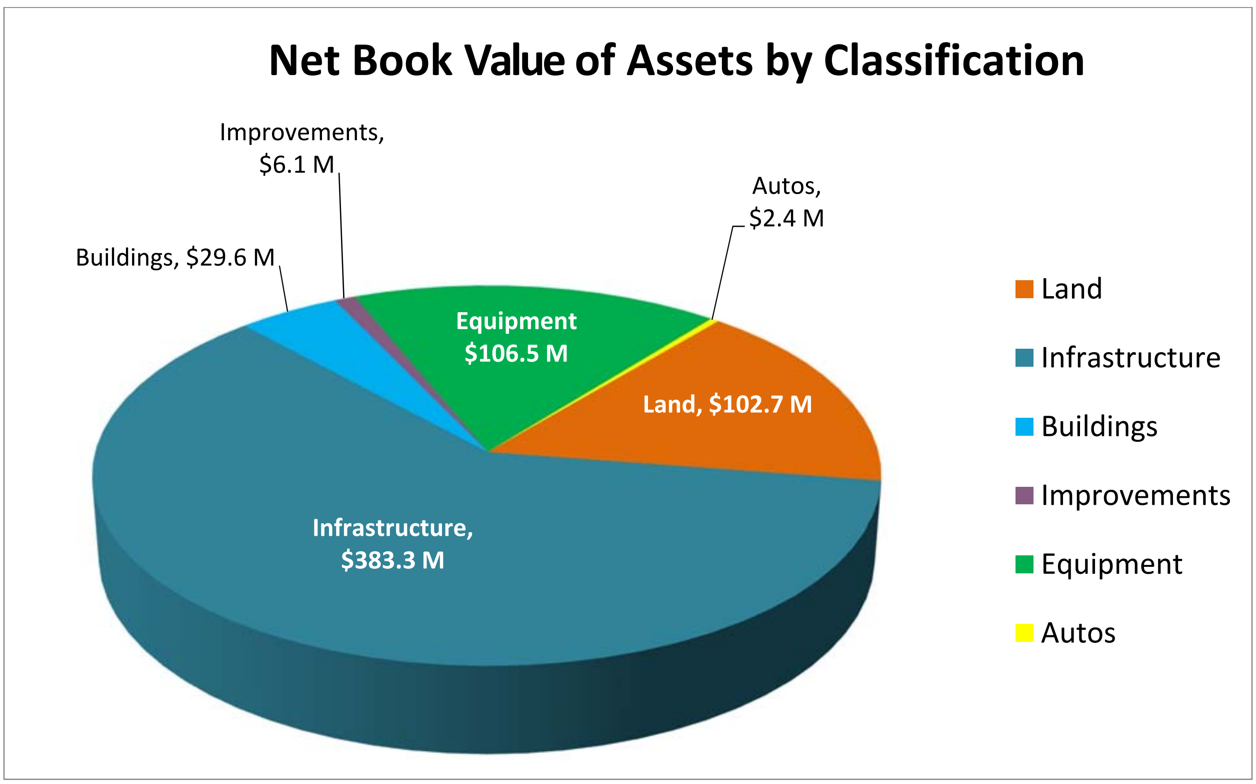
Of the operating revenues, $108.8 million or 87.4% are operating transfers from the net cash flows of Virginia International Terminals. Their tariff rates are published at http://www.vit.org/Rates.aspx. Currently 79.6% of all revenues are based on unit rate contracts which are proprietary, but lock shiplines and alliances into long term contracts with our ports. The remaining revenues are billed at tariff rates or via specific quotes.

Virginia Port Authority
Capital Assets
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Terminals Operated (total)	**4**	**4**	**4**	**4**	**5**	**6**	**6**	**6**	**6**	**6**
Owned	4	4	4	4	4	4	4	4	4	4
Leased	-	-	-	-	1	2	2	2	2	2
Land (acres)	1,169	1,169	1,235	1,235	1,509	1,630	1,630	1,592	1,592	1,592
Berth/Wharf (linear feet)	11,815	12,715	12,715	13,385	18,500	20,084	20,084	18,439	18,900	18,900
Rail Track (linear feet)	169,940	169,940	169,940	169,940	187,457	187,457	187,457	177,020	173,595	173,595
On-Terminal Warehouse (sq ft)	1,934,471	1,934,471	1,934,471	1,934,471	2,223,000	2,523,105	2,523,105	2,614,105	2,614,105	2,698,000
Net Book Value of Capital Assets	$ 692,747,845	$ 772,032,877	$ 836,093,101	$ 813,348,001	$ 835,675,055	$ 809,568,255	$ 775,509,338	$ 770,413,713	$ 753,658,762	$ 753,053,195
Construction in Process	114,030,287	136,808,087	148,797,653	124,321,372	160,044,340	112,808,246	110,378,281	131,136,358	108,312,870	122,437,149
Land	97,625,560	97,625,560	97,625,560	97,424,839	100,122,410	105,611,558	105,727,987	105,539,821	105,539,821	102,749,147
Buildings and Infrastructure	507,343,576	574,362,323	599,118,698	636,890,510	643,180,345	715,700,049	715,771,832	723,745,918	765,087,023	780,966,061
Equipment	242,689,450	254,737,928	319,985,858	314,998,702	326,148,220	269,181,526	280,120,829	288,455,554	298,791,643	304,165,331
Depreciation (Accumulated)	(268,941,028)	(291,501,021)	(329,434,668)	(360,287,422)	(393,820,260)	(393,733,124)	(436,489,590)	(478,463,938)	(521,072,595)	(557,264,493)

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-seven percent (77%) 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 seventeen percent (17%) 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%) and improvements (1%).



This chart excludes Construction in Progress ($122M) as these assets are not currently used in operations.

VIRGINIA PORT AUTHORITY/ VIRGINIA INTERNATIONAL TERMINALS, LLC.

Consolidated Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Years 2007 Through 2016

	2007 Restated[(1)]	2008 Restated[(1)]	2009 Restated[(1)]	2010 Restated[(1)]	2011 Restated[(1)]	2012 Restated[(1)]	2013 Restated[(1)]	2014 Restated[(1)]	2015	2016
Operating Revenues:										
Terminal operating revenues	$ 244,205,984	$ 254,132,812	$ 203,909,927	$ 203,485,054	$ 277,856,791	$ 297,835,649	$ 339,460,135	$ 383,714,148	$ 440,841,866	$ 439,087,836
Other revenues	4,946,483	6,049,718	4,707,316	4,742,848	6,274,000	6,519,292	7,970,579	7,762,729	9,147,626	9,339,787
Operating revenues - grants	-	-	-	1,030,769	3,596,326	6,283,332	4,903,439	5,192,084	6,179,493	6,390,908
Total operating revenues	249,152,467	260,182,530	208,617,243	209,258,671	287,727,117	310,638,273	352,334,153	396,668,961	456,168,985	454,818,531
Operating Expenses:										
Terminal operations	115,428,213	120,459,517	99,327,311	91,215,794	121,983,405	128,782,659	153,682,077	176,243,834	198,126,233	191,655,822
Terminal maintenance	46,495,513	53,257,263	45,593,108	44,018,197	54,745,598	54,936,881	70,958,589	92,160,744	92,737,533	95,361,699
General and administrative	38,398,898	41,301,275	40,210,132	43,951,276	47,905,140	51,903,912	43,556,452	46,063,032	49,318,501	59,703,412
Facility rental	-	-	-	-	32,538,640	37,063,827	47,229,466	52,479,613	55,679,447	55,618,729
Depreciation and amortization	38,181,505	40,661,311	44,152,797	48,710,646	50,630,851	49,271,899	47,979,055	46,612,042	46,693,840	47,723,393
Total operating expenses	238,504,129	255,679,366	229,283,348	227,895,913	307,803,634	321,959,178	363,405,639	413,559,265	442,555,554	450,063,055
Operating income (loss)	10,648,338	4,503,164	(20,666,105)	(18,637,242)	(20,076,517)	(11,320,905)	(11,071,486)	(16,890,304)	13,613,431	4,755,476
Non-operating revenues (expenses)										
Interest income	8,732,891	6,035,464	2,684,532	1,507,788	1,181,739	1,510,827	333,654	555,518	459,132	722,930
Interest expense, net of amounts capitalized	(17,645,103)	(16,613,369)	(17,163,304)	(15,687,770)	(18,984,951)	(23,070,738)	(20,531,918)	(16,888,384)	(14,160,492)	(18,160,286)
Bond issue costs	(921,160)	(678,876)	(20,000)	(694,650)	(538,986)	(734,427)	(917,063)	(69,000)	(1,024,231)	(489,036)
Revenues (expenses) VEDP, net	-	-	-	-	-	-	-	-	-	1,690,873
Commonwealth Rail Relocation income (& ARRA)	1,120,000	20,781,163	-	-	2,014,416	6,375,798	244,424	-	-	-
Commonwealth Rail Relocation expenses	(1,447,474)	(22,102,404)	(26,817,021)	(8,223,576)	(2,272,191)	(6,296,498)	(394,990)	(133,770)	-	-
Revenues (expenses) other state agencies	-	7,388,750	-	-	-	-	-	-	-	-
Revenues from federal government	300,787	876,048	16,711,588	6,076,191	12,588,643	4,612,432	3,471,137	626,643	740,452	9,653,436
Revenues (expense) Commonwealth	(173,802)	23,948,420	(155,867)	(105,427)	(261,468)	(297,267)	(158,628)	306,335	1,324,350	(187,951)
Voluntary non-exchange revenue	-	-	1,900,000	-	-	-	-	-	-	-
Other income (expense)	166,303	35,590	38,825	7,787	8,996	8,722	-	-	-	2,744
Gain (loss) on disposals	(446,302)	(1,017,897)	34,854	(2,093,785)	88,879	(15,266,083)	708,585	2,652	-	(1,107,131)
Income (loss) before capital contributions and transfers	334,478	23,156,053	(43,452,498)	(37,850,684)	(26,251,440)	(44,478,139)	(28,316,285)	(32,490,310)	952,642	(3,118,945)
Capital contributions and transfers										
Commonwealth Port Fund allocation	36,500,057	36,036,914	32,663,448	32,784,966	34,717,391	36,252,985	37,223,718	36,652,218	38,418,111	42,366,884
Capital contributions (to) from component unit	-	-	-	-	-	-	-	11,000	2,665,000	-
Payments to federal government - channel dredging	-	-	-	-	-	-	-	-	-	(5,722,955)
Capital contributions (to) from other state agencies	-	-	-	-	-	-	-	-	-	4,789,728
Cumulative effect of changes in accounting principle [(2)]	-	-	-	-	-	-	(4,564,965)	12,207,272	(29,915,563)	-
Increase (decrease) in Net Position	36,834,535	59,192,967	(10,789,050)	(5,065,718)	8,465,951	(8,225,154)	4,342,468	16,380,180	12,120,190	38,314,712
Net Position - Beginning of Year	371,425,715	408,260,250	467,453,217	456,664,167	451,598,449	460,064,400	451,839,246	456,181,714	472,561,894	484,682,084
Net Position - End of Year	$ 408,260,250	$ 467,453,217	$ 456,664,167	$ 451,598,449	$ 460,064,400	$ 451,839,246	$ 456,181,714	$ 472,561,894	$ 484,682,084	$ 522,996,796

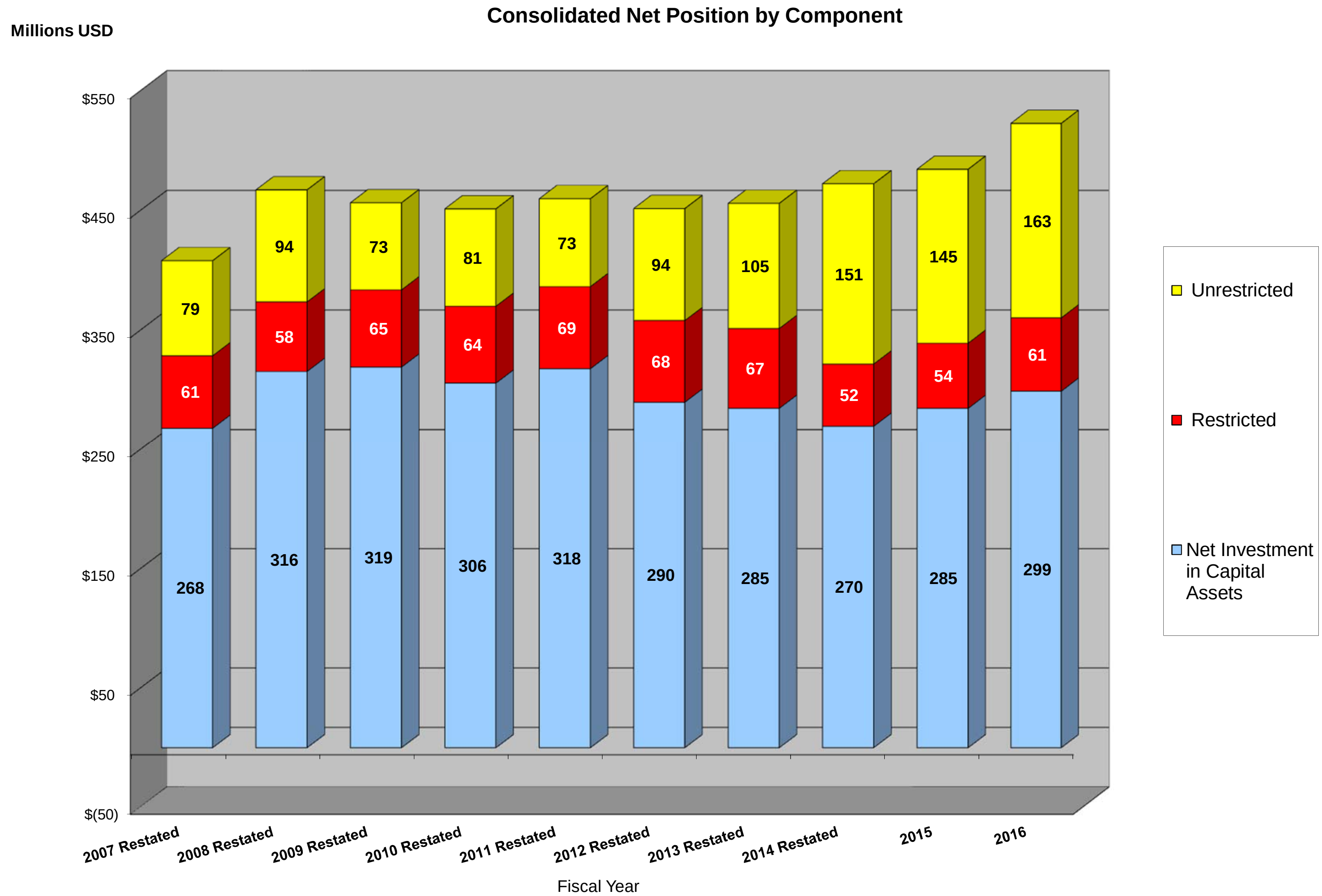
(1) Restatements include the adoption of GASB 65 in 2014 and a prior period adjustment to correct the capitalization of interest costs for periods prior to 2015.

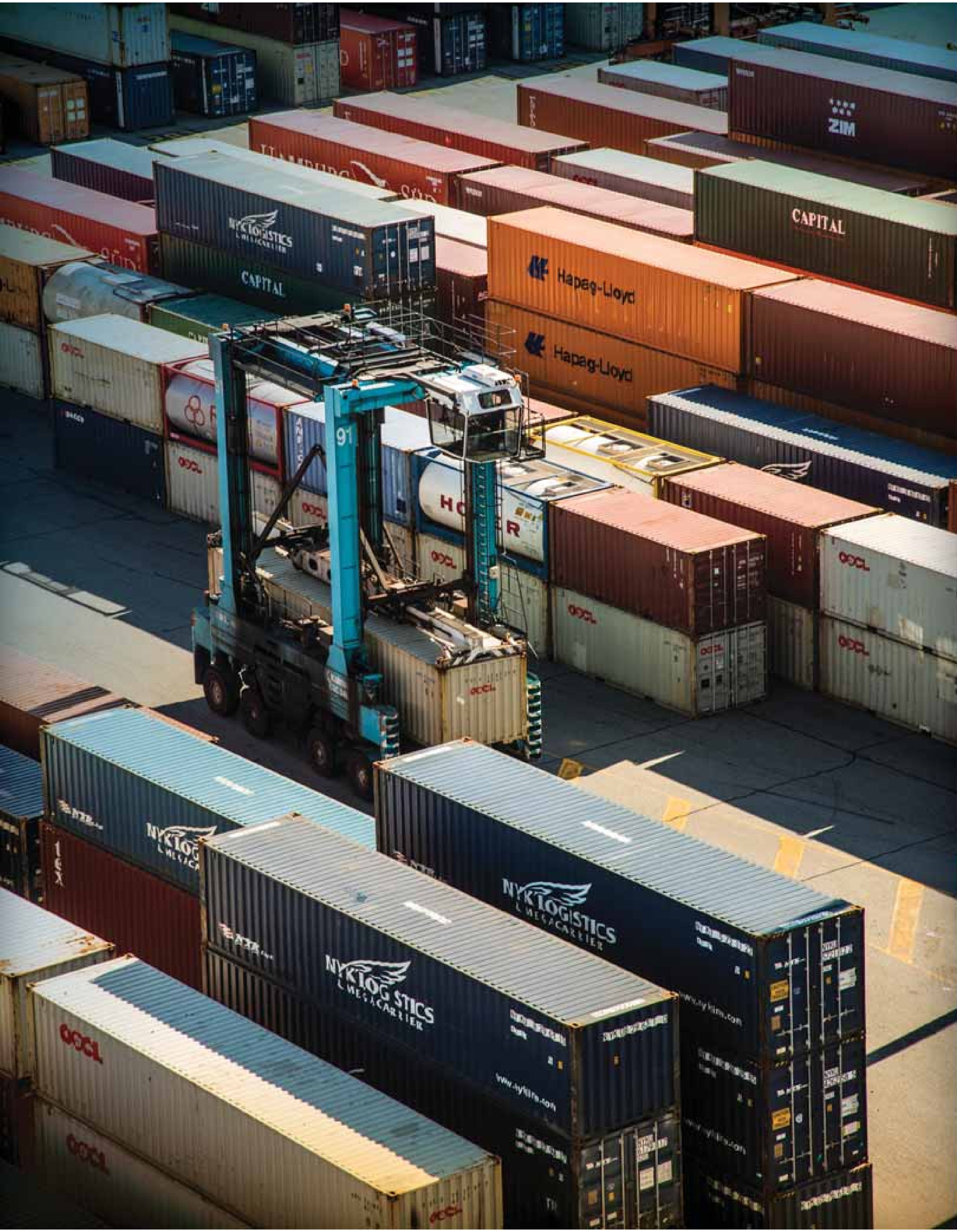
(2) 2013/2014 VIT adopted GASB pronouncements in lieu of FASB pronouncements in order to conform to the VPA accounting methodology; 2015 VPA/VIT adopted GASB 68 *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No 27*

VIRGINIA PORT AUTHORITY/VIRGINIA INTERNATIONAL TERMINALS, LLC
Consolidated Net Position by Component
For the Fiscal Years 2007 Through 2016

	Fiscal Year									
	2007 Restated	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012 Restated	2013 Restated	2014 Restated	2015	**2016**
Net Position:										
Net Investment in Capital Assets	$ 268,222,604	$ 315,716,870	$ 319,365,374	$ 305,972,237	$ 318,020,499	$ 290,000,862	$ 284,918,598	$ 269,881,033	$ 284,879,235	$ 299,198,470
Restricted	60,619,827	58,134,695	64,545,940	64,266,192	68,594,913	68,272,355	66,720,529	52,020,379	54,464,665	61,274,859
Unrestricted	79,417,819	93,601,652	72,752,853	81,360,020	73,448,988	93,566,029	104,542,587	150,660,482	145,338,184	162,523,467
Total Net Position	$ 408,260,250	$ 467,453,217	$ 456,664,167	$ 451,598,449	$ 460,064,400	$ 451,839,246	$ 456,181,714	$ 472,561,894	$ 484,682,084	$ 522,996,796

Net Postion amounts have been restated to reflect the implementation of GASB 68, the restatement of prior years due to the capture of interest costs into capital assets and to conform to current year presentation.




ZIM
CAPITAL
Hapag-Lloyd
Hapag-Lloyd
CAPITAL
NYK LOGISTICS
OOCL

(This page left blank intentionally)

VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT
(unaudited)

FOR FISCAL YEAR ENDED

JUNE 30, 2016

**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)**

**COMMONWEALTH PORT FUND REVENUE BONDS,
SERIES 2015 (AMT)**

BASE CUSIP NUMBER: 928075

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2016

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)

Commonwealth Port Fund Revenue Bonds, Series 2015 (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

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, in each biennia, 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, 2007.

TRANSPORTATION TRUST FUND
STATEMENT OF REVENUE COLLECTIONS
FISCAL YEARS 2007 THROUGH 2016

Transportation Trust Fund
(in millions)

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Retail Sales and Use Tax	$517.3	$524.9	$499.4	$490.7	$477.3	$503.1	$521.2	$526.6	$590.7	$599.1
Motor Vehicle Sales and Use Tax[(1)]	215.4	194.3	150.8	162.0	183.6	198.3	201.8	207.4	224.9	237.2
Motor Fuel Taxes[(2)]	118.0	122.4	116.8	115.0	117.7	115.5	123.7	115.0	118.8	138.8
Motor Vehicle Registration Fees[(3)]	21.3	21.4	21.6	20.8	21.2	21.2	21.7	21.8	22.0	21.8
Total Transportation Trust Fund Revenues[(4)]	$872.0	$863.0	$788.6	$788.5	$799.8	$838.1	$868.4	$870.8	$956.4	$996.9

(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) Includes Fines, Penalties and Truck Permits when collected
(4) Does not reflect investment income credited to such Fund or any Accelerated Revenue

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

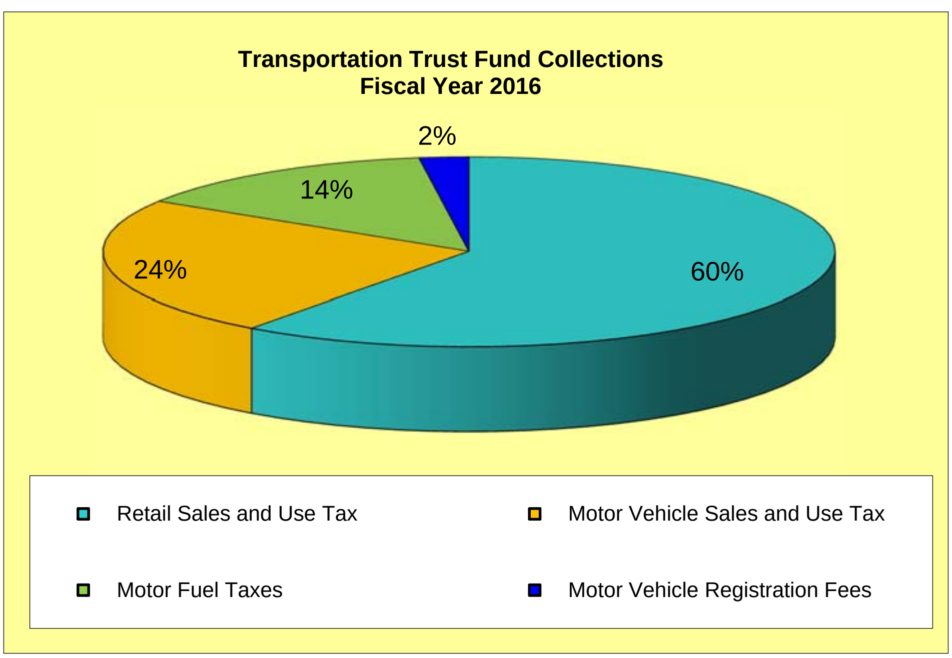


TABLE 2 - NET TRANSFERS TO THE COMMONWEALTH PORT FUND

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 2007 through 2016. The net transfers to the Income Account ("Primary Income") are pledged to the payment of bonds issued under the Bond Resolution.

Fiscal Year	Allocation(1)	(+)	Interest Earned(2)	(—)	Indirect Expenses(2)	(=)	Net Transfers
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
2014	37,340,888		226,124		-		37,567,012
2015	39,640,666		291,495		-		39,932,161
2016	41,481,432		277,242		-		41,758,674

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

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

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

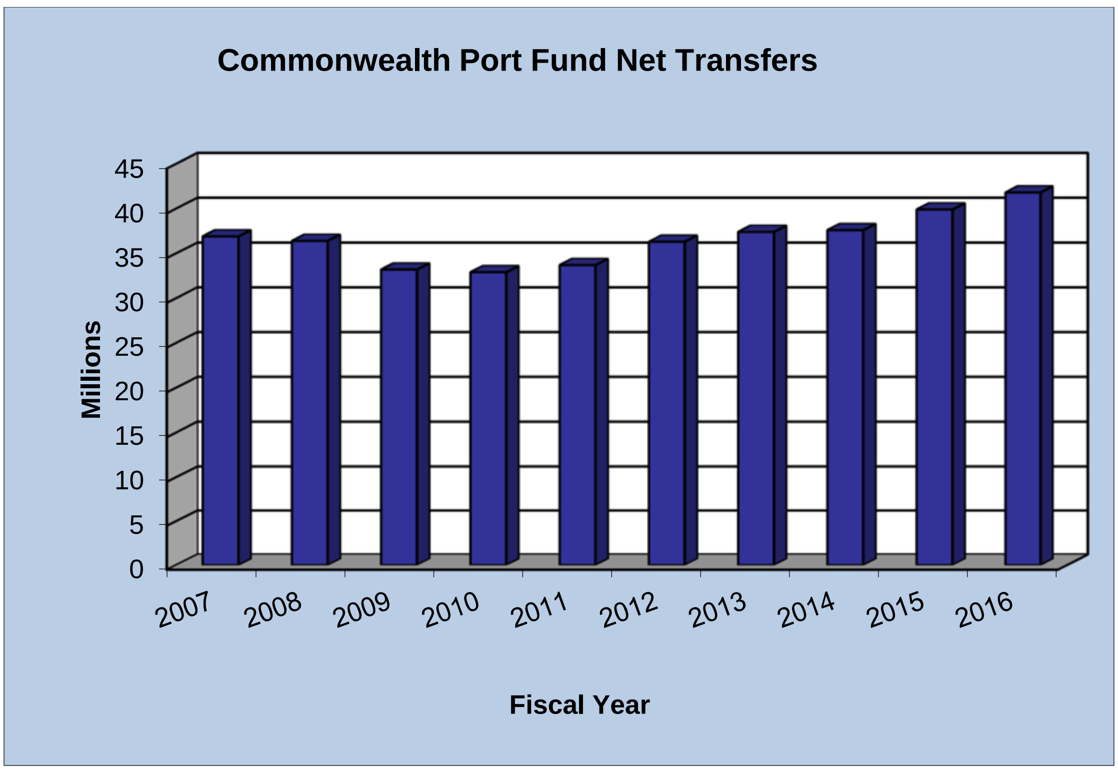


TABLE 3 - DEBT SERVICE REQUIREMENTS AND COVERAGE

Debt Service Requirements

The following table sets forth for the periods ending each June 30, the amounts required to be deposited into debt service accounts 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 2011 (the "2011 Bonds"), outstanding Commonwealth Port Fund Revenue Bonds, Series 2012, outstanding Commonwealth Port Fund Revenue Refunding Bonds, Series 2012B and 2012C and the outstanding Commonwealth Port Fund Revenue Bonds, Series 2015.

Fiscal Year Ending June 30,	Series 2011 Bonds Debt Service	Series 2012 Bonds Debt Service	Series 2012-B Bonds Debt Service	Series 2012-C Bonds Debt Service	Series 2015 Bonds Debt Service	Total Bonds Debt Service*
	Total	Total	Total	Total	Total	Total
2017	$2,868,500	$9,056,183	$3,868,198	$ 224,150	$2,934,000	$18,951,031
2018	2,868,500	9,060,858	3,868,732	224,150	2,934,000	**18,956,240**
2019	2,868,500	9,057,183	3,869,700	224,150	2,934,000	18,953,533
2020	2,868,500	9,059,999	3,862,824	224,150	2,934,000	18,949,473
2021	2,868,500	9,054,463	3,870,619	224,150	2,934,000	18,951,732
2022	2,868,500	9,059,515	3,865,973	224,150	2,934,000	18,952,138
2023	2,868,500	9,052,182	3,868,732	224,150	2,934,000	18,947,564
2024	2,868,500	9,056,657	3,868,225	224,150	2,934,000	18,951,532
2025	2,868,500	9,056,269	3,868,985	224,150	2,934,000	18,951,904
2026	2,868,500	9,054,741	3,868,710	224,150	2,934,000	18,950,101
2027	2,868,500	9,054,756	3,866,680	224,150	2,934,000	18,948,086
2028	5,433,500		3,867,516	224,150	9,184,000	18,709,166
2029	5,430,250		3,037,707	1,004,150	9,241,500	18,713,607
2030	5,425,750			4,215,750	9,070,500	18,712,000
2031	9,709,750				9,001,500	18,711,250
2032	9,712,500				1,599,000	11,311,500
2033	9,712,000				1,599,000	11,311,000
2034	9,712,500				1,599,000	11,311,500
2035	9,713,000				1,599,000	11,312,000
2036	9,712,500				1,599,000	11,311,500
2037					9,019,000	9,019,000
2038					9,018,000	9,018,000
2039					9,018,500	9,018,500
2040					9,019,500	9,019,500

*Does not include the Refunded Bonds

Debt Service Requirements are shown in the graph below:

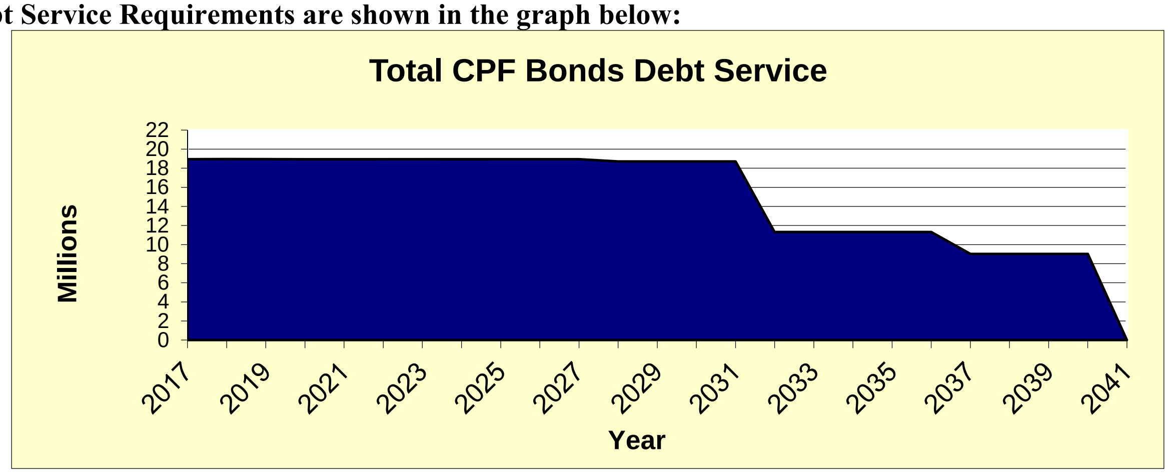


TABLE 3 - DEBT SERVICE REQUIREMENTS AND COVERAGE - continued

Debt Service Coverage

Coverage of maximum annual debt service on the 2011, 2012 and 2015 Bonds by Commonwealth Port Fund Primary Income for the fiscal year ended June 30, 2016 is shown below:

Commonwealth Port Fund Primary Income for the fiscal year ended June 30, 2016	$41,758,674
Maximum Annual Debt Service (FY 2018)	$18,956,240
Pro Forma Maximum Annual Debt Service Coverage	2.20

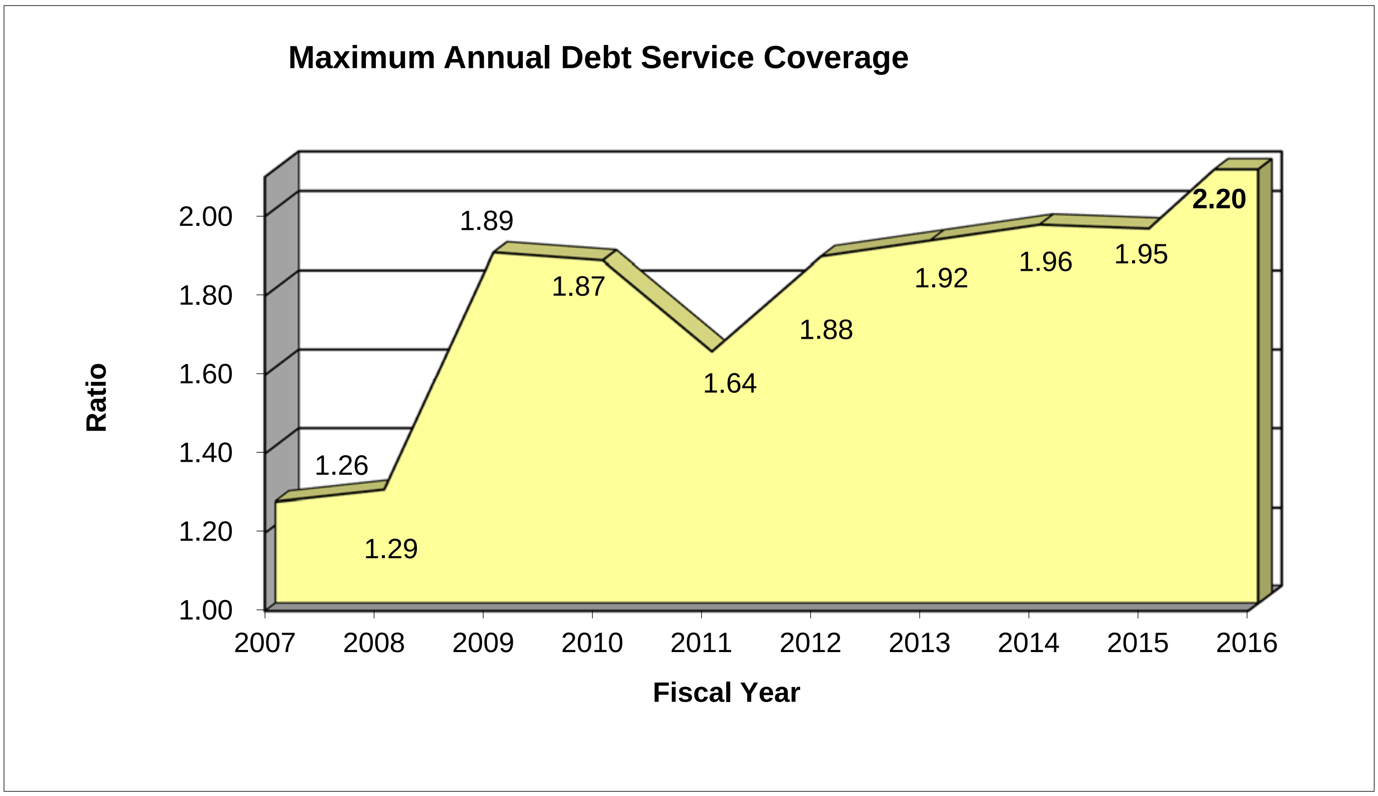


TABLE 4 - AUTHORITY REVENUES AND EXPENSES

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

Fiscal Year	2012	2013	2014	2015	2016
Special Fund	$91,187,281	$101,471,234	$88,460,520	$104,269,515	$127,743,936
Commonwealth Port Fund	39,567,591	36,407,247	39,731,544	38,717,385	41,481,608
General Fund and Other	16,308,868	9,900,445	2,201,158	3,975,966	11,730,181
Total Revenues	147,063,740	147,778,926	130,393,222	146,962,866	180,955,725
Expenses					
Economic Development Services:					
National & International Trade Services	3,968,242	3,439,495	2,809,353	3,752,130	3,453,741
Commerce Advertising	559,698	469,076	319,643	415,028	352,525
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	19,799,331	9,773,168	7,953,557	8,929,426	11,073,508
Port Facilities Planning	1,010,574	1,127,590	1,641	-	(118)
Debt Service for Port Facilities	49,920,920	52,319,515	35,902,767	46,656,033	41,141,983
Financial Assistance for Port Activities:					
Agency Service Fee	-	94	160	193	-
Aid to Local Ports	1,101,807	720,869	390,189	877,113	1,684,863
Payment in Lieu of Taxes	1,094,329	1,138,819	1,524,353	960,345	1,118,955
Administration & Support Services:					
General Management & Direction	6,824,650	6,492,465	6,739,974	8,736,079	20,203,715
Facility Rental	39,786,987	46,780,747	52,224,628	56,383,151	55,525,236
Security Services	14,280,805	13,188,697	8,317,511	8,908,378	9,236,985
Total Operating Expenditures	138,347,343	135,450,535	116,183,776	135,617,876	143,791,393
Funds Available for Capital Projects	$ 8,716,397	$ 12,328,391	$ 14,209,446	$ 11,344,990	$37,164,332

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)

	2011	2012	2013	2014	2015
Exports					
Paper and Paperboard	925,574	1,070,721	1,069,168	976,840	901,543
Wood Pulp	545,493	699,825	843,103	864,696	758,466
Logs and Lumber	511,124	584,624	638,178	770,646	852,913
Soybeans and Products	311,957	508,371	813,475	758,695	844,039
Pet and Animal Feeds	207,270	215,322	289,134	390,139	502,409
Imports					
Furniture	397,934	479,352	524,312	551,034	583,881
Auto Parts	366,673	479,586	471,108	511,662	487,757
Paper and Paperboard	175,400	219,207	194,110	219,032	202,032
Metal ware	140,692	202,859	222,982	241,527	297,466
Plastic Products	201,062	207,873	254,282	287,536	274,003

* 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

TABLE 5 - CARGO DATA - continued

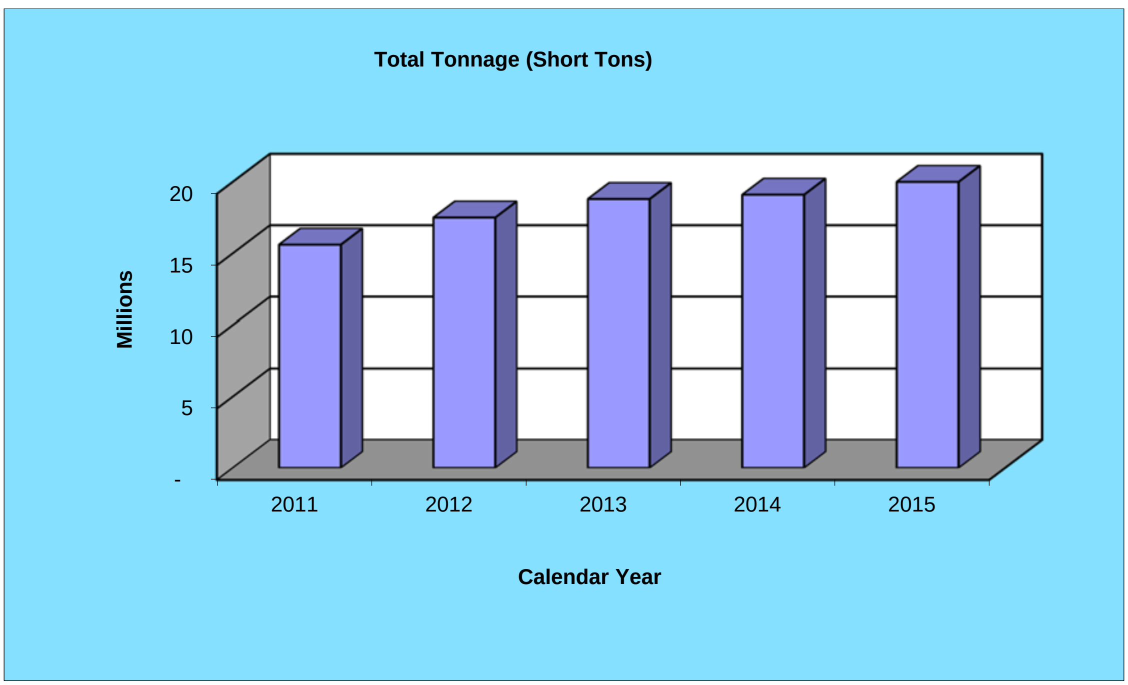
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

	2011	2012	2013	2014	2015
Breakbulk	347,558	372,144	336,060	328,060	295,719
Container	15,268,380	17,155,583	18,504,243	18,733,342	19,681,988
Total Tons	15,615,938	17,527,727	18,840,303	19,061,402	19,977,707

* 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



VIRGINIA PORT AUTHORITY

CONTINUING DISCLOSURE AGREEMENT

ANNUAL REPORT
(unaudited)

FOR FISCAL YEAR ENDED

JUNE 30, 2016

PORT FACILITIES REVENUE REFUNDING BONDS, SERIES 2010

PORT FACILITIES REVENUE REFUNDING BONDS, SERIES 2013

PORT FACILITIES REVENUE REFUNDING BONDS, SERIES 2015A

PORT FACILITIES REVENUE REFUNDING BONDS, SERIES 2015B

BASE CUSIP NUMBER: 928077

VIRGINIA PORT AUTHORITY

Continuing Disclosure Agreement
Annual Report

For Fiscal Year Ended
June 30, 2016

Port Facilities Revenue Refunding Bonds, Series 2010
Port Facilities Revenue Refunding Bonds, Series 2013
Port Facilities Revenue Refunding Bonds, Series 2015A
Port Facilities Revenue Refunding Bonds, Series 2015B

Table of Contents

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

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

Fiscal Year	2012	2013	2014	2015	2016
Special Fund	$91,187,281	$101,471,234	$88,460,520	$104,269,515	$127,743,936
Commonwealth Port Fund	39,567,591	36,407,247	39,731,544	38,717,385	41,481,608
General Fund and Other	16,308,868	9,900,445	2,201,158	3,975,966	11,730,181
Total Revenues	147,063,740	147,778,926	130,393,222	146,962,866	180,955,725
Expenses					
Economic Development Services:					
National & International Trade Services	3,968,242	3,439,495	2,809,353	3,752,130	3,453,741
Commerce Advertising	559,698	469,076	319,643	415,028	352,525
Port Facilities Planning, Maintenance, Acquisition & Construction:					
Maintenance and Operation of Port Facilities	19,799,331	9,773,168	7,953,557	8,929,426	11,073,508
Port Facilities Planning	1,010,574	1,127,590	1,641	-	(118)
Debt Service for Port Facilities	49,920,920	52,319,515	35,902,767	46,656,033	41,141,983
Financial Assistance for Port Activities:					
Agency Service Fee	-	94	160	193	-
Aid to Local Ports	1,101,807	720,869	390,189	877,113	1,684,863
Payment in Lieu of Taxes	1,094,329	1,138,819	1,524,353	960,345	1,118,955
Administration & Support Services:					
General Management & Direction	6,824,650	6,492,465	6,739,974	8,736,079	20,203,715
Facility Rental	39,786,987	46,780,747	52,224,628	56,383,151	55,525,236
Security Services	14,280,805	13,188,697	8,317,511	8,908,378	9,236,985
Total Operating Expenditures	138,347,343	135,450,535	116,183,776	135,617,876	143,791,393
Funds Available for Capital Projects	$ 8,716,397	$ 12,328,391	$ 14,209,446	$ 11,344,990	$37,164,332

TABLE 2 - VIT REVENUES AND EXPENSES

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

Fiscal Year	2012	2013[2]	2014	2015	2016
Revenues:					
Operating	$297,835,649	$339,460,135	$383,714,148	$440,841,866	$439,087,836
Nonoperating	873,907	(148,527)	224,937	17,678	70,380
Gross Revenues	298,709,556	339,311,608	383,939,085	440,859,544	439,158,216
Expenses:					
Operating & Maintenance Expenses	$172,705,671	$215,133,442	$259,952,652	$280,794,678	$275,590,553
Administrative Expenses	32,698,897	27,510,957	29,373,020	34,145,101	42,808,794
Total Expenses	205,404,568	242,644,399	289,325,672	314,939,779	318,399,347
Income Before Transfers and Contributions[1]	$93,304,988	$96,667,209	$94,613,413	$125,919,765	$120,758,869

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.

(2) Due to a change in accounting principle FY 2013 has been restated to reflect the change.

TABLE 3- OPERATING RESULTS AND DEBT SERVICE COVERAGE

	FY 2012	FY 2013	FY2014	FY2015	FY2016
Virginia International Terminals					
VIT Gross Receipts	$285,172,289	$319,328,898	$312,014,454	$356,486,579	$420,225,842
VIT Current Expenses	(197,617,574)	(222,110,006)	(223,495,865)	(258,033,599)	(304,119,912)
VIT CE Reserve (Deposit)/Withdrawal	1,562,000	-	2,595,997	3,450,564	(4,652,679)
VIT Deposits to CEMA	(4,701,389)	(4,635,516)	(9,243,097)	(7,215,154)	(8,689,854)
Fixed Asset Proceeds/ Expense Credit	385,738	(768,363)	(733,364)	(673,155)	(335,823)
VIT Net Revenue	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Virginia Port Authority					
VPA Gross Revenues					
VIT Net Revenue	84,801,064	91,815,013	81,138,125	94,015,235	102,427,574
Other Income	6,357,859	8,881,695	6,924,491	7,990,753	25,310,365
Interest Income	28,359	98,956	9,066	140,228	5,998
Total VPA Gross Revenues	91,187,282	100,795,664	88,071,682	102,146,216	127,743,937
VPA Current Expenses	(65,269,973)	(70,046,960)	(72,577,974)	(78,801,935)	(93,003,181)
VPA Net Revenues	25,917,309	30,748,704	15,493,708	23,344,281	34,740,756
VPA CPF for O & M	4,032,026	3,704,328	4,337,882	3,764,820	4,408,734
Debt Service Coverage					
Port Facilities Revenue Bonds Net Debt Service	17,389,491	17,571,928	15,113,582	13,332,637	16,984,789
Pledged Net Revenues	30,618,698	35,384,220	24,736,804	30,559,435	43,430,610
Pledged Adjusted Net Revenues	34,650,724	39,088,547	29,074,686	34,324,255	47,839,344
Pledged Net Revenue Coverage	1.76	2.01	1.64	2.29	2.56
Pledged Adjusted Net Revenue Coverage	1.99	2.22	1.92	2.57	2.82

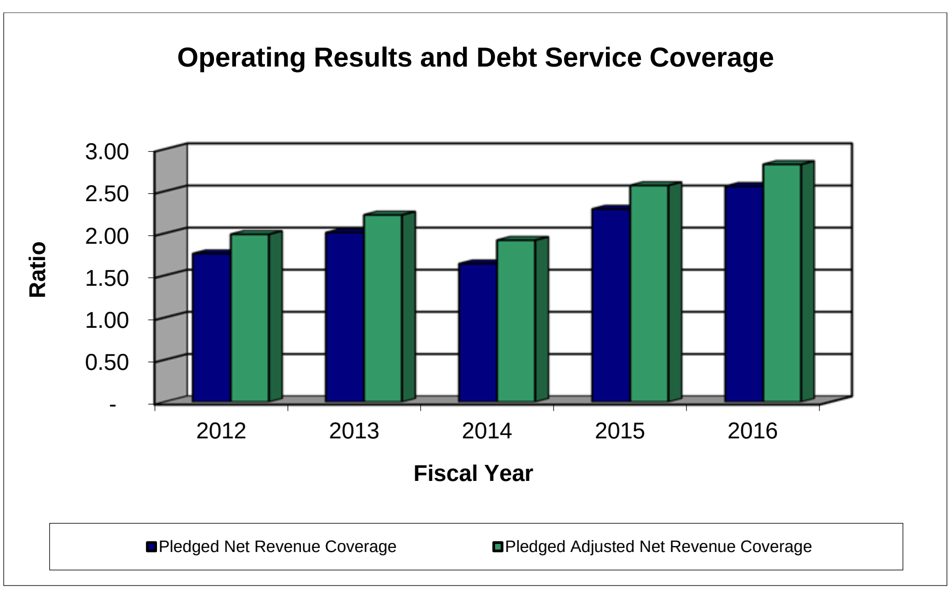


TABLE 4 - DEBT SERVICE REQUIREMENTS

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 deposited into debt service accounts 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 Refunding Bonds, Series 2010, Port Facilities Revenue Refunding Bonds, Series 2013 and Port Facilities Revenue Refunding Bonds, Series 2015A & 2015B.

Year Ending June 30,	Series 2010 Debt Service	Series 2013 Debt Service	Series 2015A Debt Service	Series 2015B Debt Service	Total Debt Service
2017	$ 4,822,719	$ 3,288,652	$ 4,256,500	$ 6,042,284	$ 18,410,155
2018	4,823,969	3,287,680	4,256,500	6,051,425	18,419,574
2019	4,823,113	3,294,700	4,256,500	6,044,890	18,419,203
2020	4,822,613	3,289,403	4,256,500	6,046,808	18,415,324
2021	4,820,813	3,292,097	4,256,500	6,044,691	18,414,101
2022	4,822,563	3,292,473	4,256,500	6,051,314	18,422,850
2023	4,824,563	3,290,532	4,256,500	6,044,348	18,415,943
2024	4,822,163	3,291,274	4,256,500	6,041,502	18,411,439
2025	4,822,481	3,289,543	4,256,500	6,041,252	18,409,776
2026	4,819,875	3,285,341	4,256,500	6,050,391	18,412,107
2027	4,821,900	3,293,666	4,256,500	6,040,100	18,412,166
2028	4,823,325	10,144,056	4,256,500		**19,223,881**
2029	4,823,950		13,171,500		17,995,450
2030	4,823,375		13,170,750		17,994,125
2031	4,821,750		13,167,750		17,989,500
2032	4,823,750		13,171,500		17,995,250
2033	4,823,250		13,170,500		17,993,750
2034	4,820,000		13,173,750		17,993,750
2035	4,823,750		13,174,750		17,998,500
2036	4,823,750		13,172,250		17,996,000
2037	4,819,750				4,819,750
2038	4,821,500				4,821,500
2039	4,823,250				4,823,250
2040	4,819,500				4,819,500

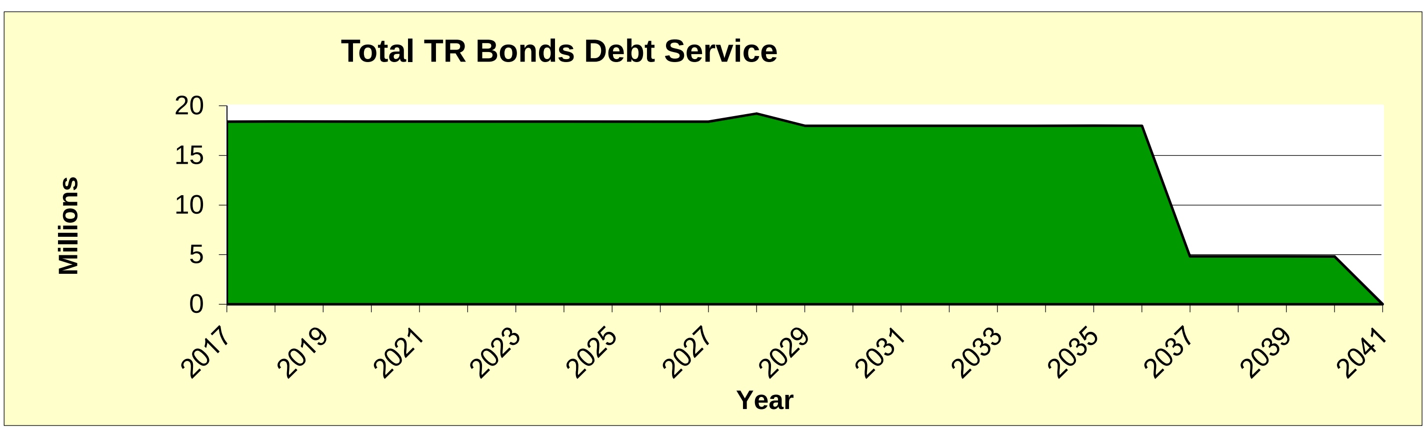


TABLE 5 - CARGO DATA

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)

	2011	2012	2013	2014	2015
Exports					
Paper and Paperboard	925,574	1,070,721	1,069,168	976,840	901,543
Wood Pulp	545,493	699,825	843,103	864,696	758,466
Logs and Lumber	511,124	584,624	638,178	770,646	852,913
Soybeans and Products	311,957	508,371	813,475	758,695	844,039
Pet and Animal Feeds	207,270	215,322	289,134	390,139	502,409
Imports					
Furniture	397,934	479,352	524,312	551,034	583,881
Auto Parts	366,673	479,586	471,108	511,662	487,757
Paper and Paperboard	175,400	219,207	194,110	219,032	202,032
Metal ware	140,692	202,859	222,982	241,527	297,466
Plastic Products	201,062	207,873	254,282	287,536	274,003

* 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

TABLE 5 - CARGO DATA – continued

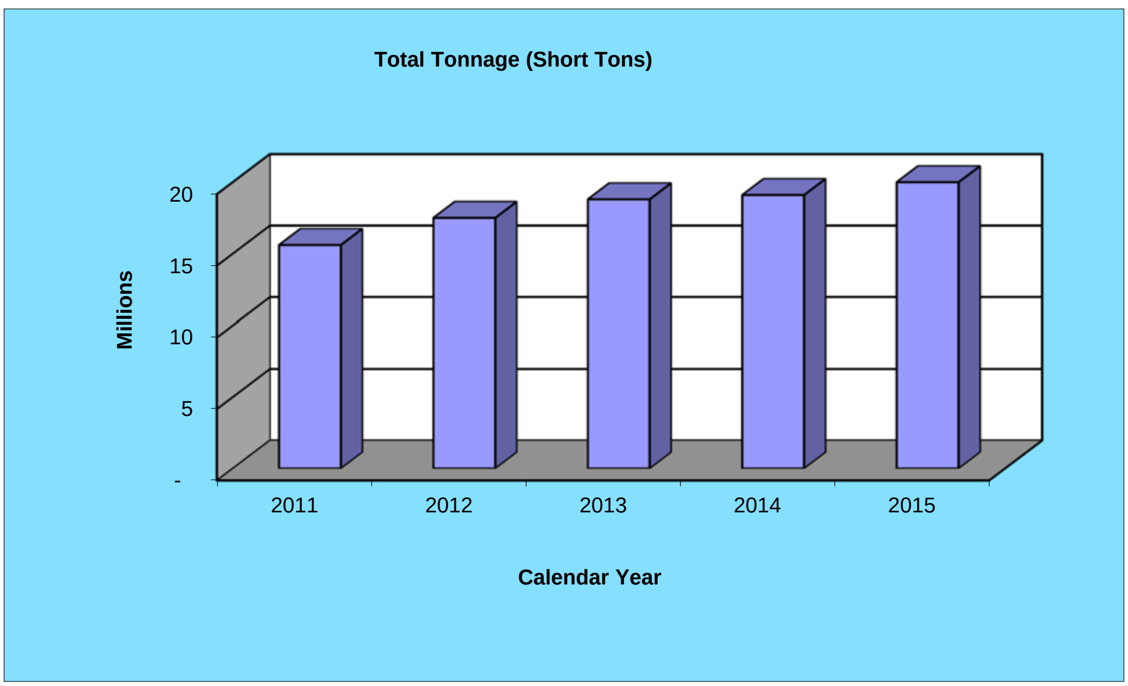
Presented below is information concerning volume of general cargo handled at all facilities that comprise the Port of Virginia.

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

	2011	2012	2013	2014	2015
Breakbulk	347,558	372,144	336,060	328,060	295,719
Container	15,268,380	17,155,583	18,504,243	18,733,342	19,681,988
Total Tons	15,615,938	17,527,727	18,840,303	19,061,402	19,977,707

* 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



(This page left blank intentionally)

(This page left blank intentionally)

VIRGINIA PORT AUTHORITY

600 World Trade Center
Norfolk, VA 23510